



**Department of Commerce**  
Innovation is in our nature.

# **2016 Supplemental Budget**

## **Operating**

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STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE

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October 5, 2015

David Schumacher  
Director  
Office of Financial Management  
Post Office Box 43113  
Olympia, WA 98504-3113

Dear David:

On behalf of the Department of Commerce, I am pleased to present the 2015 Operating Budget Supplemental request. This request includes four maintenance level items which fix technical errors from the 2015 legislative session, align funding to better utilize resources, and ensure continued key operations. It also includes seven policy level items that align with Governor Inslee's priorities under Results Washington. In putting together our proposals, we have been mindful of the limited funding available. However, within these constraints we are putting forward a set of budget and legislative packages that would move the state ahead by helping communities grow by improving jobs, and provide critical services to businesses and local governments.

Thank you in advance for your consideration of our proposals. We look forward to working with the Governor and the OFM team as you put together the statewide budget recommendation.

Sincerely,

Brian Bonlender  
Director



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**Agency Budget Request Decision Package Summary**

**(Lists only the agency Performance Level budget decision packages, in priority order)**

**Agency: 103 Department of Commerce**

**Budget Period: 2013-15**

<b>Decision Package</b>	
<b><u>Code</u></b>	<b><u>Decision Package Title</u></b>
PL-N6	Sector Lead Program
PL-N7	Military Land Use Compatibility
PL-N8	Growth Management Update Grants
PL-N9	Startup Washington 365
PL-O0	Local Government Fiscal Note Program
PL-01	Innovation Partnership Zone
PL-O2	National Disaster Resiliency Competition

State of Washington  
**Recommendation Summary**

11:30:50AM

**Agency: 103 Department of Commerce**

10/6/2015

Dollars in Thousands	<b>Annual Average FTEs</b>	<b>General Fund State</b>	<b>Other Funds</b>	<b>Total Funds</b>
<b>2015-17 Current Biennium Total</b>	<b>275.0</b>	<b>121,265</b>	<b>367,983</b>	<b>489,248</b>
<b>Total Carry Forward Level</b>	<b>275.0</b>	<b>121,265</b>	<b>367,983</b>	<b>489,248</b>
Percent Change from Current Biennium				
<b>Carry Forward plus Workload Changes</b>	<b>275.0</b>	<b>121,265</b>	<b>367,983</b>	<b>489,248</b>
Percent Change from Current Biennium				
M2 AB Shift and Reduce Asset Building				
M2 CM Community Mobilization				
M2 DE Endowment Trust Fund	0.2		210	210
M2 UW Supply Chain-Human Trafficking				
<b>Total Maintenance Level</b>	<b>275.2</b>	<b>121,265</b>	<b>368,193</b>	<b>489,458</b>
Percent Change from Current Biennium	.1%		.1%	.0%
PL N6 Sector Lead Program	0.6	146	50	196
PL N7 Military Land Use Compatibility	0.7	196		196
PL N8 Growth Management Update Grants		2,604		2,604
PL N9 Startup Washington 365	0.3	100		100
PL O0 Local Government Fiscal Note	0.5		94	94
PL O1 Innovation Partnership Zones	0.3	71		71
PL O2 National Disaster Resiliency Grant	2.3		11,743	11,743
<b>Subtotal - Performance Level Changes</b>	<b>4.6</b>	<b>3,117</b>	<b>11,887</b>	<b>15,004</b>
<b>2015-17 Total Proposed Budget</b>	<b>279.8</b>	<b>124,382</b>	<b>380,080</b>	<b>504,462</b>
Percent Change from Current Biennium	1.7%	2.6%	3.3%	3.1%

**M2 AB Shift and Reduce Asset Building**

The department requests a technical correction for the Asset Building Program funding. A General Fund State proviso was inadvertently recorded and effectively reduced authority in General Fund State funding that funds other critical programs.

**M2 CM Community Mobilization**

The department requests a technical correction associated with General Fund State (001-1) funding for Safe Streets of Tacoma.

**M2 DE Endowment Trust Fund**

The department is requesting an expenditure authority adjustment for the 2015-17 biennium in the Community and Economic Development Fee Account (Fund 263) to reflect anticipated revenue.

**M2 UW Supply Chain-Human Trafficking**

The department is requesting a technical correction to Section 128(36) in the 2015-2017 enacted Operating Budget. The department is requesting a date change of the study from January 31, 2016 to January 31, 2017 to align with funding.

**PL N6 Sector Lead Program**

Recognizing intense competition for jobs and capital, Washington State launched a sector-based economic development strategy to maximize public-private collaboration for growth in business income, company creation and employment in high-potential industries. Identified strategic growth sectors are anticipated to outpace the growth of the overall economy. Sector leads with deep industry connections are essential for linking business communities, local organizations, and government resources. The department requests to re-establish funding for the Information and Communication Technologies (ICT) sector lead to facilitate growth in the technology sector, including software, networks, online retail and services.

**PL N7 Military Land Use Compatibility**

The department requests to develop a statewide military base compatibility strategy to enhance Washington's leadership and competitiveness of Washington's Military Bases.

**PL N8 Growth Management Update Grants**

Local government comprehensive plans adopted under the Growth Management Act (GMA) help ensure cities and counties can accommodate growth by guiding investments in infrastructure, housing, parks and other priority projects. The department requests to restore funding for GMA update grants to meet the current demand of updates local governments are required to make.

**PL N9 Startup Washington 365**

The department is requesting additional General Fund State funding to continue work associated with the Startup Washington program throughout the 2015-2017 biennium. This program provides support for two rural pilots related to Centers for Entrepreneurial Success in Eastern Washington and would support work in establishing a third Center in Western Washington.

**PL O0 Local Government Fiscal Note**

The department requests additional funding for the Local Government Fiscal Note Program to fully implement statutory requirements. This includes the evaluation and verification of selected local government fiscal notes, providing policy makers with a cumulative impact analysis of financial data, and appropriately staffing the LGFN program during legislative sessions.

**PL O1 Innovation Partnership Zones**

This request restores funding for the Innovation Partnership Zone (IPZ) Program. IPZs serve as a geographically distributed economic development strategy to foster innovation eco-systems. The goal of this model is to focus on accelerating bottom-up, organically driven collaborations to advance innovation and growth of industry clusters. In the 2013-2015 biennium, funding was reduced and eventually eliminated. Restoring funding for the IPZ program allows the department to meet the statutory obligations.

**PL O2 National Disaster Resiliency Grant**

The department requests federal expenditure authority for the implementation of the National Disaster Resiliency Competition Funding awarded by the U.S. Department of Housing and Urban Development to the department for the Summit to Sea Puyallup River Watershed Project.

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State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** AB Shift and Reduce Asset Building Funding  
**Budget Period:** 2015-17  
**Budget Level:** M2 – Inflation and Other Rate Changes

**Recommendation Summary Text:**

The department requests a technical correction for the Asset Building Program funding. A General Fund State proviso was inadvertently recorded and effectively reduced authority in General Fund State funding that funds other critical programs.

**Fiscal Detail**

Operating Expenditures		FY 2016	FY 2017
<b>Total Cost</b>		<b>0</b>	<b>0</b>
<b>Staffing</b>			
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>

**Package Description**

**Background**

A reduction in General Fund State Appropriation was inadvertently recorded in Appropriation 011/012 in the 2015-17 Operating Budget for the Asset Building Program. There was a fund transfer as a result of a new proviso Section 128, subsection 24:

*(24) \$468,000 of the financial services regulation account—state appropriation is provided solely for the family prosperity account program.*

The dollars associated with this fund transfer were in a General Fund State Proviso Section 128, subsection 9:

*(9) \$234,000 of the general fund—state appropriation for fiscal year 2016 and \$233,000 of the general fund—state appropriation for fiscal year 2017 are provided solely for the Washington asset building coalitions.*

However, when the funds were transferred to the Financial Services Regulation Account, the General Fund State flexible dollars were transferred instead of the General Fund State proviso dollars and the old proviso language remained in the enacted budget.

**Current Situation**

General Fund State Flexible funding was inadvertently reduced for the fund transfer associated with the Asset Building Program. The money that is available is provisoed, and can only be used for the Asset Building Program. This limits the department’s ability to use these funds. If the technical correction is not made it will impact the Community Services and Housing Division’s Housing and Essential Needs (HEN) Program contract obligations. HEN provides rent assistance and essential needs to recipients who are disabled, unable to work,

and are homeless or at imminent risk of homelessness. This reduction would result in approximately 36 people not served with rent assistance each month, all of whom are or are highly likely to become homeless.

