

HOUSE BILL REPORT

HB 2029

As Reported by House Committee On: Appropriations

Title: An act relating to eliminating the economic development-related agencies, boards, and commissions.

Brief Description: Eliminating economic development-related agencies, boards, and commissions.

Sponsors: Representatives Morris and Hudgins.

Brief History:

Committee Activity:

Appropriations: 4/22/13, 4/23/13 [DPS].

Brief Summary of Substitute Bill

- Eliminates the Washington Economic Development Commission.
- Eliminates Innovate Washington as a state agency, and creates the Innovate Washington Program at the Department of Commerce.
- Changes requirements related to administration of the Washington Global Health Technologies and Product Development Competitiveness Program.
- Eliminates the Washington Tourism Commission from statute.
- Eliminates the Microenterprise Development Program.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Pedersen, Pettigrew, Pike, Ross, Seaquist, Springer and Sullivan.

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 4 members: Representatives Dahlquist, Parker, Schmick and Taylor.

Staff: Wendy Polzin (786-7137) and Jennifer Thornton (786-7147).

Background:

Economic Development Commission.

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, now the Department of Commerce (Department).

The purpose of the Commission is to assist the Governor and Legislature by providing leadership, direction, and guidance on a long-term and systematic approach to economic development that will result in enduring global competitiveness, prosperity, and economic opportunity for all the state's citizens. In 2011 the Legislature directed the Commission to concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration.

The 24-member Commission consists of 15 voting members appointed by the Governor, plus five agency directors and four legislators who serve as nonvoting ex-officio members.

Innovate Washington.

In 2011 the Legislature created Innovate Washington as the successor agency to the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute to serve as the primary state agency focused on growing Washington's innovation-based economy and to respond to the technology transfer needs of existing businesses.

Innovate Washington was created to:

- facilitate research and technology transfer opportunities supportive of state industries;
- provide mechanisms for collaboration between technology-based industries and higher education institutions;
- help businesses secure research funds and develop and integrate technology into new products;
- offer technology transfer and commercialization training opportunities for students;
- serve as the lead entity for coordinating clean energy initiatives; and
- administer technology and innovation grant and loan programs.

Innovate Washington is governed by a 15-member board. The board consists of seven private-sector executives appointed by the Governor, four legislators, the Governor or Governor's designee, the president or designees from the University of Washington and Washington State University, and the Director of the Department.

The Legislature also created the Investing in Innovation Account as a non-appropriated account in the custody of the State Treasurer. Only the Executive Director of Innovate

Washington or the Executive Director's designee may authorize expenditures from the account.

Innovate Washington has a performance agreement with the Innovate Washington Foundation (Foundation) under which the Foundation delivers the services for which Innovate Washington is responsible. The Foundation is governed by a separate board of directors than the board governing Innovate Washington.

Global Health Technologies.

In 2010 the Legislature created the Washington Global Health Technologies and Product Development Competitiveness Program, to be administered by a nonprofit 501 (c)(6) organization with a 10-member board of directors appointed by the Governor. This entity is required to contract with the Department for management services. The board's duties include soliciting funds from businesses, foundations, and the federal government, and making grants for development of global health technologies and products.

Grant award recipients must conduct their research, development, and production activities within Washington, except for clinical trials that must be carried out in developing countries.

The Legislature also created the Washington Global Health Technologies and Product Development Account as a non-appropriated account in the custody of the State Treasurer to be funded with federal and state monies and used to support the grants for global health commercialization efforts.

The board submitted its first required annual report in 2012.

Washington Tourism Commission.

The Legislature created the Washington Tourism Commission (WTC) in 2007, as the successor to the Tourism Development Advisory Committee.

The WTC and its activities and responsibilities were eliminated during the 2011-2013 fiscal biennium in the Omnibus Appropriations Act. The WTC accordingly ceased activity, but their responsibilities remain in statute. Among its statutory requirements are quarterly meeting requirements and a biennial report to the Legislature on tourism-related activities.

Microenterprise Development Program.

In 2007 the Legislature created the Microenterprise Development Program in the Department of Community, Trade, and Economic Development, now the Department, to assist microenterprises in job creation by increasing the training, technical assistance, and financial resources available to them. The Department provides organizational support to a statewide microenterprise association and contracts with the association for the delivery of services and distribution of grants.

Summary of Substitute Bill:

Economic Development Commission.

The statutes providing for the creation of the Washington Economic Development Commission (Commission), the Legislature's intent for the creation of the Commission, and the duties and authorities of the Commission are repealed. All statutory references to the Commission and the statewide economic development strategy are removed.

Innovate Washington.

The statutes creating Innovate Washington as a state agency, and providing for the agency's board of directors are repealed. All statutory references to Innovate Washington are removed.

