

SENATE BILL REPORT

SB 5759

As of February 26, 2013

Title: An act relating to data collection and operational cost funding for the Washington state economic development commission.

Brief Description: Concerning data collection and operational cost funding for the Washington state economic development commission.

Sponsors: Senators Braun, Chase, Shin, Smith, Schlicher, Holmquist Newbry and Brown.

Brief History:

Committee Activity: Trade & Economic Development: 2/19/13 [DP-WM].
Ways & Means: 2/25/13.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Smith, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Schlicher and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: The Washington Economic Development Commission (Commission). In 2002, Governor Locke created the Commission through executive order. The following year the Legislature established the Commission in statute with the stated intent to have it develop and update the state's economic development strategy and performance measures; and provide advice to and oversight of the Department of Community, Trade, and Economic Development, now the Department of Commerce (Department). In 2007, the Legislature revised the statutory structure, and expanded the policy role and responsibilities of the Commission. In 2011, the Legislature increased the membership in the Commission to 24, with 15 voting members from the private sector, and four legislators and five agency directors serving in a nonvoting ex-officio capacity.

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.

The Commission must concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting collaboration and coordination. The Commission may not take an administrative role in the delivery of services. The executive director must develop an annual budget and work plan. The Commission may accept and spend gifts, grants, and contributions from public or private sources.

The Commission's comprehensive statewide economic development strategy is due by October 1 of every even-numbered year. The Commission must consult with relevant state agencies, private sector businesses, nonprofit organizations involved in economic development, trade associations, and relevant local organizations when developing its strategy, plans, inventories, assessments, and policy research.

The Commission uses a research manager to carry out the Commission's data collection, database, and evaluation functions. The database must include participation rates, costs, program activities, and outcomes from publicly funded economic development programs in the state. State agencies must cooperate with the commission and provide information reasonably requested. The Commission must:

- require a minimum of core data to be collected;
- develop requirements for minimum core data in consultation with the Economic Climate Council, the Office of Financial Management, and economic development service providers;
- establish minimum common standards and metrics for program evaluation and monitor such program evaluations;
- administer scientifically-based outcome evaluations of the state's economic development system, using data from industry surveys and data from the Employment Security Department and the Department of Revenue; and
- evaluate proposals for expenditure from the Economic Development Strategic Reserve Account and recommend expenditures from the account.

The Economic Development Strategic Reserve Account (account). On the advice of the Commission, the Legislature created the account in 2005. The account is funded with one-third of unclaimed prize money from the state lottery. A maximum of \$15 million may be in the account at any time, with any excess being transferred to the Education Construction Account.

The Governor may authorize expenditures from the account with the recommendation of the Director of Commerce and the Commission. Funds must be used to support the Commission. Funds may also be used to attract businesses and prevent business closure or relocation. Authorized uses include funding workforce development, public infrastructure, and other assistance provided contractually with an assurance of job creation or retention.

Funds may not be expended unless the timely procurement of funding from other state sources is not possible and funding is accompanied by, and will not supplant, private investment. Any businesses assisted must produce significant economic benefits, including jobs or higher income, and may not require a continuing state subsidy.

Summary of Bill: A minimum of \$500,000 from the account must be extended annually to cover the operational costs of the Commission.

Contracts with private firms using funds received from the account must specify that the funds must be returned if the terms of the contract are not met.

Data collection plans must be developed by state agencies for programs they operate that are identified by the Commission as providing significant economic development services. The data collection plans must be submitted to the Commission for approval by September 1, 2013, and approved by the Commission by December 31, 2013. Agencies must begin collecting data with their approved plans by January 1, 2014, and must make the data available to the Commission by January 1 and July 1 of each year.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Trade & Economic Development): PRO: The point of the bill is to recognize there is more to do by the Commission. We need solid data to evaluate these programs. We need a data-driven economic development system.

OTHER: The reserve account is a tool for closing deals. It is very flexible. There are concerns about using it for long-term planning. There is no definition on what are significant economic development services. How the date would be used is not clear. This would add to the data reporting that is now required.

Persons Testifying (Trade & Economic Development): PRO: Senator Braun, prime sponsor.

OTHER: Nick Demerice, Department; Kathy Goebel, State Board for Community and Technical Colleges.

Staff Summary of Public Testimony (Ways & Means): PRO: This clarifies the intent of the Commission and account statutes and tightens language related to the payment of contracted services. This provides more tools to evaluate public economic development programs.

CON: The account is a tool for closing deals and there are concerns about using it for long-term planning.

OTHER: We must raise the bar for evaluating economic development programs by validating metrics and measuring outcomes, like job creation.

Persons Testifying (Ways & Means): PRO: Senator Braun, prime sponsor.

CON: Nick Demerice, Dept. of Commerce.

OTHER: Egils Milbergs, WA Economic Development Commission.