### **Proposed Solution**

1. Restore General Fund State dollars in appropriation 011 for fiscal year 2016 by \$234,000 and 012 for fiscal year 2017 by \$233,000 for a biennial total of \$467,000.
2. Reduce proviso appropriation 1B1 by \$234,000 and 1B2 by \$233,000 for a total of \$467,000, thus eliminating the proviso.
3. Remove the proviso language in Section 128, subsection 9 for the Asset Building General Fund State appropriation by \$234,000 in fiscal year 2016 and \$233,000 in fiscal year 2017 for a total reduction of \$467,000. See proviso language below:

*(9) \$234,000 of the general fund—state appropriation for fiscal year 2016 and \$233,000 of the general fund—state appropriation for fiscal year 2017 are provided solely for the Washington asset building coalitions.*

~~*(9) \$234,000 of the general fund—state appropriation for fiscal year 2016 and \$233,000 of the general fund—state appropriation for fiscal year 2017 are provided solely for the Washington asset building coalitions.*~~

### **Narrative Justification and Impact Statement**

***What specific performance outcomes does the agency expect?***

N/A

### **Performance Measure Detail**

***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

N/A

***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

N/A

***What are the other important connections or impacts related to this proposal?***

Poverty and housing stakeholders will strongly oppose a cut to this program. The HEN program originated as part of a bipartisan compromise to dramatically reduce funding for disabled single people. Savings were realized by abolishing a small cash grant for disabled people and replacing it with rent assistance and essential needs for the portion of the previously eligible population facing homelessness.

This program was created in a lean environment with no supportive services such as case management. This left little room to reduce funding without directly cutting the number of individuals served.

***What alternatives were explored by the agency and why was this alternative chosen?***

N/A

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

This request is net zero at the fund level, however, if the correction does not occur, other community economic programs would be adversely impacted. Through the HEN program, approximately 36 additional people will be living unsheltered without the change. Some of these 36 unserved people may become hospitalized and some may die of exposure.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

The fiscal impact associated with this correction nets to zero at the fund level.

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries			
<b>B</b>	Benefits			
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services			
<b>G</b>	Travel			
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>				

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** CM Community Mobilization Correction  
**Budget Period:** 2015-17  
**Budget Level:** M2 – Inflation and Other Rate Changes

**Recommendation Summary Text:**

The department requests a technical correction associated with General Fund State (001-1) funding for Safe Streets of Tacoma.

**Fiscal Detail**

Operating Expenditures		FY 2016	FY 2017
<b>Total Cost</b>	<b>Budget Neutral</b>	<b>\$0</b>	<b>\$0</b>
Staffing		FY 2016	FY 2017
FTEs			

**Package Description**

**Background**

The enacted 2015-17 Operating Budget included proviso language that established \$100,000 of General Fund State (001-1) funding for Associated Ministries of Tacoma. Safe Streets of Tacoma was the intended recipient of these funds. The department request the proviso language, Section 128, subsection 32, be updated to state Safe Streets of Tacoma. The current proviso language is provided below:

32) \$100,000 of the general fund—state appropriation for fiscal year 2016 and \$100,000 of the general fund—state appropriation for fiscal year 2017 are provided solely for grants to Safe Yakima Valley and Associated Ministries of Tacoma to coordinate community efforts for the prevention of alcohol, tobacco, drug use and violence.

**Current Situation**

The department is unable to disburse funding from the proviso to the appropriate entity and will need to temporarily fund Safe Streets of Tacoma with other funds until the proviso language has been updated. Please see Attachment A-Letter of Legislative Intent.

**Proposed Solution**

**Suggested budget language:**

*(32) \$100,000 of the general fund—state appropriation for fiscal year 2016 and \$100,000 of the general fund—state appropriation for fiscal year 2017 are provided solely for grants to Safe Yakima Valley and ~~Associated Ministries of Tacoma~~ Safe Streets of Tacoma to coordinate community effort for the prevention of alcohol, tobacco, drug use and violence.*

**Narrative Justification and Impact Statement:**

*What specific performance outcomes does the agency expect?*

N/A

**Performance Measure Detail**

*Is this DP essential to implement a strategy identified in the agency’s strategic plan?*

N/A

*Does this decision package provide essential support to one or more of the Governor’s Results Washington priorities?*

N/A

*What are the other important connections or impacts related to this proposal?*

This reduction will generate concerns from Washington State Community Action Programs (WSCAP) and community action agencies.

*What alternatives were explored by the agency and why was this alternative chosen?*

The department has temporarily used other funds.

*What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?*

This request is net zero at the fund level, however, if the correction does not occur, other community economic programs would be adversely impacted. The department currently has \$100,000 in unallotted status that should be contracted out through the Community Services Block Grant Program (CSBG) for anti-poverty activities. The CSBG is an important funding stream for our state’s Community Action Network. CSBG is some of the most flexible funding for operating expenses and can be used toward a multitude of community based programs. This program provides resources that support a variety of community based programs and the organizations that administer them. The recommended reduction to CSBG is 15 percent; a percentage proportionate to the overall agency General Fund State reduction proposal; in order to minimize impacts to these services.

*What is the relationship, if any, to the state capital budget?*

None

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None

*Expenditure and revenue calculations and assumptions*

The fiscal impact associated with this correction nets to zero at the fund level.

*Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries			
<b>B</b>	Benefits			
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services			
<b>G</b>	Travel			
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>				



## Washington State Legislature

June 30, 2015

Dear Mr. David Schumacher, Director, Office of Financial Management:

As an integral part of the 2015-17 biennial operating budget negotiations, you can understand the speed that was required produce and pass a 295-page biennial budget document to avoid a government shutdown. Working in such haste, errors can occur. We are writing to bring one to your attention and to ask for your assistance.

A total of \$200,000 was appropriated in the Commerce for grants to two community based organizations to coordinate community efforts for the prevention of alcohol, tobacco, drug use and violence (section 128, subsection 32 of ESSB 6052). The Legislature's intention was for these funds to be shared equally with Safe Yakima Valley and Safe Streets of Tacoma. However, Associated Ministries of Tacoma was incorrectly designated as a grant recipient.

Our intention is to correct this error in the 2016 supplemental operating budget. Therefore, we request that you direct the Office of Financial Management hold \$100,000 of these appropriated funds in unallotted status until the Legislature has the opportunity to act. We further request that you allow the Tacoma portion of the grant to be funded with non-provisoed funding until the 2016 session. Safe Streets of Tacoma should not be denied the benefit of these funds from a drafting error.

We thank you for your attention to this matter.

Representative Ross Hunter, Chair  
House Appropriations Committee

Senator Andy Hill, Chair  
Senate Ways and Means Committee

Representative Bruce Chandler  
Ranking Minority Member  
House Appropriations Committee

Senator Jim Hargrove  
Ranking Member  
Senate Ways and Means Committee

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** DE Endowment Trust Fund  
**Budget Period:** 2015-17  
**Budget Level:** M2 – Inflation and Other Rate Changes

**Recommendation Summary Text:**

The department is requesting an expenditure authority adjustment for the 2015-17 biennium in the Community and Economic Development Fee Account (Fund 263) to reflect anticipated revenue.

**Fiscal Detail**

Operating Expenditures		FY 2016	FY 2017	Total
263-1	Community and Economic Development Fee Account	\$90,000	\$120,000	\$210,000
<b>Total</b>		<b>\$90,000</b>	<b>\$120,000</b>	<b>\$210,000</b>
<b>Staffing</b>				
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
		.25	.25	.25
<b>Revenue</b>				
<b>Fund</b>	<b>Source</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
263-1	0420-Charges for Services	\$90,000	\$120,000	\$210,000
<b>Total Revenue</b>		<b>\$90,000</b>	<b>\$120,000</b>	<b>\$210,000</b>

**Package Description**

**Background**

The Community and Economic Development Fee Account (Fund 263) is used to charge and expend funds to cover costs for conferences, workshops, and training. In addition, all fees collected from the Developmental Disabilities Endowment Trust Fund (DDETF) are deposited in this account. These fees fund the administration and operation of the DDETF. An additional \$210,000 in expenditure authority is requested for Fund 263. The revenue for this request comes from the following fees:

- Enrollment Fee (Code 3001) that is paid for by each primary representative to establish a trust account. The fee is \$600 per trust account; and
- Management Fee (Code 3002) paid by each trust account to cover the annual operations and administrative costs of the program. This is one percent of each account balance with a minimum fee of \$75 and a maximum fee of \$750.

**Current Situation**

The current 2015-2017 enacted budget authority amounts are insufficient to cover available fund balances. The department has services that need to be provided through this funding source. The DDETF Governing Board requests an increase in spending authority for marketing and outreach to increase enrollment, as well as for enhancing online access to individual accounts. Fund 263 is used to fund the administration and operation of this fund.

## **Proposed Solution**

The department requests an adjustment to the expenditure authority to reflect anticipated revenue in Fund 263.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

The expected results associated to the decision package would be that more people with developmental disabilities and family members would report they are more independent, included and integrated into all aspects of the community life as a result of the Developmental Disabilities Endowment Trust Fund Board's efforts. It would increase the performance measure 001075 – Number of persons for whom a developmental disabilities endowment trust fund is established by 13 more accounts each month.

A025, A005 are the activities for this fund associated with this request.

## **Performance Measure Detail**

### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

This decision package enhances the Commerce Strategic Approach – Improve stability and self-sufficiency for low-income individuals with developmental disabilities and families.

### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This program supports the Results Washington Goal 4: Healthy and Safe Communities. Within this goal this program helps vulnerable populations become independent and self-sufficient by improving Stability and Self Sufficiency (Goal 4, Outcome Measure 3.1).

