



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

# **Defining Commerce: Next Steps in Our Mission to Grow and Improve Jobs**

A Report to the Governor and Legislature  
in Accordance with EHB 2242  
(Chapter 565, Laws of 2009)

November 1, 2009

Rogers Weed, Director



# Department of Commerce

## Innovation is in our nature.

### REPORT SUMMARY

#### Commerce: What's in a Name?

In the 2009 legislative session, Governor Gregoire asked the Legislature to change the name of the Department of Community, Trade and Economic Development (CTED) to the Department of Commerce. The Legislature agreed and enacted EHB 2242, which directed Commerce to propose a mission and organization as focused as its new name. This report summarizes what we have learned over the last six months as we engaged key stakeholders on how the new Department of Commerce can best foster a strong economy throughout the state. We have settled on a mission to “grow and improve jobs in Washington” and developed a set of principles and priorities to guide our work. We have also engaged our staff and our customers in a discussion about programs in our current organization that align well with this new mission and others that may align better with the missions of other state agencies.

The name change kicked off an intense period of activity within Commerce that holds great promise to help Washington State improve its competitiveness as a place for individuals and businesses to reach their full economic potential. It has also created uncertainty and disruption for dedicated public servants in the department and the clients and customers they serve. Many of those stakeholders have participated in an open and honest conversation about how we can best organize Commerce to achieve the multiple policy objectives that are the legacy of CTED. Two potential organizing options for Commerce have emerged from those discussions. Both options include moving some programs out of the agency, and moving some programs into the agency from other parts of state government. One option would result in a smaller department with programs focused around the new mission; the second option would include a broader set of programs that includes more community capacity building to support economic growth.

The policy recommendations in this report rest on a solid foundation built by the Washington Economic Development Commission in its February 2009 report, *The Washington Innovation Economy*. That report's vision, analysis, recommendations, and proposed metrics for evaluating progress have and will continue to inform Commerce's efforts to grow and improve jobs in the state. We also relied on insights from *The Next Washington* report published by Gov. Gregoire in 2007.

In addition, this report is informed by data about the relative strengths of our economy. After two years of the most severe economic downturn since the Great Depression and the loss of more than 145,000 jobs in the state, now is hardly a time to be complacent about Washington's economic position. And yet, in spite of it all, Washington's economy remains strong relative to other states. In September 2009, *Forbes* magazine ranked Washington the 2<sup>nd</sup> best state in the nation for business, and 1<sup>st</sup> for our growth prospects. A cross-state comparison of income per job, job growth, income growth, and low poverty levels shows that only one state exceeded Washington in all four metrics. While we certainly have room

for improvement, we must recognize our strengths, build on them, and never lose sight of the constant competition we face from within the U.S. and abroad.

### **Commerce Connections: Engaging Government Leaders**

In keeping with the requirements of the legislation, we developed these recommendations in consultation with the Washington Economic Development Commission, the chairs and ranking minority members of the economic development and budget legislative committees, the Office of Financial Management, and the Governor's office. Director Weed formally met twice with the Economic Development Commission and we had numerous informal meetings with staff and Commission members. Director Weed also appeared before the House Community and Economic Development and Trade committee, the Senate Economic Development, Trade and Innovation committee, and the Government Appropriations committee to review preliminary recommendations.

### **Commerce Connections: Road Trip '09**

During the summer of 2009, we held more than one hundred meetings with stakeholders and partners to hear about opportunities, strengths, needs and ideas for growing our state's economy. Director Rogers Weed, our management team and several staff visited seven cities around the state, where we held meetings with seven constituencies: large business, small business, utilities, local government, housing agencies, community action agencies, and economic development organizations. Additionally, our director and management team members met with statewide associations and with other state agencies, and convened several sessions with Commerce employees. In all, more than 1,000 people attended these meetings. We also conducted an on-line survey the month of August and promoted it extensively around the state to allow us to hear from people who weren't able to attend a meeting. Nearly 4,000 people gave us answers to questions about the state's competitive advantages, factors that affect our state's ability to grow and improve jobs, and priorities for action. The survey also generated 3,400 qualitative comments that totaled more than 300 pages of written remarks.

Our staff also researched how Washington's climate for job creation and retention compares to other states using more than 40 economic indicators. Those indicators align with the state's comprehensive economic development strategy as articulated in Gov. Chris Gregoire's report, *The Next Washington: Growing Jobs and Income in a Global Economy*, and the Washington Economic Development Commission's *The Washington Innovation Economy*.

We also evaluated how departments of commerce were structured in the other 49 states. We identified promising practices and lessons learned from interviews with three states: Massachusetts, North Carolina and Oregon. Each state has methods in place for listening to their customers and focusing attention to meet their needs. Massachusetts accomplished this primarily through partnerships and personal contact; North Carolina through an enhanced website and data tools. Oregon, like Washington, has also undergone a recent name change and has reorganized itself to be more responsive to cities and local governments.

Detailed reports on the Commerce Connections meetings, on-line survey, and research are included as appendices to this report and are posted on our website [www.commerce.wa.gov](http://www.commerce.wa.gov).

