

HOUSE BILL REPORT

HB 2374

As Reported by House Committee On:
Community & Economic Development & Housing

Title: An act relating to associate development organizations.

Brief Description: Concerning associate development organizations.

Sponsors: Representatives Kenney, Smith, Finn, Maxwell, Ryu, Orcutt and Ahern.

Brief History:

Committee Activity:

Community & Economic Development & Housing: 1/16/12, 1/19/12 [DPS].

Brief Summary of Substitute Bill

- Adds data and reporting requirements to associate development organizations (ADOs), the Washington Economic Development Commission, and the Department of Commerce.
- Requires ADOs to meet and share best practices with each other at least twice annually.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu and Santos.

Staff: Jennifer Thornton (786-7147).

Background:

Associate Development Organizations.

Associate development organizations (ADOs) are local organizations designated by each county to serve as the Department of Commerce's (Department) primary partner in local economic development activities in their county. There are currently three ports, one public

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

development authority, and one Washington State University extension office that are designated as ADOs; all other ADOs are nonprofit organizations.

The ADO's role is broad and is defined by statute and the needs of each community. Generally, ADOs provide advocacy and leadership for local economic development and build relationships with partners in state and local governments, community groups, and local businesses. Specifically, ADOs are an integral part of the state's economic development plan that provides direct technical assistance and funding for economic activities in every county. An ADO's economic development activities can be organized into the following categories:

- recruitment of new businesses into Washington;
- retention and expansion of existing businesses;
- business start-up assistance;
- community asset building; and
- regional planning and collaboration.

The Department maintains a contracted partnership with 34 ADOs, serving 39 counties. In fiscal year 2012, state grants to ADOs totaled approximately \$2.94 million with individual grants ranging from \$31,000 to \$227,000 based on a formula specified in statute. As part of their contracts, the ADOs are required to submit annual performance reports to the Department.

Washington Economic Development Commission.

The Washington Economic Development Commission (Commission) was established to assist the Governor and the Legislature by providing leadership, direction, and guidance on a long-term and systematic approach to economic development. The Commission consists of 24 members and focuses on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration.

By October 1 of each even-numbered year, the Commission must submit to the Governor and the Legislature a biennial comprehensive statewide economic development strategy containing specified information with a report on progress from the previous comprehensive strategy.

Summary of Substitute Bill:

The ADOs are required to meet and share best practices with each other at least twice annually.

In their annual reports to the Department, ADOs must provide a summary of best practices shared and implemented, employment and economic information on the community or regional area they are serving, and the amount of funding received.

Annual reports may also include information on the impact of the contracting organization on wages, exports, tax revenue, small business creation, foreign direct investment, business relocations, expansions, terminations, and capital investment.

Data standards and data definitions must now be developed during the contracting process that takes place between the Department and ADOs every two years. The Commission is included in the contracting process.

Innovation Partnership Zones are included on the list of appropriate partners for ADOs to work with when providing assistance to businesses. The ADOs are directed to use a web-based information system to track data and coordinate work with other economic development partners. The support that ADOs provide for research and planning efforts must be aligned with the Commission's statewide economic development strategy.

The Commission is required to consult with ADOs in developing the statewide economic development strategy and include information it requests from the ADOs in its progress report. The ADOs are required to provide the Commission with information to be used in the statewide economic development strategy and progress report. The Commission is permitted to include recommendations for ADOs in the progress report or statewide economic development strategy.

The Department must submit a preliminary report on ADOs to the Commission by September 1 of each even-numbered year.

Current responsibilities of the Department and ADOs are reorganized to add clarity.

Substitute Bill Compared to Original Bill:

In their annual reports, ADOs are required to provide employment and economic information from the Employment Security Department, the amount of funding they received, and their impact on employment.

The name "Washington Manufacturing Services" is changed to "Impact Washington," to reflect the name change of the organization being referenced.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This is an important bill addressing one of the state's most important economic development partners. There are 34 ADOs that market their regions, deliver hands-on business assistance, and provide leadership and coordination for local economic development efforts. The money the state provides to ADOs is leveraged at least five to one. This bill provides further alignment for systems and recognizes the work done at the local level. It

helps solidify our partners so we have a consistent and collaborative conversation at the local level. The ADOs work day-to-day in their own communities. Aligning with the Commission will help ensure what ADOs are doing is not in a vacuum. It will help ADOs identify emerging opportunities and solidifies the role of ADOs in future job creation. The network of ADOs are fundamental to long-term economic recovery. The reporting requirements are excellent. They look at how the overall region is performing and will help us get to an outcome-based approach to economic development.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Dick Larman, Lewis Economic Development Council; Matt Smith, Economic Alliance of Snohomish County; Tim Gibbs, Greater Grays Harbor, Inc.; Briahna Taylor, Washington Economic Development Association; and Egils Milbergs, Washington Economic Development Council.

Persons Signed In To Testify But Not Testifying: None.