

# HOUSE BILL REPORT

## SSB 5741

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**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:** Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Kastama and Chase).

**Brief History:**

**Committee Activity:**

Community Development & Housing: 3/10/11, 3/16/11 [DPA].

**Brief Summary of Substitute Bill  
(As Amended by House)**

- 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.

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### 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

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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.*

(Department). In 2007 the Legislature revised the statutory structure, policy role, and responsibilities of the Commission. The Commission's funding has historically flowed 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.

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## **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 24. The additional six members include two representatives of the private sector, one representative of labor, one representative with expertise in international trade, the Secretary of the Department of Transportation, and the Director of the Department of Agriculture. 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. The Executive Director must report on Commission operational matters solely to the Governor and the Commission.

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 responsible for managing data collection, database and evaluation, and recommend a qualified candidate to the Commission by October 1, 2011. The research manager must be hired using existing resources.

### Commission Duties.

The Commission must concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration. By October 1

of each even-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 comprehensive strategy, plans, inventories, assessments, and policy research. 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.

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 Substitute Bill:**

The date by which the Commission must submit its biennial comprehensive statewide economic development strategy to the Governor and Legislature is changed from January 31 of odd-numbered years to October 1 of even-numbered years.

The requirement that the Commission consult, collaborate, and coordinate with relevant entities in the development of the comprehensive economic development strategy is extended to include the development of plans, inventories, assessments, and policy research.

Technical changes are made to clarify activities of the Commission that are required, and those that are allowed, subject to available funding.

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**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) What is taking place in the United States is the realization that it will take a different type of strategy than before to pull out of this economic situation. It requires more emphasis on strategic thinking. Washington came out in front by making the Commission a more independent entity, coming out with a strategy, and recognizing that innovation is the driver for the economy. This bill allows the Commission to solicit additional funds, limits overhead, adds members, and highlights the fact that the Commission needs to analyze economic development programs so Washington can refocus its efforts on things that work. The Commission is in unanimous support of this legislation.

(Opposed) None.

**Persons Testifying:** Senator Kastama, prime sponsor; and Egils Milbergs, Washington Economic Development Commission.

**Persons Signed In To Testify But Not Testifying:** None.