### **Commerce Connections: Themes to Grow By**

We learned a lot by listening, reading, and testing ideas with hundreds of people around the state. Some consistent themes emerged about how state government can improve the economic climate of Washington:

- Washington enjoys a number of important competitive advantages that benefit our economy, including high quality of life, proximity to Pacific Rim markets, diversity of industry sectors, skilled workforce, education system, and a culture of innovation.
- We need more efficient regulation
- State infrastructure funding should be restored and restructured
- Washington is perceived as “business unfriendly”
- Rural economies in the state lag behind the rest of the state in prosperity and need more help
- Our workforce training and education system can better anticipate and respond to employers’ needs
- We need to accelerate transfer of public research and development to market, including better access to capital for growing businesses
- We should align our tax system with economic objectives
- The cost of business inputs (land, labor, water and power, for example) significantly affects our ability to grow and improve jobs in Washington.
- Employment costs (such as industrial and unemployment insurance) significantly affect our ability to grow and improve jobs
- The Department of Commerce is generally well-regarded throughout the state by the communities we serve.

These themes, as articulated by hundreds of community opinion leaders and stakeholders from the private economy, help provide context and color to the model of economic growth formulated by the Washington Economic Development Commission (EDC). The EDC report, *The Innovation Economy*, identifies three critical drivers of what they refer to as an innovation ecosystem: talent, investment/entrepreneurship, and infrastructure. Over the long-term, these three elements will drive growth in employment, prosperity, and our overall quality of life.

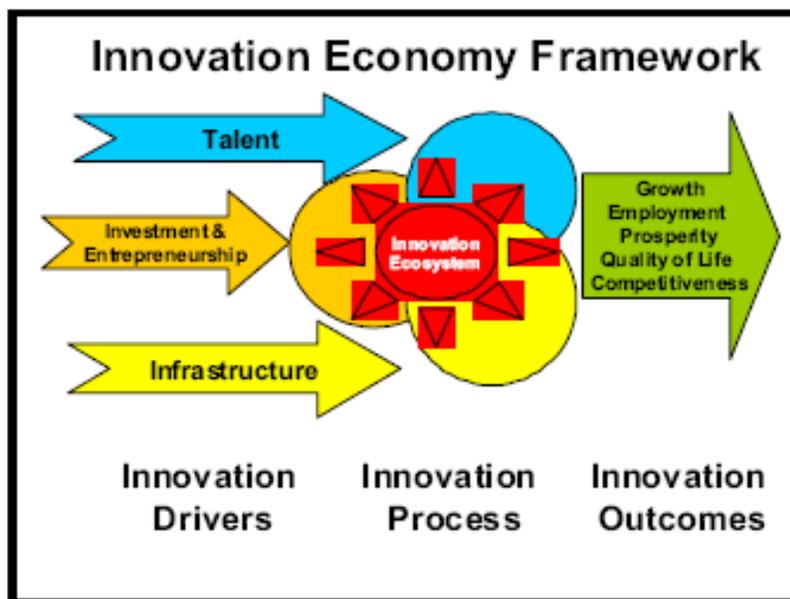


Figure 1 - Innovation Ecosystem

We find that the innovation model of economic development as articulated by the EDC resonates with the themes we heard around the state with one possible exception: most businesses, especially smaller ones, are focused on the cost of their inputs and want the state to help lower those costs of doing business. In some cases, lowering those costs (such as reducing state taxes) present significant challenges to policymakers because they help pay for tangible public services that benefit businesses through infrastructure investments and a trained workforce. In other cases, such as more efficient regulation, opportunities exist to lower costs for businesses while maintaining the benefits of environmental protection, health, and safety. Smarter government focused on more efficient service delivery can help drive economic growth around the state. More efficient regulation and public services will free up resources to deliver more talent, more capital, and more infrastructure to the innovation economy.

With innovation at the center of our long-term vision of the Washington Economy, Commerce has adopted the vision statement in the Washington Economic Development Commission’s plan as its own.

**Vision Statement:** Make Washington the most attractive, creative and fertile investment environment for innovation in the world as a means of achieving long-term global competitiveness, prosperity and economic opportunity for all the state’s citizens.

Commerce has started to chart a path to achieve this vision with a new mission statement and priorities for action.

## Commerce: Mission, Principles, and Priorities

The mission of the Department of Commerce is to **grow and improve jobs in Washington State**. We tested this mission statement in our meetings around the state and found broad agreement that it provides the right operational focus for the department's activities. This mission is concise, measurable, important and inspiring, and it puts appropriate attention on the results that matter most to people across the state. If we can better enable businesses and other employers to grow and improve jobs in Washington, the benefits accrue not only to the people who hold those jobs, but also to the employers who sell the products and services those people create and the communities that can grow as a result of that economic activity. We learned over the summer that a multitude of factors affect both the number and the quality of jobs in Washington. Commerce needs to understand these factors and have a point of view about the state policies and programs that have the greatest potential to achieve our mission. The job situation varies in different areas of the state and for different segments of our population so our approaches to growing and improving jobs must address these differences.

Commerce will partner with both the private sector and other government entities to grow our economy for the benefit of all of our residents. We will accomplish this through program delivery, advocacy, policy development, and serving as a convener/facilitator and thought leader on issues that affect our state's ability to grow and improve jobs.

### Eight principles will guide our work at Commerce

- Businesses create most jobs. We must be closely connected to employers to be successful
- Government action and policy significantly shape the state's business climate
- Strong economies require strong communities
- A vibrant business community benefits all of us
- Government should focus on broader policy that looks for outcomes rather than betting on specific technologies or approaches
- Retaining our current employers and promoting their growth is our first priority
- We will be opportunistic and nimble to respond to a rapidly changing global economy
- We will focus first on priorities, and then establish an organizational structure to drive progress in those priority areas

## Commerce Priorities to Grow and Improve Jobs

Sustaining a world-class economy involves making continuous improvements to Washington's competitive position in a number of areas. As we look at these areas through the lens of job creation and job growth, a clear picture of priorities for action emerges. We identify four global priorities that will benefit every employer in the state. The four are equally important and not presented in priority order. We also identify four specific priorities that target particular aspects of our mission.

