



Department of Commerce
FY18 Supplemental Operating Budget Request
October 2017

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STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • (360) 725-4000
www.commerce.wa.gov

October 9, 2017

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 our 2018 Operating Budget Supplemental request. It includes 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 strengthen communities by improving jobs, and providing 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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Summarized Revenue by Account and Source

DIRECTOR'S PRIORITIES

State of Washington

Sorted By Agency Priority, Budget Level, Decision Package Id

10/13/2017

9:15:43AM

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RECOMMENDATION SUMMARY REPORT

State of Washington
Recommendation Summary

10:04:43AM

Agency: 103 Department of Commerce

10/13/2017

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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2017-19 Current Biennium Total

CL CF Carry Forward Level	284.3	130,623	433,156	563,779
Total Carry Forward Level	284.3	130,623	433,156	563,779

Percent Change from Current Biennium

Carry Forward plus Workload Changes	284.3	130,623	433,156	563,779
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Percent Change from Current Biennium

M2 8L Lease Rate Adjustments		26	59	85
M2 9E Other Fund Adjustments			989	989

Total Maintenance Level	284.3	130,649	434,204	564,853
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Percent Change from Current Biennium

PL B1 Rural & Small Business Economic Dev	2.5	2,597		2,597
PL B2 Industry Sector Development Program	2.5	1,382		1,382
PL B3 Regional Planning & Asset Mapping	0.5	3,601	(2,801)	800
PL B4 Buildable Lands	0.3	1,576		1,576
PL B5 Youth & Families in Need of Service	1.0	3,644		3,644
PL B6 Regulatory Roadmaps	0.7	209		209
PL B7 Lead Based Paint Enforcement	0.8		193	193
PL B8 Local Government Study	0.5		151	151

Subtotal - Performance Level Changes	8.7	13,009	(2,457)	10,552
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2017-19 Total Proposed Budget	293.0	143,658	431,747	575,405
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Percent Change from Current Biennium

M2 8L Lease Rate Adjustments

The Department of Commerce (department) initially sub-let space in Thurston County (Olympia Town Square) to the Governor's Office of Regulatory Innovation and Assistance (ORIA). Effective November 30, 2017, ORIA will exercise its option to terminate the sub-lease with the department and move to another location as required by the Office of Financial Management. This request would fund the shortfall stemming from the cancelled sub-lease.

M2 9E Other Fund Adjustments

The Department of Commerce (department) requests additional expenditure authority for Mobile Home Park Relocation Account, Washington Sexual Assault Kit Program and Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program to reflect the available revenue.

PL B1 Rural & Small Business Economic Dev

The Department of Commerce (department) requests funding for small and underserved businesses as well as the communities in which they are located. The following is a proposed suite of programs that addresses gaps in small business support at various stages of operation while also assisting rural and underserved communities in marketing themselves to attract new companies, entrepreneurs and workers. This proposal also seeks support for the Export Assistance Program which is not currently funded at levels sufficient to meet the increasing demand from small businesses around the state for export assistance.

PL B2 Industry Sector Development Program

The Department of Commerce (department) requests funding for the Industry Sector Economic Development Program (ISDP) to ensure that a growing, results-driven economic development approach becomes sustainable over the long term. Sector Leads have become an established and relied upon liaison to industry leaders and state agencies and departments, helping to support critical priorities in key industry sectors. A fully funded team with technical and administrative support will allow the Sector Leads to deploy key tools to support stakeholders, meet accountability metrics for success, leverage relationships necessary to support the program's three main goals and build on its success, particularly in underserved and rural communities.

PL B3 Regional Planning & Asset Mapping

The Department of Commerce (department) requests a funding transfer for Associate Development Organizations (ADO) from the Economic Development Strategic Reserve Account (ESRA) back to General Fund-State (GFS). The department also requests a re-capitalization in the ESRA so that business recruitment and retention can continue. Lastly, the department requests additional funds for grants that promote regional strategic planning and community asset mapping.

PL B4 Buildable Lands

The Department of Commerce (department) requests \$1.6 million to help seven counties (Whatcom, Snohomish, King, Pierce, Kitsap, Thurston and Clark) with the implementation of ESSSB 5254 that amended the Review and Evaluation Program also known as "Buildable Lands." This request will bring all seven counties, and 105 cities/towns, to a level playing field when executing departmental guidance developed under ESSSB 5254. ESSSB 5254 added Whatcom County to the program, requiring the county to establish an evaluation program.

PL B5 Youth & Families in Need of Service

The Department of Commerce (department), Family In Need of Services proposal details a prevention and intervention strategy for youth homelessness that creates a petition process in juvenile court to compel system support and services. The proposal offers considerable revision to the Family Reconciliation Act under Chapter 13.32A RCW by merging two existing petition types into one, referred to as the Family In Need of Services (FINS) petition, which offers case management and services to address family crisis.

PL B6 Regulatory Roadmaps

The Department of Commerce (department) requests funding for the expansion of the Regulatory Roadmap pilot program to meet demand. This request would assist in improving the state's business climate through widely available roadmaps and tools that help businesses comply with regulatory requirements.

PL B7 Lead Based Paint Enforcement

The Department of Commerce (department) requests an increase to the Lead Based Paint (LBP) renovation and abatement certification fee in order to expand the State's capacity to provide adequate enforcement of the lead based paint abatement and renovation rules in Washington State.

PL B8 Local Government Study

The Department of Commerce (department) requests funding to conduct a study that would analyze the constitutional and statutory revenue capacity of local governments in relation to their obligations.

MAINTENANCE LEVEL DECISION PACKAGES



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: 8L – Lease Adjustments
Budget Period: 2017 – 2019
Budget Level: M2 – Inflation and Other Rate Changes

Agency Recommendation Summary Text:

The Department of Commerce (department) initially sub-let space in Thurston County (Olympia Town Square) to the Governor's Office of Regulatory Innovation and Assistance (ORIA). Effective November 30, 2017, ORIA will exercise its option to terminate the sub-lease with the department and move to another location as required by the Office of Financial Management. This request would fund the shortfall stemming from the cancelled sub-lease.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State	\$ 9,673	\$ 16,582	\$ 16,582	\$ 17,196
001-2 General Fund-Federal	9,546	16,364	16,364	16,971
001-7 General-Pvt. Local	458	785	785	814
058-1 Public Works Acct	1,261	2,162	2,162	2,242
05R-1 Drinking Water Asst. Acct.	267	458	458	475
06K-1 Lead Paint Acct.	124	212	212	220
084-1 Bldg. Code Council Acct.	31	54	54	56
10B-1 Home Security Acct.	2,568	4,403	4,403	4,566
12C-1 Aff. Housing for All Acct.	299	513	513	532
150-1 Low Inc. Weath. Asst. Acct.	70	119	119	124
17L-6 Foreclosure Fair. Acct.	1,168	2,002	2,002	2,077
195-6 Energy Acct.	953	1,633	1,633	1,694
205-6 Mob. Hm. Park Relo Acct.	137	234	234	243
263-1 Comm. Econ/Dev. Fee	753	1,291	1,291	1,338
501-1 Liquor Rev. Acct.	57	98	98	102
532-1 WA Housing Trust Acct.	3,434	5,886	5,886	6,104
887-1 Pub. Fac. Const. Loan Acc.	701	1,202	1,202	1,247
Total	\$ 31,500	\$ 54,000	\$ 54,000	\$ 56,000

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
E – Goods & Services	\$ 31,500	\$ 54,000	\$ 54,000	\$ 56,000
Total	\$ 31,500	\$ 54,000	\$ 54,000	\$ 56,000

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

The Department of Commerce (department) sub-leases space in Thurston County (Olympia Town Square) to the Office of Regulatory Innovation and Assistance (ORIA). Effective November 30, 2017, the sub-lease with the department will be terminated as ORIA moves to another location on the Capitol Campus at the request of the Office of Financial Management.

The department does not anticipate successfully finding another organization to fulfill the unique space requirements for the balance of the lease term. The unique and small size of the physical location makes it difficult for the department to find a current sub-lessee. The department also foresees continued vacancy challenges with this space.



Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information):*

The base budget level for all lease obligations for FY2018 (through June 30, 2018) is \$5.9 million and \$6.1 million in FY2019.

- 1. Decision Package expenditure, FTE, revenue assumptions, calculations and details.** *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

The department requests funding for lease increases driven by the separation of ORIA from the department's primary lease within Town Square. Financial obligations for mandatory cost increase must be met. By approving this funding request, Commerce can continue operations without interruption of providing essential services to our stakeholders.

Current revenue from the sublease with ORIA is \$4,535 a month, or approximately \$54,000 annually. Since the separation is effective November 30, 2017, the department has a shortfall in funding of approximately \$31,500 in FY18. After FY18, it becomes a \$54,000 shortfall annually, and a \$56,000 annual shortfall beginning FY21.

- 2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

To be consistent with the Governor's Results Washington priorities in Goal 5: Efficient, Effective and Accountable Government, the Department of Enterprise Services negotiates and executes the lease agreements for Department of Commerce, ensuring that the department is in the most efficient and effective space to serve the public.

This decision package does not link to any specific performance measures, however the funding will support the agency's operations which provide effective direction, management, and support of the agency priorities and mission to grow and improve jobs in Washington State by championing thriving communities, a prosperous economy and a sustainable infrastructure. The department's agency administration costs are supported by all programs and fund sources, through a combination of direct appropriation and indirect assessments.

- 3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

This decision package does not link to any specific performance measure; however, it does link to the activity listed below:

Agency Activity Code: A025 Agency Administration

- 4. What are the other important connections or impacts related to this proposal?** *Please complete the following table and provide detailed explanations or information below)*



Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	N	Identify:
Other local gov't impacts?	N	Identify:
Tribal gov't impacts?	N	Identify:
Other state agency impacts?	N	Identify:
Responds to specific task force, report, mandate or exec order?	N	Identify:
Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	N	Identify:
Capital Budget Impacts?	N	Identify:
Is change required to existing statutes, rules or contracts?	N	Identify:
Is the request related to or a result of litigation?	N	Identify:
Is the request related to Puget Sound recovery?	N	Identify:
Identify other important connections	N	Identify:

5. Please provide a detailed discussion of connections/impacts identified above.

N/A

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

The cost of this package is considered fixed costs. Additional funding options beyond the submittal of this package would be challenging. Due to the unique nature and small size of the physical location, the department has been unsuccessful in finding a sub-lessee in a short timeframe. The department also anticipates vacancy challenges for this space well into the future. The department has consulted with OFM State Agency Facility Oversight and concurred with the department's assessment finding a suitable sub-lessee in a short timeframe would be successful. The department will have to re-purpose the space for agency means, but the agency's first choice is to find a sub-lessee, which has proven to be challenging. Moreover, a sub-lessee may request additional tenant improvements or modifications



in order to use the limited space. Up-front costs for such associated improvements are also currently unbudgeted.

Given the challenges with leasing this space, the department chose the option to cover the shortfall.

7. What are the consequences of not funding this request?

The department would not be able to cover its entire lease obligation for the Olympia location. The shortfall, would then cascade into other obligations, effectively shifting costs to programs that serve the public.

8. How has, or can the agency, address the issue or need within its current appropriation level?


Agency leases are a fixed cost and assumed in the current appropriation level. Lease increases are expected by September 2020 (FY21). The department assumes a 3 percent increase.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018	\$ 31,500		
FY 2019	54,000		
Total	\$ 85,500		
FY 2020	\$ 54,000		
FY 2021	56,000		
Total	\$ 56,000		
Four Year Total	\$ 110,000		

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: 9E – Other Funds Adjustments
Budget Period: 2017 - 2019
Budget Level: M2 – Inflation and Other Rate Changes

Agency Recommendation Summary Text:

The Department of Commerce (department) requests additional expenditure authority for Mobile Home Park Relocation Account, Washington Sexual Assault Kit Program and Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program to reflect the available revenue.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
205-6 Mobile Home Park Relocation Account	\$ 613,000			
21C-6 Washington Sexual Assault Kit Program	76,000			
21K-6 Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program	150,000	\$ 150,000		
Total	\$ 839,000	\$ 150,000		

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs				
Total				

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
M-Inter Agency/Fund Transfer	\$ 150,000	\$ 150,000		
N-Grants, Benefits, & Client Svc	689,000			
Total	\$ 839,000	\$ 150,000		

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Mobile Home Park Relocation Account:

The Mobile Home Park Relocation Account provides relocation assistance to park tenants when a mobile home park is closed or converted to another use. The department requests an increase from the carry forward level authority of \$804,000 to \$1,417,000. The department has been notified of an additional 124 households (spaces) that will need to be relocated due to park closures in the beginning of Fiscal Year 2018.

Washington Sexual Assault Kit Program:

The Washington Sexual Assault Kit Program Account provides funding for the Washington State Patrol Bureau of Forensic laboratory Services for conducting forensic analysis of sexual assault kits in the possession of law enforcement agencies and for the Office of Crime Victims Advocacy for the purpose



of funding grants for sexual assault nurse examiner services and training. The department receives fifteen percent of the public funds deposited into this account to the grants. Inadvertently, in the carry forward level adjustments, the department's authority was removed. The department requests \$76,000 of non-appropriated expenditure authority for FY18 only to fund its obligation for the nurse examiner trainings.

Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program:

The Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program (SWORCAG) provides match funding by eligible entities to support efforts to increase the state's skilled workforce.

The SWORCAG account was created to help fund outreach and raise awareness of the state's worker training programs. With the passage of the 2017-2019 Operating Budget the authority associated with SSB 5713 was not included. Section nine in SSB 5713 requires the department to deposit all money received for the program into the SWORCAG account. The money received for it was included as a General Funds State (GFS) proviso of \$150,000 each fiscal year in the 2017-2019 biennium.

Because of this requirement, the department requests \$300,000 of non-appropriated expenditure authority for the SWORCAG account to accommodate the fund transfer from the GFS proviso.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information):*

Base Budget	FY 2018	FY 2019	FY 2020	FY 2019
205-6 Mobile Home Park Relocation Account	\$ 671,000	\$ 133,000		
001-1 General Fund-State	150,000	150,000		
Total	\$ 821,000	\$ 283,000		

Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
205-6 Mobile Home Park Relocation Account	1.7	1.7		
Total	1.7	1.7		

Activity	FY 2018	FY 2019	FY 2020	FY 2021
A068-Mobile Home Relocation	\$ 671,000	\$ 133,000		
A184-Sector Leads	150,000	150,000		
Total	\$ 821,000	\$ 283,000		

- Decision Package expenditure, FTE, revenue assumptions, calculations and details.** *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

Mobile Home Park Relocation Account:

With additional expenditure authority, the department would be able to provide funding to additional participants in the relocation program that are anticipated with the notification of the five additional park closures that are scheduled to close during in Fiscal Year 2018 and Fiscal Year 2019.

Washington Sexual Assault Kit Program:

The department will utilize the authority to fund grants for sexual assault nurse examiner services and training.



Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program:

SSB 5713 established the Skilled Worker Outreach, Recruitment and Career Awareness Grant Program. With the authority, the department will be able to carry out the requirements of the legislation. The department will create a skilled worker outreach, recruitment and career awareness grant program, establish a grant review committee, coordinate with the Workforce Training and Education Coordinating Board (WTECB) on assessing current and future workforce needs and coordinate with the Workforce Training Customer Advisory Committee to establish skilled worker awareness programs throughout the state.

The department received a GFS proviso providing \$150,000 each fiscal year. This is reflected in Section 128(30) of the 2017-2019 Operating Budget. The law requires the department "shall deposit in the account all money received for the program (section nine in SSB 5713)." In order for the department to accomplish this, expenditure authority in the SWORCAG is needed so that the department can transfer these funds.

2. **Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

Mobile Home Park Relocation Account:

This decision package will impact Priorities of Government measure 2744-Percent of completed relocation assistance applications that result in assistance. With the increase in funding the department expects to increase the number of homeowners receiving relocation assistance from the current thirty percent of applications received up to fifty percent of applications received.

Washington Sexual Assault Kit Program:

This decision package will impact the department's activity A008-Services to Crime Victims. Provides funding for nurse examiner services and training as it pertains to sexual assault kits.

Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program:

The department anticipates to increase the level of awareness and enrollment in accredited educational, occupational, pre-apprenticeship and apprenticeship programs.

3. **Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

Mobile Home Park Relocation Account:

These funds provide relocation assistance to park tenants when a mobile home park is closed or converted to another use. 124 households (spaces) that were deemed eligible for relocation assistance would be reimbursed.

Washington Sexual Assault Kit Program:

The department will finalize nurse examiner training through contract services.

Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program:

The department will establish the Program and a process for accepting grant applications. Each grant recipient must submit a report on the outcomes achieved by the grant including how the funding was used to provide outreach and recruit participants, the number of participants enrolled and that



**Department of Commerce
State of Washington Decision Package**

completed the training program, the number of participants that obtained employment and the number of participants recruited.

- 4. What are the other important connections or impacts related to this proposal?** *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?		Identify:
Other local gov't impacts?		Identify:
Tribal gov't impacts?		Identify:
Other state agency impacts?		Identify:
Responds to specific task force, report, mandate or exec order?		Identify:
Does request contain a compensation change?		Identify:
Does request require a change to a collective bargaining agreement?		Identify:
Facility/workplace needs or impacts?		Identify:
Capital Budget Impacts?		Identify:
Is change required to existing statutes, rules or contracts?		Identify:
Is the request related to or a result of litigation?		Identify:
Is the request related to Puget Sound recovery?		Identify:
Identify other important connections		Identify:

- 5. Please provide a detailed discussion of connections/impacts identified above.**

N/A

- 6. What alternatives were explored by the agency and why was this option chosen?** *(Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)*

N/A

- 7. What are the consequences of not funding this request?**



Mobile Home Park Relocation Account:

Without the increase in authority for the Mobile Home Relocation Assistance program, \$613,000 in funds already collected for relocation assistance will not be distributed to individuals and families displaced by mobile home park closures. The average payout for a single wide home is \$6,329 and a multiple wide home is \$9,053. These individuals and families rely on this assistance to maintain affordable housing. The population served includes a significant number of seniors on fixed incomes, non- or limited-English-speaking households, and first-time homebuyers.

Washington Sexual Assault Kit Program:

Without the authority, the department will be unable to provide grant funding for this program.

Skilled Worker Outreach, Recruitment, and Career Awareness Grant Program:

Without the authority, the department will be unable to carry out the requirements of Substitute Senate Bill 5713.

8. How has, or can the agency, address the issue or need within its current appropriation level?


N/A

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018	\$ 839,000		
FY 2019	150,000		
Total	\$ 989,000		
FY 2020			
FY 2021			
Total			
Four Year Total	\$ 989,000		

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



POLICY LEVEL DECISION PACKAGES



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B1 – Rural and Small Business Economic Development
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests funding for small and underserved businesses as well as the communities in which they are located. The following is a proposed suite of programs that addresses gaps in small business support at various stages of operation while also assisting rural and underserved communities in marketing themselves to attract new companies, entrepreneurs and workers. This proposal also seeks support for the Export Assistance Program which is not currently funded at levels sufficient to meet the increasing demand from small businesses around the state for export assistance.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$2,596,900	\$2,500,977	\$2,590,161
Total		\$2,596,900	\$2,500,977	\$2,590,161
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		5.0	4.5	5.0
Total		5.0	4.5	5.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total	0	0	0	0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$351,991	\$314,372	\$351,991
B – Employee Benefits		130,061	116,599	130,061
C – Prof. Service Contracts		1,693,000	1,675,000	1,693,000
E – Goods & Services		311,132	289,906	310,009
G – Travel		104,200	104,200	104,200
J – Capital Outlays		6,516	900	900
Total		\$ 2,596,900	\$ 2,500,977	\$ 2,590,161

Package Description:

Rural, Small Business and Community Marketing Strategy

Challenge:

Many small businesses in rural and underserved communities lack the information, data and expertise to stay solvent, let alone grow organically and sustainably to create additional jobs. When a variety of businesses continually start up, stabilize and grow resulting in new jobs and increased revenue, a community experiences economic stability. Addressing the needs of small businesses in these communities with appropriate programs, will provide a platform for rural Washington communities to



thrive. A significant funding boost to develop programs for Washington's rural small businesses will help fill empty buildings downtown with entrepreneurial startups that in turn, attract other entrepreneurs, businesses, residents and workers to the communities.

Opportunity:

The garden called "Rural Washington" is ready for renewal and now is the time to invest in remediating the soil, planting new seeds and fertilizing the seedlings that are struggling to survive. By creating programs that help entrepreneurs and business owners navigate the increasingly complex world of business in its various stages, Washington is investing in its own often-overlooked and undervalued rural assets. The return on this investment will be new and stable jobs, increased revenue, an expanded tax base, increased trade and self-empowered communities that thrive and grow.

A thriving community that can market itself well is one that will naturally retain and attract bright young people, healthy retirees, collaborative professionals, skilled laborers, engaged investors and cutting-edge innovators. While this proposal's purpose is to request funding for the programs outlined here, the program manager is continuing to leverage other assets that include human talent, in-kind support, professional networks, academic institutions, potential private funding and other support systems to build a comprehensive and sustainable rural business strategy. In doing so, we have the opportunity to renew and regenerate rural businesses and their communities in our great state.

Priority:

As small businesses move through phases of startup, growth, development and succession, business owners require support at various stages with expertise, education and technical resources. The proposed programs provide these resources with the goal of connecting to larger markets using customizable approaches to support the individual business and community needs. It is also the intention of the program manager to develop these programs to serve the unique needs of multi-cultural, women-owned, tribal and low-income business owners within rural communities. While vetted contractors will be required to implement portions of these programs, names of those ready to collaborate are mentioned below to indicate that there are already proven, quality, yet inadequately funded resources available to implement this work.

- **StartUp 365 \$278,000 (0.30 FTE):** This program is designed to launch and support entrepreneurs. From the lifestyle entrepreneur that provides a living or secondary wage, to the family business that sustains many, to the partnerships that grow into sizeable employers, every business starts with a basic model that can be taught in a systemized way. Intensive entrepreneurial boot camps in rural and underserved areas will provide the basic necessary education to get new ventures up and going successfully.

This program, started in 2016, proved to be a success in Eastern Washington and is now ready to scale to other areas around the state. Enterprise for Equity, the Center for Inclusive Entrepreneurship, Startup Spokane and others are ready to develop entrepreneurs in regional areas, customizing programs to fit the needs of each community. Along with education, they provide events and technical services that connect entrepreneurs into regional and statewide networks.

- **Digital ScaleUp \$303,000 (0.50 FTE):** The future of business is technology based, and this program fits businesses that need to implement e-commerce strategies to grow. Technology experts will work with businesses to assess, evaluate and train owners/employees to implement ecommerce strategies and tools to participate more effectively in the worldwide marketplace. Marketing expertise, lean consulting, strategic planning, mentoring and other services will be provided to assure these businesses are on track for success. This program builds on Startup 365 and targets rural and underserved communities throughout the state.
- **Economic Gardening \$300,000 (1.0 FTE):** This program serves 2nd stage growth companies and provides access to high-level market competitive data and expertise to CEOs. Contracted



through the Edward Lowe Foundation, 30 companies participated in this program in 2016, and additional funding will assure another 30 companies can participate annually. Overall, the reviews from CEOs were excellent and there is a waiting list to enroll companies when the program reopens. These companies produce jobs and economic stability in rural communities so it is important they get follow-up support that links them to technology upgrades, export and funding assistance and expertise in planning for a business sale. Funding will support these after-care initiatives as well.

- **Rural Community Marketing Assistance Program (RCMAP) \$178,000 (1.0 FTE):** This program addresses the fundamental gap between urban and rural communities that use marketing strategies to attract business, investment and visitors to strengthen their communities. Unfortunately, many communities in rural and underserved communities lack the funds, resources and expertise to create the quality marketing materials that attract new business or investment. They simply cannot compete with larger urban centers in terms of content, graphics, messaging or attraction.

This assistance program provides five communities, counties or Associate Development Organizations in rural and underserved markets annually with high quality, professional marketing and design, training, consulting and support to connect state, regional and local marketing strategies and even the playing field in terms of business attraction, investment and retention. The deliverables are a new website, imagery, promotional video, branding and marketing guide, and the necessary training required so they can continue to improve their marketing, branding and advertising efforts to site selectors, investors, tourists and businesses, putting them on a par with urban centers that have vastly greater resources and significantly higher budgets.

- **Small Business Export Assistance \$1.54M (2.0 FTE):** Export assistance for small businesses is an integral component of the department's economic development strategy for Washington State. Small businesses represent 90% of companies that export from Washington and data has proven that small businesses that develop successful export operations are financially stronger due to market diversification and the increase in revenue from export sales. These businesses grow and ultimately create more jobs that are higher paying than non-exporters in similar industries.

The department's Small Business Export Assistance program targets very small and early stage businesses without internal resources to develop and launch an export strategy on their own. This program focuses on helping these companies be strategic and competent enough to get over the export hurdles and eventually be self-sufficient doing international business deals and transactions. Program funding supports expansion of Washington small business exports to Europe, Japan, China, India, Mexico and the United Arab Emirates (UAE). It will also provide time sensitive export documentation required by exporters (Certificates of Free Sale), and launch initiatives to promote the export of innovation from cutting-edge technologies in Washington, such as the rapidly-growing commercial space industry, artificial intelligence, machine learning, and the internet of things.



Base Budget

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
001-1 General Fund-State	\$ 2,880,755	\$ 2,410,230	\$ 1,414,582	\$ 1,337,687
001-2 General Fund-Federal	980,568	993,525	329,068	
001-7 General Fund-Pvt/Local	401,802	135,000		
263-1 Community/Economic	135,930	302,510	112,049	64,989
Dev. Fee				
09R-1 Economic Dev. Strategic Reserve		50,000		
Total	\$ 4,399,055	\$ 3,891,265	\$ 1,855,699	\$ 1,402,676

Base Staffing	FY 2016	FY 2017	FY 2018	FY 2019
FTEs	16.2	14.5	8.8	7.6
Total	16.2	14.5	8.8	7.6

Activity	FY 2016	FY 2017	FY 2018	FY 2019
A163 Business Development	\$ 1,014,360	\$ 1,153,989	\$ 563,617	\$ 603,236
A171 Small Biz Export Assist.	3,384,695	2,737,276	1,292,082	799,440
Total	\$ 4,399,055	\$ 3,891,265	\$ 1,855,699	\$ 1,402,676

1. Decision Package expenditure, FTE, revenue assumptions, calculations and details.

- Rural Programs will require contracts with providers for StartUp 365, Digital ScaleUp and Economic Gardening.
- One FTE to administer programs and one FTE to oversee contracts and assist with rural strategy implementation.
- One FTE to direct and manage the Rural Community Marketing Assistance Program, including working and consulting on-site with community economic development leaders to assist in marketing asset mapping, branding exercises, website and marketing collateral design and implementation and training. This FTE will contract with local companies to develop and deliver portions of the program, such as a promotional video and website/collateral photography.
- Small Business Export Assistance (SMEA) will reinstate contracts for foreign representation by experienced in-country business development consultants in Europe, Japan, China, India, Mexico and UAE, all key markets with strong opportunities and ties with Washington State.
 - Services to support small business exporters to be provided by the consultants include:
 - Training on lead generation and selling in the respective international markets.
 - Partner searches for new agents, distributors and buyers.
 - Due diligence on potential agents, distributors and buyers.
 - Regulatory and import counselling and assistance.
 - Trade show and mission organization and support.
 - Launch a “Starburst” type tech accelerator program in Europe for small business exporters.
 - Two FTEs will be added to SMEA to manage the expanded client workload in Washington for all of the trade programs, including:
 - Additional small business counselling, including increased support for rural-based small businesses.
 - Provision of export documentation services for small businesses.



- New industry-focused trade shows and trade missions in identified markets to cost-efficiently lead delegations of small businesses seeking to generate new export sales.

2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?

- **StartUp 365:** 50 to 100 new business startups from specific training events; additionally, the startup network will be enhanced through consistent localized events that bring entrepreneurs and experts together in support of each other
- **Digital ScaleUp:** Education and support for a minimum of 50 existing businesses statewide once the program is developed; additional future and/or private funding will result in scaling this program to bring digital tools to 100+ businesses statewide. A minimum of one job will be created for each business supported; it is likely that as the program grows, several jobs per business will be the norm, which is a significant number in rural and underserved communities.
- **Economic Gardening:** 30 second-stage businesses statewide will receive strategic information and support for growth, resulting in 2-20 jobs per business over a three-year period. Those companies who have already completed the program are required to report growth for three years.
- **Rural Community Marketing Assistance Program (RCMAP):** Through a competitive application and grants program, 10 communities in rural and underserved areas (five per year in FY 2019 and 2020) in Washington will receive customized support from the department in the form of a needs analysis, marketing and branding consulting and assistance, training and website and collateral design support so they can compete with urban centers.
- **Small Business Export Assistance:** Demand from small businesses for export assistance exceeds the department's ability to respond to 50% of requests for support. This funding package will allow the department to respond to all requests and develop new programs to engage with small businesses that are new to exporting or would like to grow exports in new markets. A total of 250 additional small businesses will be able to receive export assistance from the department.

3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.

- The injection of significant funding into these programs is expected to positively impact hundreds of businesses in rural Washington and dozens of rural and underserved communities. The estimated numbers of businesses affected are included above. It is important to note that dollars invested in rural businesses now is likely to attract additional investments to support this work from the private sector.
- For the RCMAP, it is estimated that lead generation for new projects/expansions/investments for rural and underserved communities that receive this level of professional consulting and training will double or triple in the three years following execution.
- Small Business Export Assistance program additional performance measures:
 - Support for an additional 250 small businesses.
 - Including 50 rural small businesses.
 - New small business export sales of \$50 million.

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

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Identify: An increase in job opportunities and bigger revenue base for local governments and small business. Employment increases as businesses start and hire during expansion.



Other local gov't impacts?	Y	Identify: Positive impact on port districts, local economic development programs and rural and underserved communities.
Tribal gov't impacts?	Y	Identify: Tribal owned small businesses will benefit from increased export assistance, entrepreneurial and technology training.
Other state agency impacts?	Y	Identify: Collaborations between programs and people. The breakdown of silos and duplications as experts work together to bring much-needed support to rural Washington
Responds to specific task force, report, mandate or exec order?	N	Identify:
Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	N	Identify:
Capital Budget Impacts?	N	Identify:
Is change required to existing statutes, rules or contracts?	N	Identify:
Is the request related to or a result of litigation?	N	Identify:
Is the request related to Puget Sound recovery?	N	Identify:
Identify other important connections	N	Identify: Allow the department to use new state resources requested in this funding package to leverage new federal support for small business exporters, including grants and vouchers.

5. Please provide a detailed discussion of connections/impacts identified above.

Those in rural areas who have participated in the Startup 365, Economic Gardening or Small Business Export Assistance programs know the programmatic impacts are not only measured quantitatively, but also qualitatively through increased self-reliance and job security. Compared to our urban corridor, raw numbers on jobs and revenue are often small and not easily measured. However, it is generally understood that for every one job created in rural Washington, it equates to 40 jobs in an urban area.

These rural Washington programs are high-touch and designed to create valuable connections, build trust and ignite innovation mindsets that will ultimately demonstrate as sustainable success and help close the gap between urban and rural communities in terms of attraction, visibility and investment. Meaningful impacts such as strong relationships and a sense of empowerment, as well as entrepreneurial capital, are the true measures of success in these communities.

A holistic strategy is now called for in assisting rural communities to renew and transform their economic conditions. With adequate resource funding, the department has the opportunity to act as convener, connector and facilitator as all work together to empower communities with bottom-up,



meaningful economic development. Follow-up for this work is critical, and will be most successful when enough FTEs are employed to manage the workload and have adequate “boots on the ground.”

6. What alternatives were explored by the agency and why was this option chosen?

These programs have evolved from a year of exploration and evaluation of rural small business needs, as well as an examination of best practices for rural and underserved communities in use by other states. These programs either have shown proven success in Washington or have had measurable success in other states that have implemented them. Most important, they address the tangible needs of rural communities and businesses.