### ***What are the other important connections or impacts related to this proposal?***

The request comes at the direction of the DDEF governing board which oversees this program per RCW 43.330.433.

### ***What alternatives were explored by the agency and why was this alternative chosen?***

Based on current revenue projections, increasing the marketing aspect of the program is the only option to help generate additional trust accounts.

### ***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

It would negatively impact the growth of the program and the board's ability to reach new beneficiaries. It would also negatively impact the board's ability to provide adequate access to account information. The expenditures for remaining obligations against available funds would not be accessed.

### ***What is the relationship, if any, to the state capital budget?***

None

### ***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None

## **Expenditures:**

This proposal requests funding for staffing costs of \$28,000 in FY16 and \$28,000 in FY17 to perform duties associated with implementing marketing outreach efforts such as assessing existing marketing strategies and identifying additional opportunities, maintaining and updating social media sites. No additional FTE's are requested. Duties will be performed by existing staff of a Commerce Specialist 1 at .25 of an FTE. The majority

of the marketing outreach efforts and the work related to enhancing online access to individual accounts will be contracted out. This proposal requests \$62,000 in FY16 and \$92,000 in FY17 for those efforts.

**Revenue:**

DDETF will utilize \$90,000 in FY16 and \$120,000 in FY17 through the Community and Economic Development Fee Account - Fund 263, and will not be requesting General Fund – State. With marketing outreach efforts, the number of trust accounts is expected to increase by 13, therefore resulting in an increase of revenue in Fund 263 by \$91,494 in FY16 and \$121,992. This calculation is based on an enrollment fee of \$600 per account and an average management fee of \$182 per account.

*Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries	12,000	12,000	24,000
<b>B</b>	Benefits	4,000	4,000	8,000
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services	4,000	4,000	8,000
<b>G</b>	Travel			
<b>J</b>	Capital Outlays	2,000	2,000	4,000
<b>N</b>	Client Services	62,000	92,000	154,000
<b>T</b>	Intra-agency Reimbursements	6,000	6,000	12,000
<b>Total</b>		<b>90,000</b>	<b>120,000</b>	<b>210,000</b>

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** UW Supply Chain-Human Trafficking  
**Budget Period:** 2015-17  
**Budget Level:** M2 – Inflation and Other Rate Changes

**Recommendation Summary Text**

The department is requesting a technical correction to Section 128(36) in the 2015-2017 enacted Operating Budget. The department is requesting a date change of the study from January 31, 2016 to January 31, 2017 to align with funding.

**Fiscal Detail**

Operating Expenditures		FY 2016	FY 2017
<b>Total Cost</b>			
<b>Staffing</b>			
FTEs		FY 2016	FY 2017

**Package Description**

**Background**

The 2015-17 Operating Budget includes a proviso for the UW Women’s Center to conduct a study on supply chain policies related to human trafficking and unsafe working conditions. There is a technical error related to the due date of a report to the legislature. The University of Washington’s (UW) Women’s Center is to conduct a study on supply chain policies due to the legislature January 31, 2016. The majority of the funding for the study is in SFY 2017. The department is requesting a date change of the study to January 31, 2017 to align with funding. This is a budget neutral action.

**Current Situation**

The majority of funding in this proviso, \$45,000, is provided in SFY 2017 beginning July 1, 2016. The legislative report on research related to supply chain policies related to human trafficking and unsafe working conditions is due to the legislature January 31, 2016—the mid-point in SFY 2016. \$5,000 is provided to the UW Women’s Center for the SFY 2016.

**Proposed Solution**

Since the majority of research funding is in SFY 2017, a comprehensive legislative report cannot be completed by January 31, 2016. The Department proposes to amend the report due date to January 31, 2017. Under current budget law, funding for a comprehensive study does not begin until SFY 2017

**Suggested budget language**

~~(36) "The study shall be presented to the house and senate commerce and labor committees no later than January 31, 2016."~~

(36) "The study shall be presented to the house and senate commerce and labor committees no later than January 31, 2017."

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

**The department expects the UW Women’s Center to provide a complete report to the legislature by January 31, 2017.**

**Performance Measure Detail**

*Is this DP essential to implement a strategy identified in the agency’s strategic plan?*

N/A

*Does this decision package provide essential support to one or more of the Governor’s Results Washington priorities?*

N/A

*What are the other important connections or impacts related to this proposal?*

N/A

*What alternatives were explored by the agency and why was this alternative chosen?*

The department explored forgoing a change. This would result in an incomplete research study since funding is slated for SFY 2017.

*What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?*

N/A

*What is the relationship, if any, to the state capital budget?*

None.

*What changes would be required to existing statutes, rules, or contracts, in order to implement the change?*

None.

*Expenditure and revenue calculations and assumptions*

There is no fiscal impact associated with this change.

*Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries			
<b>B</b>	Benefits			
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services			
<b>G</b>	Travel			
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>				

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** N6 Sector Lead Program  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

Recognizing intense competition for jobs and capital, Washington State launched a sector-based economic development strategy to maximize public-private collaboration for growth in business income, company creation and employment in high-potential industries. Identified strategic growth sectors are anticipated to outpace the growth of the overall economy. Sector leads with deep industry connections are essential for linking business communities, local organizations, and government resources. The department requests to re-establish funding for the Information and Communication Technologies (ICT) sector lead to facilitate growth in the technology sector, including software, networks, online retail and services.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-1	General Fund State		\$146,193
001-7	General Fund Private/Local		50,000
<b>Total Cost</b>			<b>\$196,193</b>
<b>Staffing</b>			
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>
			1.2

**Package Description**

**Background**

In the 2013-2015 Operating Budget, the Legislature provided funds for the department to identify and invest in strategic growth areas, support key sectors, and align existing economic development programs and priorities. The Legislature specifically required the agency to consider Washington's position as the most trade dependent state in determining priorities for investment.

The sector growth funds are used to support two important areas of economic opportunities in the state, international trade and investments partnerships, and sector-based economic development teams. Current funding is used to enhance international trade and investment partnerships, and a sector-based economic development team. The Governor's Office of Aerospace provided the model for a collaborative public/private economic development approach. Additional targeted sectors included maritime, life sciences, information/communication technology, military/defense, and clean technology. The first Sector Leads for these sectors began work in the fall of 2013 and quickly established or expanded relationships with key Washington state companies and associations.

**Current Situation**

Sector Leads for the maritime, military, life science and clean energy sectors are on board and working with their industry and community partners. This request will continue funding for the ICT sector to facilitate industry growth around telecommunications, software design and data management.

**Partnerships with industries have been established**

The Department quickly engaged industry groups, associate development organizations, small business development centers, chambers of commerce, public port districts, local governments, and other partners to leverage funds. Examples of these efforts include:

- Organizing statewide stakeholders to pursue the establishment of a National Manufacturing Innovation Institute focused on Advanced Composites;
- Establishment of the Washington Military Alliance, a statewide organization of local governments and other stakeholders dedicated to the protection of Washington's military bases in anticipation of future US military downsizing;
- Formation of the Washington Maritime Federation, a consortium of diverse stakeholders dedicated to growing maritime related jobs in Washington; and
- Formation of the Life Science Advisory Council

The ICT sector intends to build upon successes as observed in other sector lead initiatives.

### **New funding has been secured from partners**

The department has leveraged funds provided by the legislature through successful partnerships with industries, nonprofits, educational districts, local governments, economic development organizations, and Federal agencies. Through these partnerships, the department has attracted new contributions to support the sector lead initiatives and economic growth throughout the state. Examples of these contributions include:

- \$221,500 contributed by 18 separate partners to develop the proposal for funding to establish a National Manufacturing Innovation Institute focused on Advance Composites;
- \$4.3 million US Department of Defense Office of Economic Assistance Grant to support the expansion and diversification of military and defense contractors in Washington;
- \$279,249 from eight separate partners to meet the match requirements for the US Department of Defense grant;
- \$200,000 in industry contributions to directly support Sector Leads; and
- \$200,000 in Federal funds supporting State Broadband was approved to support the sector based work.

The department received an invitation to apply for an additional \$537,821 from the US Department of Defense Office of Economic Assistance for a trade and export component, amending the original award. The department received an additional \$60,056 in match commitments from partner organizations.

Washington State is dependent on international trade and investment, and on strategic collaboration and coordination to effectively compete globally for jobs, new business and investment capital. The department's Sector Lead approach is modeled on the Office of Aerospace and Washington Aerospace Partnership which played key roles in securing thousands of jobs and billions in direct and indirect economic impact. The outcomes of this successful approach stretch far beyond Boeing and Puget Sound, contributing to the growth of a broad range of industries across the state.

The state's current ICT sector development work is under-funded and is missing opportunities to further realize economic gains in this sector. Without additional funding, Washington State jeopardizes its ability to compete in the global economy, and risks losing critical economic ground and potential job loss.

### **Proposed Solution**

The proposed solution will allow us to fully fund current Sector Leads and their work with statewide partners. The department will be able to pursue strategic growth plans in the information and communications technology sector similar to the successful work accomplished in aerospace, agriculture, life sciences, military and maritime sectors.