### **GLOBAL PRIORITIES**

#### ***Competitiveness***

Washington State is a product that competes every day to retain, grow and attract businesses. Examples of product features include our deep ports and proximity to fast-growing overseas markets, strong community college system and tax policy. The Department of Commerce should function as the "product manager" for the state. There is a widely-held perception that Washington is not a business-friendly state, yet plenty of evidence indicates the state is "open for business." Washington ranked second overall on the 2009 *Forbes* best states for business list (first for our growth prospects) and near the top of the 2008 *State New Economy Index*. Actions to improve our state's competitiveness will emphasize:

- Strengthening our partnership with the statewide network of entities selling and marketing Washington including local economic development organizations, local governments, chambers of commerce, port districts, business leaders, and others
- An annual competitiveness report with recommendations to address needs
- Fostering Washington's culture of innovation
- Communicating our competitive advantages more effectively

We are currently researching several facets of our state's competitiveness to develop a clearer understanding of our competitive strengths and weaknesses. Commerce will publish a competitiveness report in early 2010 that will describe our competitive position and establish a scorecard for tracking our progress on improving the state's competitiveness.

#### ***Education and Workforce Training***

A deep base of skilled talent is more important than ever for economic success. Washington enjoys a well-regarded education system, but it is underperforming in key areas when important segments of our workforce are aging and preparing to leave the workforce. Degree production does not align with job openings, and students are graduating from high school without adequate skills to pursue either employment or advanced training and education. Commerce should be engaged as an advocate with both the business and the educational communities to ensure these essential issues are addressed. We will explore ideas such as:

- Supporting implementation of the College and Work Ready Agenda that addresses early learning programs, K-12 math and science education, undergraduate degrees in high-demand fields, and public university research and development
- Better integration of customized training programs to link employer and workforce needs and opportunities
- Developing and maintaining industry-defined skill standards for key industries

In the near term, Commerce will align its industry cluster designations with those of the Workforce Training and Education Coordinating Board in an effort to optimize workforce resources. This will allow Commerce and the Workforce Board to better coordinate efforts to address workforce training and education needs for key employers. By spring 2010, we will develop a plan and schedule to implement this change.

Commerce will also meet with participants in the Partnership for Learning, the non-profit organization that developed the College and Work Ready Agenda, to identify how we can support this important multi-faceted effort. We understand that significant efforts are underway to improve the performance of our K-12 system and to increase capacity within the technical degree programs in our higher education system. Strong public and private sector leaders are already engaged. Nonetheless, given the importance of this aspect of workforce development to our mission of growing and improving jobs in Washington, Commerce intends to play a role in advocating for better outcomes for students moving through the state's K-12 system and supporting access to rigorous higher education programs in high demand fields. We will work with the existing participants in the education policy realm to develop an action agenda that is appropriate for Commerce by June 2010.

### ***Infrastructure Investment***

Reliable and efficient infrastructure is essential to grow and improve jobs in the state. Communities need reliable and safe systems for water, waste, communications, transportation, energy and affordable housing. Washington's infrastructure systems have not kept up with community needs. From 1998 to 2006, more than \$9.1 billion in state and federal funds were invested in local communities for three core infrastructure areas: sanitary sewer, domestic water and bridges/ roadways. Yet this provided only 26% of the total costs for these systems and improvements, leaving the rest to local financing. Recent estimates assume a local funding gap of \$7.58 billion- \$1.26 billion each year for 2004-2009 - for the areas of local transportation, sewer and drinking water.<sup>1</sup> The ways in which federal and state funding programs operate can also cost precious time and money. It can take a jurisdiction up to five years to assemble financing for a single infrastructure project

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<sup>1</sup> See *Meeting the Growth Management Challenge in Growing Communities*, December 2008, CTED —available online at <http://www.ofm.wa.gov/study/--Appendix D>, pg 26)

The Department of Commerce is working with managers from several infrastructure financing programs in state government on how we can better address the infrastructure financing needs across our state. Our efforts will focus on:

- Restoring and enhancing infrastructure funding at both state and local levels in future budget cycles
- Developing a shared strategy for infrastructure financing, focused on integrating the way we address traditional infrastructure needs with housing, communication and land use
- Co-locating and consolidating infrastructure programs to improve efficiencies and customer service
- Continue advising the Governor on the economic potential of proposals to the Recovery Act broadband funds and look for a longer term solution to how the state plans for and invests in this category of infrastructure

We are working with several state agencies to develop a stakeholder involvement plan for pursuing these infrastructure investment ideas. The plan will be completed by December 2009, and we hope to hold an infrastructure summit in early 2010. Commerce is leading this effort in collaboration with other state funding agencies.

