

# HOUSE BILL REPORT

## ESHB 1131

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### As Passed House:

March 9, 2009

**Title:** An act relating to the Washington state economic development commission.

**Brief Description:** Concerning the Washington state economic development commission.

**Sponsors:** House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Kenney, Pettigrew, Haler, Ericks, Bailey, Liias, Hasegawa, Hudgins, Darneille, Chase, Dunshee, Kelley, Sullivan and Nelson).

### Brief History:

#### Committee Activity:

Community & Economic Development & Trade: 1/26/09, 2/11/09 [DPS];

General Government Appropriations: 2/25/09 [DPS(CEDT)].

#### Floor Activity

Passed House: 3/9/09, 56-40.

#### Brief Summary of Engrossed Substitute Bill

- Establishes the Washington Economic Development Commission (Commission) as a state agency within the executive branch, and clarifies its purpose.
- Increases private sector Commission membership from six to eight, and requires all to have experience as a Washington employer.
- Modifies provisions related to the Commission quorums, member terms and travel, fiscal services, and other administrative provisions.
- Creates the Economic Development Commission Fund in the State Treasury.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Liias, Probst and Sullivan.

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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.*

**Minority Report:** Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt and Parker.

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

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## HOUSE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Community & Economic Development & Trade be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Darneille, Chair; Takko, Vice Chair; Blake, Dunshee, Hudgins, Kenney, Pedersen, Sells, Van De Wege and Williams.

**Minority Report:** Do not pass. Signed by 4 members: Representatives McCune, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Armstrong and Short.

**Staff:** Steve Smith (786-7178)

### **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. In 2003 the Legislature established the Commission in statute as an advisory body to the Department of Community, Trade and Economic Development (DCTED). In 2007 the Legislature made significant revisions to the structure, policy role and responsibilities of the Commission through passage of Second Substitute Senate Bill 5995.

### Current Commission Structure.

The Commission is an independent state body with 11 voting members appointed by the Governor for three-year terms. Voting members include: 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. Non-voting, ex officio members include: the Director of the DCTED, 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 State House of Representatives and the Senate. The chair of the Commission is a voting member selected by the Governor with the consent of the Senate. The Executive Director of the Commission is appointed by the Governor with the consent of the voting members of the Commission. The Executive Director may appoint additional staff with the Commission's consent, employ outside consultants when appropriate, and use staff of existing operating agencies.

### Current Commission Duties.

The Commission is established to oversee the economic development strategies and policies of the DCTED. 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 on a biennial basis a state comprehensive plan for economic development; identify the elements local associate development organizations must include in their countywide economic development plans; and review the state system for consistency with the state comprehensive plan;
- establish and maintain an inventory of programs of the state economic development system and related state programs; perform a biennial assessment of the ongoing and strategic economic development needs of the state; and assess the extent to which the system and its programs are a consistent and efficient approach to meet the state's needs;
- beginning no later than January 1, 2012, periodically administer scientifically-based outcome evaluations of the state economic development system;
- report to the Legislature and the Governor on the appropriate state role in economic development and the appropriate administrative regional structure for the provision of economic development services; and
- produce a biennial report to the Governor and the Legislature on its progress coordinating the state's economic development system and meeting their other obligations and duties. The report may include any recommendations for statutory changes necessary to enhance the operational efficiencies and improve coordination.

In addition, the Commission may, subject to available funding:

- periodically review the policies and plans established for business and technical assistance, export assistance, and infrastructure development;
- review and make recommendations to the Office of Financial Management (OFM) and the Legislature on budget requests and legislative proposals relating to the state economic development system;
- provide for coordination among the different agencies, organizations and components of the state economic development 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;
- by January 1, 2011, identify partners and create a plan to develop a consistent and reliable database on participation rates, costs, program activities, and outcomes from publicly-funded economic development programs in the state; and
- evaluate proposals and make recommendations for expenditures from the Economic Development Strategic Reserve Account.

### **Summary of Engrossed Substitute Bill:**

The Commission is established as a state agency within the executive branch. Its purpose is to provide the Governor and the Legislature with policy analysis, strategic planning, program evaluation and monitoring of the state's economic development system. Its purpose is not to oversee the strategies and policies of the DCTED or to take an administrative role in the delivery of services. The Commission is required to consult, collaborate, and coordinate with other agencies to avoid duplication of effort.

Initial commissioner appointments are staggered, with four of the terms expiring in 2010, four in 2011, and three in 2012. Thereafter, all terms will last three years. Members are limited to two full consecutive terms, with vacancies filled in the same manner as the original appointment.

Private sector membership on the Commission is increased from six to eight. All private sector members must have experience as an employer in Washington. A majority of members currently appointed constitutes a quorum. The Commission members are eligible for travel reimbursement. The Governor sets the executive director's salary, subject to the Commission's consent.

The Economic Development Commission Fund (Commission Fund) is created in the State Treasury. The Commission is authorized to accept gifts, grants, contributions from external sources and to expend the funds for purposes consistent with the statute. Money can only be spent after appropriation and for purposes related to the Commission's mission, role and responsibilities. The Commission is subject to state audits. The Commission is directed to use the "unanticipated receipts" process for authorization to spend moneys received but not anticipated in legislatively-approved budgets, and to use the Small Agency Client Services with the OFM for its budget and accounting needs. The Executive Director must present quarterly fiscal reports to the Commission.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony** (Community & Economic Development & Trade):

(In support) This current economic downturn shows the importance of preparing carefully for the future economic well-being of our state. The Commission can play a major role in helping shape the "Next Washington." The Commission should be an independent voice, not captive of the executive or legislative branches, and should be able to speak freely as it focuses on the medium and long-term economy. It is good to remove the Commission oversight from the DCTED, and clarify the breadth of the Commission's mission. The Senate consent of the chair should be retained, as well as the Commission's consent regarding the hiring and salary of the executive director. These roles allow for a higher level of credibility and independence.

(With concerns) Three-year commissioner terms should be established, but it is recommended that they be staggered. The language prohibiting the Commission from "operating programs" is concerning. What is the definition of "program?" The Commission should not be in the business of running programs, but this vague language could eliminate funding for anything other than convening meetings. There could be unintended consequences of restricting the Commission's spending authority to legislative appropriations.

(Opposed) None.

**Staff Summary of Public Testimony (General Government Appropriations):**

(In support) Economic conditions are continuing to deteriorate in our state and to affect the state's communities and families, and There are some very big gaps to fill in the short-term. While there may be stimulus relief to help us through this, it is very important to prepare for the long-term, economic well-being of the state by designing a strategic economic development plan that has assistance for businesses state-wide. This bill will strengthen the Commission further by clarifying its purpose and by opening up financial opportunities such as grants and private donations to support the needed work, strategic planning and monitoring. The substitute version of this bill adds additional language to clarify legislative oversight of the Commission as well as to clarify the roles and responsibilities of the Commission members and the Executive Director, and help to provide transparency. The Commission supports the bill as currently drafted to make it an independent state agency.

(Opposed) None.

**Persons Testifying (Community & Economic Development & Trade):** (In support) Representative Kenney, prime sponsor.

(With concerns) Bruce Kendall and Egils Milbergs, Washington State Economic Development Commission.

**Persons Testifying (General Government Appropriations):** Representative Kenney, prime sponsor; and Egils Milbergs, Washington Economic Development Commission.

**Persons Signed In To Testify But Not Testifying (Community & Economic Development & Trade):** None.

**Persons Signed In To Testify But Not Testifying (General Government Appropriations):** None.