### **Narrative Justification and Impact Statement**

***What specific performance outcomes does the agency expect?***

The department's Strategic Plan for 2015-17 includes a specific goal to enhance a Healthy Economic Climate by supporting and assisting businesses; expected results include increasing Washington's share of high-growth, high-employment, traded sectors; growing and improving jobs in aerospace, information & communications technology, life sciences, maritime, military/defense, and clean technology.

The Sector Lead program is expected to create and sustain a thriving economic climate that spurs job growth in every industry sector and every corner of Washington State (activity A184).

**Performance Measure Detail**

***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

This proposal supports Commerce's ability to meet our key goal: Growing Economies and the associated outcomes: Increased Investment in Washington State and Healthy Economic Climate.

***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This decision package provides essential support to Results Washington **Goal 2: Prosperous Economy** by providing the funds necessary to further implement the ICT Sector Lead program, crucial to economic development strategies in Washington State. This proposal is not to grow the program, but to provide adequate funding required to fully stand up the program to achieve the state's outcome goals.

***What are the other important connections or impacts related to this proposal?***

Each Sector Lead works closely with a specific industry, bringing together Washington State's public and private resources in a coordinated and strategic approach to national and international business development. Without additional funding, the department would be unable to support the competitive position of Washington's key industries to maintain these collaborative efforts that serve the state's economy. The Sector Lead program also supports and sustains substantial non-state investments in Washington. These include investments by private companies large and small in the state's key industry sectors.

***What alternatives were explored by the agency and why was this alternative chosen?***

The department explored reducing the number of sectors supported by the Sector Leads program in order to stay within the existing appropriation. This option was rejected because of feedback provided by the Legislature in the 2014 session, and because of credible requests and offers of partnership for sector leads in sectors such as military/defense and agriculture.

The agency explored reducing salaries and program costs in order to stay within the existing appropriation. This option was rejected because the agency concluded that the volume and level of the work could not reasonably be accomplished with lower-level staff.

The agency considered closing the program at the end of fiscal year 2015, but concluded that the program generates value for the state economy greater than the cost of operations.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

If not funded through this decision package, the Sector Leads program will not be able to support the ICT sector. This will adversely affect growing connections to ICT industries and future economic development strategies.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

***Expenditures:***

The principal costs for the ICT Sector Lead program are salaries and benefits, with attendant travel, support and indirect similar to other Commerce programs.

The sector lead positions are calculated for budgeting purposes as standard Exempt Management Services positions, with salaries close to market rates for private sector professionals.

The program also requires administrative support. Additionally, travel and materials are calculated based on current standard and approved costs for other positions in the Seattle office. Travel is a significant expense for these positions, which by design must interact frequently with Washington companies across the state and occasionally travel with companies or policymakers to events out of the state and/or overseas.

Overall funding assumptions for all sectors include:

\$150,000 in interagency agreements  
\$448,000 in Carry forward funds  
\$ 56,468 in Capital Clean Energy Funds  
\$ 6,445 in Federal Department of Defense Funds  
\$100,000 in continued industry contributions  
\$760,913

\$196,193 per year needed to fund the ICT Sector Lead (\$50,000 in additional industry contributions and \$146,193 in General Fund-State).

***Revenue:***

Key industry sectors have committed and contributed funds in FY14 and FY15 in support of the program. The agency anticipates that additional sector contributions will be received in FY16 and FY17.

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries		96,900	96,900
<b>B</b>	Benefits		30,000	30,000
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services		18,878	18,878
<b>G</b>	Travel		6,000	6,000
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements		44,415	44,415
<b>Total</b>			<b>196,193</b>	<b>196,193</b>

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

Ongoing costs throughout the 2017-2019 biennium would be approximately \$392,396.

**State of Washington  
Decision Package**

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** N7 Military Land Use Compatibility  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

The department requests to develop a statewide military base compatibility strategy to enhance Washington's leadership and competitiveness of Washington's Military Bases.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-1	General Fund State		\$196,260
<b>Total Cost</b>			<b>\$196,260</b>
<b>Staffing</b>			
FTEs		<b>FY 2016</b>	<b>FY 2017</b>
			1.4

**Package Description**

**Background**

Washington's military bases are critical to national defense and are important engines to Washington State's economy. In an era of military downsizing and consolidation, assuring that the surrounding land use is consistent with current and future mission requirements is the most effective tool available to enhance the competitiveness of Washington's military installations. The tools in the Growth Management Act (GMA) make Washington a recognized leader in this arena. Washington's compatibility strategy will build on the developing practices in other states. The Washington state strategy has not undergone a thorough review since 2004.

**Current Situation**

The legislature established a proviso that called on the department to assess the effectiveness of Washington's military base compatibility program. In response, the department has drafted a study and presented it for public review. Additional funding is needed to complete the analysis of military bases and training areas in the state, integrate the Department of Defense Joint Land Use Studies, and provide recommendations and an implementation strategy.

**Proposed Solution**

This proposal would fund the centralized coordination of state and federal efforts on military compatible land use. This would be done in collaboration with the department's Military/Defense Sector program and the Washington Military Alliance, along with the full participation of the necessary stakeholders. Funding would also allow a more consistent and direct engagement with the local processes in place to maintain military base compatibility. Additionally, this funding will act as match to a Department of Defense Office of Economic Assistance federal grant, which is anticipated to be \$800,000 - \$1.3 million. This will increase the overall effectiveness and viability of this project.

**Narrative Justification and Impact Statement**

*What specific performance outcomes does the agency expect?*

Commerce will develop a statewide strategy to enhance the competitiveness of Washington's military bases for current and future mission requirements. The strategy will include a comprehensive assessment of Washington's military base compatibility requirements and other potential policy tools to enhance the competitiveness of Washington's military bases (A184 Sector Leads and A104 Growth Management).

### **Performance Measure Detail**

#### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

This decision package is essential in implementing the following strategy from the department's Strategic Plan: Growing Economies: pursue policies and initiatives to encourage sustainable economic growth that helps support living –wage jobs, builds diversified cutting edge businesses, workers and leaders that excel on a local, national and global scale.

Washington's military bases are a critical component to Washington State's economy and are one of the key sectors identified in the agency strategic plan. These facilities are especially critical to the economies of surrounding communities outside of Central Puget Sound. For example, Whidbey Island Naval Air Station and Fairchild Air Force Base are the largest employers in their respective regions.

This decision package also implements the department's goal of enhancing a Healthy Economic climate; specifically growing and improving jobs in the military/defense sector.

#### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

A healthy military sector and the jobs the bases provide is critical to Goal 2: Prosperous Economy. The loss of any of Washington's military bases would adversely affect the state economy, particularly to the economies surrounding military installations.

#### ***What are the other important connections or impacts related to this proposal?***

The communities surrounding Washington's military bases are implementing, updating or developing Joint Land Uses Studies in partnership with the respective bases. The department lacks the resources to monitor, support and participate actively in these efforts. This proposal provides the essential capacity for the state to participate in these efforts.

#### ***What alternatives were explored by the agency and why was this alternative chosen?***

The department considered taking no action regarding military land use compatibility. This, however, was determined to put the military bases in Washington at risk of seeing the assigned missions at resident military bases reduced. This would have a negative impact on the economy, given that two-thirds of military personnel live "off-post" and contribute to the local economy. A reduction in mission and personnel also would reduce the need of the military bases using local vendors for supply and construction activity.

#### ***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

Not funding this package would eliminate the ability of the state to secure a grant from the Department of Defense Office of Economic Assistance to expand Washington's enhancement efforts in the military sector. Without ongoing refinement and improvement, Washington's competitive advantage as a leader in military base compatibility will erode as other states improve and refine their strategies. Over time, the land use surrounding a military installation can change and hamper the installation's capacity to house new missions or retain existing missions.

#### ***What is the relationship, if any, to the state capital budget?***

None.

#### ***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

The department estimates 1.0 FTE of a Commerce Specialist 2 in FY17 to provide program support specific to centralized coordination of state and federal efforts on military compatible land use in collaboration with the Military/Defense Sector program and Washington Military Alliance and with the full participation of the necessary stakeholders. The estimated costs associated with this position are as follows:

Salary & Benefits: \$80,989

Goods and Other Services (G&S): \$34,904

--standard goods and services: \$30,329

--space and utilities: \$3,675

--wireless communications: \$900; this position is based out of the Spokane office which does not have land line service.

**Travel:**

The department estimates ten days of overnight travel requiring \$580 for meals per diem and \$1,400 for lodging per diem. The Spokane office does not have access to motor pool and relies on car rentals.

\$1200 is the amount that will be needed to cover car rental, both in Spokane and on the west side of the state. \$1,000 is required for airfare to be able to travel to Seattle and western Washington military bases.

The estimated annual cost for travel is \$4,180.

**Capital Outlay and Equipment.**

The department estimates one standard workstation (cubicle desk, chair, desktop computer, monitor, and file cabinet) and one cell phone in FY17 with an estimated cost of \$3,301.