### ***More Efficient Regulation***

We want to make Washington even more attractive for business, while maintaining the high quality of life we enjoy. Survey respondents identified quality of life as a leading advantage of doing business in Washington. This is due, in part, to regulations that protect health, safety, land use and natural resources. While regulation yields many public benefits, the way in which we implement regulations can sometimes add unnecessary costs that limit economic activity without a corresponding public benefit. On a national basis, some studies rank Washington's regulatory structure among the top 10 states. And yet, in the experiences of many businesses located here and from the results of other national rankings, we need to improve our regulatory performance. This is not about lowering our regulatory standards, but rather about improving the efficiency with which they are implemented. State government can make it easier, faster and more predictable to get a permit or a license, comply with required reporting, or pay a tax or fee. Improvements in the system will go right to the bottom line of every organization affected. Initial actions to deliver regulation more efficiently will emphasize:

- Establishing service and delivery standards for regulatory requirements
- Maximizing the use of technology and e-government in the regulatory arena so businesses can more easily pay, file, apply, change, track and review on-line
- Synchronizing permit reviews for complex projects to decrease overall permitting time

- Coordination of efforts on regulatory improvements with the Natural Resources Subcabinet reform proposals, including legislation in 2010 that would require a 20-year review of the Growth Management Act

Our first initiative will be to establish an awards program to recognize government regulatory agencies that institute efficiencies resulting in reduced time, costs and complexity for businesses to comply with requirements. This program will be launched in 2010.

In addition, we will convene regulatory partners to develop a proposal for improving the on-line experience for businesses on the state's websites. Businesses have asked that we make it easier for them to comply with state requirements by enabling them to log on to a single web site and enter relevant data for multiple agencies in one place. Business could use a single log-in sequence to interact with state agencies such as Revenue, Licensing, Employment Security, Labor & Industries, Liquor Control Board and the Lottery. This effort will build on the individual improvements already made by several state agencies. We anticipate that key business assistance and information center staff from the Office of Regulatory Assistance will help to manage this effort.

## **SPECIFIC PRIORITIES**

### **Community Capacity**

We believe that a strong economy requires a strong community as a foundation. Our existing model of investing through community service agencies and local governments emphasizes building capacity that is aligned with specific community needs and priorities. Community capacity includes providing support systems and services to vulnerable populations that both strengthens communities and places more workers in the labor force. This results in reduced need for public assistance, higher wages, a new career path for entry-level workers, and a host of other individual and societal benefits. Actions to improve building community capacity could include:

- Expanding supported-employment programs for low-income residents
- Supporting neighborhood centers that promote employment, affordable transportation and housing, and capacity-building services
- Broadening our community development focus to integrate economic vitality and job training

Commerce is developing a stakeholder involvement process to explore ways to integrate community planning efforts in the areas of:

- community action
- homelessness
- community mobilization
- workforce development councils
- and other and community capacity organizations

A joint community plan that integrates community needs, fulfills federal funding agency requirements and also incorporates economic development goals could be more effective than the current model of

developing separate plans in each area. This approach can also set the stage for combined or block-grant type funding in the future that can address the unique community priorities. We will develop a plan and process by February 2010 for advancing this effort through a pilot planning effort in selected communities.

### ***Rural Focus***

A gap exists in the prosperity experienced between urban and rural economies in Washington. Rural areas compare unfavorably to urban areas in poverty rates, education levels and per capita income. This disparity is part of a century-long trend of urbanization and depopulation in many rural areas. One initiative that could improve economic performance in rural areas is improved access to broadband communication services. Broadband is the highway system of the 21<sup>st</sup> Century, enabling the expansion of on-line delivery of healthcare and education. More than 48,000 jobs can be created in Washington with expanded broadband access, according to Connected Nation, an organization of businesses and advocates for broadband policy. In addition to expanding broadband access, better coordination of state infrastructure spending can simplify the process for financing projects in those rural communities that are designated for economic growth.

Actions to improve our focus on economic development in rural communities will include:

- Support for the current federal initiatives under the America Recovery and Reinvestment Act to map and provide broadband access in under-served areas and to under-served populations
- Expanded partnership with other state agencies to improve and enhance services provided to rural areas

In addition to supporting the current efforts to expand broadband service, we will work with the education and workforce training community on ways that we can support increasing education and training in rural areas, especially through distance learning technologies. We will help prioritize needs specific to the rural areas of the state and will develop an approach for better coordinating efforts by December 2010. This will also connect with our priority on the education and workforce training.

### ***Sector Focus***

From agriculture to aerospace to life sciences to communication and information technology, Washington is blessed with a diverse economy that is not overly reliant on any single sector. Diversity makes our economy more resilient so we should invest to foster it. Sectors with potential for significant growth and exports out of the state and where Washington has a significant market share would benefit from focused engagement from the state. Commerce needs to understand the issues affecting these sectors and actively engage with companies on creative ideas for how the state can help promote growth. Actions to improve our focus on key sectors will emphasize:

- Designating a sector manager with deep expertise in selected growth sectors

- Identifying and coordinating efforts within target sectors where clear, consolidated leadership can attract significant levels of public or private investment
- Working closely with the network of local governments and economic development organizations on a proactive business development effort in targeted sectors

Clean energy represents a near-term opportunity to implement the sector focus. The 2009 Legislature created the Clean Energy Leadership Council, which is co-chaired by Commerce Director Rogers Weed. The Council is commissioning an economic development strategy for clean energy that leverages the existing capacities within the state. The study is expected by August 2010 and it will include a set of action steps to support the growth of Washington clean energy companies. In parallel with the Clean Energy Council work, the Energy Policy Office within Commerce will initiate an energy planning process in 2010 to frame the public policies necessary for the state to anticipate and prosper from future changes in energy pricing and technologies. These two efforts should generate a solid initial plan for Washington State to grow its clean energy sector and it would make sense for Commerce to then designate an Industry Sector Manager to implement that plan and update it as the situation changes.

