

HOUSE BILL REPORT

ESSB 6805

As Reported by House Committee On:
Community & Economic Development & Trade

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

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 History:

Committee Activity:

Community & Economic Development & Trade: 2/18/10, 2/22/10 [DPA].

**Brief Summary of Engrossed 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.
- 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 Department of Commerce as the Commission's fiscal agent.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Moeller, Orcutt, Parker and Probst.

Staff: Meg Van Schoorl (786-7105).

Background:

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.

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.

Commission Purpose, Membership, and Staff.

The Commission is established to oversee the economic development strategies and policies of the DCTED. 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 (ADOs). Seven are ex-officio nonvoting members, including the director or commissioner of the Department of Commerce, the Workforce Training and Education Coordinating Board, 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 chair is a voting member selected by the Governor with the consent of 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. The executive director may not chair 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 (State E.D. System). The Commission must: develop and maintain a biennial state comprehensive plan for economic development; identify the elements the ADOs must include in their countywide economic development plans; review the State E.D. System for consistency with the state comprehensive plan; maintain an inventory of State E.D. System programs; assess the state's economic development needs and evaluate the approach of the State E.D. System and programs to meeting the needs; beginning by January 2012, administer scientifically-based outcome evaluations of the State E.D. System; and report on: the appropriate state role in economic development, the appropriate administrative regional structure for economic development services, the Commission's progress coordinating the State E.D. System, and recommended statutory changes to enhance efficiency and coordination.

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 relating to the State E.D. System; 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; by January 2011, create a plan to develop a database on participation rates, costs,

program activities, and outcomes from publicly-funded economic development programs; and evaluate proposals and recommend expenditures from the Economic Development Strategic Reserve Account.

Budget and Administrative Aspects.

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 Entrepreneurial 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 Amended Bill:

Commission Purpose, Membership, and Staff.

The Commission is established to assist the Governor and Legislature by providing leadership, direction, and guidance on a long-term and systematic approach to economic development. The Commission's mission is to create and regularly update a comprehensive statewide economic development strategy to guide the state's investments in economic development activities including infrastructure, talent and workforce development, technology transfer, trade, access to capital, and entrepreneurship.

The Commission's total membership is increased to 23. The additional five members include two representatives of the private sector, one representative of nonprofit trade associations engaged in economic development, the Secretary of the Department of Transportation, and a second representative of labor. One labor representative must be from east of the Cascade crest and one from the west. The voting members of the Commission will be the 15 members appointed by the Governor and the four legislators. The nonvoting members will be the four agency directors. 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. Demonstrated experience in the area of innovation is added as a qualification for Commission membership. Provisions related to term limits, staggered terms, and vacancies are included. The Commission chair must be a voting member elected by other members to a two-year term and may be re-elected

to additional terms. The chair may not be an agency director or legislator. A vice-chair will also be elected by Commission members. The executive director will carry out duties, including hiring exempt and civil service employees and contracting out for technical expertise, subject to available resources and in accordance with Commission direction. Roles and responsibilities related to budgets, work plans, and fiscal reports are added. The executive director must report on Commission operational matters solely to the Governor and the Commission.

Commission Duties.

The Commission must concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration. A detailed list of Commission duties is removed. Instead, the Commission is directed to follow a general timeline and process for developing a biennial comprehensive statewide economic development strategy and annual updates. The strategy may include components such as: an assessment of the state's economic vitality; a common set of outcomes and benchmarks; and recommendations for expanding, discontinuing, redirecting, or adding programs. The Commission must consult and coordinate with relevant organizations to avoid duplication of effort. State agencies must provide information to the Commission as it reasonably requests. The Commission must not take an administrative role in service delivery but may conduct outreach activities such as regional forums and seminars. The Commission must evaluate its own performance regularly.

Commission Authority, Subject to Available Resources.

Subject to available resources, the Governor or Legislature may direct the Commission to undertake research and policy analysis, assessments, or special projects.

Budget and Administrative Aspects.

The Commission and the Department must jointly develop a memorandum of understanding to establish clear lines of authority and responsibility between them related to budget and administrative services.

The Commission must develop a biennial budget request for the Office of Financial Management approval, the Department must forward the request along with its budget package, and the Commission must adopt an annual budget and work plan consistent with the legislatively-approved budget.

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 (account) is created in the custody of the State Treasurer, into which these funds must be deposited. 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 as fiscal agent for the Commission, the Department is limited to using 10 percent or less of the total state funds appropriated in any one year for the

Commission's personnel costs and 3 percent of the nonstate funds in the Commission's account.

Amended Bill Compared to Engrossed Substitute Bill:

The striking amendment retains all of the provisions of the underlying bill, except: (1) in setting limits to administrative charges, the amendment assumes that the state agency serving as the Commission's fiscal agent is the Department; and (2) with respect to interest earned on deposits to the Commission's account, any monthly earnings will be distributed to the State General Fund rather than into the account.

In addition, the striking amendment clarifies the intent, purpose, duties, and authorities of the Commission, and modifies provisions related to the Commission membership, staff, budget, and other administrative matters.

Appropriation: None.

Fiscal Note: Available on ESSB 6805. Requested on striking amendment on 2/22/2010.

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) The Commission endorses the provisions in the Senate bill. We would like to see a reduction in the indirect rate charged by the agency serving as the Commission's fiscal agent. We do not see a conflict between the fiscal provisions in the Senate bill and those in the House bill.

(Opposed) None.

Persons Testifying: Egils Milbergs, Washington Economic Development Commission.

Persons Signed In To Testify But Not Testifying: None.