The department estimates 0.2 FTE WMS 2 in FY17 to interface with and make presentations to local elected officials and appropriate military base and community leaders. The estimated costs associated with this position are as follows:

Salary & Benefits: \$21,619

Goods and Other Services (G&S): \$8,721

--standard G&S: \$7,986

--space and utilities: \$735

**Travel:**

The department estimates ten days of overnight travel requiring \$580 for meals per diem and \$1,400 for lodging per diem. The Spokane office does not have access to motor pool and relies on car rentals.

\$1200 is the amount that will be needed to cover car rental, both in Spokane and on the west side of the state. \$1,000 is required for airfare to be able to travel to Seattle and western Washington military bases.

The estimated annual cost for travel is \$4,180

The department estimates 0.2 FTE WMS 3 in FY17 to interface with and make presentations to state and national elected officials, regional and national military leaders, and appropriate associations and community leaders. These activities will occur both here and in the District of Columbia. The estimated costs associated with this position are as follows:

Salary & Benefits: \$23,496

Goods and Other Services (G&S): \$9,686

--standard G&S: \$8,651

--space and utilities: \$1,035

**Travel:**

The department estimates ten days of overnight travel requiring \$580 for meals per diem and \$1,400 for lodging per diem. \$1,204 is the amount that will be needed to cover the use of motor pool vehicles.

\$1,000 is required for airfare to be able to travel to Seattle, western Washington military bases, and the District of Columbia. An additional \$1,000 is needed to provide for the per diem on trips to the District of Columbia. The estimated annual cost for travel is \$5,184.

*Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?*

All costs are considered ongoing:

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries		\$92,571	\$92,571
<b>B</b>	Benefits		33,533	33,533
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services		53,311	53,311
<b>G</b>	Travel		13,544	13,544
<b>J</b>	Capital Outlays		3,301	3,301
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>			<b>\$196,260</b>	<b>\$196,260</b>

It is anticipated that 2017-2019 biennial costs would be \$392,520.

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** N8 Growth Management Update Grants  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

Local government comprehensive plans adopted under the Growth Management Act (GMA) help ensure cities and counties can accommodate growth by guiding investments in infrastructure, housing, parks and other priority projects. The department requests to restore funding for GMA update grants to meet the current demand of updates local governments are required to make.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-1	General Fund State	\$0	\$2,604,000
<b>Total Cost</b>		<b>\$0</b>	<b>\$2,604,000</b>
<b>Staffing</b>			
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>
		<b>0</b>	<b>0</b>

**Package Description**

**Background**

The GMA requires local governments to update their comprehensive plans, development regulations, and critical areas ordinances every eight years to ensure that they comply with state law. The department must provide technical and financial assistance to local governments in meeting their requirements under the GMA. In the 2015-2017 enacted budget, the Legislature has directed the department to focus on assisting smaller cities and counties.

In the 2013-2015 biennium, the department structured the Growth Management Update Grants so that each local government would receive two years of funding to assist in the completion of their updates. The department established two allocation paths, one for local governments with a June 2015 deadline and the other for local government with a June 2016 deadline:

- Local governments with a June 2015 deadline, cities with a population less than 3,000 received \$5,000 each fiscal year and cities with a population between 3,000 and 10,000 received \$9,000 each fiscal year.
- Local governments with a June 2016 deadline, cities with a population less than 3,000 received \$5,000 in FY15, cities with a population between 3,000 and 10,000 received \$9,000 in FY15, and counties with less than 100,000 population received \$48,000 in FY15.

**Current Situation**

The 2015-2017 enacted budget reduced funding for Growth Management Update Grants at a time when the number of local governments working on their updates increased from 61 to 192. To meet this level of demand within current funding levels, grants would need to be reduced more than 60% to serve all the communities in need of GMA updates.

To compare, in the 2013-2015 biennium, of the 28 cities with populations fewer than 3,000, Growth Management Update Grants provided an average of 64% of the update funding. Thirteen cities solely relied on the grant funding. Of the 28 cities with populations between 3,000 and 10,000, grants provided 38% of the update funding with four cities relying solely on the grant. Of the five counties, 61% of their update costs were supported by the grants with two counties relying completely on grant funding for their update work.

### **Proposed Solution**

With the appropriation of \$2,604,000 for grants, the department would be able to award funds to those local governments mandated to complete their updates in 2017 and 2018 at the level established in the 2013-2015 biennium.

### **Narrative Justification and Impact Statement**

#### ***What specific performance outcomes does the agency expect?***

With this request and prospective distribution of these grant funds, the department would see 65% of mandated updates in 2017 and 2018 completed on time.

### **Performance Measure Detail**

#### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

This decision package is essential to implement the Vibrant Communities key goal in the department. Local communities maintain and strengthen their capacity to meet the economic and quality-of-life needs of their residents by completing their comprehensive plans and development regulations, which is required by law.

This proposal aligns with three key goals of Results Commerce. The mandated updates to comprehensive plans enable communities to create Reliable and Sustainable Infrastructure, Growing Economies, and Vibrant Communities. Communities create their plans for growth that emphasize the use of existing infrastructure. New construction is minimized, allowing funds to be used on existing infrastructure. Economies grow through planning. Communities make the choices on what kind of economic development they desire and plan for the infrastructure and land area needed to support it. Lastly, the creation of jobs and the lower costs to maintain and operate infrastructure facilities are supported.

#### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This decision package supports Goal 3 of Results Washington. Through the Growth Management updates, local governments review their comprehensive plans and development regulations to direct growth to areas where environmental impacts are mitigated. This ensures that cropland and forestland stay in productive use rather than being converted into housing. This process also works to contain the conversion of riparian habitat since these areas are generally not suitable to urban development.

#### ***What are the other important connections or impacts related to this proposal?***

In the context of the forest fires in eastern Washington, Chelan county has its update due in June 2017 while Okanogan, Ferry, Stevens, and Pend Oreille have their updates due in June 2018. Many state infrastructure funding programs are influenced by the GMA compliance status of local governments. A lack of financial assistance in completing the mandated GMA updates could negatively impact these local governments in receiving funding to recover from the fires. Neither the Public Works Board nor the Department of Ecology may execute a contract with a local government unless they are in compliance with the GMA. The Transportation Improvement Board and the Recreation and Conservation Office also use the GMA status in evaluating awards as required by RCW 43.17.250.

***What alternatives were explored by the agency and why was this alternative chosen?***

The alternative that was considered was to use direct assistance by staff to provide assistance to local governments in meeting the mandated updates. With legislative direction in prioritizing smaller jurisdictions, the department has determined that assistance would be concentrated on cities of less than 10,000 residents and counties with less than 100,000 residents. For FY 17 this translates to 162 local governments. The department deemed this inefficient as the cost to provide assistance would, in many cases, exceed the grant level. It also places the state in the position of assisting in the development of the updates, and then evaluating them, which is conflict of interest.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

If this package is not funded, some local governments would not have sufficient resources to complete their mandated updates. These mostly rural local governments might not realize the benefits outlined in Results Washington and Results Commerce. Additionally, without meeting the deadlines to complete the updates, local governments could jeopardize their ability to compete for capital loans and grants from the state. This could strain their existing capacity to maintain and update existing systems as well as address issues brought on by future growth or emergencies.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

This proposal assumes \$2,604,000 to be distributed as grants. The amount has been determined by applying the following formula (for the two years prior to the mandated update deadline): \$10,000 for cities of less than 3,000 population, \$18,000 for cities between 3,000 and 10,000, and \$96,000 for counties with less than 100,000 population.

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

The need for planning grants to assist local governments in meeting their mandated update deadlines continues into SFY 2018 but at a different level. The department estimates \$994,000 will be needed to assist the remaining 108 communities at a commensurate level in SFY 2018.

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries			
<b>B</b>	Benefits			
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services			
<b>G</b>	Travel			
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services		\$2,604,000	\$2,604,000
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>			\$2,604,000	\$2,604,000

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** N9 Startup Washington 365  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

The department is requesting additional General Fund State funding to continue work associated with the Startup Washington program throughout the 2015-2017 biennium. This program provides support for two rural pilots related to Centers for Entrepreneurial Success in Eastern Washington and would support work in establishing a third Center in Western Washington.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-1	General Fund State		\$100,000
<b>Total Cost</b>			<b>\$100,000</b>
<b>Staffing</b>			
FTEs		<b>FY 2016</b>	<b>FY 2017</b>
			<b>0.50</b>

**Package Description**

**Background**

Many rural communities are beginning to reevaluate their economic development strategies. They no longer invest in expensive and lengthy business attraction searches but instead, are turning to small business. While there are service providers and funding resources available to support entrepreneurs, many rural areas are excluded from participating due to the distance and/or a lack of awareness of how to access services. Washington State's ability to create a more entrepreneurial environment requires structure and agency coordination to support such efforts. Startup Washington 365 was created through the Department of Commerce in 2012 to make entrepreneurship an important part of a comprehensive economic development strategy.