### ***Small Business***

Around 40% of the jobs in our state are in companies of less than 100 employees. Many rural and minority and women-owned businesses are small, so a focus here has multiple benefits. Small businesses struggle with the complexity of government requirements, gaining access to capital, and finding good advice and assistance, among other barriers to success and growth. We can and should do more to help small businesses succeed. Complex regulations are more costly to small businesses than to large businesses, putting them at a competitive disadvantage. Some level of “churn” in business start-ups and closures indicates healthy risk-taking and innovation, which we want to encourage. At the same time, we want small business to thrive in our state. A focus on helping them succeed will pay off in growth and quality of jobs. Actions to improve our assistance to small businesses will emphasize:

- Facilitating efforts to consolidate and expand small business financing assistance
- Enhancing regulatory assistance for small businesses
- Advocacy for process improvements within state and local governments to simplify and improve interactions with small business

Our near-term efforts for small business will overlap with our early initiatives on efficient regulation. We can lower costs and improve the quality of interacting with state agencies by making it easier for small business to access their information on the web. In addition to developing a plan to simplify small business interaction with state government on-line, we will evaluate the feasibility of an on-line community that connects small business to federal, state, and local resources that are available to them for human resources financing, business consulting, marketing, and export support. Staff from the Office of Regulatory Assistance will help to manage this effort. We will also partner with the Office of

Minority and Women's Business Enterprises, the state government small business liaisons team, the Small Business Development Center network and other small business advocates.

For each of the priorities above, we have identified at least one near-term action that will get us moving on our mission to grow and improve jobs. Other initiatives are already under development and we will work in the months ahead to form a fully developed action plan for the eight priorities. We will work within each priority area to identify metrics to evaluate our progress, search out examples of others who do it well, pose key questions we still need to answer, generate ideas to investigate and pursue, and secure the key partners necessary for success.

We must execute specific initiatives in each of the priority areas if we are to maintain and strengthen our global competitive position. Progress on these priorities will require determination, focus and, most importantly, partnerships that have either not existed in the past or have not reached their full potential. Our success improving performance across these priorities will benefit not only the private sector but will allow the communities and people of our great state to develop and prosper.

### **Commerce: Measure it, manage it**

Commerce will track and report on our progress in each of the eight priority areas and in our state's overall economic climate and job growth. With targeted efforts in the priorities listed above, we expect to see measurable increases in numbers of jobs and in personal income. We also expect to improve our state's competitive position relative to other states, regions and countries. We will measure our results on changes to:

1. Income per job
2. Job growth
3. Income growth
4. Distribution of income, jobs, and income growth

We are working to synchronize our measurement efforts with the Economic Development Commission, and we will propose more detailed performance measures and indicators for each of the priority areas by June 2010. Our focus will continue to be on the most useful metrics for driving change and improving performance.

### **A Name, a Change, a New Focus: Commerce**

We've been inspired by all this. Yes, there has been disruption and uncertainty for our employees, their customers and our partners. But there has also been a steady stream of good will and hard work from people inside and outside Commerce who want us to succeed in creating an effective new department, oriented to the needs of employers and local economies, with a relentless focus on taking action to grow and improve jobs in Washington. We are excited; we're already working on it, and we look forward to engaging you to help us get better.

# ORGANIZING COMMERCE

## How is Commerce currently organized?

Commerce currently has eight divisions, six of which are focused on key service areas: Community Services, Energy Policy, Housing, International Trade and Economic Development, Local Government, and Public Works Board. The other two divisions, Administrative Services and Financial Services, provide internal support to the agency. Commerce also houses several independent state policy councils including the State Building Code Council, Developmental Disabilities Council, Tourism Commission, and Energy Facility Site Evaluation Council (EFSEC). We have statutory and/or budget relationships with the Community Economic Revitalization Board (CERB), Washington State Affordable Housing Advisory Board, Washington Economic Development Commission, and the Public Works Board.

372 employees administer 135 programs, using state, federal, private, and local resources. These programs support state and local efforts to retain, expand and attract business activities; provide sound policies for managing growth and better managing energy resources; increase international trade and tourism; develop affordable housing, community facilities, and infrastructure; and provide support services for vulnerable populations.

We work closely with numerous partners to develop and implement programs and policies. Our partners include local governments, tribes, nonprofit organizations, business and industry, and community groups, as well as other state and federal agencies. We recognize that integration multiplies the effectiveness of our people and programs. At the same time, we recognize the challenges present in an organization with 135 programs, and regulatory and statutory requirements with different objectives and priorities.

When the governor and legislature chose to rename the department, they asked us to recommend organizational changes aligned around a concise core mission and the state's comprehensive plan for economic development.

## How did we assess alignment?

We focused on our new agency mission—to grow and improve jobs. A team representing each division measured how well our current programs connect to our mission by applying three criteria:

1. Alignment to mission of growing and improving jobs
2. Impact on business climate
3. Extent to which the program builds community capacity

All of the programs in the department are valuable, and the importance of each program was not part of the measurement. The team was only focusing on the criteria outlined above. The results were tabulated, weighted, and sorted into a spreadsheet. For those programs least aligned, we analyzed critical connections to other programs viewed as more aligned with mission. Programs with compelling connections were moved up, noted for retention to Commerce, and the connection was explained.

