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**Community & Economic  
Development & Trade Committee**

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**HB 1178**

**Brief Description:** Revising provisions for contracts with associate development organizations for economic development services.

**Sponsors:** Representatives Rolfes, Linville, Simpson, Wallace, Kenney, Ericks and Green; by request of Governor Gregoire.

**Brief Summary of Bill**

- Updates the duties of Associate Development Organizations (ADOs).
- Provides accountability provisions for ADOs under contract with the Department of Community, Trade and Economic Development.
- Provides a funding formula for ADOs located in urban and rural counties.

**Hearing Date:** 1/24/07

**Staff:** Tracey Taylor (786-7196).

**Background:**

Associate Development Organizations (ADOs) are under contract with the state to provide economic development services in the communities they represent. In most areas, they are known as Economic Development Councils or EDCs. There are currently 39 ADOs providing economic development services in Washington under contract with the Department of Community, Trade and Economic Development (DCTED).

**Summary of Bill:**

Current statutory language is updated to reflect changes in the economic development landscape. This includes eliminating the directive that the DCTED contract not only with ADOs, but also

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other local organizations. The DCTED is also directed to consult with local governments regarding the establishment of an economic development delivery system.

ADOs must provide direct assistance, including business planning, to companies who need support to stay in business, expand or relocate to Washington from out of state or other countries. This may include acting as a conduit to partner organizations, providing relevant state and local information, marketing Washington, and developing and executing regional plans to attract out of state companies and direct foreign investment.

ADOs are directed to support regional economic research and regional planning efforts to implement target industry strategies and other economic development strategies that support increased living standards. This includes participating in planning efforts involving combined strategies around workforce development and economic development policies and programs. ADOs must also collect and report local and regional economic information to inform local, regional and statewide strategic decisions. The current directive to the DCTED is to contract on a regional basis for surveys of key sectors, employers and businesses for information.

An ADO must submit an annual report to the DCTED. This report must include employment, wages, tax revenue, and capital investment data. The DCTED and an ADO will develop specific performance measures as part of the biennial contracting process. Once the DCTED and an ADO agree on specific target levels, an annual comparison of the actual performance and the targets shall be conducted. Failure to achieve targets in more than one-half of the agreed measures triggers a remediation plan to address these performance gaps. If an ADO fails to achieve the agreed upon progress in the remediation plan, the ADO's contracts and state funding shall be terminated for one year. The ADO must reorganize or take other steps to address the issues and may reapply for a contract after a one year waiting period.

A funding formula is established for urban and rural ADOs. If an ADO is located in an urban county, they may receive a locally matched \$1 per capita allocation, up to \$400,000 per organization, per year. If an ADO is located in a rural county, they may receive a base allocation of \$30,000 plus a locally matched \$0.70 per capita allocation.

**Appropriation:** None.

**Fiscal Note:** Requested on January 12, 2007.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.