

SENATE BILL REPORT

2SSB 5740

As Passed Senate, March 18, 1997

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: Commerce & Labor: 2/17/97, 2/20/97 [DPS-WM].

Ways & Means: 3/3/97, 3/10/97 [DP2S].

Passed Senate, 3/18/97, 49-0.

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5740 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Schow, Chair; Anderson, Franklin, Fraser and Heavey.

Staff: Patrick Woods (786-7430)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5740 be substituted therefor, and the second substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Fraser, Hochstatter, Long, McDonald, Roach, Rossi, Schow, Snyder, Spanel, Swecker, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: During the last decade, Washington's statewide economy has experienced significant growth. However, 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 put in place an array of distressed area assistance programs. A primary component of this initiative was the provision of unemployment benefits to workers undergoing approved training. In addition communities and individuals were provided a comprehensive set of assistance including: unemployment insurance benefits; employment

and training opportunities; mortgage and rental assistance; infrastructure development; and food bank assistance. These programs are scheduled to terminate on June 30, 1997.

Community leaders in rural areas consider reauthorizing existing programs, along with the establishment of a comprehensive business assistance plan, important components in addressing the economic problems of their districts. The primary components of their business development strategy include: aggressive business recruitment and assistance; effective business tax incentives; increased infrastructure development; and providing a one-stop shop, along with streamlining business zoning, permitting and regulations.

Summary of Bill: The Rural Area Marketing Plan (RAMP) is established with the following goals: promote the ongoing operation and expansion of businesses in rural communities; attract new businesses to rural communities, and promote the development of family wage jobs in rural communities.

A comprehensive array of economic development programs and tax incentives are provided as follows:

I. Business Assistance Programs

- A. The state Office of Business Assistance and Recruitment for Rural Communities is established within the Department of Community, Trade, and Economic Development. The primary responsibilities of the office include: business recruitment and assistance; business zoning and permitting assistance; regulatory and ombudsman services; assisting rural communities in the establishment of enterprise and free trade zones; and promoting the redevelopment of hazardous industrial sites in rural communities.
- B. The State Job Skills Program is directed to emphasize assistance to businesses in distressed rural communities.
- C. The Development Loan Fund is provided a supplemental appropriation of \$1.7 million to provide capital for businesses in distressed areas.
- D. The Washington Economic Finance Authority is authorized to finance up to 10 nonrecourse revenue bonds for businesses. The program is directed to target their resources to assist businesses in distressed rural areas.

II. Local Government Assistance

- A. The Community Economic Revitalization Board is provided additional funding to assist distressed rural communities with infrastructure development in order to promote business growth and an existing statutory provision directing 75 percent of the principal and interest payments on certain loans to the general fund is eliminated.

III. Regulatory Relief

- A. The Small Business Regulatory Fairness Act is modified to include small rural communities. The amendments to the act place a series of requirements on state agencies that are establishing administrative rules which place an unfair burden on rural

communities. The Office of Business Assistance and Recruitment for Rural Communities is authorized to assist rural communities under the act by designating lead state agencies or requiring an expedited business permitting or regulatory process.

- B. Rural Enterprise Zones may be established by rural communities under guidelines established by the Department of Community, Trade, and Economic Development. The zones are established to facilitate streamlined zoning, permitting and regulatory requirements, in order to rapidly respond to business growth opportunities. The zones receive in-depth assistance from the Rural Business Office.

IV. Program Administration/Reauthorization

The current Rural Assistance Program in the Office of the Governor is reauthorized until June 30, 2000, with the following modifications: The program coordinator is required to be approved by the Senate; a Rural Economic Recovery Coordination Board is established to provide policy direction and recommend program modifications; the definition of Rural natural resource impact area– is modified, resulting in the removal of Chelan and rural Clark county from the current list of 22 eligible counties.

V. Evaluation

The Joint Legislative Audit and Review Committee is directed to design and implement an evaluation of the programs effectiveness by November 1, 1999.

Appropriation: None.

Fiscal Note: Requested on February 14, 1997.

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

Testimony For: The economic incentives provided in the rural area marketing plan are vitally important to the economic well being of distressed rural communities. Unless an aggressive economic development strategy is put in place rural communities will continue to fall behind the more urban parts of the state.

Testimony Against: None.

Testified: PRO: Bart Phillips, Clallam Co. Econ. Dev. Council; Harold Abbe, AWPPW; Ron Schmidt, GH Career Transition Center; LeRoy Tipton, GH Chamber of Commerce; Craig Field, Susan Turner, Gay Whitman, Joe Daginden, Port Angeles Rayonier; Dean Judd, Governor's office; Bill Lotto, Lewis Co. EDC, WA Assn. of EDCs; Stan Finkelstein, AWC; Sandi Benbrook, CTED; John Layle, PMPIC, Ellen B. Saunders, WIECB; Bruce Wishart, People for Puget Sound.

House Amendment(s): (1) Distressed County/Infrastructure Fund: Distressed rural counties are allowed to levy an infrastructure tax, which is offset by a portion of the state's sales tax.

(2) Distressed County Employment/B&O Tax Credit: The current distressed B&O tax credit program is modified as follows: (a) the current requirement that a business must increase its

workforce by 15 percent in order to meet eligibility requirements is deleted; (b) the individual company cap of \$300,000 is removed; (c) the program's termination date of July 1, 1998 is removed; and (d) \$4,000 in tax benefits per new employee is granted, provided they receive an annual wage of \$40,000 per year, including benefits.

(3) Enterprise Zones: The establishment of rural enterprises zones is authorized in order to provide an economic development focal point in rural communities.

(4) Rural Business Assistance and Recruitment: The Department of Community, Trade, and Economic Development is directed to provide a series of economic development and business assistance services in distressed counties, including: (a) business recruitment; (b) business permitting and zoning one-stop-shop; (c) business regulatory assistance; (d) brown fields-clean-up program; and (e) rural enterprise and trade zone development.