

HOUSE BILL REPORT

2SSB 5740

As Reported By House Committee On:
Trade & Economic Development

Title: An act relating to the rural area marketing plan.

Brief Description: Assisting rural distressed areas.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Hargrove, Schow, Snyder, Morton, Hale, Prentice, Heavey, West, McDonald, Swanson, Spanel and Rasmussen).

Brief History:

Committee Activity:

Trade & Economic Development: 3/31/97, 4/3/97 [DPA].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended. Signed by 8 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

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 who 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 of Amended Bill: The state's existing financial and technical assistance programs are focused on newly defined rural distressed areas and reauthorized for existing rural natural resources impact areas.

Business Assistance Programs. The Work Force Training and Education Coordination Board is directed to give priority in the Jobs Skills Program to assist businesses in rural distressed areas. A rural distressed area is defined as a rural natural resources impact area.

The Development Loan Fund, administered by the Department of Community, Trade and Economic Development (DCTED), is provided a supplemental appropriation of \$1.7 million for the 1995-97 biennium to provide capital for businesses 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 limitation on the use of nonrecourse revenue bonds to finance up to five economic development activities per fiscal year and up to 10 manufacturing or processing activities with a total project cost of less than \$1 million per fiscal year is removed.

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 area is defined as a rural natural resource impact area.

The Community Economic Revitalization Board 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 in order 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 is extended from June 30, 1997, to June 30, 2000.

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 a 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; and (4) provide a local one-stop shop for business permitting, zoning and regulatory assistance. 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 a rural natural resources impact area is expanded to include a rural distressed area; the distance that an eligible area must be from an urbanized area to be considered nonurbanized is increased from two miles to 10 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.

Amended Bill Compared to Second Substitute Bill: The provisions regarding the creation of the Rural Distressed Areas Recovery Coordination Board and the State Office of Business Assistance and Recruitment for Rural Distressed Areas are removed. Language that inserts the term rural distressed areas– in the statewide regulatory fairness process is removed. Technical corrections are made to various provisions in the existing business assistance programs for rural natural resource areas and rural distressed areas.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: We need to focus our resources on the rural distressed areas of the state. This approach is needed to address problems in rural Washington. The retraining benefits available to dislocated workers in rural natural resources impact areas have been very successful. Many of the people who have received retraining assistance and supportive services are now working in new careers.

Testimony Against: None.

Testified: Senator Hargrove, prime sponsor (Pro); Scott Taylor, Washington Public Ports Association (Pro); Dr. Henry Kirk and Bev Gestrive, Centralia College (Pro); Hershel Bond, Business owner (Pro); Dean Judd, Governor's Office (Pro with major amendments); Harold Abbe, Association of Washington Pulp and Paper Workers (Pro); Ted Sprague, Lewis County Economic Development Council (Pro); Dave McCraney, Department of Community, Trade and Economic Development (Pro policy concept only); and Jody Hoiness, student (Pro).