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## Community & Economic Development & Trade Committee

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### ESSB 6805

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

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

#### Brief Summary of Engrossed Substitute Bill

- Requires a biennial budget request and annual budget and work plan to be developed by the Washington Economic Development Commission.
- Authorizes the Commission to accept gifts, grants, and other contributions from state and non-state sources, and creates a Commission Account in the custody of the State Treasurer for deposit of these funds.
- Sets limits to the administrative overhead charged by the agency that acts as the Commission's fiscal agent.

**Hearing Date:** 2/18/10

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

#### 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 (DCTED). In 2007 the Legislature revised the statutory structure, policy role, and responsibilities of the Commission.

The Commission is established to oversee the economic development strategies and policies of the DCTED (now the Department of Commerce). The Commission must concentrate its major

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efforts on planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system.

The 2009-11 operating budget for the Department of Commerce (Department) contains \$737,750 in funding for Commission operations and \$3,817,800 for the STARS program. The Department passes this funding through to the Commission using the agency's standard allotment processes and policies. As fiscal agent for the Commission, the Department provides administrative services including budgeting, accounting, payroll, and purchasing services; personnel and employee administration; employee development and training; information technology systems, desktop, and network support; facilities management; public affairs; policy and risk management services; general state government charges; and other miscellaneous support services. For these services, the Department's allotment from the Commission's appropriation is \$125,319, which is an indirect rate of 35 percent calculated against the Commission's total salaries and benefits, or 17 percent against the Commission's total appropriation. In addition, a memorandum of understanding is being established between the Department, the Commission, Washington State University, the Higher Education Coordinating Board, and the University of Washington regarding responsibilities and use of funds under the STARS program.

Under current law, the Commission does not have explicit statutory authority to solicit funds from non-state sources, nor does it have a specific account in the custody of the State Treasurer.

**Summary of Bill:**

The Commission is required to develop a biennial budget request for Office of Financial Management approval and to adopt an annual budget and work plan in accordance with the legislatively-approved omnibus appropriations bill.

The Commission is authorized to accept gifts, grants, donations, sponsorships or contributions from any government or private source and spend these for purposes consistent with this chapter.

A Commission account is created in the custody of the State Treasurer, into which these funds must be deposited. The Commission must receive a proportionate share of the earnings of the account on a monthly basis. State appropriated funds are not to be deposited into this account. The account is subject to allotment procedures but an appropriation is not required for expenditures. Only the Commission or its designee may authorize expenditures from the account. The expenditures may only be used for purposes related to the Commission's mission, roles and responsibilities.

To cover its administrative expenses, the agency that serves as the Commission's fiscal agent is limited to using ten percent or less of the funds appropriated for the Commission's personnel costs and three percent or less of the funds in the Commission's Account.

**Appropriation:** None.

**Fiscal Note:** Requested on 2/15/2010.

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