Alternative funding for small business exports was secured over recent years in the form of federal grants and trade show/mission participation fees charged to small businesses. These sources of funding are not adequate to meet the baseline costs for staffing, related overheads and foreign contracts to support this body of work, as they often have constraints related to spending or are one-time or limited time programs. All of these baseline costs have historically been met with General Fund-State (GFS).

7. What are the consequences of not funding this request?

Rural communities are in dire need of innovative programs that support business, entrepreneurship and technology education. Without these, they lack the ability to participate fully in the worldwide economy. Many established businesses in these communities are currently relying on walk-in business on Main Street and unfortunately, this foot traffic is rapidly disappearing. Small manufacturing businesses need support in meeting the needs of their customers and growing appropriately. Without the ability to grow and expand markets locally, nationally and internationally, small businesses will continue to shrink and close their doors, creating further decline to the communities in which they exist.

Without professional marketing support, communities have a difficult time attracting new businesses, site selection professionals or investors. Many of their websites are ten or more years old and are using outdated technologies and site architecture that is difficult to navigate or not up to the contemporary standards available in urban centers. Competition for investment or expansion is fierce. Without this funding, rural and underserved communities will continue to find it difficult to communicate with targeted stakeholders or be shortlisted for projects because it's too hard to find information, the information itself is outdated, scant or inaccurate, or simply non-existent.

The Small Business Export Assistance Program will revert to a grant management strategy, which means it will no longer be able to provide proactive export assistance for small businesses, respond to unplanned inquiries from small businesses for assistance, provide key small business support services such as export documentation, or support government sponsored trade missions.

8. How has, or can the agency, address the issue or need within its current appropriation level?

Presently, there are few resources directed to rural business startup and growth. The Startup 365 program received funding, but funding was not renewed for the very successful Economic Gardening program. Currently, there are no dollars directed towards technology or marketing/branding support in rural and underserved communities, and limited dollars for all trade programs. Without adequate resources, it is extremely difficult to do effective economic development in rural and underserved communities throughout the state.

For Small Business Export Assistance, there are no resources within the agency's current appropriation level to reallocate. Significant budget cuts by the legislature in recent years to the agency's overall budget for economic development have created a situation where the agency lacks



the ability to re-appropriate funding to shore up individual programs that have been impacted the hardest.


Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 2,596,900	5.0	
Total	\$ 2,596,900	5.0	
FY 2020	\$ 2,500,977	4.5	
FY 2021	2,590,161	5.0	
Total	\$ 5,091,138	4.8	
Four Year Total	\$ 7,688,038	4.9	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

This request is based on specific needs that local communities and businesses have requested from the department over the last few years. Communities in rural and underserved communities statewide are asking for support from Washington State leadership to address their unique business needs. Funding for these programs will support a team of people who can reach into our rural regions and provide assistance to businesses ready to expand and create jobs.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B2 – Industry Sector Development Program
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests funding for the Industry Sector Economic Development Program (ISDP) to ensure that a growing, results-driven economic development approach becomes sustainable over the long term. Sector Leads have become an established and relied upon liaison to industry leaders and state agencies and departments, helping to support critical priorities in key industry sectors. A fully funded team with technical and administrative support will allow the Sector Leads to deploy key tools to support stakeholders, meet accountability metrics for success, leverage relationships necessary to support the program's three main goals and build on its success, particularly in underserved and rural communities.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$ 1,382,284	\$ 1,382,284	\$ 1,382,284

Total		\$ 1,382,284	\$ 1,382,284	\$ 1,382,284
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Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		5.0	5.0	5.0

Total		5.0	5.0	5.0
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Revenue	FY 2018	FY 2019	FY 2020	FY 2021
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Total				
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Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 460,824	\$ 460,824	\$ 460,824
B – Employee Benefits		152,875	152,875	152,875
C – Prof. Service Contracts		400,000	400,000	400,000
E – Goods & Services		333,264	333,264	333,264
G – Travel		35,321	35,321	35,321
Total		\$ 1,382,284	\$ 1,382,284	\$ 1,382,284

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

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 department to consider Washington's position as the most trade dependent state in determining priorities for investment.



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 and communication technology, military and defense, forest products 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.

One of the state's top priorities is to create an economic climate where innovation and entrepreneurship can continue to thrive and create good paying jobs in every corner of the state. The department's sector-based economic development strategy is a reflection of the fact that the department faces intense international and interstate competition for good jobs. The department needs to consistently devote resources to identify opportunities and strategies for supporting existing employers and cultivating new ones in Washington.

Washington's Industry Sector Development Program's primary mission is to grow and strengthen communities through statewide industry sector strategies. While every industry has unique needs and ways of accomplishing their vision for growth, the Industry Sector Development Program focuses its efforts across three common areas:

- Fostering Collaborative Public/Private Partnerships
- Growing and Diversifying Washington's Industry Sectors with a Strong Business Climate
- Encouraging a 21st Century Workforce Ready to Meet Industry Needs

Current Situation

This decision package is specific to the Industry Sector Development Program and presents our current progress and the areas of unmet needs and opportunities.

Sector Leads for the maritime, military and defense, aerospace, information and communications technology, forest products and clean technology sectors are on board and working with their industry and community partners.

To date, the maritime, clean technology, information and communications technology and life sciences Sector Leads are housed in the department. The aerospace, forest products, and military and defense Sector Leads are funded through OFM with an interagency agreement with the department. The life science and global health Sector Lead position has not been re-filled and the current budget does not allow for re-hiring.

Sector-focused economic development strategies work because they align and leverage resources of the department's partners in business, industry, state and local government. Because Washington is the most trade dependent state in the nation, strategic collaboration is vital to winning the fierce global competition for jobs, new business and investment capital. However, because the state's current sector program is underfunded, the state is at risk of losing both key public-private partnerships and jobs.

Statement of Need

Targeted industry sector-focused economic development has yielded strong results from Seattle to Spokane, Bellingham to Vancouver and all across the state in both rural and urban areas. The public/private partnerships have improved the business climate for industry and have also resulted in an increased focus on workforce development strategies that meet the needs of industry in the 21st century.

Other states are following Washington's example and adopting industry sector-focused strategies. Given this trend, it is even more important today that the state fully fund this key program to ensure Washington remains competitive with other states and sectors across the country.



Full funding for the ISDP will allow the state to ensure this results-driven approach becomes sustainable long term. Sector Leads have become an established and relied upon liaison to industry leaders, other state agencies and departments and have helped support critical priorities in key sectors. A fully funded team with technical and administrative support will allow the Sector Leads to deploy key tools, meet accountability metrics for success, leverage relationships necessary to support the program's three main goals and build on its success, particularly in underserved and rural communities.

Proposed Solution

The proposed solution will allow the department to fully fund current Sector Leads and their work with statewide partners. Additional funding will also allow the department to pursue strategic growth plans such as the successful work accomplished in aerospace, life sciences, military, clean technology, maritime, forest products and information and communications technology sectors.

The department requests \$1.4 million annually beginning in FY 2019 to identify and invest in strategic growth areas and support key sectors. The department will engage states, provinces in the northwest, associate development organizations, industry associations, small business development centers, chambers of commerce, ports and other partners to support economic development in three key areas:

1. Fostering collaborative public/private partnerships,
2. Growing and diversifying Washington's industry sector business climate, and
3. Encouraging the development of the 21st century workforce.

Sector Leads must include the industries of aerospace, agriculture and forest products, clean technology, information and communication technology, life sciences and global health, maritime and military and defense.

Lastly, the department will establish a technical assistance staff position to address small business government contracting support across all industry sectors for the purpose of generating economic development and diversification opportunities.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)*

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
001-1 General Fund-State	\$ 520,920	\$ 605,080	\$ 1,141,712	\$ 644,900
001-2 General Fund-Federal	2,914,313	2,075,225	931,928	100,000
001-7 General Fund-Pvt/Local	272,000	421,243	258,623	282,410
Total	\$ 3,707,233	\$ 3,101,548	\$ 2,332,263	\$ 1,027,310
Base Staffing	FY 2016	FY 2017	FY 2018	FY 2019
FTEs	7.95	9.79	8.30	7.46
Total	7.95	9.79	8.30	7.46
Activity	FY 2016	FY 2017	FY 2018	FY 2019
A184 Sector Leads	\$ 3,707,233	\$ 3,101,548	\$ 2,332,263	\$ 1,027,310
Total	\$ 3,707,233	\$ 3,101,548	\$ 2,332,263	\$ 1,027,310



1. Decision Package expenditure, FTE, revenue assumptions, calculations and details. *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

Current resources do not adequately fund Sector Lead activities. The department requests a General Fund-State (GFS) appropriation to fully fund the program across the following sectors: aerospace, forest products, clean technology, information and communication technology, life sciences and global health, maritime and military and defense. Also, there is currently no funding for a life sciences sector and a global health sector.

To fully support sector strategies, the department also requests the following resources:

- 1.0 FTE to provide technical assistance in support of the industry sectors,
- 1.0 FTE to provide administrative support for the unit, and
- Contracts to pursue strategic growth plans for industry.

Lastly, the department requests a GFS appropriation in the place of funds afforded through interagency agreements. This would effectively move three FTEs from the Office of Financial Management to the department.

Detail is included in the attached working paper.

2. Decision Package justification and impacts: What specific performance outcomes does the agency expect? *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

Providing the funds necessary to mature and implement the Sector Leads program, this decision package provides essential support directly related to the Results Washington Goal 2: Prosperous Economy. A competitive and diversified economy, expanded and quality jobs, and sustainable infrastructure and transportation are each key performance indicators of established sector strategies.

Sector Leads work across issue areas and agencies that support a number of other Results Washington Goals:

- World Class Education: Particularly supporting STEM education, career connected learning, CTE trades based learning opportunities and broad workforce development.
- Sustainable Energy and a Clean Environment: Particularly the Clean Technology Sector Lead, as well as other sectors, support the goals of Sustainable and Clean Energy, Healthy Fish and Wildlife, Clean and Restored Environment and Working and Healthy Lands (Forests and Outdoor Recreation).
- Healthy and Safe of People: Healthy workplaces supporting a diverse and inclusive environment are key priorities to the each of the economic and workforce strategies of the Sector Leads.
- Efficient, Effective and Accountable Government: Sector Leads work as liaisons to their stakeholders and constituents to access and navigate local and state government with an ability to translate processes and engage at the appropriate level.

The department's current Strategic Plan 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 and



communications technology, life sciences, maritime, military and defense, forest products 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). This proposal supports the department's ability to meet our key goal – Growing Economies and the associated outcomes and Increased Investment in Washington State and a Healthy Economic Climate.

3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served. Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)

The Industry Sector Economic Development Program's key performance indicators include:

Support Coordination and Public/Private Partnerships across respective Industry Sectors. Sector Leads work to support coordinated communications, advise and reflect on industry priorities and partner on strategic economic development initiatives. To date, each Sector Lead endeavors to facilitate their respective trade associations including:

- Washington Technology Industry Association WTIA: 800 Members
- Washington Military Alliance: 30 Members, 1900 companies represented
- Washington Maritime Federation: 135 Members, 2300 companies represented
- Clean Tech Alliance: 300 Members
- Multiple Forest Product Associations: 150 Members
- Life Science Washington: 500 Members + 1000 companies represented
- Aerospace Futures Alliance: 1400 companies represented

Improve the Business Climate in respective industry sectors:

Sector Leads work closely with the Governor's policy team, legislature, agencies and industry to find policy priorities to support growth in gross business income and jobs. They engage directly with business, ports, state and federal agencies to support, address and navigate the regulatory climate. For example, the Maritime Sector Lead has supported ports and maritime infrastructure developers to engage with Washington Department of Ecology and US Army Corps of Engineers to improve transparency, timeliness and predictability of the 401 and 404 Water Quality Permit process, seeing tangible changes and process improvements through collaboration across stakeholder groups.

Support the Development of the 21st Century Workforce: Sector Leads are working directly with the Washington workforce system in many ways, including:

- Governor's Career-Connected Learning Initiative: Business Engagement Committee
- Workforce Skilled Training Outreach Program
- State Board of Community Technical Colleges: Centers of Excellence, Business Engagement, College Advisory Boards, Workforce Development Grants
- Employment Security Department
- Workforce Coordinating and Training Board and Local Workforce Development Council's
- K-12: Core-Plus, Skills Center Development, CTE Expansion
- Strategic Reserve Fund/Work Start Awards
- Industry Direct Workforce Training Programs
- L&I Apprenticeship Programs

Each of the Sector Leads have established strategies designed to utilize each respective sectors' strengths towards the overall economic and community health of the state. These strategies help inform



and focus small business growth and expansion statewide. Examples from each sector include the following:

Clean Technology – Since 2013, the Washington Legislature has appropriated \$76 million for the state's Clean Energy Fund. Last year, the Legislature approved over \$100 million in capital budget funds to invest in clean energy and energy efficiency development and deployment. It included \$40 million for the Washington State Clean Energy Fund. This fund enables a mix of projects to support development, demonstration and deployment of clean energy technologies that reduce energy costs, decrease harmful air emissions and increase energy independence for Washington State.

Information and Communication Technology – Convened the state's first-ever blockchain conference attended by 90 individuals representing 60 companies, regulators, Department of Financial Institutions, law firms and entrepreneurs. The conference, which highlighted the state's workforce capability in blockchain, has already resulted in one out-of-state company looking to locate its blockchain development team in Washington. It has also led to discussions with the United Kingdom Trade Ministry on a possible collaboration between its financial industry and Washington State's developer community to bolster the number of companies doing blockchain development in Washington.

Forest Products - Helping lead the state's effort to bring innovative wood products, such as Cross Laminated Timber that will provide revenue for forest health treatment, environmentally friendly building materials and advanced manufacturing jobs. Worked with lawmakers to help secure over \$5.6 million in funding for demonstration projects, continued research and assistance to potential manufacturers.

Aerospace – Spearheaded the effort to secure the 777X program for the state, organized the formation of the Washington State Space Coalition and the new Unmanned Systems Industry Council, which brings together companies, government officials, academia and private investment to advance these aerospace sub-sectors. Washington State is the third-largest state for unmanned aerial vehicle (UAV) production, and is quickly becoming a leader in commercialized space exploration, led by Blue Origin, Vulcan Aerospace, Aerojet Rocketdyne, Boeing, Planetary Resources and Spaceflight Industries.

Maritime – Activities in this sector brought together hundreds of diverse industry stakeholders together to form the Washington Maritime Foundation in order to communicate the value, relevance and resilience of the industry in a unified voice. The Maritime Sector impacts over \$37 billion of the state's economy with 2,300 establishments, creating nearly 70,000 direct, living-wage jobs. This unprecedented coordination has supported over \$9 million of private and government investment in workforce training, infrastructure development, accelerated innovation and small business development. With leadership from the Maritime Sector Lead, the industry has shown continued growth and has rallied toward shared strategies across industry and economic development agencies across the state.

Life Science and Global Health – For the first time in state history, the Sector Lead program attracted the federal National Institutes of Health for its Small Business Innovation Research and Small Business Technology Transfer in Research conference to Washington State. The conference brought together nearly 700 attendees including 100 federal program grant managers to connect \$780 million of grant opportunities to the department's local life science and global health sector.

Military and Defense – Because of the leadership of the Military Sector Lead, the state has received approximately \$7.8 million from Department of Defense (DOD) grants to support local efforts to address the potential impacts of the second largest public employer in our state, the federal military and defense industry, downsizing. As a \$13 billion direct annual revenue industry with over 1,900 defense contractors and 10 military related installations, training ranges and impacted communities, having a Sector Lead has allowed the state to enhance the business climate. This was done by mapping the supply chain, growing strong military-civilian partnerships by advancing strategic objectives around compatibility and future missions, and providing technical support to small businesses, community advocates, federal and state decision makers. This has helped tens of thousands of veterans find employment in the private sector and strengthened Washington State's workforce.