After considering both alignment and critical connections, we listed programs that should be considered for transfer to another state agency with closer mission alignment. We identified potential options for relocation and recommended agencies that might be a better fit for these programs. We are also taking this opportunity to engage our colleagues in other agencies around programs we house that they believe might be better aligned with their efforts, even if we felt they were sufficiently aligned with our new mission. A few programs in the analysis that follows fall into that category. For the most part, stakeholder involvement around the transfer of programs has been limited. We would expect that process to expand over the next few months, with possible legislative action to follow.

Finally, we considered areas where our emerging mission and proposed priorities might suggest that responsibilities move into the department. There were three primary areas that arose:

1. Activities that focus on more efficient regulation,
2. Programs where the state funds local infrastructure, and
3. Energy related programs and activities.

In the first area, we have found programs in the Office of Regulatory Assistance that we believe make sense to move over. In the other two areas, there are, or will be, state-wide efforts to look at these areas and we will participate in those and respond to their conclusions.

A summary of our analysis follows.

## Alignment evaluation results

The following programs ranked closest to our mission. **Both options** for organizing Commerce **include** all of these programs:

ADO Grants	Drinking Water Loans	IAG-PSRC: Transfer of	Portfolio Management
Asset Management & Compliance	ED Float Loan Interest Expenses	Development Rights	Public Works Board
Bio-Energy Projects	EDA Coastal Admin / Loans /	Innovation Research Teams	Regional Services
Bond Cap	Revenue	(STARS)	Resource Allocation
Brownfields	Education and Training Admin	Innovation Partnership Zones	Rural Washington Loan Fund
Building Communities Fund	Energy Matchmakers	International Trade Development	Small Communities in Rural
Building for the Arts <sup>1</sup>	Energy Policy	Jobs / Economic Development	Counties (PWB)
Community Economic	Evergreen Jobs Initiative	Justice Assistance Grants	Small Communities Initiative
Revitalization Board	Farmworker Housing	Lead Based Paint	State Drug Task Forces
Child Care Facility Fund	Federal Home Program Income	Low Income Home Energy	State Energy Program
Community Services Block Grant	Forest Service Loans	Assistance Program	Statewide Services
Community Services Facilities	Grays Harbor Wind Project	Loan Fee Income & Expenses	Taxable Bonds General Pool
Community Develop. Block Grant	Growth Management Services	Local and Community Projects	Tourism
Community Development Fund	Growth Management Grants	Longview Regional Water	Urban Vitality (PWB)
Community Schools Program	Hanford Econ. Investment Fund	Treatment Plant	USDOE Master Agreement
Contract Management	Home General Purpose	MacArthur Foundation Grant	Washington Technology Center
Contracts Administration Unit	Home Repair & Rehab Program	Mainstreet Trust Fund <sup>2</sup>	Water System Acquisition &
Department of Energy AOP Reg.	Housing Conferences	Manufacturing Innovation &	Rehabilitation Replacement
Department of Energy Wx	Housing Non-Taxable Bonds	Modernization	Web, Marketing and
Domestic and Foreign Contracts	Housing Trust Fund	Microenterprise Development	Communications
Downtown Revitalization <sup>2</sup>	IAG-DNR: Urban Forestry	Neighborhood Stabilization	Work First/Community Jobs <sup>3</sup>
Drinking Water Assistance	IAG –ESD: Re-Employment Support	On-Farm Infrastructure	Youth Recreational Facilities
	Centers	Operating & Maintenance Program	

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<sup>1</sup> Under consideration for consolidation with Arts Commission

<sup>2</sup> Under consideration for consolidation with the Department of Archaeology and Historic Preservation

<sup>3</sup> Under consideration for consolidation with the Employment Security Department

The following programs are less closely aligned to our mission, but closely connected to a core program(s). **Both options** for organizing Commerce **include** these programs. Explanations are included in this chart:

<b>Program Name</b>	<b>Explanation of Connection</b>
Community Development Program	This is a one-time program that will end with the biennium.
Community Voicemail IAG- DSHS	This program is closely connected to the Community Action Network. Community Action Agencies are the only providers of this service. It directly ties to jobs in that it enables low income individuals to engage in job search.
Emergency Shelter Assist Pgm (ESAP)	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Emergency Shelter Grant Program (ESGP)	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Family Prosperity Account	This funding is for the local coalitions that support Asset Building coalitions. These coalitions are locally convened and managed. They garner local resources to fund individual development accounts (IDAs) and provide financial services to low income individuals. The coalitions include local businesses and financial institutions. They can serve as another vehicle for engagement of the business community in the Department of Commerce.
Financial Fraud & Identity Theft	Though this program is less connected to the new Commerce mission, it is tightly connected to other community safety and business support programs that are more closely connected to mission.
Homeless Data Management	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Homeless Family Shelters	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Homeless Housing Program (HHP)	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Individual Development Account	This program is administered locally through asset building coalition partners or community action agencies, with a state match to encourage individuals to save money for purchase of a tangible asset, such as a house, education, or business. Businesses and financial institutions are involved in the local administration.