The Innovate Washington Program is created in the Department of Commerce (Department) to support business growth in the state's innovation and technology sectors and facilitate statewide technology transfer and commercialization activities. The Innovate Washington Program expires June 30, 2015.

The Department is required to contract with a nonprofit entity located in Washington that has experience facilitating commercialization and technology transfer activities to administer the Innovate Washington Program. Funds in the Investing in Innovation Account may only be used by the contractor for the stated allowable purposes, and expenditures may only be authorized by the director of the Department.

The mission powers, duties, and functions of Innovate Washington are transferred to the Department. All reports, files, other written materials, regardless of physical form or characteristics; furniture, equipment, and other tangible property; and funds, credits, and other assets, including intangible assets, held by Innovate Washington are transferred to the Department. The Department must honor any donor-imposed conditions or restrictions imposed on donated assets.

Global Health Technologies.

Requirements for board membership and the 501(c)(6) status of the nonprofit organization administering the Washington Global Health Technologies and Product Development Competitiveness Program are removed. Responsibility for contracting with the board to implement and manage the program is transferred from the Department to the Life Sciences Discovery Fund Authority (Authority). The Authority may receive up to 4 percent of the funds for administrative expenses.

Washington Tourism Commission.

The statutes creating the Washington Tourism Commission (WTC) and providing for the WTC's duties and responsibilities are repealed.

Microenterprise Development Program.

The statute authorizing the Microenterprise Development Program is repealed. Definitions of "microenterprise development organization" and "statewide microenterprise association" are removed. A technical correction is made to the definition of small business.

Substitute Bill Compared to Original Bill:

Language authorizing a joint working group responsible for identifying industry clusters is reinstated.

The transfer of responsibility for innovation research teams (STARS), the entrepreneur-in-residence program, and the innovation partnership advisory group from the Washington Economic Development Commission to the Department is removed and instead the programs are eliminated.

The Innovate Washington Program is created in the Department. The Innovate Washington Program expires June 30, 2015. Allowable uses of the Investing in Innovation Account are expanded to include purposes consistent with the Innovate Washington Program, and funds may only be used by the contractor for the stated allowable purposes.

The Innovate Washington Program, instead of the Department, must convene the aviation biofuels work group and administer the small business innovation assistance program.

Responsibility for the Investing in Innovation program is transferred from the Department or its contractor to the Innovate Washington Program.

The mission of Innovate Washington is transferred to the Department along with its powers, duties, and functions. Language requiring the Department to honor any donor-imposed conditions or restrictions on donated assets is added.

The requirement for the Global Health Technologies and Product Development Competitiveness Program (Program) to be administered by a nonprofit board is reinstated. The Life Sciences Discovery Fund Authority (Authority) is specifically required to contract with the board for the Program rather than administer the Program or contract with a nonprofit organization to administer the Program. Requirements pertaining to board membership and 501(c)(6) status are removed. The Authority is permitted to use up to 4 percent of funds for administration. Authorization to fund the recruitment and employment of global health researchers is removed.

The statute authorizing the Microenterprise Development Program is repealed. Definitions of "microenterprise development organization" and "statewide microenterprise association" are removed. A technical change is made to the definition of "small business" so that it no longer references a repealed statute.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 107 which contains a contingent effective date.

Staff Summary of Public Testimony:

(In support) The House Technology and Economic Development (TED) Committee reviewed the programs within its jurisdiction in development of this bill. The committee looked at all programs and asked for feedback from stakeholders about what was working. Some programs did not receive a ton of positive feedback. The Inslee administration is still getting up to speed about the economic development programs the state operates. Amendments to the bill are in the works that include reducing program administration costs for the Department of Commerce (Department) to 4 percent. The TED Committee is interested in working on performance metrics, and trying to align the state's programs. There is an emphasis on how state economic development programs pass off customers and assist business.

(In support with amendment(s)) The Global Health Alliance agrees with the amendments to be proposed.

(With concerns) The Economic Development Commission (EDC) represents the first time that economic development has been looked at on a statewide basis. The work of the EDC goes beyond statewide strategy, and its work has given legitimacy to associate development organizations. There may be constitutional issues in the legislation around the gift of public funds to private entities.

(Opposed) None.

(Other) Innovate Washington is working with the Department of Commerce (Commerce) and the bill sponsor on amendments to bring Innovate Washington and the Department closer together. Innovate Washington works on large federal grants and with private entities. The Life Sciences Discovery Fund is happy to take on administration of the Global Health initiative; however, an amendment is in process to align language with the Life Sciences Discover Fund's enabling language. The Global Health Alliance is supportive of the forthcoming amendments.

Persons Testifying: (In support) Representative Morris, prime sponsor.

(In support with amendment(s)) Ralph Munro, Global Health Alliance.

(With concerns) Senator Chase.

(Other) Kim Zentz, Innovate Washington; and Majken Ryherd, Life Science Discovery Fund.

Persons Signed In To Testify But Not Testifying: None.