

HOUSE BILL REPORT

ESSB 6355

As Passed House - Amended:

February 28, 2012

Title: An act relating to associate development organizations.

Brief Description: Concerning associate development organizations.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Rolfes, Kastama and Chase).

Brief History:

Committee Activity:

Community & Economic Development & Housing: 2/16/12, 2/20/12 [DPA].

Floor Activity:

Passed House - Amended: 2/28/12, 83-15.

Brief Summary of Engrossed Substitute Bill (As Amended by House)

- 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.
- Requires ADOs to provide additional business retention and expansion services.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

Staff: Jennifer Thornton (786-7147).

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.

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. 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.

An 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.

In 2011 the Legislature passed House Bill 1916, which required the Department to establish business recruitment and retention protocols to be followed by ADOs and Department staff. It also required the Department to provide training to ADOs on export assistance and the ADOs to provide or facilitate the provision of export assistance to businesses.

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 the promotion of 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.

Trade Adjustment Assistance for Firms.

Trade Adjustment Assistance for Firms (TAAF) is a federal assistance program sponsored by the United States Department of Commerce Economic Development Administration that provides assistance to manufacturers affected by import competition. The TAAF offers import-impacted United States manufacturing companies 50/50 cost sharing of projects aimed at improving their competitive position. The TAAF pays for half of the cost of services for projects up to \$150,000 with a maximum TAAF share of \$75,000.

Shared-Work.

The Shared-Work Program at the Employment Security Department (ESD) is designed for companies experiencing a temporary decline in business. The Shared-Work Program allows companies to temporarily reduce employee hours rather than lay off workers and allows the workers to collect partial unemployment benefits to replace a portion of their lost wages.

Summary of Amended Bill:

Associate development organizations (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.

Business retention and expansion services provided by ADOs must additionally include assisting trade-impacted businesses in applying for grants from the TAAF program, and providing information to businesses on resources available for microenterprise development, the revitalization of commercial districts, and the Shared-Work Program. The Department must train ADOs on providing this assistance.

Associate development organizations are directed to use a web-based information system to track data. The support that ADOs provide for research and planning efforts must be aligned with the Commission's statewide economic development strategy. However, ADOs retain their independence to address local concerns and goals.

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.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) Associate development organizations are very important. The Lewis County and Thurston County ADOs work closely together to make sure our counties are well served. We take it seriously that we develop an entrepreneurial system. If we are not attending to small business, we are not doing our jobs. Last year in Thurston County, we provided 2,000 hours of direct technical assistance for small business start-ups. We have seen the meter move for creating local jobs. While we have great local networks and alignments, this bill helps us align state systems with what we do every day. It makes it easier to see from top to bottom, and tell if we are going in the right direction.

(Opposed) None.

Persons Testifying: Michael Cade, Thurston Economic Development Association; and Dick Larman, Lewis Economic Development Council.

Persons Signed In To Testify But Not Testifying: None.