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**Community & Economic Development &  
Trade Committee**

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**2SSB 6790**

**Brief Description:** Concerning cluster and innovation partnership zone grants.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Kastama).

**Brief Summary of Second Substitute Bill**

- Makes the requirement for the Department of Commerce to work on sector- and cluster-based strategies and related activities subject to appropriation of funds.
- Modifies the purpose, eligible activities, advisory partners and grant amounts for the competitive industry cluster grant program.
- Removes the requirement that the Department of Commerce promote, market and encourage growth in the production of films, videos and television commercials.

**Hearing Date:** 2/18/10

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

*Innovation Partnership Zones.*

The Innovation Partnership Zone (IPZ) program was created by statute in 2007 to encourage and support research institutions, workforce training organizations, and globally-competitive companies to work cooperatively in close geographic proximity to create commercially viable products and jobs. The director of the Department of Commerce (Department) designates IPZs through a competitive biennial application process. The IPZ administrator must be a city, county, workforce development council, port, or economic development council. IPZs are designated for a four-year period. There are currently 12 IPZs operating in the state. By December 1, 2010, the Department must submit an initial progress report on the IPZ program.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### *Industry Sectors and Clusters.*

In its 2008 report "Skills for the Next Washington," the Workforce Training and Education Coordinating Board (WTB) described and differentiated industry sectors from clusters. A sector is a group of firms with similar business products, services, or processes. Examples are aerospace, agriculture, and marine services. A cluster is a geographically concentrated, inter-related group of firms and other entities that do business with each other. The wine industry cluster in Walla Walla, for example, includes wineries, grape growers, banks, restaurants, hotels, and the community college's enology and viticulture programs.

### *Department of Commerce Industry Sector and Cluster Program.*

Under current law, the Department is required to work with a variety of organizations to develop industry sector-based strategies. The Department may target industry sectors including but not limited to aerospace, agriculture, food processing, and forest products. The Department must also assist in developing cluster-based strategies. The Department must promote, market and encourage growth in the production of films, videos and television commercials.

Current law requires the Department to undertake several activities to assist in development of cluster-based strategies. One of these is to administer a competitive grant program to fund economic development activities that further regional cluster growth. The Department is to work with an industry cluster advisory committee, made up of equal representation from the Washington Economic Development Commission (Commission), the WTB, the State Board for Community and Technical Colleges, the Employment Security Department, business and labor. The role of the advisory committee is to recommend application criteria and applicants for grant awards. Applicants must include organizations from at least two counties and participants from the local business community. Eligible organizations include, but are not limited to local governments, economic development councils, chambers of commerce, federally recognized Indian tribes, workforce development councils, and educational institutions. Eligible activities include: formation of cluster partnerships, research and analysis of cluster needs, development and implementation of a plan to meet cluster needs. The grant maximum is \$100,000, except that a maximum of \$100,000 can be awarded to King, Pierce, Kitsap and Snohomish counties combined.

### **Summary of Bill:**

The requirement that the Department work on industry sector-based strategies, cluster-based strategies, and related activities, including the competitive grant program, is made subject to appropriation of funds for these purposes.

The requirement that the Department promote, market and encourage growth in the production of films, videos and television commercials is removed.

Subject to appropriations of funds, the Department must promote industry cluster involvement in the application process and work of IPZs.

With respect to the grant program, its purpose is expanded to include integrating the Department's support for sector- and cluster-based strategies with its support for IPZs. The

Industry Cluster Advisory Committee is removed and the Department is to work instead with the Commission and the WTB on criteria for awarding grants. Eligible applicants and activities currently in statute are removed. There is no explicit replacement list of eligible applicants. Eligible activities are to include: formation of sector or cluster associations; identifying or meeting the technology and commercialization needs of clusters, sectors, or IPZs; facilitating working relationships between clusters, sectors, and IPZs; and expanding IPZ operations. The maximum grant amount is \$75,000 rather than \$100,000. The limitation of \$100,000 in combined grants to King, Pierce, Kitsap, and Snohomish counties is removed. Grant recipients must provide matching funds equal to the amount of the grant.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.