**Current Situation**

The department conducted numerous listening sessions to identify rural needs and appropriate solutions to create jobs and build increased economic vitality. It became evident from these sessions as well as the *Small Business Assistance Project: Report to the Legislature*, *The Washington Economic Development Commission Report* and the National Governors Association report on *Top Trends in State Economic Development*, that part of the answer was state supported entrepreneurship. In the 2013-2015 biennium, the department committed existing resources to address this need and in 2015 received \$250,000 General Fund State funding. Funding was intended to create an entrepreneurial culture and ecosystem for rural communities by coordinating, monitoring and developing tools that would meet the economic development strategy of growing communities from within. In addition to the 2015 funding to support this effort, the legislation was to support Startup Washington, the state's entrepreneurial strategy, with the creation of two Centers for Entrepreneurial Success which has been identified to be in the eastern part of the state through a partnership with Startup Spokane a program of the Associate Development Organization (ADO).

In the last three years, this effort has coordinated entrepreneurship activities in every county, produced a starting a business playbook, partnered with the private sector to access capital through crowdsourcing loans, established two centers for entrepreneurial success in Whitman and Asotin counties and developed a resource website for startup businesses. All of these activities need to be coordinated by some entity to continue their progress. Lack of funding would prevent state assistance for a rural strategy that focused on small business and entrepreneurship. Washington would also be one of the few states without an entrepreneurship strategy. The small business community would feel the effects and consequences of fewer support services in our rural areas.

### **Proposed Solution**

In order to continue to provide services, resources and tools to rural communities, funding would need to continue throughout the biennium. In addition, funding would be provided to support an additional center for entrepreneurial success in Western Washington in order to connect with other centers that were funded in Eastern Washington. These centers would be a part of the economic development and community college network similar to the ones established in eastern Washington.

### **Narrative Justification and Impact Statement**

#### ***What specific performance outcomes does the agency expect?***

The performance outcomes would include economic growth for small businesses. By providing technical assistance, developing additional tools and maintaining the existing successful resources, these efforts can help small businesses be successful. The department would continue to coordinate the Kauffmans Foundations Global Entrepreneurship Week, develop curriculum for entrepreneurial success, update the playbook and website resources, map networking locations in the state, work with Associate Development Organizations to identify businesses needing crowdsourcing capital, and develop an onsite mentorship connection between urban and rural communities. Measures include:

- # of programs and events supporting entrepreneurs
- # of visits to resource websites
- # of startups created
- # of technical assistance provided to small business
- # of crowdsourced campaigns resulted in successful campaigns
- # of mentor relationships
- Creation of additional Centers for Entrepreneurial Success

### **Performance Measure Detail**

#### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

The department has made a strategic commitment to focus on developing entrepreneurs and small businesses in rural areas through mentorship, technical assistance, education and training, access to capital and networking.

#### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This package supports Results Washington **Goal 2: Prosperous Economy**. Governor Inslee has made a commitment to support technical assistance in rural communities that will lead to more startup creations in rural areas. Results Washington calls out specifically rural assistance and support for entrepreneurship and small business.

#### ***What are the other important connections or impacts related to this proposal?***

This proposal will reach out to Associate Development Organizations (ADO) and community colleges for support. Efforts will be made to generate revenue over the years by charging for some services. Additional partnerships and technical assistance relationships with the private sector will be sought. Grants will be competed for given the myriad of foundations that recognize the importance that rural, entrepreneurs and small business play in the economy.

***What alternatives were explored by the agency and why was this alternative chosen?***

Continuation of Startup Washington was chosen based on recently proven success. It is a recognizable brand within the ADO community that adds value. Recent project include:

- Seventeen Washington companies received \$500,000 in loans from supporters in their communities through Fund Local.
- Two hundred Global Entrepreneurship Week events were held statewide, with all 34 rural counties participating. Over 10,000 people attended or participated in these events.
- Five business plan competitions have taken place that included participants from 11 rural counties.
- Over 500 people have viewed the Washington Business Playbook.
- Choose Washington is one of the most viewed sites in the Office of Economic Development and Competitiveness.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

The Startup Washington program will not continue its current work and will be a loss for rural communities who are looking for a state wide resource and presence for their small businesses and entrepreneurs. The establishment of a third Center for Entrepreneurial Success would not be established in Western Washington.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

Funding will be required to support a .50 FTE to manage the program and provide businesses and entrepreneurs technical assistance. As part of this proposal funding would also be provided to support an additional center for entrepreneurial success in Western Washington to connect with the centers that were funding in eastern Washington.

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

These costs are ongoing:

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries		42,000	42,000
<b>B</b>	Benefits		14,300	14,300
<b>C</b>	Personal Service Contracts		18,000	18,000
<b>E</b>	Goods & Services		5,000	5,000
<b>G</b>	Travel		1,000	1,000
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements		19,700	19,700
<b>Total</b>			<b>\$100,000</b>	<b>\$100,000</b>

To continue the program beyond the current biennium, costs in the 2017-2019 biennium would be anticipated at approximately \$350,000.

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** O0 Local Government Fiscal Note Program  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

The department requests additional funding for the Local Government Fiscal Note Program to fully implement statutory requirements. This includes the evaluation and verification of selected local government fiscal notes, providing policy makers with a cumulative impact analysis of financial data, and appropriately staffing the LGFN program during legislative sessions.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
107-1	Liquor Excise Tax Account		<b>\$94,297</b>
<b>Total Cost</b>			
<b>Staffing</b>			
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>
			<b>0.95</b>

**Package Description**

**Background**

In 1977 local government fiscal notes were created in order to provide legislators with objective analysis of potential expenditure and revenue impacts to counties, cities, and special purpose districts (RCW 43.132).

In FY 2015, the LGFN program received 628 fiscal note requests, significantly higher than other state agencies. For example, the Department of Revenue received 373. Timeliness and quality issues with local government fiscal notes can have an outsized impact on the overall fiscal note process.

The accuracy of local government fiscal notes has never been evaluated. A statute enacted in 2000 called for an assessment of selected laws, but it was subject to funding that was never secured (RCW 43.132.800). This has become increasingly problematic in recent years as state policymakers have considered wide-ranging changes to the fiscal relationship between state and local governments. It is unknown how accurate LGFN estimates have been on major bills approved by the Legislature.

Fiscal impacts are estimated through surveys, data models, review of published reports and online databases, and direct consultation with state and local government officials. LGFN analysts also work directly with other state agencies producing fiscal notes, OFM, and legislative staff. Complex bills can require an advanced level of expertise in a given policy realm as well as applied research techniques. However, state appropriations have historically funded LGFN's fiscal analysts at internship-level wages.

Work being performed by LGFN during non-session times includes research on local government cost drivers relating to law enforcement, prosecution, jail, elections, growth management, and local hearings and ordinances. Additional funding would increase both the frequency and/or scope of this work. As an example, jail cost surveys currently conducted biennially could be conducted yearly, and growth management update estimates currently based on a small sample of governments could be replaced with estimates collected from a comprehensive survey of cities and counties.

## Current Situation

In 2008 LGFN adopted a new business model that included the creation of a fee-based contracted research wing, and the co-location of four other municipal finance-related programs in the same unit. These programs are: Bond Users Clearinghouse, Bond Cap Allocation, contract administration for the Municipal Research and Services Center, and the public facilities district financial feasibility review program. These programs have consistently generated enough revenue to allow fiscal note analysts to stay on staff year-round. This maintains operational consistency and alleviated knowledge transfer issues that were present in the pre-2008 business model, which relied on temporary contract staff.

Data from LGFN's annual customer satisfaction survey suggest that this new business model has improved the perceived quality of fiscal notes. For example, the scores for credibility, accuracy, quality of writing, and statistical information increased by an average of 12 percent between 2007 and 2014.

The current business model has created greater efficiencies from LGFN's budget in two ways:

- Instead of funding all of its analysts full time through an entire legislative session analysts can be switched over to contracted work during periods when fiscal note volume is lower; and
- With experience analysts become more efficient in their fiscal note production and make fewer errors.

Even so, during recent legislative sessions analysts have increasingly struggled to balance LGFN and other responsibilities during legislative sessions. In 2015 customer satisfaction survey, only half of all respondents stated that they received fiscal notes in a timely fashion. Additionally, only 36.4 percent of respondents were "very satisfied" with local government fiscal notes. This is down from almost 51 percent compared to 2012 statistics.

Recent state budget cuts have reduced the market for contracted services to the point that within the next few years LGFN may no longer be able to secure year-round funding for all of its analysts. The program may revert back to the pre-2008 business model of relying on session temps. This could negatively impact the program's capacity to deliver in-depth and high-quality analyses in a timely manner.

## Proposed Solution

The department is requesting funding for the LGFN program to improve the quality and timeliness of its fiscal analysis. This increased capacity would result in the following:

1. **Data-driven program evaluation:** Research would be conducted annually delineating the fiscal impacts on local governments arising from selected laws enacted in the preceding five-year period. This implements a statute that has never been enacted due to lack of funding (RCW 43.132.800). Comparing the estimates of local government fiscal notes to the actual impacts of enacted laws would allow the evaluation of their accuracy. This will result in improvements to LGFN's research processes and predictive models.
2. **Cumulative impacts analysis:** Data on individual fiscal notes would be rolled up annually in order to facilitate accurate analysis. Policymakers would have an objective source of data on the cumulative impacts of legislation on local governments.
3. **Increased session capacity:** The number of staff-hours available during legislative sessions would increase roughly 25 percent. This would improve the timeliness of notes during the peak of session and improve analytic quality across LGFN's policy bandwidth, which is the broadest of any Washington State research shop outside of the Office of Financial Management (OFM).