Moving forward, additional DOD grant funds have been secured on a temporary basis on the strength of the department's recent proposal to develop a rural defense contractor outreach program. This program



is to help strengthen abilities for rural companies to compete for military and defense work and to help develop strategies to insulate current rural defense contractors from the possibility of sequestration at the federal level constricting the flow of defense contracts awarded.

Collectively, the department's Office of Economic Development and Competitiveness's (OEDC) Business Development, Small Business Export Assistance, Marketing Services, Startup 365 Program and Sector Leads work closely with one another to strengthen communities and grow the economy, especially in rural and underserved communities. The technical assistance, education, access to capital, marketing, advocacy and economic opportunities the OEDC provides plays a pivotal role in keeping intellectual wealth and money in local communities statewide. These activities also gives the state a solid return on its investment. Over the last four years, among other metrics, OEDC has:

- Created or retained 18,282 jobs statewide.
- Leveraged \$19.7 million in federal funds into \$164 million in small business loans, primarily for minority-and women-owned businesses and businesses in rural and underserved communities.
- Attracted more than \$6.2 billion in OEDC-led projects and investments.
- Assisted 5,296 small businesses statewide with exports, generating \$705.5 million in new overseas sales.
- Generated an estimated \$24 million in new tax revenue (2014-16) through OEDC-assisted export sales.
- Tripled project and investment leads through the Choose Washington marketing strategy while saving the state an estimated \$3.65 million compared to using outside contractors.
- Enrolled 20 second-stage companies in Economic Gardening (in its first year) and launched two legislated Startup Centers in Eastern Washington.
- Promoted Washington State as a place to invest, expand and start a business to 243,731 new visitors via the ChooseWashington.com and Startup Washington websites.
- Coordinated more than 350 events to teach entrepreneurship and business skills in communities statewide.
- Connected 301 small businesses impacted by defense spending decreases to new contracting opportunities through workshops, business-to-government networking opportunities and one-on-one assistance.

4. What are the other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Each Sector Lead engages on the regional and county level to support industry engagement and align with statewide goals and resources.
Other local gov't impacts?	Y	Each Sector Lead engages with local governments including cities and ports to support industry engagement and align with statewide goals and resources.
Tribal gov't impacts?	Y	Each Sector Lead engages with sectors that engage tribal governments to support industry engagement and align with statewide goals and resources. Sector Leads may also serve as a liaison on specific projects or broad economic and workforce development initiatives.
Other state agency impacts?	Y	Sector Leads may also serve as a liaison, or first point of contact on specific projects, issues or initiatives.
Responds to specific task force, report, mandate or exec order?	Y	Governor Inslee has set a mandate for sector-based economic development.



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Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	N	Identify:
Capital Budget Impacts?	Y	No direct capital budget impacts. However, Sector Leads often utilize funds made available through the Capital Budget to support key initiatives and projects i.e., Clean Energy Fund, CERB and others.
Is change required to existing statutes, rules or contracts?	N	Identify:
Is the request related to or a result of litigation?	N	Identify:
Is the request related to Puget Sound recovery?	Y	Initiatives or projects in multiple sectors contribute to Puget Sound Recovery, including clean technology, maritime, forest products and others. Sector Leads are also able to liaison with the business community inputs to the Action Agenda.
Identify other important connections	Y	Sector Leads play a significant role engaging with The Governor's Washington D.C. office, the federal delegation and supporting industry efforts on federal issues and legislation. They also engage with other states on key partnerships i.e., The Alaska/Puget Sound Leadership Summit, Pacific Coast Renewable Energy Program and others.

5. Please provide a detailed discussion of connections/impacts identified above.

Each Sector Lead works closely with specific industries, bringing together Washington State's public and private resources to bear in a coordinated and strategic approach to national and international business development. A growing number of other states and other countries are adopting this approach. Our program would be unable to support the competitive position of Washington's key industries without sufficient funds to maintain staff for these vital, collaborative efforts that serve the entire state's economy. The Sector Lead program 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.

Primary community stakeholders include businesses, trade associations, Associate Development Organizations, chambers, ports, other business development organizations, universities, community and technical colleges, centers of excellence and federal agencies who support the industry work. Each of these partners has been instrumental in the development and success of the ISDP program and continue to partner directly with them. The Governor's Office, other state agencies and many in the legislature have also shown significant support having been able to utilize Sector Leads as liaisons to the business community.

The ISDP deploys each sector strategy alongside key partners and programs within OEDC at the regional and local level as well as in the small-business community. Because of this collaborative and broad approach to industry sector economic development, the program has been able to leverage private, federal and local dollars in support of accomplishing sector development strategies.

Sector Leads partner and set key strategic goals with Business Services, Trade and Export, Rural Strategic Development, Advanced Manufacturing Partnership, and utilize tools such as Strategic Reserve/WorkStart Funds, Economic Gardening, Community Economic Revitalization Board (CERB),



Clean Energy Funds, Regulatory Roadmap and others. ISDP works closely with others within the department including Legislative and Policy Team, Energy Division and others. ISDP will also partner with the Governor's office and other key State and Federal Agencies on various initiatives.

In addition to effective collaboration, ISDP leverages dollars that bring more resources and services to our state. For example, Department of Defense Office of Economic Adjustment, US Economic Development Administration, Impact Washington as well as industry funding totaled \$5.8 Million in this last biennium alone with \$2.5 Million already pending for the current biennium.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

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.

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

The department 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.

7. What are the consequences of not funding this request?

If not funded through this decision package, the Sector Leads program will lose staff, will have a limited scope, and the results associated with its work are unlikely to be realized.

8. How has, or can the agency, address the issue or need within its current appropriation level?

Currently the ISDP program is unable to fill a Sector Lead position in a key economic sector, life sciences and global health. It has also not re-hired an Administrative Assistant 4 or the Technical Assistant/Commerce Specialist 3 position previously budgeted before the 2017-19 biennium budget.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 1,382,284	5.0	
Total	\$ 1,382,284	5.0	
FY 2020	\$ 1,382,284	5.0	
FY 2021	1,382,284	5.0	
Total	\$ 2,764,568	5.0	
Four Year Total	\$ 4,146,852	5.0	


Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?



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- ☒ No 
- ☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B3 – Regional Planning and Asset Mapping
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests a funding transfer for Associate Development Organizations (ADO) from the Economic Development Strategic Reserve Account (ESRA) back to General Fund-State (GFS). The department also requests a re-capitalization in the ESRA so that business recruitment and retention can continue. Lastly, the department requests additional funds for grants that promote regional strategic planning and community asset mapping.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$ 3,601,000	\$ 3,601,000	\$ 3,601,000
09R-1 Economic Dev. Strategic Reserve		(2,801,000)	(2,801,000)	(2,801,000)
Total		\$ 800,000	\$ 800,000	\$ 800,000

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		1.0	1.0	1.0
Total		1.0	1.0	1.0

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 71,616	\$ 71,616	\$ 71,616
B – Employee Benefits		26,242	26,242	26,242
E – Goods & Services		44,738	45,142	45,142
G – Travel		6,000	7,000	7,000
J – Capital Outlays		1,404		
N – Grants, Benefits, & Client		650,000	650,000	650,000
Total		\$ 800,000	\$ 800,000	\$ 800,000

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Funding for the ADOs is currently from the ESR account, which has historically been a funding source for recruitment and retention of projects and workforce training. The network of ADOs plays a vital role in the state's economic development ecosystem, and are one of the department's most critical conduits for carrying out local small business support, especially in rural counties. Appropriations for the ADOs should be funded from the general fund to stabilize the funding source and to allow future appropriations to the ESRA to be available for important investments in retention, recruitment and workforce training.



The department requests additional funding for ADOs, so that the ESRA may be utilized to incentivize businesses to expand and invest in Washington while providing ADOs the ability to conduct regional strategic planning to communities, especially those in rural and underserved parts of the state, perform asset mapping to strengthen communities (identifying community assets and resources), improve economic attraction initiatives and map needs with state services, programs, funding and support.

The Strategic Reserve Fund (SRF) is a recruitment, retention and expansion tool to help companies expanding or investing in Washington to offset specific costs of the project, such as planning or site preparation. During the 2015-17 biennium there were 28 projects that improved retention and created approximately 1,848 jobs. Without this incentive companies may choose other states for relocation, investment or expansion. Projects are elevated to the Governor's approval process through the department's Office of Economic Development and Competitiveness (OEDC) unit within the department.

OEDC is charged with maintaining contracts for the ADOs statewide and providing support to the ADO network. This close collaboration between OEDC and the ADOs is augmented on two distinct levels. The first level is a contractual one, where operational grants are made to ADOs and the results are monitored by the department. The second level is an economic partnership between state and local entities to coordinate activities, jointly market the state to businesses and investors, and leverage state and local branding, messaging, resources and staff to create a unified strategy for growing the economy and strengthening communities.

For example, the department serves as a liaison between client businesses and other government agencies to help streamline the site selection and permitting processes, as well as provide access to certain incentives, such as the WorkStart program or the Strategic Reserve Fund. When necessary, the department is able to elevate projects to the Governor's Office on behalf of the ADOs, as well as coordinate recruitment and expansion projects so that businesses receive a timely, coordinated state-level response to their requests for proposals that may include responses from several local economic development organizations.

ADOs serve as the principle contact for the department regarding local economic development efforts. ADOs help the department gather data about community profiles, industrial sites, plans for business development and retention, reports on business activities and proposals for other economic activities in their service areas.

Members of OEDC work closely with the 35 county-designated ADOs that serve the state. In most cases, Strategic Reserve Funds are awarded to ADOs who then pass the funding on to the business to help offset specific expenses or to support customized work force training.

Examples of Strategic Reserve Fund and WorkStart include:

- In 2017, Katerra, a prefabricating construction company was awarded \$150,000 in Strategic Reserve Funds to relocate the company from the Silicon Valley to Washington. Katerra is committed to generating a minimum of 200 advanced manufacturing, design and engineering, digital modeling and administrative jobs in Spokane, and is expected to invest \$35 million in the surrounding communities. Greater Spokane Incorporated, the Associate Development Organization for Spokane County, entered into a contractual agreement with the business regarding potential job retention, creation and private investment.
- \$200,000 of the Governor's Strategic Reserve Funds (SRF) was designated to assist RealWear, Inc. with their relocation to Vancouver, Washington. The grant assisted with a significant IT infrastructure buildout to accommodate their needs, and the relocation of their technical equipment from their location in Milpitas, California to Vancouver, Washington. RealWear, Inc. is a technology-based company specializing in wearable devices. Their relocation to Vancouver in Clark County, Washington will bring 20 employees and add an additional 100 employees within the first year. Columbia River Economic Development Council, the ADO for Clark County, entered



into a contractual agreement with the business regarding potential job retention, creation and private investment.

- \$50,000 of the Governor's Strategic Reserve Funds was designated for WorkStart to support the San Juan maritime industry. The funds supported the creation of a Shipyard Basics training program through Skagit Valley College that provided training to 20 unskilled or under-skilled employees for seven businesses that in turn agreed to hire the newly trained workforce for the existing shipyards in the San Juan Islands. The state's contribution covered all tuition costs for the students at Skagit Valley College, while local entities helped administer the program. There was an extension to this program and the Governor granted \$26,000 in additional dollars in SRF to support continuing the program for an additional semester. The total SRF amounted to \$76,000 for the program. The San Juan County Economic Development Council, the ADO for San Juan County, was the grant recipient for the funding.

The balance of this request will fund a new competitive grant program that will promote regional strategic planning and community asset mapping.

- **Regional Strategic Planning** - \$600,000 (0.5 FTE). These funds will be used to create and manage a competitive grant program for strategic planning at the regional level. Two or more ADOs representing a region in the state will be able to apply for these competitive grants that will help them build and execute a strategy that supports regional cooperation in the areas of economic development, infrastructure, workforce, housing, education and training and leadership capacity.

This regional strategy for strategic planning, which aligns with RCW 43.330.080 (Coordination of community and economic development services – Contracts with county-designated associate development organizations – Scope of services – Business services training), will allow local economic development organizations to leverage collective assets, resources and funding to strengthen their business attraction, retention and expansion initiatives. This will be achieved by identifying and focusing on their regional strengths and opportunities, including industry cluster-based strategies, foreign direct investment, regional economic development planning and marketing, business start-up assistance and living wage jobs.

The deliverables include a comprehensive strategic plan that outlines goals, objectives, tactics and related timelines and action items. The plan may reflect an overall economic development strategy, encompassing all economic sectors, or a focused plan on a strategic sector or strategic asset development such as infrastructure or workforce development. This plan will be shared with the department to help facilitate and inform a regional economic development strategy for the state.

- **Community Asset Mapping** - \$200,000 (0.5 FTE). Many rural and underserved communities lack the funds, resources or expertise to identify local assets that can be used to build economic development capacity, revitalize economies, attract visitors, new residents and tourists, and bring local stakeholders together to share and implement a common vision for their communities. This program will provide communities with expertise and training.

Utilizing a visual methodology (qualitative research), the program manager along with other agency experts (Outreach, Department of Natural Resources, Energy, etc.) will assist rural communities with basic asset mapping, small business ecosystem development and problem solving. Infrastructure, physical environment, industry clusters, financial resources, technology availability and human expertise will be identified and evaluated so they can be leveraged in new ways to build economic strength at the community level. Priorities, strategies and tactics will align the communities with the department and other state resources available to them. This will be a



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competitive selection process open to all communities in the state. Rural and underserved communities, in particular, are encouraged to apply.

The requested funds include 1 FTE to manage the Regional Strategic Planning and Community Asset Mapping grant program and provide on-site training. Grant funding will be administered for the Regional Strategic Planning program, while the Community Asset Mapping service will be provided by department staff around the state. Additional funding is for expenses related to the program, such as travel and per diems.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)):*

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
001-1 General Fund-State	\$ 2,801,000	\$ 2,801,000		
09R-1 Economic Dev. Strategic Reserve			\$ 2,801,000	\$ 2,801,000
Total	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000
Base Staffing	FY 2016	FY 2017	FY 2018	FY 2019
FTEs	0.85	0.85	1.0	1.0
Total	0.85	0.85	1.0	1.0
Activity	FY 2016	FY 2017	FY 2018	FY 2019
A163 Business Development	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000
Total	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000	\$ 2,801,000

1. Decision Package expenditure, FTE, revenue assumptions, calculations and details. *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

In addition to transferring ESRA funds from the Governor's office to General Fund-State funds for ADO grants, this request is for an additional \$800,000 each year of General Fund-State funds. This includes \$600,000 to fund the Regional Strategic Planning program to create cross-county collaboration, expand regional development strategy planning and site-specific feasibility analyses, originate strategic diversification planning, market studies, site suitability assessments, economic development project identification and prioritization processes, and aggregate demand for telecommunication investments, regional marketing strategies and regional business lending systems.

\$200,000 will be used for the Community Asset Mapping program to help communities identify and assess community assets and strengths that can be used to develop a roadmap for marketing, infrastructure improvements, Main Street programs and economic development strategies. These competitive grant programs will be implemented with the addition of 1 FTE to manage the grant application process and provide on-site training, support and assistance in the development of the related plans for these two programs.



- 2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

This decision package supports the agency's mission of strengthening communities by preparing Washington's communities and the state to compete globally for business development and job growth. The competitive grant funds for the ADOs will be used to assist communities to take advantage of opportunities by planning for development of specific sites, preparing feasibility and market analyses, solving other impediments to economic development and identifying community assets that can be used to revitalize communities and increase economic vitality. These activities occur in advance of business development or concurrently with private sector expansion and site selection planning. The activities supported through this competitive grant program fund promote job creation and retention at the community level and provide technical expertise and resources that most small and underserved communities cannot afford on their own.

Up to ten communities will receive assistance through the Community Asset Mapping program via facilitation with asset or business ecosystem mapping, or problem solving related to economic development. Additionally, the department will provide community asset mapping facilitation services to communities and will train individuals at the regional level to conduct Community Asset Mapping programs locally, exponentially increasing the number of communities served statewide.

It also supports Results Washington Goal 2 – Prosperous Economy (business vitality, quality jobs and expanding opportunities, et al.).

