

HOUSE BILL REPORT

HB 1884

As Reported by House Committee On:
Community Development & Housing

Title: An act relating to the economic development commission.

Brief Description: Concerning the economic development commission.

Sponsors: Representatives Kenney and Finn.

Brief History:

Committee Activity:

Community Development & Housing: 2/14/11, 2/16/11 [DPA].

Brief Summary of Amended Bill

- Clarifies the intent, purpose, duties, and authorities of the Washington Economic Development Commission (Commission).
- Modifies provisions related to the Commission membership, staff, budget, and other administrative matters.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

Staff: Jennifer Thornton (786-7147).

Background:

In 2002 Governor Locke created the Washington Economic Development Commission (Commission) through executive order as a means for business and labor leaders to assist in the improvement and development of the state's economy. The following year, the Legislature established the Commission in statute as an advisory body to the Department of Community, Trade and Economic Development, now the Department of Commerce (Department). In 2007 the Legislature revised the statutory structure, policy role, and responsibilities of the Commission. The Commission's funding has historically flowed

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.

through the Department. The Commission does not have specific authorization to solicit funds from non-state sources.

Membership and Staff.

The Commission has 18 members in total. Eleven are voting members appointed by the Governor to three-year terms, including: six members from the private sector; one from labor; one from port districts; one from state public higher education; one from state community or technical colleges; and one from associate development organizations. Seven are ex officio, nonvoting members including the Director of the Department, the Director of the Workforce Training and Education Coordinating Board, the Commissioner of the Employment Security Department, and the chairs and ranking minority members of the standing economic development committees of the House of Representatives and the Senate. The Commission's Executive Director is appointed by the Governor with the consent of the Commission's voting members and must administer the provisions of the law, employ necessary personnel, use existing operating agency staff to the fullest extent possible, employ outside consulting agencies as appropriate, and exercise additional powers when delegated by the Commission.

Commission Duties.

The Commission must:

- concentrate its major efforts on planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system;
- develop and maintain a biennial state comprehensive plan for economic development;
- maintain an inventory of state economic development programs; and
- assess the state's economic development needs and assess how well the state's economic development programs are meeting those needs.

Commission Authority, Subject to Available Resources.

The Commission may:

- review the policies and plans established for business and technical assistance, export assistance, and infrastructure development;
- review and make recommendations on budget requests and legislative proposals related to economic development;
- provide for coordination among agencies, organizations, and components of the system at the state and regional levels;
- advocate for the state economic development system and for meeting the needs of industry associations, industry clusters, businesses, and employees;
- create a plan to develop a database on participation rates, costs, program activities, and outcomes from publicly-funded economic development programs;
- administer scientifically-based outcome evaluations of the state economic development system; and
- evaluate proposals and recommend expenditures from the Economic Development Strategic Reserve Account.

Summary of Amended Bill:

Intent and Purpose.

The Legislature's findings are replaced by the following:

- in order to achieve long-term global competitiveness, prosperity, and economic opportunity for all the state's citizens, Washington must be the most attractive, creative, and fertile investment environment for innovation in the world; and
- the state must take a strategic approach to fostering an innovation economy, and that success will be driven by public and private sector leaders committed to advocating a shared vision and collaboration.

The Commission is established to assist the Governor and the Legislature by providing leadership, direction, and guidance on a long-term and systematic approach to economic development.

Membership and Staff.

The Commission's total membership is increased to 23. The additional five members include two representatives of the private sector, one representative with expertise in international trade, the Secretary of the Department of Transportation, and a second representative of labor. The 15 members appointed by the Governor are voting members. Commission members may not designate alternates, substitutes, or surrogates; however, member participation in meetings by teleconference-type communications equipment constitutes presence at the meeting. In appointing Commission members, the Governor must consult with the Commission. Provisions related to term limits, staggered terms, and vacancies are included. The vice-chair may not be a legislator or executive branch agency director, and will be elected by Commission members.

The Executive Director's salary must be set by the Governor with the consent of the Commission, and the Commission must evaluate the Executive Director's performance. Subject to available resources, and in accordance with Commission direction, the Executive Director must carry out duties, including hiring exempt and civil service employees and contracting out for technical expertise. The Executive Director must implement a hiring process for a research manager, and recommend to the Commission for the final hiring decision, a qualified candidate by October 1, 2011. The research manager must be hired using existing resources. Requirements pertaining to budgets, work plans, and fiscal reports are added. The Executive Director must report on Commission operational matters solely to the Governor and the Commission.

Commission Duties.

The Commission must concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration. By January 31 of each odd-numbered year, the Commission must submit to the Governor and the Legislature a biennial comprehensive statewide economic development strategy containing specified information with a report on progress from the previous comprehensive strategy.

The Commission is directed to consult with relevant state agencies, private sector businesses, nonprofit organizations involved in economic development, trade associations, and relevant local organizations when developing the strategy. State agencies must provide information to the Commission as it reasonably requests.

The requirements to maintain an inventory of state economic development programs, assess the state's economic development needs, and assess how well the state economic development programs are meeting those needs are removed. However, an inventory and recommendations may be included in the comprehensive statewide economic development strategy.

To maintain its objectivity and focus, the Commission may not take an administrative role in the delivery of services. The Commission must evaluate its own performance on a regular basis.

Commission Authority, Subject to Available Resources.

Specific coordination and advocacy functions are removed. Subject to available resources, the Governor or the Legislature may direct the Commission to undertake additional research, policy analysis, or special projects.

The date by which the Commission must identify partners and develop a plan for a consistent and reliable database, standards for data collection, and common metrics for program evaluation is moved from January 1, 2011, to October 1, 2012.

Fiscal.

The Commission and its fiscal agent must jointly develop, adopt, and periodically review a memorandum of understanding to outline and establish clear lines of authority and responsibility between them related to budget and administrative services. The fiscal agent may use no more than 10 percent of funds appropriated for personnel costs and no more than 3 percent of funds in the Washington State Economic Development Commission Account for administrative expenses.

The Commission must develop a biennial budget request for the Office of Financial Management (OFM) approval. Consistent with the legislatively-approved budget, the executive director must develop an annual budget and work plan for Commission review and approval, and must present a quarterly fiscal report to the Commission.

The Commission may accept and spend gifts, grants, and contributions from public or private sources. A Commission Account is created in the State Treasury. Moneys in the account may be spent only after appropriation, and only for purposes related to carrying out the mission, roles, and responsibilities of the Commission. The Executive Director must use the unanticipated receipts process to request authority from the OFM to spend money not anticipated in the legislatively-approved budget.

Amended Bill Compared to Original Bill:

The Commission's representative of a nonprofit trade association engaged in economic development is replaced by a representative with expertise in international trade.

The research manager must be hired within the existing resources of the Commission.

A reference to a required annual update is removed.

The date currently in statute for beginning to administer outcome evaluations of January 1, 2012, is retained.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Adding members to the Commission will broaden the perspective. This bill also provides the long-term leadership and guidance needed, and refocuses the Commission's major efforts to do what we greatly need. It cleans up things such as establishing staggered term limits. The Washington Economic Development Association voted earlier today to support this legislation. The optimal economic development strategy is evidence-based. The last time the Commission did an inventory, there was \$3 billion in funding and 143 programs. The budget is constrained, and changes need to be made. They ought to be done in a thoughtful and strategic way. Hiring a research manager makes sense as does calling for an outcome-based assessment. This will have a fiscal impact. The report should come earlier than 2014, given the importance.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Bruce Kendall, Washington Economic Development Association; and Egils Milbergs, Washington Economic Development Commission.

Persons Signed In To Testify But Not Testifying: None.