

March 31, 1997

**BILL ANALYSIS**

TO: Members, Committee on Trade and Economic Development  
FROM: Kenny Pittman, Research Analyst (786-7392)  
RE: **2SSB 5740 - Assisting distressed rural counties.**

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**BACKGROUND:**

During the last decade, Washington's statewide economy has experienced significant growth. However, this growth has not been shared equally throughout the state. Certain rural counties and communities, primarily those with economies tied to natural resource industries, have encountered severe economic problems. This has resulted in above average unemployment and low business growth or even decline in numerous rural communities throughout the state.

In 1991, the Legislature enacted the Rural Assistance Program to provide targeted financial and technical assistance to distressed areas of the state that were dependent upon natural resource industries. The primary component of the program was the provision of up to two years of regular and extended unemployment benefits to dislocated workers that were enrolled in approved training. In addition communities and individuals were provided a comprehensive set of assistance that included: employment and training opportunities at community/technical colleges and institutions of higher education; mortgage and rental assistance; financial and technical assistance for business development; financial assistance for infrastructure development; and food and social service assistance. These programs are scheduled to terminate on June 30, 1997.

**SUMMARY:**

A new targeted rural distressed area initiative is established with the following primary goals: to promote the ongoing operation and expansion of businesses; to promote the expansion of existing businesses; to attract new businesses; to provide

family wage jobs to area residents; and to promote the development of communities of excellence.

Rural Distressed Areas Economic Recovery Coordination Board.

A Rural Distressed Areas Economic Recovery Coordination Board is established. The board consists of: one representative, appointed by the Governor, from each county that is a rural distressed area; two representatives, appointed by the Speaker of the House of Representatives, one from each caucus; two representatives, appointed by the President of the Senate, one from each caucus; and the rural distressed areas assistance coordinator.

The board must: (1) advise the rural distressed areas coordinator and the rural distressed areas assistance task force on rural distressed area economic and social development issues and provide recommendations on economic diversification proposals; (2) respond to needs and concerns of local residents; (3) develop strategies for economic recovery; (4) provide recommendations on land management and regulatory policies to the Governor, the Legislature, and Congress; and (5) recommend changes or improvements to existing programs designed to benefit rural distressed areas.

Office of Business Assistance and Recruitment for Rural Distressed Areas.

The Office Business Assistance and Recruitment for Rural Distressed Areas (Office) is created within the Department of Community, Trade, and Economic Development (DCTED). The primary responsibilities of the office include: business recruitment and assistance; business permitting and zoning assistance (one-stop shop); business regulatory and ombudsman assistance; promoting the redevelopment of hazardous industrial sites (brownfields) in rural distressed areas; and assisting rural communities in the establishment of enterprise and free trade zones.

The office is administered by the director of DCTED, in consultation with the rural distressed areas economic recovery coordination board. The office must coordinate its efforts with the rural distressed areas resource coordinator and report on its performance on a quarterly basis.

The Governor must appoint, subject to confirmation by the Senate, a rural distressed areas resource coordinator. The duties of the resource coordinator include: (1) coordination of state and federal programs targeted to rural distressed areas; (2) chair of the rural distressed areas economic recovery coordination board; (3) management of board staff; and (4) providing the Legislature with status and impact reports on rural marketing plan and other programs targeted to distressed rural areas. The coordinator

must consult with the Washington State Rural Development Council and may appoint an advisory board to receive additional local input.

Business Assistance Programs.

The Work Force Training and Education Coordination Board, is directed to target at least 75 percent of all discretionary funds through the Jobs Skills Program to assist business in rural distressed areas. A rural distressed areas is defined as a rural natural resources impact area.

The Development Loan Fund, administered by DCTED, is provided a supplemental appropriation of \$1.7 million for the 1995-97 biennium to provide capital for business in distressed areas. This is the amount still available in the account due to early repayment of existing loans. The Development Loan Fund program guidelines are revised to require that at least 75 percent of discretionary expenditures must be made to businesses in rural distressed areas. A rural distressed areas is defined as a rural natural resources impact area.

The Washington Economic Development Finance Authority (WEDFA) is directed to create a program and target its resources to assisting businesses in rural distressed areas. A rural distressed areas is defined as a rural natural resources impact area. Removes authority for WEDFA to provide nonrecourse revenue bond financing for 5 economic development activities per fiscal year and 10 manufacturing or processing activities with a total project cost of less that \$1 million per fiscal year.

Community Infrastructure Assistance.

The use of the 2 percent state-shared hotel motel tax in a county and city within a rural distressed area is expanded to include parking facilities, or public lighting including sport field lighting available to and used by visitors. A rural distressed areas is defined as a rural natural resource impact area.

The requirement that 75 percent of the revenue stream from the repayment of principal and interest on Community Economic Revitalization Board (CERB) loans be deposited into the state general fund is removed. The public facilities construction loan revolving account will receive 100 percent of the revenue stream from repayments to make additional loans. The amount available to CERB on a biennial basis that is targeted to distressed counties and rural natural resources impact areas is increased from 50 percent to 75 percent. The termination date of the distressed area and rural natural resources impact areas targeting provisions in CERB are extended from June 30, 1997 to June 30, 2000.

### Regulatory Fairness.

The Regulatory Fairness Act designed to reduce the impact of state administrative rules on small businesses statewide is amended to include small businesses in rural distressed areas. State agencies are required to consider impact of administrative rules on businesses with less than 50 employees that are located in rural distressed areas. A rural distressed area is defined as a rural natural resources impact area.

### Rural Enterprise Zones.

A Rural Enterprise Zone Program is created within the DCTED. The program is designed to allow targeting of state services and resources in the form of business, industry recruitment, regulatory relief, and infrastructure in rural distressed communities. Rural distressed communities may apply to the DCTED for designation under the program. Applications for designation must be submitted by the chief elected official or the governing body of the city, town, or county.

The distressed area with a designated rural enterprise zone may: (1) hire or designate a director to oversee operations; (2) seek federal, state and local government financial and technical assistance; (3) work with the office of business assistance and recruitment for rural distressed areas; (4) provide a local one-stop shop for business permitting, zoning and regulatory assistance; and (5) petition the office of business assistance and recruitment for rural distressed areas for regulatory relief. A rural enterprise zone may be established in conjunction with a foreign trade zone.

### Reauthorization of Existing Rural Natural Resource Impact Area Programs.

The termination date of the Rural Assistance Program, in the Office of the Governor, is extended from June 30, 1997 to June 30, 2000. The following modifications are made: the definition of rural natural resources impact area also includes a rural distressed area; the distance than an eligible area must be from an urbanized area to be considered nonurbanized is increased from two miles to ten miles; the number of criteria that a nonmetropolitan county must meet to be eligible as a rural natural resources impact area is increased from two to three of the five criteria; and nonmetropolitan counties with a population of less than 40,000 must meet two of the five criteria.

### Program Evaluation.

The Joint legislative Audit and review Committee is directed to design and conduct an evaluation of the effectiveness of programs authorized by this act by November 1, 1999.

Appropriation: None.

Fiscal Note: Requested on February 14, 1997 ¶1 Substitute in Senate)

Requested on March 28, 1997 ¶2 Substitute in House TED)

Effective Date: Ninety days after adjournment of session in which bill is passed.