If approved, this proposal would stabilize LGFN's professional staffing structure, improve timeliness (particularly in response to legislative hearings), and to enhance the depth and quality of fiscal note analysis.

## **Narrative Justification and Impact Statement**

### ***What specific performance outcomes does the agency expect?***

If the funding proposal is enacted, the outcomes LGFN expects to achieve include the following:

- The percentage of local government fiscal notes submitted that do not require a revision would increase from 93 percent to 95 percent.
- The annual customer survey rating of overall satisfaction with local government fiscal notes would increase from 4.20 (on a scale of 1-5) to 4.40.

Providing increased capacity for LGFN directly supports A106 of the Agency Activity Inventory, Local Government Fiscal Notes.

## **Performance Measure Detail**

### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

Increased funding to LGFN would support the department in all seven of its key goals. The proposal would:

- Bring stability to LGFN, whose business model is an innovative example of ***Entrepreneurial Agency Culture*** and ***Conscientious Stewardship*** of limited dollars.
- Help build ***Strong Partnerships*** with local governments by providing greater depth, accuracy and timeliness to policy makers regarding local government finance issues.
- Improve the consistency of fiscal analysis expertise across a wide range of policy issues of relevant to local governments, which include ***Sustainable Energy, Vibrant Communities, Growing Economies,*** and ***Reliable and Sustainable Infrastructure.***

### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

The Local Government Fiscal Note Program provides essential support to ***Goal 5: Efficient and Accountable Government.*** LGFN provides legislators with timely, objective information on the fiscal impacts of proposed legislation on local governments.

### ***What are the other important connections or impacts related to this proposal?***

The LGFN program plays a unique role in the fiscal note system. The program effectively acts as a check and balance against the fiscal assumptions other state agencies develop regarding potential local fiscal impacts. LGFN's ability to play that role heavily depends upon the experience level of its analysts across an exceptionally broad range of policy areas. These include taxes (approximately 40 different types relate to local governments), criminal justice, social services, housing, land use, natural resources, energy agriculture, public works, transportation, elections, pensions, and government operations.

### ***What alternatives were explored by the agency and why was this alternative chosen?***

As discussed in the Current Situation, in 2008 the department developed a new business model that sought to increase the experience of its staff through the creation of a contracted services wing and the co-location of four other municipal finance-related programs.

LGFN program staff have also sought to write grants and build partnerships with other state agencies. For example, a proposal was submitted to a number of foundations to fund a nation-wide study of local government fiscal note programs. The LGFN program has also proposed to two other state agencies a study involving the fiscal health of Washington's local governments. Thus far these efforts have not been successful.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

One scenario is that the LGFN program maintains its current level of staff expertise. This would occur if contracted research revenue does not decline in the next few years or if significant grants are secured. If revenue declines, the LGFN program would revert to the previous business model of relying primarily upon session temps. This would negatively impact the program's capacity to deliver in-depth and high-quality analyses in a timely manner. In addition, the statute calling for an evaluation of fiscal note accuracy will not be enacted and policymakers will not have cumulative impacts data.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None.

***Expenditure and revenue calculations and assumptions***

This would be accomplished with .95 FTE of a Commerce Specialist 3 with standard goods and services costs.

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries		63,902	63,902
<b>B</b>	Benefits		22,972	22,972
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services		7,423	7,423
<b>G</b>	Travel			
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>			<b>\$94,297</b>	<b>\$94,297</b>

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** O1 Innovation Partnership Zones  
**Budget Period:** 2015-17  
**Budget Level:** PL Performance Level

**Recommendation Summary Text:**

This request restores funding for the Innovation Partnership Zone (IPZ) Program. IPZs serve as a geographically distributed economic development strategy to foster innovation eco-systems. The goal of this model is to focus on accelerating bottom-up, organically driven collaborations to advance innovation and growth of industry clusters. In the 2013-2015 biennium, funding was reduced and eventually eliminated. Restoring funding for the IPZ program allows the department to meet the statutory obligations.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-1	General Fund State		\$ 70,500
<b>Total Cost</b>			<b>\$ 70,500</b>
<b>Staffing</b>			
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>
			<b>0.50</b>

**Package Description**

**Background**

The IPZ program was created in 2007 by Governor Gregoire and the Washington State Legislature through SHB 1091. The program is an economic development strategy encouraging regional collaboration to advance growth through innovation. During the 2013 Legislative Session funding for grant services administration was reduced in 2014 and eliminated in 2015. The intention was to reduce administrative costs associated with the elimination of three grants: Impact Washington, Washington State Microenterprise Association, and Washington Global Health Alliance. This reduction also removed program management obligations for the program.

**Current Situation**

The department received Capital funding for six Innovation Partnership Zones in 2012 which provided program administration funding. Those Capital administrative dollars made it possible for the department to continue to fund the IPZ program administration after the funding for grant services administration was eliminated. The last grant and administration funds will close by the end of Fiscal Year 2016.

**Proposed Solution**

Funding this proposal will allow the department to meet the workload obligations prescribed in RCW 43.330.270. This includes managing the bi-annual solicitation and application process for areas wishing to be designated innovation partnership zones, designing and reviewing the re-designation process, collecting annual performance measure data for the current 13 Innovation Partnership Zones, coordinating required annual zone administrator events, updating the website and compiling information for the legislative biennial report.

**Narrative Justification and Impact Statement**

***What specific performance outcomes does the agency expect?***

It is envisioned that this strategy will stimulate the growth of regional economies by building a collective strategy and relationships among industry clusters, entrepreneurs, capital providers, education organizations, infrastructure and others. The intent is to facilitate the development of new technologies, marketable products, company formation, investments, exports, and job creation.

**Performance Measure Detail**

***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

Creating jobs through expanding, retaining, and recruiting businesses is a top priority for Commerce. These efforts support the ***Vibrant Communities*** and ***Growing Economies*** strategic goals in the department's strategic plan. Investing in industry sector development and improving the state economic environment. IPZs support both approaches.

***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This package supports Results Washington priorities ***Goal 1: World-class Education***. Each IPZ offers higher education (university, community college and/or technical institute) researchers who work closely with their private sector partners to develop prototypes, incubate start-ups, development critical training programs, and pool best practices in order to blaze new trails in innovation. IPZs must have three components within their boundaries 1) research capacity in the form of a university or community college, 2) an industry cluster, and 3) training capacity. ***Goal 2: Prosperous Economy***. The goal of the program is to retain, grow and attract businesses by improving and communicating Washington's competitive advantages. ***Goal 3: Sustainable Energy and a Clean Environment***; and ***Goal 4: Healthy and Safe Communities***. IPZs are set up by cluster, including aerospace, clean energy, medical devices, interactive media, water management and even wine and hospitality. Each IPZ is sited to take advantage of the region's pool of talent, resources, and entrepreneurship.

***What are the other important connections or impacts related to this proposal?***

There are currently 13 IPZs located statewide; eight of them are along I-5 corridor, two on the coast, and three in Eastern Washington. These zones offer a unique environment to businesses bringing research, workforce training and private sector businesses together in close geographical proximity to create new companies, products and jobs. If this package is not funded, a decision will need to be made as to what happens with the current designations.

***What alternatives were explored by the agency and why was this alternative chosen?***

The department has used other fund sources since July 2014. When the Grant Services Administration Unit was eliminated, administrative funding on the IPZ Capital grants and through an Interagency Agreement with OFM using Strategic Reserve Funds stood up the program. (This position also supports the development, negotiation, execution and monitoring of Governor's Strategic Reserve Fund contracts.) The Capital grant was reappropriated this biennium. The remaining Capital grant and administrative funding will be fully expended by June 30, 2016. The department has determined that additional funding is required if the position is to be retained.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

There are currently 13 Innovation Partnership Zones. Administering the IPZ program requires the management of the bi-annual solicitation and application process for areas wishing to be designated innovation partnership zones; criteria updates and evaluation for IPZ applications; and the management of the re-designation process. This includes the distribution and analysis of annual performance measures from IPZs, economic outcome surveys to applicable projects, data compilation of a comprehensive IPZ report submitted to the Governor and Legislature; coordination of annual IPZ administrator events; and updates to various media. If this package is not funded, the statute requiring the department to perform these duties will be unfunded.

***What is the relationship, if any, to the state capital budget?***

In the event that IPZs receive a capital appropriation, administrative funding would support the application and selection processes, or in the case of a direct appropriation to an IPZ, the development, negotiation, and execution of Innovation Partnership Zone contracts.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None. If this package is not funded, the duties required under RCW 43.330.270 would not have sufficient funds to operate.

***Expenditure and revenue calculations and assumptions***

This would be accomplished by .5 FTE at a Commerce Specialist 3 level, additional costs for attending annual conferences are included under Goods and Services.

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

The costs outlined below are ongoing. Costs in the 2017-2019 biennium are anticipated to be approximately \$141,000.