<b>Program Name</b>	<b>Explanation of Connection</b>
Manufactured Housing Relocation Assistance	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Relocation Assistance	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Retired Senior Volunteer Program (RSVP)	The Retired Senior Volunteer Program (RSVP) places volunteers in a variety of settings. This includes non-profit agencies, education institutions, health care facilities, and community organizations. A recent survey of RSVP providers demonstrated a surprising number of volunteers placed in economic development related organizations including Chambers of Commerce, Visitor Centers, Economic Development Agencies, and Small Business Assistance Centers. The RSVP program also operates the Small Business Administration's SCORE program. Volunteers in this program provide advice and technical assistance to small businesses at no cost. The total state administration required to run the RSVP program is approximately \$34,000. Moving the program is unlikely to reduce this amount and may decrease the focus on economic development activities supported by RSVP volunteers.
State Advisory Council on Homelessness	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Supportive Housing Program	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Tenant Based Rental Assistance (TBRA)	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Trans HSG Operating / Rental - (THOR)	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.
Washington Families Fund	Though this program is less connected to the new Commerce mission, it is tightly connected to other housing programs that are more closely connected to mission.

The following programs are less closely connected to our mission and are **recommended for transfer** to another state agency. We have discussed these recommendations with the receiving agency and with stakeholders and believe there is general consensus.

<b>PROGRAM</b>	<b>TRANSFER TO</b>
American Dream Downpayment Initiative (ADDI)	Housing Finance Commission
County Public Health Assistance	Department of Health
Developmental Disabilities Council and Endowment	Home Care Quality Authority
Energy Facility Site Evaluation Council	Washington Utilities and Transportation Commission
Forensic Sciences Improvement	Washington State Patrol
Housing Opportunities for People for with AIDS (HOPWA)	Department of Health
Long Term Care Ombudsman	Home Care Quality Authority
Money Follows The Person	Home Care Quality Authority
Post-Conviction DNA Analysis	Washington State Patrol
State Building Code Council	Department of Labor and Industries

The following programs could be **considered** for transfer to another state agency **pending further discussion** with stakeholders and the agencies identified as possible recipients of the program?

<b>PROGRAM</b>	<b>TRANSFER TO</b>
Children & Families of Incarcerated Parents	Department of Social and Health Services, Department of Corrections
Community Mobilization	Department of Social and Health Services
Dispute Resolution Centers	Criminal Justice Training Commission, Administrative Office of the Courts
Drug Prosecution Assistance Program	Criminal Justice Training Commission, Washington State Patrol
Emergency Food Assistance	Department of Social and Health Services, Department of Agriculture , Department of General Administration
Housing Assistance for Persons with Mental Illness (HAPMI)	Department of Social and Health Services
Independent Youth Housing Program	Department of Social and Health Services, Department of Commerce
Juvenile Drug Courts	Criminal Justice Training Commission, Administrative office of the Courts
New Americans	Department of Social and Health Services
Office of Crime Victims Advocacy	Department of Social and Health Services, Department of Labor and Industries, Department of Corrections
Project Safe Neighborhoods	Department of Social and Health Services,, Department of Corrections
Residential Substance Abuse Treatment	Department of Corrections, Department of Social and Health Services
Rural Narcotics Enforcements	Criminal Justice Training Commission, Washington State Patrol
Safe & Drug Free School & Communities	Department of Social and Health Services, Office of Superintendent of Public Instruction

## **What are the options for deciding what is in and out of Commerce moving forward?**

There are three sets of responsibilities that we think are common across all options moving forward:

1. The programs we've outlined that we believe remain aligned with our new mission,
2. The programs in the Office of Regulatory Assistance that make sense to move into Commerce; and
3. The programs listed above where there is consensus that they should move out of Commerce.

Beyond that, two potential organizational options for Commerce were developed, based on the results of this mission and core program alignment assessment:

- 1. Focused Commerce**
- 2. Broader Commerce**

These options are described on the following pages.

## “FOCUSED COMMERCE”

- Retain only programs most closely aligned with mission

<p><b>Recommended Incoming</b></p> <ul style="list-style-type: none"> <li>● Office of Regulatory Assistance—<i>small business assistance and information center</i></li> </ul>	<p><b>Recommended Outgoing</b></p> <ul style="list-style-type: none"> <li>● American Dream Downpayment Initiative (ADDI)</li> <li>● County Public Health Assistance</li> <li>● Developmental Disabilities Council and Endowment</li> <li>● Energy Facility Site Evaluation Council</li> <li>● Forensic Sciences Improvement</li> <li>● Housing Opportunities for People for with AIDS (HOPWA)</li> <li>● Long Term Care Ombudsman</li> <li>● Money Follows The Person</li> <li>● Post-Conviction DNA Analysis</li> <li>● State Building Code Council</li> </ul> <p><b><i>Plus other programs that need further discussion to gain consensus</i></b></p>
<p><b>PROS</b></p> <ul style="list-style-type: none"> <li>● Small agency with sharp focus</li> <li>● ORA parts help address key priority (More Efficient Regulation)</li> </ul>	<p><b>CONS</b></p> <ul style="list-style-type: none"> <li>● Loss of “critical mass” to support administrative functions (IT, HR, Finance, etc)</li> <li>● Disruption to programs being relocated or considered for relocation</li> <li>● Stakeholder and staff disappointment (clear desire to stay at Commerce)</li> <li>● ORA loses status/authority of Governor</li> <li>● Splitting ORA diminishes coordination and overall capability</li> </ul>

## “BROADER COMMERCE”

- Move only programs with significant “disconnect” with mission or strong desire to leave
  - Create a “Community Investment” division to temporarily or permanently manage programs that build community capacity
    - Minimize the disruption of change

