

SENATE BILL REPORT

2SHB 2498

As Reported By Senate Committee On:
International Trade & Economic Development, February 21, 2006
Ways & Means, February 27, 2006

Title: An act relating to cluster-based economic development.

Brief Description: Establishing an industry cluster-based approach to economic development.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Kilmer, Buri, Morrell, Skinner, Green, Linville, McCoy, Moeller, Chase, Rodne, Conway, Haler, Morris, Ericks and Sells).

Brief History: Passed House: 2/10/06, 96-2.

Committee Activity: International Trade & Economic Development: 2/21/06 [DPA-WM, w/oRec].

Ways & Means: 2/24/06, 2/27/06 [DPA(ITED), w/oRec].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Shin, Chair; Sheldon, Vice Chair; Doumit, Eide and Roach.

Minority Report: That it be referred without recommendation.
Signed by Senators Pflug, Ranking Minority Member and Zarelli.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on International Trade & Economic Development.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Parlette, Pflug, Roach and Schoesler.

Staff: Kirstan Arestad (786-7708)

Background: Clusters are groups of complementary, competing, and interdependent industries that drive wealth creation in a region, primarily through export of goods and services. An industry cluster is different from the classic definition of industry sectors

because it represents the entire value chain of a broadly-defined industry from suppliers to end products, including supporting services and specialized infrastructure. Firms in a cluster are more strongly connected to one another by the flow of goods and services within the cluster than the flow linking them to the rest of the economy.

Clusters are characterized by geographic concentration of the related industries within a region and represent a distinct way of organizing economic data and viewing the economy. Viewing a group of companies and institutions as a cluster highlights opportunities for coordination and mutual improvement in areas of common concern without threatening or distorting competition

Summary of Amended Bill: The Department of Community, Trade and Economic Development (CTED) must work with industry and cluster associations and other organizations in the development of industry cluster-based strategies for economic development. CTED is to assist local communities in identifying regional industry clusters and developing industry cluster-based strategies.

A competitive grant program is created to assist communities to fund activities designed to further regional cluster growth. Grant applicants must include organizations from at least two counties, and may include local government, economic development councils, federally recognized Indian tribes, workforce development councils, and educational institutions. Financial participation of the partner organizations is required. Priority will be given to projects which use the grant funds to build linkages and joint projects, to develop common resources and common training, and to develop common research and development projects or facilities .

A grant award may be up to \$100,000 per applicant. A maximum of \$100,000 may go to King, Pierce, Snohomish, and Kitsap counties. No more than 10 percent of funds received for the grant program may be used by CTED for administrative costs.

Amended Bill Compared to Original Bill: The amended bill revises CTED's existing targeted sector statute to focus on industry cluster efforts and adds administering a competitive grant program to CTED's obligations in that statute.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (International Trade & Economic Development): The prosperity partnership provides a model for bringing groups together to support economic development the way this bill does. This will help more rural communities further develop clusters and market the region.

Testimony Against (International Trade & Economic Development): None.

Testimony Other (International Trade & Economic Development):

There should be coordination of the efforts in the bill with the extensive efforts that workforce development entities have been engaged in. Limiting administrative expenses would limit CTED's ability to meet expectations.

Who Testified (International Trade & Economic Development): PRO: Lew McMurrin, WA Software Alliance; Ron Newbry, WA economic Development Assoc.; Bryan Wilson, Workforce Training Board.

OTHER: Bryan Wilson, Workforce Training Board; Marie Sullivan, CTED.

Testimony For (Ways & Means): Sets up a one-time grant program to get state support out to the "grass roots" to do some economic development strategy work. The bill also allows CTED to focus on cluster based strategies which enables us to not just look at individual businesses, but to also look horizontally and vertically, which is really where economic strategy is going today.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Derrick Kilmer, State Representative.