This package will proactively drive our statewide economic development strategies to retain and attract new businesses and workforce across the state. It contributes directly to attracting and retaining businesses to improve the economic vitality of businesses and individuals. Business retention, expansion and recruitment leads to job retention and creation and investment which creates a significant ripple effect throughout the state's economy. New business and investment translates to new tax revenue at the city, county and state level. Most projects create jobs that exceed the county average wage and include a benefits package.

- 3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

Economic Development Strategic Reserve Funds are used for workforce training, recruitment and retention, and many of the projects are in rural and underserved areas of the state. During the last three biennia, there have been 59 projects funded statewide with Economic Development Strategic Reserve Funds creating and retaining over 4,500 jobs with a capital investment of over \$542 million.

During 2015-2017 the urban rural distribution for the Strategic Reserve Fund was Urban 58.66%-\$1.41 per capita and Rural 41.34%-\$1.05 per capita. The 2017-2019 Operating budget provided by the legislature shifted this funding with General Fund-State to fund ADO grants thereby eliminating this important state-wide economic development incentive.

- In June 2017, Airborne ECS, LLC (AECS) relocated their headquarters as well as their design and prototyping capabilities from West Hurley, NY to Port Angeles, Washington. A veteran-owned company, Airborne ECS was founded in July 2016 to address the specialized needs of airborne environmental control systems (ECS) for airborne and ground based military platforms. The



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company designs cooling systems for military intelligence, surveillance and reconnaissance sensor systems commonly used on unmanned aerial vehicles and fighter aircraft.

The company will invest over \$1.3 million in capital expenditures for the first phase of their project, relocate 4 employees and hire 20 new employees over the next year, growing to 80-100 plus employees within 5 years. The company received a \$218,500 SRF grant to make improvements to leasehold property at the Port of Port Angeles including office buildout and preparation of the laboratory, prototyping and production facilities. SRF funds were also used to provide AS9100 implementation training as required for aerospace manufacturing.

- A Washington-based company looking to relocate its long time manufacturing facility to Oregon was awarded \$150,000 in SRF to assist with relocation and expansion within Washington state and Pierce County. Forced to vacate its existing location, the company opened a search for a new location with the help of a site selector. After evaluating multiple locations in the Northwest, this housing materials manufacturer chose to move to a different Washington county, but was able to retain a significant portion of its current workforce. With the help of SRF, 160 jobs were retained to the state and an additional 15 positions are expected to be created. The projected capital investment is over \$6 million.

4. What are the other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Identify: An increase in job opportunities and building a revenue base for local governments.
Other local gov't impacts?	Y	Identify: An increase in tax revenue that will positively impact local governments.
Tribal gov't impacts?	Y	Identify: Tribal firms and communities will benefit similarly to other communities.
Other state agency impacts?	Y	Identify: Implementing funding for this package will reduce the burden and cost on other agencies and programs like Department of Social and Health Services, Department of Corrections, Office of the Superintendent of Public Instruction and several other agencies and programs that have costs which statistically correlate to the financial wellbeing of individuals and families of state residents. Also, Department of Revenue will benefit due to the increased tax base of the state.
Responds to specific task force, report, mandate or exec order?	N	Identify: Carrying out these tasks will be in response to the department's mandate in RCW 43.330.080, 43.330.086 and 43.330.250.
Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	N	Identify:
Capital Budget Impacts?	N	Identify:



Is change required to existing statutes, rules or contracts?	N	Identify:
Is the request related to or a result of litigation?	N	Identify:
Is the request related to Puget Sound recovery?	N	Identify:
Identify other important connections	N	Identify:

5. Please provide a detailed discussion of connections/impacts identified above.

This package will increase economic prosperity around the entire state by providing job opportunities in communities that sorely need them. This also includes providing pathways toward financial security to families and residents, subsequently reducing the cost burden on other state resources that assist in providing financial resources to individuals who have low incomes.

Communities will more effectively be able to identify their competitive strengths to target audiences. They begin to build awareness, attracting new investors, visitor and residents, and strengthen local economies and communities. Finally, the Regional Strategic Planning grants program will help build a regional economic development program that involves two or more counties with similar characteristics or economic profiles. This will not only reduce overhead through the sharing of resources, personnel and assets, but create a stronger regional identity and brand that can be used for business attraction, foreign direct investment and marketing at the local, regional and state levels.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

Department staff evaluated the possibility of carrying out the state's economic development goals with current funding levels for ADOs and the Strategic Reserve Fund and determined that the current demand for assistance and resources far exceeded the current funding capacity. Local level economic development is crucial to the state and is necessary to help secure projects because many incentives and resources are developed locally, such as permitting timeline assurance, local impact fees, utilities and other property development resources.

Additionally, business retention and expansion program are most effectively managed at the local level with economic development professionals working with companies in their own community to develop retention or expansion strategies. It would be ineffective for the state to take on that workload, which is the highest priority for many communities.

The department has also evaluated the possibility of competing for federal grant dollars for these efforts. There are many grants available for specific economic development initiatives like agriculture and renewable energy development, but there are not any programs that can replace the utility and flexibility of the Strategic Reserve Fund resource.

Grants were also considered to increase funding to ADOs. The federal Economic Development Administration and other related groups have limited funding as an agency and have been threatened with being defunded in recent months. Some ADO groups have collaborated with other ADOs in an Economic Development District to compete for federal grants, and a few have been successful. Current funding levels available for those federal grants are not sufficient to meet the demand for



critical planning communities need to accomplish to compete for business expansion and recruitment in the modern economy, which is why this is such an important investment.

7. What are the consequences of not funding this request?

If this package is not funded, the consequences are that the state cannot rise to the challenge of global competition and will continue to be outperformed by other states and countries in retaining and attracting businesses. In addition, Washington's tax base will erode, and the state will be in jeopardy of losing key industries and businesses to our competitors who continually seek after them. Washington State currently invests significantly less on a per capita basis than many states on economic development. The risk to having low investment in this activity is the opportunity cost of not realizing the gains from large projects in terms of private capital investment, job wages that are paid and the increased tax base realized by the state when additional sales tax is generated from those wages. Here are some examples of projects the state has lost recently:

- A life science company considering a relocation to the Southwestern part of the state chose to stay in the southern part of the United States. This potential recruitment would have brought more than 200 jobs and a significant investment to a rural area of Washington. An incentive package put together by local and state economic organizations, including an SRF component of \$400,000 was under consideration.
- In January 2017, the department was informed that it had lost Project Eagle, a 300-job, \$90.5 million investment project in advanced aerospace manufacturing. The company decided to relocate in a different state based on the level of incentives offered in Washington state (\$300,000 of combined SRF and WorkStart funds) and ultimately chose a state that offered an incentive package worth \$38 million (including tax incentives, land subsidies, workforce development grants, etc.).
- After evaluating Washington's SRF package, a life science company that was considering Seattle-Tacoma-Bellevue metro area as a possible location for its future operations decided to pursue other locations out of state. This confidential company introduced as Project Blackbird would have generated 80-150 biotech jobs and an investment of \$38 million. The company decided to locate in a different state based on the level of incentives offered (Washington State SRF \$100,000 - \$225,000).
- The department, working with our partners the Economic Development Council of Seattle and King County and the City of Seattle, worked to land the North American headquarters for the PSA Groupe, a major automobile manufacturer from France. An important aspect driving the company's headquarter location decision centered on financial assistance for the first year. Washington was limited in its ability to aggressively bid for the company due to funding availability. Seattle was shortlisted along with the cities of Atlanta, Georgia and Raleigh, North Carolina. All three communities met with the company at their headquarters in Paris and also hosted community visits within their respective states. Ultimately, PSA selected Atlanta for their North American Headquarters. The initial loss was only 15 jobs, but it was an impactful decision because there was potential for substantial business expansion with future manufacturing components developed in the state.

8. How has, or can the agency, address the issue or need within its current appropriation level?

The impact is too large to address within existing resources. During the 2017 Legislative Session, the Office of Economic Development and Competitiveness funding was reduced by \$1 million each year in addition to the loss of \$4 million of economic development strategic reserve funds. With these



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reductions there is no way to continue customized workforce training or incentives to help businesses site their operations in the state.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 800,000	1.0	
Total	\$ 800,000	1.0	
FY 2020	\$ 800,000	1.0	
FY 2021	\$ 800,000	1.0	
Total	\$ 1,600,000	1.0	
Four Year Total	\$ 2,400,000	1.0	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B4 – Buildable Lands
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests \$1.6 million to help seven counties (Whatcom, Snohomish, King, Pierce, Kitsap, Thurston and Clark) with the implementation of ESSSB 5254 that amended the Review and Evaluation Program also known as “Buildable Lands.” This request will bring all seven counties, and 105 cities/towns, to a level playing field when executing departmental guidance developed under ESSSB 5254. ESSSB 5254 added Whatcom County to the program, requiring the county to establish an evaluation program.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$1,576,000		
Total		\$1,576,000		
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		0.5		
Total		0.5		
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 35,000		
B – Employee Benefits		13,000		
E – Goods & Services		20,000		
G – Travel		3,000		
J – Capital Outlays		5,000		
N – Grants, Benefits, & Client		1,500,000		
Total		\$ 1,576,000		

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Problem:

ESSSB 5254 was adopted without funding for grants to counties, cities, and regional planning organizations required to conduct Buildable Lands analysis. Without timely funding, local governments will not have adequate Buildable Lands reports within the new framework. This request would provide necessary funding starting in SFY19, so that timely integration of new requirements to be reported in 2021 and 2022. ESSSB 5254 includes a null and void clause that take affect if funding is not available. Consequently, allocation of funds in this budget cycle



provides local jurisdictions the predictability and the necessary time required to conduct the proper analyses as prescribed in ESSSB 5254.

Opportunity/Priority:

Affordable Housing is a priority for the department. The Buildable Lands counties and cities/towns therein, are on the front lines of the affordable housing crisis. Incorporating affordable housing issues into buildable lands analyses will allow counties and cities to consider and evaluate affordable housing strategies in SFY19; thereby addressing the immediate and on-going affordable housing crisis in Washington State.

Solution:

Funding is necessary for seven counties, and 105 cities/towns within them, to incorporate requirements as prescribed in ESSSB 5254. This would require additional stakeholder engagement, larger volumes of data collection, increased time for analysis, and an incorporation of this information into the next two reports, due in 2021 and 2022. The new requirements will result in updated program guidance by December 2018. If funding is not provided until SFY 20, it will result in a six-month funding gap to implement new requirements. Funding in SFY 19 is essential to engage the cities so that they can better understand the implications of the new requirements and how it relates to the "Reasonable Measures" requirements and comprehensive plan updates. This funding proportionally supports Whatcom County to establish a Buildable Lands Program from scratch (hiring staff, establishing a public process, and adopting countywide planning policies).

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)):*

Note: The base budget is a General Fund State (GFS) proviso that directs the department pursuant in ESSSB 5254 to develop guidance (i.e. guidebook). The department issued a request for proposals (RFP) with responses due by September 22, 2017. \$260,000 (\$130,000 in each of FY18 and FY19) is for a contract consultant study. The remaining \$140,000 (\$70,000 in each of FY18 and FY19) is for the department to form and staff a study steering committee that will guide the consultant and be the primary stakeholder body.

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
001-1 General Fund-State			\$ 200,000	\$ 200,000
Total			\$ 200,000	\$ 200,000
Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs			0.3	0.3
Total			0.3	0.3
Activity	FY 2018	FY 2019	FY 2020	FY 2021
A104-Growth Management			\$ 200,000	\$ 200,000
Total			\$ 200,000	\$ 200,000



- 1. Decision Package expenditure, FTE, revenue assumptions, calculations and details.** *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

The department expects 0.5 FTE of a Commerce Specialist 3 in FY 2019 to provide program support.

Remaining funding would pass through to the buildable lands entities to assist in implementing new requirements prescribed in ESSSB 5254 so that counties can develop new information on the land capacity for development. Reports could include information that enhances the description of the development potential of land. An example includes analysis that identifies land suitable for development, such as land that is currently available with current infrastructure and land that is potentially available with funded infrastructure.

- 2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

The following measures and outcomes are applicable to the seven counties and 105 cities/towns required to complete a Buildable Lands analysis:

POG #1185 – Urban Growth Areas – We expect this funding change to help increase the percentage of new housing starts within Urban Growth Areas (UGAs) by empowering the buildable lands counties to better employ reasonable measures, that would stimulate housing supply within UGAs, within their comprehensive plans and development regulations.

POG #2634 – Percent of city/county actions complying with Growth Management Act before the deadline. This funding request will better enable buildable lands counties to comply with the specific “new requirements” of ESSSB 5254 thus improving future compliance with the Growth Management Act.

- 3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

The total population of the seven buildable lands counties in 2017 is estimated at 5,031,000 (about 69% of the state’s population). Due to affordable housing challenges, which could lead to increased homelessness, many citizens of the buildable lands counties, and cities therein, will be affected by rising home prices and rising rents. This request will allow the buildable lands counties to better address affordable housing challenges in their counties through a more effective buildable lands program, analysis of land capacity, and the new buildable lands program in Whatcom County.

- 4. What are the other important connections or impacts related to this proposal?** *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Proposal would address housing affordability, which affects homelessness in these counties through adequate analysis of land suitable for development. Concentrating housing in urban growth areas and providing adequate infrastructure will result in a lower total cost to the taxpayer. The proposal increases



		public engagement through regional planning organizations so that they can better understand the implications of the bill.
Other local gov't impacts?	Y	Will provide adequate resources to local governments for public process ahead of the ESSSB 5254 recommendations, including the impact of environmental regulations, analysis of development assumptions when growth targets are not being achieved, and determination of the need for potential 'reasonable measures.' Buildable Lands analysis requires detailed coordination with and sometimes technical support for incorporated jurisdictions within the seven counties.
Tribal gov't impacts?	Y	Although tribes are sovereign, they will be included in the public process.
Other state agency impacts?	Y	Other state agencies may need to provide technical assistance to these counties. Specifically, OFM may need to provide enhanced data products and projections to the buildable lands counties.
Responds to specific task force, report, mandate or exec order?	Y	<p>The 2017 Housing Affordability Response Team (HART) report to the Governor specifically states the following in its list of recommendations (page 12):</p> <p>2. Support local government to assess land capacity through buildable lands reports.</p> <ul style="list-style-type: none">a. Standardize buildable lands requirements so that it is easier to analyze and compare information across jurisdictions. The use of GIS and other modern tools, even at the state level, may help to get better and more cost-effective information upon which to base land use decisions.b. Provide dedicated and sufficient funding to the six "buildable lands" counties to develop new information on the land capacity for development. Reports could include information that enhances the description of the development potential of land, e.g., analysis that identifies land suitable for development, such as land that is currently available with current infrastructure and land that is potentially available with funded infrastructure.
Does request contain a compensation change?	N	
Does request require a change to a collective bargaining agreement?	N	
Facility/workplace needs or impacts?	Y	There would be workplace implications for the 0.5 FTE needed for this request.
Capital Budget Impacts?	N	



Is change required to existing statutes, rules or contracts?	N	
Is the request related to or a result of litigation?	N	
Is the request related to Puget Sound recovery?	Y	Buildable lands have a direct relationship with site coverage, pervious surfaces and other stormwater and watershed implications for Puget Sound recovery including Puget Sound Action Agenda, Environmental Protection Agency Watershed Management Assistance, Landscape Conservation and Local Infrastructure Program, and the Puget Sound Regional Council VISION 2040.
Identify other important connections	Y	Addressing affordable housing crisis and housing supply.

5. Please provide a detailed discussion of connections/impacts identified above.

These additional connections/impacts were cited in the HART report:

Page 2:

Provide funding to local government to assess land capacity through “buildable lands” reports.

Page 9:

Buildable Lands and Development Capacity

“Buildable Lands” requires six Western Washington counties and the cities within them to analyze land use development trends and to compare those trends to the comprehensive plan, zoning, and growth targets. Traditional vacant land inventories, based only on the theoretical zoned capacity, failed to measure the way land development actually occurs. Therefore, RCW 36.70A.215 requires counties to collaborate with cities, compiling data to determine the actual achieved densities of residential subdivision and permits and commercial development in the preceding few years. Those densities are then applied to the measurement of vacant lands and lands for potential redevelopment, in order to determine if there is sufficient buildable land to accommodate forecasted growth over the 20-year planning period. Though counties use different methodologies, analysis accounts for steep slopes, wetland and other critical areas, rights-of-way and other discounts, a includes a market factor to account for parcels that may not develop or redevelop within the planning period. If the report shows a shortfall of capacity, or that urban densities are not being achieved, measures must be taken that are “reasonably likely” to reduce the inconsistency between plans and actual development.

