

February 22, 1999

**BILL ANALYSIS**

**TO:** Members, Committee on Economic Development, Housing, and Trade  
**FROM:** Jean Ann Quinn, Counsel (786-7310)  
**RE:** **HB 1690 - Assisting economic growth in rural areas.**

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**Brief Summary of Bill**

- Provides that at least 75 percent of discretionary funds through the Job Skills Program be targeted to businesses in rural distressed areas.
- Provides that at least 75 percent of discretionary expenditures under the Development Loan Fund program be made to businesses in rural distressed areas.
- Requires the Washington Economic Development Finance Authority to create a program and target its resources to assist rural distressed areas with their business and job creation efforts.

**BACKGROUND:**

During the last decade, Washington's statewide economy has experienced significant growth. However, certain rural counties and communities, primarily those with significant natural resource industries, have encountered severe economic problems. This has resulted in above average unemployment, low business growth and, in certain rural communities, economic decline.

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 (timber retraining benefits) to workers undergoing approved training. In addition, communities and individuals were provided a comprehensive set of resources including employment and training opportunities, mortgage and rental assistance, infrastructure development, and food bank assistance. The Legislature reauthorized this program with modifications during the 1997 session.

In 1997, the Legislature also increased the B&O tax credit for qualified employers in distressed counties that create jobs; authorized counties to retain .04 percent of their state sales tax revenue for the purpose of financing public facilities; and authorized the establishment of rural enterprise zones. The Joint Legislative Audit and Review Committee was directed to design and complete an evaluation of the effectiveness of these programs by November 1, 1999.

*Job Skills Program:* The State Jobs Skills program provides state dollars as a match to private dollars to provide training that meets specific skills requirements of business (customized job skills training).

*Development Loan Fund:* In 1985, the Legislature created the Development Loan Fund (DLF) program to provide capital to promote economic development and job creation in economically distressed areas of the state. The DLF program was designed to allow the state to provide financial assistance to businesses, without violating the constitutional lending-of-credit prohibition. Financial assistance is provided to businesses in the form of low-interest loans gap financing– for that portion of a project that a business is unable to obtain from a conventional lender. The DLF program is administered by the Department of Community, Trade, and Economic Development.

*Washington Economic Development Finance Authority:* The Washington Economic Development Finance Authority (WEDFA) was created by the Legislature in 1989 to help meet the capital needs of small and medium-sized businesses, in particular businesses located in distressed counties. WEDFA is authorized to provide nonrecourse revenue bond financing for the eligible project costs of economic development activities.

*Definition of Rural Natural Resources Impact Area:* A rural natural resources impact area is defined to mean a nonmetropolitan county that meets three of the five criteria listed below; a nonmetropolitan county with a population of less than 40,000 that meets two of the five criteria; or a nonurbanized area that is located in a metropolitan county that meets three of the five criteria. The five criteria are: (1) a lumber and wood products employment location quotient at or above the state average; or (2) a commercial salmon fishing employment location quotient at or above the state average; or (3) projected or actual direct lumber and wood products job losses of 100 positions or more; or (4) projected or actual direct commercial salmon fishing job losses of 100 positions or more; and (5) an unemployment rate 20 percent or more above the state average.

## **SUMMARY:**

A rural distressed area initiative is established with the following primary goals: to promote, retain, and expand existing businesses in these areas; to attract new businesses to the areas; to assist in the development of new businesses from within rural distressed areas; to provide family wage jobs to area residents; and to promote the development of communities of excellence in these areas.

*Office of Business Assistance and Recruitment for Rural Distressed Areas:* The Office of Business Assistance and Recruitment for Rural Distressed Areas 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; developing, with the department of ecology, a process to redevelop hazardous industrial sites (brown fields-) in rural distressed areas; and assisting rural communities in the establishment of enterprise and free trade zones. The office is administered by an appointee of the director of DCTED, in consultation with other groups involved with rural distressed areas economic recovery. The office appointee must report on its activities and performance on a quarterly basis.

*Job Skills Program:* At least 75 percent of all discretionary funds through the Jobs Skills Program must be targeted to assist businesses in rural distressed areas. A rural distressed area is defined as being the same as a rural natural resources impact area.

*Development Loan Fund:* 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 being the same as a rural natural resources impact area.

*Washington Economic Development Finance Authority:* WEDFA is directed to create a program and target its resources to assist rural distressed areas with their business and job creation and assistance efforts under this Act. A rural distressed area is defined as being the same as a rural natural resources impact area.

*Program Evaluation:* The Joint Legislative Audit and Review Committee is directed to design and complete an evaluation of the effectiveness of this act by November 1, 2003. The requirement that the Committee complete an evaluation of the 1997 legislation is repealed.

**Appropriation:** None.

**Fiscal Note:** Requested February 22, 1999.

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