### Recommended Incoming

- Office of Regulatory Assistance—*small business assistance and information center*
- Consider co-location or consolidation of local infrastructure financing programs following planned discussions
- Consider co-location or consolidation of energy programs following planned discussions

### Recommended Outgoing

- American Dream Downpayment Initiative (ADDI)
- County Public Health Assistance
- Developmental Disabilities Council and Endowment
- Energy Facility Site Evaluation Council
- Forensic Sciences Improvement
- Housing Opportunities for People for with AIDS (HOPWA)
- Long Term Care Ombudsman
- Money Follows The Person
- Post-Conviction DNA Analysis
- State Building Code Council

### PROS

- Responsive to stakeholder desire to stay
- Minimizes change and the inherent disruption
- Incremental proving ground—inside-out change
- ORA helps address key priority (More Efficient Regulation)
- Minimizes transition costs
- Retention of more community investment programs will enable stronger focus on the community capacity priority

### CONS

- Less responsive to the desire for focus/change
- Loss of some support for central functions
- ORA loses status/authority of Governor
- Splitting ORA diminishes coordination and overall capability

## What other significant feedback is important to note?

In addition to the two organizational options presented in this report, some stakeholders have provided feedback about other options they would like Commerce to consider. At this time, we are not making recommendations about this feedback. However, we are including it here for additional background and reference.

### *Consolidating victims services into a single location*

Some stakeholders have recommended the consolidation of victims services programs, presently dispersed among five state agencies, into a single location. Some positive outcomes for this might be:

- Promote consistent focus on victims
- Reduce likelihood of gaps and overlap
- Promote administrative efficiency
- “One-Stop” services to clients – no more searching to find the right door
- Distribute best practice, research, materials and training
- Create and promote community capacity

### *Creating an “Office” of aligned community programs*

Many of the programs being reviewed for possible transfer from the Department of Commerce share similar contractors, stakeholders, missions to support low-income or vulnerable populations, granting and contracting procedures, etc. Several stakeholders have suggested creating a place where these programs would come together under a broad banner – either as a separate division at Commerce, another state agency, or as a small independent agency. This suggestion is incorporated in our “Broader Commerce” model.

Additional comments indicate that the programs might initially be held at the Commerce Department to allow for a deliberative process on organizational options about where these programs should be moved and if they should be moved as a block. Stakeholders appear to be pleased with the department’s extensive outreach to develop priorities and organizational options and argue that the same type of process should be used to determine where programs leaving Commerce should go.

In addition, many stakeholders have suggested that this option would also create an opportunity to look at similar programs that are managed by different agencies, consider if they should be moved from their existing agency and brought together under the “community” banner. Under this thinking, new programs would not be consolidated into Commerce, but would form a new department or small cabinet agency, depending on the size of the new organization.

**Which statutes would need to be amended to affect these changes?**

Broader Commerce <i>Moves only programs with significant "disconnect" with mission or strong desire to leave</i>		
Program	RCW Changes Required	Comments
American Dream Downpayment Initiative	No	ADDI is a federally funded program authorized under the Housing and Urban Development (HUD) HOME Investment Act. (Title II of the Cranston-Gonzalez National Affordable Housing Act (as amended); 24 CFR Part 92.
County Public Health Assistance	70.05.125	Pass through funding to county health districts; citation in 2009-11 omnibus operating budget (ESHB 1244, Sec 708)
Developmental Disabilities Council	No	Federally authorized and created by Executive Order 96-06.
Development Disabilities Endowment Fund	43.330.210 43.330.240	
Dispute Resolution Centers	No	Pass through funding to non-profit dispute resolutions centers; citation in 2009-11 omnibus operating budget (ESHB 1244, Sec 128 (10))
Energy Facility Site Evaluation Council	RCW 80.50	
Forensic Sciences Improvement	No	Part of carry-forward budget.
Housing Opportunities for People with AIDS (HOPWA)	No	HOPWA is a federally funded program from HUD, authorized under the provisions of the AIDS Housing Opportunity Act, 42 USC Sec 12901 et. seq.
Juvenile Drug Courts	No	Part of carry-forward budget.
Long-Term Care Ombudsman	43.190	Established to comply with the federal Older Americans Act.
Money Follows the Person	No	IAG with DSHS
Post-Conviction DNA Analysis	No	Federally funded program

State Building Code Council	19.27; 19.27A	
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<p style="text-align: center;">Focused Commerce</p> <p style="text-align: center;"><i>Includes the list from "Broader Commerce" and programs below that need further discussion</i></p>		
Program	RCW Reference	Comments
Children and Families of Incarcerated Parents	43.63A.068	
Community Mobilization	43.270	
Drug Prosecution Assistance Program	No	Could be considered part of community mobilization statute (43.270). May have been established under Chapter 271, Laws of 1989.
Emergency Food Assistance	43.330.130	Section authorizes department to coordinate services to communities for the poor and disadvantaged, including emergency food services
Housing Assistance for Persons with Mental Illness (HAPMI)	82.14.400(5)	
Independent Youth Housing Program	43.63A.305-315	
Office of Crime Victims Advocacy	43.280; 70.125; 43.63A.720-740; 74.14B.060	Many federal authorizations
Project Safe Neighborhoods	No	
Residential Substance Abuse Treatment	No	
Rural Narcotics Enforcements	No	
Safe & Drug Free Schools and Communities	43.270	Program not specifically referenced in statute