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries		\$ 34,000	\$ 34,000
<b>B</b>	Benefits		12,200	12,200
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services		23,600	23,600
<b>G</b>	Travel		700	700
<b>J</b>	Capital Outlays			
<b>N</b>	Client Services			
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>			<b>\$ 70,500</b>	<b>\$ 70,500</b>

State of Washington  
Decision Package

**Agency:** 103 Department of Commerce  
**Decision Package Code/Title:** O2 National Disaster Resiliency Competition Grant  
**Budget Period:** 2015-17  
**Budget Level:** PL-Performance Level

**Recommendation Summary Text:**

The department requests federal expenditure authority for the implementation of the National Disaster Resiliency Competition Funding awarded by the U.S. Department of Housing and Urban Development to the department for the Summit to Sea Puyallup River Watershed Project.

**Fiscal Detail**

<b>Operating Expenditures</b>		<b>FY 2016</b>	<b>FY 2017</b>
001-2	General Fund Federal	\$215,774	\$11,527,280
<b>Total Cost</b>		<b>\$215,774</b>	<b>\$11,527,280</b>
<b>Staffing</b>		1.6	3.0
<b>FTEs</b>		<b>FY 2016</b>	<b>FY 2017</b>

**Package Description:**

**Background**

The department is participating in Phase 2 of the U.S. Department of Housing and Urban Development (HUD) National Disaster Resilience Competition (NDRC). If the proposal is successful, up to \$50 million could be awarded to the State of Washington to fund local innovative resilience projects to better prepare communities for storms and other extreme events. NDRC is making available close to \$1 billion nationwide for disaster resilience initiatives that meet national Community Development Block Grant (CDBG) eligibility requirements. This is a unique opportunity that will enable Washington State to better respond at both the state and local level to natural disasters, and the ability to plan in advance to mitigate these hazards. NDRC funded activities will result in lives saved, property damage reduced, and minimized disruptions to our local and state economy.

To be invited into Phase 2 of the competition, in early 2015 the department convened a group of interagency state and local stakeholder agencies that developed the initial Summit to Sea (S2S) project concept. This concept had significant support from the Office of the Governor, partner agencies, and the local communities that would benefit from funding this proposal. The S2S project was successfully evaluated by the HUD, and in June of 2015, the department was invited to apply for Phase 2, the final phase of the national competition.

S2S is a portfolio of projects that incorporate resilience into existing large-scale regional efforts projects with the restoration, recovery, and resilience of the Puyallup River Watershed being the focus and target area. This portfolio builds, transforms and energizes existing programs and strategies to develop integrative tools to build resilience at the community level, empowering our vulnerable populations and creating essential ties across diverse investments. The Puyallup River Watershed was chosen as the target area for funding and the S2S concept to address unmet recovery needs from the qualifying 2012 flood disaster.

**Current Situation**

The department is in position to receive up to \$50 million to fund disaster resiliency projects based on eligible projects in the Puyallup River Watershed area. Having been invited into Phase 2 of the Competition, Washington is competing with 40 other state and local governments to share a national pool of up to \$1 billion.

These projects will build the capacity of local areas affected by past disasters to reduce the impact of future events, and recover more quickly. If expenditure authority is not obtained, the program cannot be implemented.

### **Proposed Solution**

Increase the General Fund-Federal Expenditure Authority to the department of to implement projects funded under the National Disaster Resilience Competition. This amount may need to be adjusted in future years depending on the actual award amounts.

### **Narrative Justification and Impact Statement**

#### ***What specific performance outcomes does the agency expect?***

By implementing this program, the department will move forward on its Community Capacity goal, which will allow those communities and neighborhoods assisted by this program to mitigate potential future occurrences of floods and other natural disasters, and when they occur, to recover more quickly. In addition, a micro-grant challenge will encourage communities to include hazard mitigation resilience into their local planning efforts. The S2S project also addresses the department's Infrastructure Objective, which improves the state's ability to provide both technical and financial assistance to local governments and to provide targeted planning and implementation related to disaster resilience of infrastructure. This enables affected communities and businesses, and targeted low to moderate income residents to provide needed services and get back to normal lives more quickly and with less negative impacts.

The S2S project directly supports A096 of the Agency Activity Inventory, the Community Development Block Grant Program, and A007, Streamline Housing and Community Development.

### **Performance Measure Detail**

#### ***Is this DP essential to implement a strategy identified in the agency's strategic plan?***

The S2S project allows communities to develop a more comprehensive local planning process that mitigates hazards due to natural disasters. This will allow additional communities participating in the initiative to increase the effectiveness of their comprehensive planning process, which can be linked to strategy 2.1 of the Infrastructure Objective.

The S2S project initiative also supports several of the department's key goals found under Results Commerce: ***Conscientious Stewardship*** will be needed to manage a complex federally funded project that includes over 21 separate activities. The success of S2S project depends on ***Strong Partnerships*** at both the state and local level between six different agencies. Disaster Resilience is a critical component to creating ***Vibrant Communities*** and ensuring that the needs of CDBG eligible communities are considered in resiliency planning and implementation.

#### ***Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?***

This proposal supports ***Goal 2: Prosperous Economy***, and ***Goal 4: Healthy and Safe Communities***. Communities that have appropriate planning in place to adequately mitigate possible disasters will be able to ensure communities are safer during events to its residents. Businesses and other parts of the economy will be able to get back to normal more quickly and effectively.

#### ***What are the other important connections or impacts related to this proposal?***

S2S will provide a series of best practices that other areas in the state can replicate to mitigate natural hazards and disasters. This is especially important as the state and its communities are confronting an increasing number and severity of natural hazards, including slides, droughts, and wildfires.

The S2S project also places a strong emphasis on partnerships among state agencies and local governments. In addition to the department, four other agencies will have a committed role to play in the implementation phase:

the University of Washington, the Department of Natural Resources, the Department of Transportation, and the Emergency Management Division of the Military Department. Each entity will provide a key role in delivering services to local governments involved in the initiative.

***What alternatives were explored by the agency and why was this alternative chosen?***

The S2S project is an initiative developed by partnering state agencies that only became feasible when federal funding became available that could actually implement some of the concepts and activities that need to happen to allow for disaster resiliency. In lieu of scarce state funding, this is a timely and feasible alternative. The Pierce County Watershed was located as a target area after an exhaustive analysis of other areas that could benefit. This criteria assessed included eligibility requirements of the grant and of determining eligibility for the Community Development Block Grant program.

***What are the consequences of not funding this package? Or if this is a reduction package, what are the consequences of adopting this package?***

Not providing expenditure authority will force the state to decline any grant offers by the U.S. Department of Housing and Urban Development. Communities in the Puyallup River Watershed area will continue to be more prone to damage from flood events.

***What is the relationship, if any, to the state capital budget?***

None.

***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

The S2S project would result in sub-recipient interagency agreements being implemented with the University of Washington, the Department of Natural Resources, Department of Transportation, and the Emergency Management Division of the Military Department. One-time grants would be awarded to Pierce County and to the City of Tacoma as awardee sub-recipients to administer locally funded projects.

***Expenditure and revenue calculations and assumptions***

In FY 2016 1.6 FTE (1.0 FTE Commerce Specialist 3 and .6 FTE administrative/management support), and in 2017, 3.0 FTEs (2 Commerce Specialist 3s and 1.0 FTE administrative/management support) will administer the program.

***Which costs or savings and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?***

S2S will be a multi-biennial initiative that over the life of the initiative will include salaries, benefits and associated costs to oversee program administration. Additional expenditure authority will be necessary in future biennia to oversee completion of the grant award.

<b>Object</b>		<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
<b>A</b>	Salaries	\$102,981	\$198,225	\$301,206
<b>B</b>	Benefits	36,220	71,829	108,049
<b>C</b>	Personal Service Contracts			
<b>E</b>	Goods & Services	68,273	123,838	192,111
<b>G</b>	Travel	5,000	5,000	10,000
<b>J</b>	Capital Outlays	3,300		3,300
<b>N</b>	Client Services	0	11,128,388	11,128,388
<b>T</b>	Intra-agency Reimbursements			
<b>Total</b>		<b>\$215,774</b>	<b>\$11,527,280</b>	<b>\$11,743,054</b>

# State of Washington

## Summarized Revenue by Account and Source

Budget Period: 2015-17  
Dollars in thousands  
103 - Department of Commerce  
Agency Level  
CB - 1st Year Supplemental  
Supporting Text Excluded

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	Maintenance Level		Performance Level		Biennium Totals		Total
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	
<b>263 - Comm Economic Devel</b>							
DE - Endowment Trust Fund	90	120					
Total - 0420 - Charges for Services - S	90	120			90	120	210
<b>263 - Comm Economic Devel - State</b>	<b>90</b>	<b>120</b>			<b>90</b>	<b>120</b>	<b>210</b>
<b>Total - 263 - Comm Economic Devel</b>	<b>90</b>	<b>120</b>			<b>90</b>	<b>120</b>	<b>210</b>
<b>103 - Department of Commerce - State</b>	<b>90</b>	<b>120</b>			<b>90</b>	<b>120</b>	<b>210</b>
<b>Total - 103 - Department of Commerce</b>	<b>90</b>	<b>120</b>			<b>90</b>	<b>120</b>	<b>210</b>