Page 10:

Lack of resources at the state, county, and local levels to do the planning work.

Many local governments do not have the staff to update the housing element of comprehensive plans or to complete buildable lands work. In recent years, state funding for the review and update of comprehensive plans has been extremely limited, and as a result, the housing element is often one of the last elements to be updated. In addition, funding for the six counties required to do buildable lands analysis has not been available in recent years.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

There are two alternatives to this request:



1. Requiring local governments to fund the buildable lands program out of their own resources to the detriment of the respective Buildable Lands Program implementation and effectiveness; and,
2. Allocating Department of Commerce funding to local governments to the detriment of existing programs at Commerce.

	Pros	Cons
Alternative 1	Saves Department of Commerce (i.e. state) funds.	Underfunding of buildable lands by local governments who are faced by multiple funding priorities and tradeoffs. New requirements for buildable lands reports and analysis will be untimely and of insufficient quality if predictability is not insured. This would adversely affect affordable housing challenges.
Alternative 2	Provides funding to buildable lands counties.	Would severely affect Department of Commerce programs and personnel. Would potentially require significant service reductions and personnel reductions.

The original request is the best option to address the affordable housing crisis and homelessness challenges that can be addressed through buildable lands. Alternative #1 would cripple the local government response to buildable lands and make the requirements inapplicable to Whatcom County. Alternative #2 could cripple the Department of Commerce's ability to serve local governments in Washington State and to strengthen communities.

7. What are the consequences of not funding this request?

The requirements of ESSSB 5254 will be null and void if "sufficient funding" is denied. The buildable lands counties and cities would have a limited capacity to complete the new requirements if funding is delayed until the next budget cycle. Predictability with regard to the expected buildable lands analysis is necessary. Lack of funding would result in untimely and insufficient quality reports that do not achieve the intent in ESSSB 5254. This would have a spillover effect of limiting their ability to address the affordable housing crisis and homelessness challenges in general. ESSSB 5254 moved up the due date of buildable lands reports, thus adding to the urgency of this request.

8. How has, or can the agency, address the issue or need within its current appropriation level?

The Department of Commerce cannot address this issue within our current appropriation level.

Expenditure and Revenue Summary:


Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 1,576,000	0.5	
Total	\$ 1,576,000	0.5	
FY 2020			
FY 2021			
Total			
Four Year Total	\$ 1,576,000	0.5	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.



Department of Commerce
State of Washington Decision Package

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

- ☒ No 
- ☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B5 – Youth and Families in Need of Services
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department), Family In Need of Services proposal details a **prevention and intervention** strategy for youth homelessness that creates a petition process in juvenile court to compel system support and services. The proposal offers considerable revision to the Family Reconciliation Act under Chapter 13.32A RCW by merging two existing petition types into one, referred to as the Family In Need of Services (FINS) petition, which offers case management and services to address family crisis.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$ 3,643,974	\$ 3,631,974	\$ 3,631,974
Total		\$ 3,643,974	\$ 3,631,974	\$ 3,631,974

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		2.0	2.0	2.0
Total		2.0	2.0	2.0

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A - Salaries & Wages		\$ 133,383	\$ 133,383	\$ 133,383
B - Employee Benefits		50,628	50,628	50,628
C - Prof. Service Contracts		83,000	83,000	83,000
E - Goods & Services		67,963	65,963	65,963
G - Travel		5,000	5,000	5,000
J - Capital Outlays		12,400	2,400	2,400
N - Grants, Benefits & Client Svc		3,291,600	3,291,600	3,291,600
Total		\$ 3,643,974	\$ 3,631,974	\$ 3,631,974

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Thousands of adolescents, ages 12-17, experience homelessness because they are unable to live at home due to family crisis or dysfunction, yet they are not served through the child welfare system. Because there is no public system clearly responsible for their safety and well-being, these youth fall through the cracks. Some, but not all, receive the help they need through the patchwork of runaway and homeless youth services, such as drop-in centers and shelters. However, these services are non-existent in half of the counties in the state. For those that are able to access services, most find the services too late for appropriate diversion or prevention, or find the services inadequate to fully meet



their needs. A framework for a statewide response system to serve families in crisis exists, but is in need of improvement to be effective.

The existing Family Reconciliation Act (CHAPTER 13.32A RCW) creates an expectation that families or adolescent youth who are experiencing crisis can file a petition with juvenile court requesting assistance. The two civil petition types currently allowed under CHAPTER 13.32A RCW are the At Risk Youth (ARY) and Child In Need of Services (CHINS) petitions. The two paths to filing a petition are generally (a) if a youth's behavior is beyond parental control such that their safety and welfare are at risk of harm; or (b) family conflict results in the youth's need for basic care including out-of-home placement.

Currently, once a court approves a petition filed by a youth or family, there is no reliable support available in the form of case management or other services focused on the youth or family. The current petition process is superficial and ineffective. It offers hope to families in crisis or youth in need of basic services, but does not deliver meaningful interruption to the underlying family issues that are at a critical point. Imagine a family or youth who finally recognizes a need for help, help is requested in the form of a legal petition, it is granted, and then no meaningful support is offered.

Because no preventative services are reliably provided at a point most likely to have impact, situations often deteriorate to the point that families are separated resulting in youth experiencing homelessness on their own. This results in various dilemmas that private and public organizations struggle to respond to with a variety of services including, but not limited to: adequate shelter, long term case management planning, medical care for physical and behavior health, and educational support. Further, neither the current ARY and CHINS systems, nor individual cases, are evaluated for effectiveness or well-being over time.

The Family In Need of Services proposal creates a system response to families and youth requesting support and services as a targeted effort to prevent youth homelessness. The role of the Department of Commerce is to act at the state level pass-through agency for an allocation from the State Legislature specifically for the purpose of implementing the new requirements under revised Chapter 13.32A RCW. Dedicated funds will be passed through under contract with county superior courts. The cost estimates summarize necessary resources to implement a robust system of case management support and services to youth and families under the jurisdiction of the Family In Need of Services. Lastly, there is funding requested for program evaluation that includes longitudinal study of housing stability (at least 18 months after court jurisdiction ends).

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)):*

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
Total				

Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs				
Total				

Activity	FY 2018	FY 2019	FY 2020	FY 2021
Total				



1. Decision Package expenditure, FTE, revenue assumptions, calculations and details. *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

The workload costs associated with the Family In Need of Services proposal include:

- Program evaluation and longitudinal study of housing stability (see additional breakdown below and Question 3 Table) - \$83,000
- Additional FTE (case managers) who work for county juvenile services departments (ratio of 1:10) - \$3,300,000
- Services and interventions for the youth and families - \$269,000

The role of the Department of Commerce is to act at the state level program management and evaluation specifically for the purpose of implementing the new requirements under revised 13.32A RCW. This would require 1.0 FTE Commerce Specialist 3 and 1.0 FTE Commerce Specialist 2 starting in Fiscal Year 2019 and forward.

1.0 FTE - Commerce Specialist 3

- 20% contract management (developing fund applications, executing contracts, amendments, develop and maintain program strategies and guidelines for Multi-disciplinary team (MDT))
- 25% provide training (develop, coordinate and conduct training for case managers/facilitators of MDT)
- 30% monitoring and research (evaluate program activities, monitor grant compliance, research design and data gathering)
- 25% technical assistance as the new operations roll out and forward (provide TA as primary liaison to courts)

1.0 FTE - Commerce Specialist 2:

- 30% fiscal management (review and approve monthly invoices, monitor and analyze budget and expenditures in CMS)
- 30% documentation/records verification complete between Office of Homeless Youth (OHY) and County (case manager salary/benefits, job descriptions, job classification, etc.)
- 20% plan and provide training (assist CS3 in planning, developing and conduct training to case managers)
- 20% Technical assistance (provide TA to contractors)

The table below highlights the proposed operational changes which amend Chapter 13.32A RCW considerably. The corresponding workload additions for local juvenile services case managers relate to conducting the family assessment, developing the family services plan, convening and re-convening the multi-disciplinary team, facilitating criminal background checks and Child Protective Services history when needed, accessing services and interventions as approved in the family services plan, and providing critical case management support to youth and their families.

Proposed Change	Impact on Current Law
Merges two existing petition types allowed under Chapter 13.32A RCW (At Risk Youth and Child in Need of Services) under one	Eliminates At Risk Youth Petition and Child In Need of Services Petition and Re-names the



petition type referred to as a Family in Need of Services Petition (FINS).	Family Reconciliation Act to the Family In Need of Services Act.
Allows temporary placement order to be entered for youth at the time a FINS petition is filed.	If a youth in an overnight shelter, such as a Crisis Residential Center or HOPE Center, and does not have parental permission to stay beyond 72 hours the court could authorize temporary placement out of the family home once a FINS petition is filed pending the fact-finding hearing (14 days).
Requires that a Family Assessment be done after the petition is filed but prior to the Fact-Finding (within 14 days) and gives strong preference to convening a multi-disciplinary team (MDT) to create a family services plan.	Eliminates the requirement that a family assessment be conducted by the Department of Social and Health Services, Children's Administration, prior to a filing; replaces that requirement to sequentially come after FINS petition is filed; changes the organization responsible for conducting the family assessment; and outlines the preference for a MDT to create a family services plan.
Allows placement of youth under a FINS order to a HOPE/CRC program beyond the current statutory length of stay.	Current law limits the number of days a youth is allowed to remain in a Crisis Residential Center or HOPE placement, but the proposal allows longer stays for youth under a FINS order if authorized by court order.
Allows placement of youth under a FINS order to a Responsible Living Skills Program (RLSP), a longer term housing option, as that program capacity grows.	Creates a Responsible Living Skills Program at Commerce to serve youth who are not state dependents; removes limitation on the number of beds that may be established; allows for placement in RLSP bed for youth under FINS jurisdiction.
Limits use of secure confinement for youth under a FINS order for warrant process only but not as a punitive contempt sanction.	Removes secure confinement as a punitive sanction under civil contempt but retains as an option for warrants.

2. **Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

- Safe People, result 2.1.b: <http://www.results.wa.gov/what-we-do/measure-results/healthy-safe-communities/goal-map>
- Supported People, 3.1.c: <http://www.results.wa.gov/what-we-do/measure-results/healthy-safe-communities/goal-map>

3. **Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

These activities will be managed or completed by department staff or contracted out as professional services contracts.



Program Evaluation Methodology	Cost
Meet with stakeholder group to frame questions about process, outcomes, and client needs and characteristics. Gather information from system actors to develop an inventory of key practices at each site. Conduct three to five site visits to observe processes. Conduct 20 interviews with clients at sites to inform survey design. Gather practice details by survey. Obtain cooperation from sites to incorporate intake survey into process.	\$20,000
Design intake survey and six month follow-up survey. Test survey instruments with 15-20 clients. Begin administering intake survey as part of intake process at all sites. Intake survey will be similar to a brief screener. Set up process for follow-up survey administration with incentives of \$50 per completed survey, with target of 150 completed follow-up surveys.	\$18,000
Obtain data sharing agreement with DSHS/RDA for merging court data with Client Services Database data on state-funded services delivered to clients before intake and during CHINS process (possibly for a follow-up period, also). Merge court and DSHS data.	\$5,000
Data analysis and draft report. Obtain feedback through stakeholder review of draft report and presentation to stakeholder groups. Finalize report and recommendations, present to funders.	\$30,000
Other costs-project tracking, report preparation.	\$10,000
Total:	\$83,000

The estimates are based on 2016 data on the number of petitions filed for At Risk Youth (1,246) and Child in Need of Services (266). The increased level of support is assumed based only on Child in Need of Services cases filed but not the At Risk Youth petitions filed since presumably a level of case management support already exists for At Risk Youth cases. Once the improved delivery of support services through the redesigned FINS petition is rolled out, we can expect that petitions filed will increase by approximately 10 percent each year statewide. There is a corresponding FTE cost at the local juvenile services departments when petition filing increases, however compared with the related expectation that youth at risk of being homeless are kept in stable housing, the expenditures are well justified. OHY expects to see a reduction of unstably housed youth under the age of 18 by approximately 10 percent per year if fully funded across the state.

The Department of Commerce and local government partners will need to be prepared to re-calibrate the FTEs necessary to deliver case management as the number of cases increases. With the program evaluation and longitudinal study ongoing, the system partners can use program-effectiveness data to justify the need to increase FTEs as required using a realistic staff-to-case ratio.

4. What are the other important connections or impacts related to this proposal? *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Identify: County Superior Courts and Juvenile Services Departments. Explanation: The system redesign included in the FINS petition relies on additional FTE case managers in county juvenile services departments that operate in counties under the Superior Court.
Other local gov't impacts?	Y	Identify: Washington Association of Juvenile Court Administrators (WAJCA), Superior Court Judges' Association (SCJA), Washington Association of Counties (statewide)



		<p>professional association).</p> <p>Explanation: The professional associations that represent these statewide constituent groups have staff and lobbyists</p> <p>Position: The associations listed above are represented on the stakeholder group designing the proposal, or at a minimum have been briefed about county-level impact to services and programs. OHY staff will continue to engage with these important stakeholders as the advocacy and outreach strategy is developed.</p>
Tribal gov't impacts?	N	N/A
Other state agency impacts?	Y	<p>Identify: Department of Social and Health Services (DSHS) Children's Administration.</p> <p>Explanation: The additional duties of the juvenile services case managers result in a corresponding decrease in duties of DSHS-CA case workers who currently conduct family assessments (need data on how many they do per year across the state).</p> <p>Position: Although DSHS-CA has indicated support for the proposal, we do not anticipate active support or opposition.</p>
Responds to specific task force, report, mandate or exec order?	Y	<p>Identify/Explanation: A large stakeholder effort has been underway for at least six months to define the need and craft the FINS proposal including policy, operations, and budget. The stakeholder group consists of state and local government partners, service providers, legal advocates, and philanthropic entities.</p> <p>Position: We expect large and coordinated advocacy efforts from the stakeholder group. There is already a team dedicated to strategy and outreach assigned from the larger stakeholder group.</p>
Does request contain a compensation change?	N	N/A
Does request require a change to a collective bargaining agreement?	N	N/A
Facility/workplace needs or impacts?	N	N/A
Capital Budget Impacts?	N	N/A



Is change required to existing statutes, rules or contracts?	Y	Identify and Explanation: Considerable revision to Chapter 13.32A RCW and proposed name change from "Family Reconciliation Act" to the "Family In Need of Services Act."
Is the request related to or a result of litigation?	N	N/A
Is the request related to Puget Sound recovery?	N	N/A
Identify other important connections	Y	<p>Identify: Philanthropic organizations in Washington who have investment in preventing youth homelessness have been briefed on the FINS proposal. There has been participation and wide support for the design as drafted.</p> <p>Position: Philanthropic organizations might join advocacy efforts (directly or indirectly). There has been no opposition stated.</p>

5. Please provide a detailed discussion of connections/impacts identified above.

The Family In Need of Services proposal is requested from the Office of Homeless Youth on behalf of at least a dozen stakeholders that provide direct support to youth and families in crisis. There has been no stated objection to the system reform and outline of the operations that provide case management support and services. If a youth or family go to the extent of asking for system intervention because of the severity of family dysfunction, and the law implies that they can legally ask for and expect assistance, then a robust series of actions need to be reliably available. This proposal accomplishes that mission. The stakeholders represent the following disciplines: legal advocates, case managers within the courts, service providers, state and local system partners, and philanthropic organizations.

The proposal articulates additional workload for the county juvenile services departments. The county juvenile services departments must be funded for FTEs to fulfill duties outlined in the package and further detailed in the revised statute. The stakeholder outreach strategy for the past six months targeted the Washington Association of Juvenile Court Administrators (WAJCA) and the Superior Court Judges' Association (SCJA) to create an alliance for legislative outreach in the 2018 Legislative Session. Also, the target of the outreach strategy is to connect with organizations that directly represent young people and organize advocacy efforts. A critical feature of this engagement is with youth themselves through The Mockingbird Society.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

The proposed revision of the statute to merge the existing petition types into a unified petition aimed at supporting families in need of services is an idea that has not been previously proposed. The proposal is a by-product of a large stakeholder commitment to improving access to prevention and intervention support through an existing statutory system that has the intent of providing assistance, but which has not materialized such support after over 20 years.

The FINS process in the statutory changes to Chapter 13.32A RCW is the best possible option to reform an existing system that has failed to deliver support to families in need at the capacity that was originally intended. The current process is superficial and misleading to families seeking intervention and the proposal provides a strategic, reliable, and locally available level of support upon request.



There has not been a proposal to improve the existing system as governed by the Family Reconciliation Act.

A further benefit of the design of the FINS process explores additional placement options for youth who are in need of housing. The statutory amendments allow for temporary and longer term placements for youth who are under the jurisdiction of a FINS case. The process also strongly prefers the use of a multi-disciplinary team approach to supporting youth and families. This level of extended family and community engagement has multiple benefits for sustainable and proactive support for a youth and family. The type of support from an engagement using the multi-disciplinary team model also provides additional resources for placement and support that are not otherwise developed over the course of a case.

7. What are the consequences of not funding this request?

The current petition process for ARY and CHINS cases is commonly referred to as the “Becca Bill” (which also includes truancy filing). Of the 22,490 “Becca Bill” cases filed in 2016, there were 1,246 ARY petitions and only 266 CHINS petitions. If the current system response for ARY and CHINS cases remains as is, utilization will be reduced even further. The alarming message from services providers is that youth exit one shelter bed into another without requesting system support or assistance.

If public perception about the ability to assist youth and their families continues to deteriorate and this part of the “Becca Bill” continues to be ineffective and unmeasured, youth, families, and courts will be frustrated at the superficial commitment to address family crises. At the extreme, families and youth are unsupported when in crisis possibly results in continued high rates of housing instability for young people.

8. How has, or can the agency, address the issue or need within its current appropriation level?


Neither Commerce nor the local county juvenile courts have the current capacity within existing resources to fund the improvements outlined in the Family In Need of Services Act, as revised in the proposal. The requested resources are essential to fund a response system of support and services to youth and families in crisis.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 3,643,974	2.0	
Total	\$ 3,643,974	2.0	
FY 2020	\$ 3,631,974	2.0	
FY 2021	\$ 3,631,974	2.0	
Total	\$ 7,263,948	2.0	
Four Year Total	\$ 10,907,922	2.0	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B6 – Regulatory Roadmaps
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests funding for the expansion of the Regulatory Roadmap pilot program to meet demand. This request would assist in improving the state's business climate through widely available roadmaps and tools that help businesses comply with regulatory requirements.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State		\$ 208,523	\$ 186,400	\$ 186,400
Total		\$ 208,523	\$ 186,400	\$ 186,400

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		1.25	1.25	1.25
Total		1.25	1.25	1.25

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 101,800	\$ 101,800	\$ 101,800
B – Employee Benefits		35,114	35,114	35,114
C – Prof. Service Contracts		20,000	5,000	5,000
E – Goods & Services		41,524	40,306	40,306
G – Travel		4,180	4,180	4,180
J – Capital Outlays		5,905		
Total		\$ 208,523	\$ 186,400	\$ 186,400

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Confusing red tape around business regulatory requirements continues to be a problem cited by Washington's business community. Lack of predictability and research required to understand all of the applicable local and state regulations costs businesses excessive time, which can affect the overall success of their businesses.

Guided by businesses' views of what would provide the most help, the department has collaborated with the business community, local jurisdictions, and state agencies to develop a better approach. The innovation opportunity is the development of online roadmaps that distill all local and state requirements into easy-to-understand sequential worksheets and checklists for opening a new facility



or operating a business. Scenarios and planning tools identify “trigger issues” to help business owners avoid regulatory surprises.

In the Spring of 2017, Regulatory Roadmaps were recognized as a Top 25 program by Harvard Kennedy School for the Innovations in American Government Awards. Business users say that the tools help them navigate complex regulatory processes. To date, the department has developed three Roadmap pilots; siting a manufacturing facility, opening a restaurant and operating as a construction contractor. The pilots have been customized for several jurisdictions to reflect their unique regulatory requirements.

With current resources, the department has limited opportunities to expand and develop roadmaps at a pace that meets demand. Several communities have expressed interest in launching one or more regulatory roadmap sites. The maritime sector has requested the department to develop roadmaps for a few types of projects that industry undertakes. In addition, representatives of the food and beverage industry have asked the department to expand into food manufacturing. The department is not able to address these needs with the current level of funding.

Barriers for faster implementation include limited resource capacity, extreme time delays due to customization requirements at the local level, scheduling constraints due to jurisdictional resource capacity and time and cost for development of materials. To meet demand and meaningfully help businesses understand and comply with regulatory requirements, we need to develop more business cases to build models and pilot innovative tools.

This funding request would enable the department to increase production from three roadmaps per year to 10 roadmaps per year. The increase to 10 roadmaps will include roadmap templates for additional business cases with the increased resources. In addition, the department would then be able to publicize the availability of the roadmaps to the business community.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information):*

Base Budget	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-State	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000

Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.95	0.95	0.95	0.95
Total	0.95	0.95	0.95	0.95

Activity	FY 2018	FY 2019	FY 2020	FY 2021
A025 – Administration	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Total	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000

- Decision Package expenditure, FTE, revenue assumptions, calculations and details.** *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*



Increasing staffing will provide additional capacity to better meet the needs of businesses and partner communities. Funding will be used for additional production and maintenance of roadmap templates and sites. A Commerce Specialist 3 will be responsible for the following:

- Development and maintenance technical materials related to the state and local jurisdictions regulatory requirements;
- Working with regulatory agency and local jurisdiction partners to translate technical information from codes, technical memoranda and regulatory staff into sequential, plain-talked checklists, worksheets, tables and graphics that serve as specific navigational guides for completing a business project or goal that involves regulatory steps.
- Collect and analyze data from roadmap sites to help inform and optimize the most valuable content for business users.
- Collaborate with partners and stakeholders to publicize roadmap availability to the business community.
- Provide technical support to local jurisdictions and state agencies as needed.

The funding will also provide additional time for a manager to work with recruitment and coordination with business representatives and local jurisdictions, and to oversee plans and trials for more rapid roadmap production and for broader adoption by partner jurisdictions.

Approximately \$20,000 in FY19 will also be used for graphic design and website tool development that will be provided to partner jurisdictions. Additionally, collateral materials and outreach plans and materials will be prepared under contracts.

- 2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

The department expects the demand for roadmaps to increase, from both the business community as well as local jurisdictions throughout the state. The department also expects that businesses using roadmaps will realize decreases in the amount of administrative time they spend complying with regulatory requirements, and that overall time to meet the requirements will decrease in many cases due to improved ability to anticipate and prepare for what is required. There is the expectation that resubmittals of applications will decrease in some cases as well. This information will be captured through roadmap site feedback, anecdotally, and, where possible, through data from partner agencies.

This proposal will contribute to:

Results Washington Goal 2: Prosperous economy: Business Vitality. The message that Regulatory Roadmaps continue to send is that Washington is a great place to grow your business. Small businesses within the manufacturing, restaurant and construction sectors will generally benefit more than larger businesses, helping to contribute to the small business GBI.

(Link for reference: <http://www.results.wa.gov/what-we-do/measure-results/prosperous-economy/goal-map>)

- 3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many*



clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)

Small businesses have continued to voice their concerns over regulatory barriers for some time – this is not a new issue. It is critical that the message that gets out to small businesses is that jurisdictions are making extra efforts and taking innovative steps (launching a roadmap) to ensure that regulated businesses are equipped to understand and navigate the processes in their industries in a more efficient and timely manner. The goal is that this will enable jurisdictions to be more seriously considered as business-friendly, which will help them attract more businesses.

With the additional resources, the department anticipates training the Commerce Specialists to quantify actual time and administrative cost savings for businesses through use of the International Standard Cost Model. This will quantify the actual administrative burden of complying with multiple regulatory requirements, and the time (and value of that time) saved by following the roadmaps.

- 4. What are the other important connections or impacts related to this proposal?** *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Y	Identify: Statewide each year local governments would receive guidance and 1X1 support to develop sector specific materials to support their business communities. This helps the state and local jurisdictions be considered more business friendly.
Other local gov't impacts?	Y	Identify: Statewide each year local governments would receive guidance and 1X1 support to develop sector specific materials to support their business communities. This helps the state and local jurisdictions be considered more business friendly.
Tribal gov't impacts?	N	Identify:
Other state agency impacts?	N	Identify: The SBLT (Small Business Liaison Team) already partners with us.
Responds to specific task force, report, mandate or exec order?	Y	Identify: HB1818; EO 10-05; EO12-01; 2016 session budget proviso
Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	Y	Identify: Additional workspace and area will be needed to accommodate new FTE as well as set up and purchase of equipment.
Capital Budget Impacts?	N	Identify:
Is change required to existing statutes, rules or contracts?	N	Identify:
Is the request related to or a result of litigation?	N	Identify:



Is the request related to Puget Sound recovery?	N	Identify:
Identify other important connections	N	Identify:

5. Please provide a detailed discussion of connections/impacts identified above.

Specific jurisdictions and even regional areas within the state will be able to leverage regulatory roadmaps to help attract business activity. Businesses, business consultants, site selectors, local ADOs and local officials have all validated that perception of the regulatory climate and the ease with which a business can understand and comply with requirements is an important factor in selecting a location to site or expand a business. Widespread promotion of regulatory roadmaps will positively affect these perceptions, translating into dollars invested in Washington's communities.

Through developing specific regulatory roadmaps, each jurisdiction receives guidance and support in developing their sector specific tools. This iterative process enables the jurisdictions that have adopted roadmaps be considered more business friendly.

The development of sector specific roadmaps does not necessarily impact the state regulatory agencies, as their requirements do not change from jurisdiction to jurisdiction. Rather, the state's Small Business Liaison Team already partners with us on the roadmaps and provides assistance for maintaining accurate content.

With the addition of our new resource request, the budget includes costs associated with additional workspace needs, travel, and equipment setup to support these additional resources.

Executive Order 10-05, Executive Order 12-01, ESSB1818 and a 2016 state budget proviso (Sec. 128(42), ESHB 2376) have all directed the work of the regulatory Roadmaps in various ways, including directing us to work with the food and beverage industry, the manufacturing industry and the construction industry.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

This request is the best option because the demand for roadmap development exceeds our ability to develop them, and the department risks frustration and withdrawal of local partners because of the time it takes to develop the content and tools. This means that businesses will not be able to benefit from the roadmaps, which affects perception about the business climate of the whole state at a time when we must be increasingly globally competitive. Another alternative is articulated in question seven, but was not adopted because of the demand for such products.

7. What are the consequences of not funding this request?

If this request is not funded, the program will remain small with a slow adoption rate by local jurisdictions, and assistance to businesses will remain low because of lack of broad availability and lack of awareness. The business community has repeatedly requested that Commerce provide the types of tools and assistance that the Roadmaps contain Regulatory Roadmaps are the only way that businesses can access the specific and comprehensive list of regulatory steps they must follow for their projects..

8. How has, or can the agency, address the issue or need within its current appropriation level?



The department considered pausing development of additional roadmap templates and adoption of them while using existing resources to create step-by-step guidance manuals for local jurisdictions to use to build the roadmaps on their own. The department realized that the complexity involved in decoding the regulatory requirements (especially land use codes) is prohibitive for most jurisdictions to take on without departmental assistance.

Had the Department been selected as one of the top two programs competing for the Harvard Kennedy School Ash Center Innovations in American Government competition, the department would have been awarded \$100,000. Unfortunately, the program was not selected as one of the top two.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 208,523	1.25	
Total	\$ 208,523	1.25	
FY 2020	\$ 186,400	1.25	
FY 2021	\$ 186,400	1.25	
Total	\$ 372,800	1.25	
Four Year Total	\$ 581,323	1.25	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Available Regulatory Roadmaps:

Manufacturing:

City of Lynnwood: <http://www.ci.lynnwood.wa.us/Government/City-Departments/Office-of-Economic-Development/Manufacturing-Roadmap.htm>

City of Arlington: <http://arlingtonwa.gov/index.aspx?page=545>

Restaurants:

Spokane Valley: <http://www.spokanevalley.org/restaurants>

City of Spokane: <https://my.spokanecity.org/getstarted/>

City of Seattle: <http://www.growseattle.com/restaurant>

Construction Contractors:

City of Kennewick: <https://www.go2kennewick.com/1151/Construction-Contractor>


Innovations in American Government Award by Harvard:

The department's regulatory roadmap program was also recognized as a Top 25 program in 2017: <https://ash.harvard.edu/news/ash-center-announces-finalists-and-top-25-programs-innovations-american-government-award>

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?



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- ☒ No 
- ☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B7 – Lead Based Paint Enforcement
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests an increase to the Lead Based Paint (LBP) renovation and abatement certification fee in order to expand the State's capacity to provide adequate enforcement of the lead based paint abatement and renovation rules in Washington State.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
06K-1 Lead Paint Account		\$ 193,133	\$ 242,068	\$ 242,068
Total		\$ 193,133	\$ 242,068	\$ 242,068

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		1.5	2.0	2.0
Total		1.5	2.0	2.0

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
06K-1 Lead Paint Account		\$ 241,490	\$ 241,490	\$ 241,490
Total		\$ 241,490	\$ 241,490	\$ 241,490

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 92,651	\$ 123,534	\$ 123,534
B – Employee Benefits		36,580	48,773	48,773
E – Goods & Services		45,202	57,361	57,361
G – Travel		7,500	10,000	10,000
J – Capital Outlay		11,200	2,400	2,400
Total		\$ 193,133	\$ 242,068	\$ 242,068

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

The department is responsible to administer the Lead Based Paint (LBP) program and enforce the lead based paint renovation and abatement rules. The program is funded through a Federal award from the Environmental Protection Agency (EPA) and through revenues generated by accrediting LBP trainers, certifying renovation and abatement specialists, and issuing penalties when lead based paint rules are not adhered to.

The current administrative capacity of the program supports one LBP enforcement officer. This is not an adequate level of staffing to effectively regulate the lead based paint rules and reduce the risk of lead poisoning due to the improper treatment of lead based paint. On July 25, 2016, the Environmental Protection Agency (EPA) performed an award monitoring of the program. In the final report, concerns were raised of Commerce's ability to protect human health and the environment as required under the



**Department of Commerce
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award. The EPA recommended that Commerce hire two additional LBP enforcement officers to provide adequate enforcement.

The current LBP certification fees for both firms or individuals are \$25 for a five year renovation certification and \$25 for a three year abatement certification. This is well below the average fee for similar LBP certifications in other states. For example, the national average fee per year for a firm renovation certification is \$150; where as Washington's yearly fee is \$5.

In order to increase the department's enforcement capacity by two FTE's, a LBP certification fee increase is needed to generate the required revenue to support the associated costs. Approximately \$242,068 is needed to fund the two positions. It's estimated that a modest fee increase to \$30 per year will provide the financial resources to expand the current capacity. The increased revenue per fiscal year based on that increase would be \$241,490.

The current federal administration is proposing elimination of this grant after FY18. An increase in the renovator certification program income could replace this federal grant and allow operations to continue with three FTEs. The department's current certification fee structure is the lowest in the nation. This would not allow us to hire new enforcement officers, as stated in the plan.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)):*

Base Budget	FY 2018	FY 2019	FY 2020	FY 2021
06K-1 Lead Paint Account	\$63,446	\$63,446	\$63,446	\$63,446
Total	\$63,446	\$63,446	\$63,446	\$63,446

Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	.90	.90	.90	.90
Total	.90	.90	.90	.90

Activity	FY 2018	FY 2019	FY 2020	FY 2021
A064 – Lead-Based Paint Hazard Mitigation	\$63,446	\$63,446	\$63,446	\$63,446
Total	\$63,446	\$63,446	\$63,446	\$63,446

1. Decision Package expenditure, FTE, revenue assumptions, calculations and details. *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

Funding will be used for administrative support to manage the program and also provide research best practices, develop state/federal compliance and enforcement models, provide compliance and technical assistance, and enforcement coordination. Currently there is 1.0 FTE in the program associated to state-wide lead-based paint program mitigation and enforcement.

A Commerce Specialist 2 – 1.5 FTEs in FY19 and then ramp up to 2.0 FTEs in FY20 and forward. The positions would be responsible for lead base paint certification/accreditation training, best practices, compliance, enforcement and technical assistance. This will also require frequent travel



mostly to Eastern Washington and also normal startup for FTEs, such as furniture, computers, monitors, etc.

- Certification and Accreditation Training- (313 hours in FY19 and 418 hours in FY20 and forward) Conduct licensing and accreditation training, process and review certification and accreditation applications for the lead-based paint program.
- Best Practices – (1,253 hours in FY19 and 1,670 hours in FY20 and forward) - Research best practices and state/federal compliance and enforcement modes to develop and implement lead-based paint abatement compliance and enforcement policies and procedures are up to date. Reviews and updates inspection and investigation protocols and templates necessary to standardize investigatory, enforcement and compliance processes.
- Compliance and Enforcement – (1,096 hours in FY19 and 1,462 hours in FY20 and forward) Conduct compliant intake interviews, investigate complaints, recommendation compliance or enforcement action, work with state and local agency for referrals or coordinated response, conduct inspections and desk audits to determine compliance with program rules and laws, create reports, and compliance notices.
- Technical Assistance – (470 hours in FY19 and 626 hours in FY20 and forward) Research and interpret federal and state regulations, work practice standards, and information resources to provide compliance and technical assistance to licensees, local jurisdictions, business and the general public. Use technical knowledge to create newsletter articles and other information al documents for distribution.

- 2. Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).*

The department anticipates that this proposal will have an impact on Priority of Government 1235 – Number of certifications issued. The additional revenue brought in from certification fees will allow us to hire more compliance monitors. As we work towards compliance throughout the state, we expect to see more firms and individuals become certified in order to avoid penalties. Until the staff are hired and the increased monitoring occurs, we are unable to quantify the expected rate of increase.

- 3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served.** *Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)*

This will have a direct impact on the health and safety of all Washington residents, particularly young children, due to exposure to lead poisoning. Increasing the capacity of the LBP enforcement efforts will improve oversight of the lead based paint renovation and abatement rules. It is extremely important that these rules be adhered to when lead based paint is present. The improper treatment of lead based paint creates exposure to lead poisoning and is severely hazardous to human health and development. One LBP enforcement officer can perform approx. 50-75 enforcement visits each year. Those efforts will be tripled as a result of this package to approximately 150-225 per year.

- 4. What are the other important connections or impacts related to this proposal?** *Please complete the following table and provide detailed explanations or information below)*

Impact(s) to:	Y/N?	Identify/Explanation
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Regional/County impacts?	Y	Identify: State of Washington
Other local gov't impacts?	N	Identify:
Tribal gov't impacts?	N	Identify:
Other state agency impacts?	Y	Identify: Washington State Department of Health
Responds to specific task force, report, mandate or exec order?	N	Identify:
Does request contain a compensation change?	N	Identify:
Does request require a change to a collective bargaining agreement?	N	Identify:
Facility/workplace needs or impacts?	N	Identify:
Capital Budget Impacts?	N	Identify:
Is change required to existing statutes, rules or contracts?	Y	Identify: RCW 103.70.030 (6), and WAC 365-230-260 (1).
Is the request related to or a result of litigation?	N	Identify:
Is the request related to Puget Sound recovery?	N	Identify:
Identify other important connections	N	Identify:

5. Please provide a detailed discussion of connections/impacts identified above.

This package directly impacts the health and safety of all Washington residents. The department and the Department of Health (DOH) have partnered to work on lead poisoning issues in the state. This proposal aligns with the work being performed by the DOH under executive order 16-06. They have been a key participant in the department's stakeholder discussions regarding this proposal. With a certification fee increase, the associated RCW and WAC will need to be updated to reflect the new per year fee.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

This issue can only be addressed by increasing administrative capacity, which requires additional revenues. Given the current state of the budget, it is important to pursue all options that do not require the need for state resources. This program has the ability to generate non-state revenue through the form of LBP trainer accreditations, LBP renovation and abatement certifications, and penalties issued for non-compliance. Washington's current LBP certification fees are the lowest in



the country and well below the national average. A modest fee increase, still well below the national average, would generate the needed revenue to support expanding the program's administrative capacity. This was determined to be the best option to pursue, because it has been vetted through and supported by key stakeholders, it is a more than reasonable increase, and it has no fiscal impact to the state.

7. What are the consequences of not funding this request?

The consequences of not funding this request will limit the capacity of the department to adequately enforce the LBP renovation and abatement rules. It increases the likelihood of improper treatment of lead based paint exposing Washington residents to lead poisoning hazards. This request also has an impact on the security of future federal funding and the sustainability of the program overall. The EPA reported these concerns in a recent award monitoring. The EPA's recommendations are being addressed in this package.

8. How has, or can the agency, address the issue or need within its current appropriation level?

If there are no federal cuts, the agency will be able to continue to maintain the current monitoring level. The current levels are insufficient to maintain an equitable monitoring program. Even with this request the program fees remain under the national average.


This issue cannot be addressed within the department's current appropriation level. The proposed fee increase will have no impact on state funding.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$193,133	1.5	\$241,490
Total	\$193,133	1.5	\$241,490
FY 2020	\$242,068	2.0	\$241,490
FY 2021	\$242,068	2.0	\$241,490
Total	\$484,136	2.0	\$482,980
Four Year Total	\$677,269	1.4	\$724,470

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



**Department of Commerce
State of Washington Decision Package**

Agency: 103 – Department of Commerce
Decision Package Code/Title: B8 – Local Government Study
Budget Period: 2017 - 2019
Budget Level: PL – Policy Level

Agency Recommendation Summary Text:

The Department of Commerce (department) requests funding to conduct a study that would analyze the constitutional and statutory revenue capacity of local governments in relation to their obligations.

Fiscal Summary: Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below. Object of expenditure should only contain objects that have costs.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
501-1 Liquor Revolving Acct		\$ 150,523		
Total		\$ 150,523		

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs		1.0		
Total		1.0		

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A – Salaries & Wages		\$ 66,660		
B – Employee Benefits		23,688		
C – Prof. Service Contracts		30,000		
E – Goods & Services		28,168		
G – Travel		2,007		
Total		\$ 150,523		

Package Description:

(What is problem, opportunity, or priority the agency is addressing with this request? How does the agency propose to address this problem, opportunity, or priority? What will the package actually buy?)

Funding would allow for the following opportunity:

- An overview of the major interdependencies of counties, cities, and larger special districts as they relate to state-mandated responsibilities;
- An analysis of where funding gaps are most pronounced, such as by issue area and part of state;
- How the situation has changed over the last 30 years; and
- How statutory revenue authority and spending obligations of Washington's local governments compare to a select number of competitor states.

The report is due to the Legislature by June 30, 2019.



Local governments are a key partner in the delivery of a wide range of state programs. A series of studies conducted by the Department of Commerce over the last three decades has documented how local jurisdictions have faced structural – and increasingly large -- gaps between revenue sources available to them and increasing service demands and cost drivers (such as salaries, wages, and benefits).

For example, in 1989 a Local Governance Commission concluded that “local government’s revenues are not adequate to their service responsibilities.” Eighteen years later, *a County Financial Health and Governance Alternatives* study concluded that revenue sources for counties – which are the backbone for local government – were becoming “less stable” in an era of increasing costs.

Local government officials have argued that the situation has further deteriorated in the last decade. The proposed study will investigate that hypothesis by offering an objective, data-driven analysis which focuses on counties, cities, and larger special districts such as ports, parks, and public facilities.

In a sense, this study will update previous departmental research, however, the focus is narrower – this request would fund a comparison of revenue capacity versus statutory and constitutional requirements. The study will not include policy recommendations. The intent is to provide policymakers with baseline data and analysis. Note that the study’s methodology will be designed to be easily repeated at appropriate intervals, so that future comparisons to the baseline can occur.

Base Budget *(If the proposal is an expansion or alteration of an existing program or service, please provide information on the resources now devoted to the program or service. Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information)):*

Base Budget	FY 2016	FY 2017	FY 2018	FY 2019
Total				

Base Staffing	FY 2018	FY 2019	FY 2020	FY 2021
Total				

Activity	FY 2018	FY 2019	FY 2020	FY 2021
Total				

- Decision Package expenditure, FTE, revenue assumptions, calculations and details.** *(Clearly articulate workload or policy assumptions used in calculating expenditure and revenue changes proposed. Note: backup documentation or fiscal models are strongly encouraged.)*

The study requires 1.0 FTE. Workload would be apportioned between a Management Analyst 5 (0.3 FTE), who will lead the project, and a Commerce Specialist 3 (0.4 FTE) and 2 (0.3 FTE). Some contracted work is anticipated to support the research. The travel line item will be used to conduct case studies.

- Decision Package justification and impacts: What specific performance outcomes does the agency expect?** *(Describe and quantify the specific performance outcomes the agency expects as a*



result of this funding change. If one or more activity performance measures the agency reports on in Results WA, Results Commerce or in Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in performance targets for each measure and for each applicable year).

Local fiscal capacity is not directly included in metrics for Results Washington or Results Commerce. However, major gaps between revenue capacity and legal obligations can translate into a reduced ability for local governments to address a wide range of topics of importance to citizens and state-level policymakers, such as with infrastructure, energy, and economic development.

One outcome of the study will be a methodology that could be used to develop local fiscal capacity metrics for Results Washington or Results Commerce.

3. Performance Measure detail. Please fully describe and quantify expected impacts on state residents and specific populations served. Who will be affected by the package? How? How many clients will/will not be served? Include annual estimates when a service is expected to grow or decline over time.)

Local governments serve the state's entire population. The fiscal capacity of counties, cities, and major special districts can play a central role in the quality of life of Washington residents.

The most direct users of the proposed study will be policymakers in the legislative, executive, and judicial branches of state government as well as local government. The study will provide a baseline of objective, accurate, and up-to-date data and analysis that is not currently available in one place.

The study's gaps analysis of revenue capacity versus statutory and constitutional obligations essentially functions as a "meta" local government fiscal note. RCW 43.132 requires the Department of Commerce to analyze the fiscal impact of individual pieces of proposed legislation on local government. This study performs a similar analysis but focuses on the cumulative impact, both across issue areas as well as over time.

Although Commerce has done other studies on local fiscal health, the specific focus of this proposal has not been conducted in Washington. As such, some data may not be available in ways that allow apples-to-apples comparisons. This is why the study's methodology is designed with a "building blocks" approach. A primary goal is to establish a methodology that can be repeated at appropriate intervals in the future. Over time, the research could provide policymakers with increasingly rich insight into the evolving fiscal relationship between state and local governments.

4. What are the other important connections or impacts related to this proposal? Please complete the following table and provide detailed explanations or information below)

Impact(s) to:	Y/N?	Identify/Explanation
Regional/County impacts?	Yes	Identify: The study was originally proposed by the Washington State Association of Counties for the 2017-19 operating budget because of their hypothesis that counties face a particularly acute gap between revenue capacity and legal responsibilities. Commerce can provide an objective, third-party assessment of that hypothesis.
Other local gov't impacts?	Yes	Identify: The study will also address cities and other major special districts such as ports, parks, and public facilities. The study does not address school district impacts, which are the purview of the Office of the Superintendent of Public Instruction.



**Department of Commerce
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Tribal gov't impacts?	Y/N	Identify: Although tribes will not be explicitly researched, the study's findings could be helpful to policymakers addressing issues where there is an overlap in responsibilities between tribes and local governments.
Other state agency impacts?	Yes	Identify: The study will help state-level policymakers, both in the legislative, executive, and judicial branches to better understand local government funding-capacity issues.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify: Uses existing facilities for Local Government Fiscal Note Program
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify:
Is the request related to Puget Sound recovery?	No	Identify:
Identify other important connections		Identify:

5. Please provide a detailed discussion of connections/impacts identified above.

6. What alternatives were explored by the agency and why was this option chosen? (Describe the pros and cons of the alternatives and why they were not selected. Why is this request the best option?)

In the past, all previous major studies conducted by the department on local government fiscal health have had budget provisos. The proposal is based upon a \$250,000 proviso in the 2017-19 operating budget that was passed by the Legislature. The proviso was subsequently vetoed.

This proposal calls for the Local Government Fiscal Note Program (LGFN) in the department to produce the study. LGFN is Washington state government's designated expert on municipal finance. The cost of the study was reduced to \$150,000, which is reflective of the true cost of this effort.

7. What are the consequences of not funding this request?

As noted in the position description, previous research and more recent anecdotal evidence suggest that local governments face a structural gap between revenue capacity and legal obligations that is steadily growing larger. Left ignored, this could lead to reduced local government capacity to respond to citizen needs and – in a worse-case scenario – jurisdictions would be without key information that



could help avert defaults on their financial obligations. Although no Washington municipalities have thus far filed for Chapter 9 bankruptcy, more than 61 jurisdictions in other states have done so since 2010, according to [Governing](#) magazine.

This study will provide policymakers with objective data and analysis that is not otherwise easily available.

8. How has, or can the agency, address the issue or need within its current appropriation level?

In recent years LGFN has attempted to integrate the research it conducts on individual pieces of legislation into a larger-scale analysis of overall impacts. However, the program's budget has been insufficient to do more than to partially roll up impacts by individual issue areas within a given legislative session.


Funding will help build a methodological framework and data systems that will allow the ongoing tracking of cumulative fiscal impacts. This study will also provide added outside-of-session training for LGFN analysts. This will result in fiscal notes with more policy nuance.

Expenditure and Revenue Summary:

Fiscal Year	Expenditures	FTEs	Revenue
FY 2018			
FY 2019	\$ 150,523	1.0	
Total	\$ 150,523	1.0	
FY 2020			
FY 2021			
Total			
Four Year Total	\$ 150,523	1.0	

Other supporting materials: Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☒ No 

☐ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)



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BASS - BDS029

State of Washington
Summarized Revenue by Account and Source

Budget Period: 2017-19
Dollars in thousands
103 - Department of Commerce
Agency Level
JM - 1st Year Supplemental
Supporting Text Excluded

10/13/2017
11:17AM

Totals	Maintenance Level		Performance Level		Biennium
	FY2018 FY2019	FY2019 Total	FY2018	FY2019	FY2018
06K - Lead Paint Account					
B7 - Lead Based Paint Enforcement				241	
Total - 0299 - Other Licenses Permi - S				241	
241				241	
06K - Lead Paint Account - State				241	
241				241	
Total - 06K - Lead Paint Account				241	
241				241	
 103 - Department of Commerce - State				241	
241				241	
Total - 103 - Department of Commerce				241	
241				241	



Department of Commerce
State of Washington Decision Package

State of Washington
Request for Fees or Taxes
2017-19 Biennium

	Code	Title
AGENCY	103	Dept. of Commerce

							Incremental Revenue (Dollars in Thousands)				Tied to Expenditure Change?	Fee Payer Position	Explanation of Change See Instructions
							GF-S		Other Funds				
Agy #	Agency Name	Fee Code	Name of Fee or Tax	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	FY 2018	FY 2019	FY 2018	FY 2019			
103	Dept. of Commerce	4003	Lead Based Abatement Certification	Bill	Z-0095.1 (\$30 fee per year)	Increased	-	-	-	241,490	Supports new expenditures. See RecSum PL- A7	Fee payers support the fees	The current LBP certification fees for both firms or individuals are \$30 for a five year renovation certification and \$30 for a three year abatement certification. This is well below the average fee for similar LBP certifications in other states. For example, the national average fee per year for a firm renovation certification is \$150; where as Washington's yearly fee is \$5.
Additional Comments													