

SENATE BILL REPORT

ESSB 6355

As Amended by House, 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: Economic Development, Trade & Innovation: 1/26/12, 1/30/12 [DPS, DNP, w/oRec].

Passed Senate: 2/11/12, 46-0.

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

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 6355 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Hatfield, Kilmer and Shin.

Minority Report: Do not pass.

Signed by Senator Zarelli.

Minority Report: That it be referred without recommendation.

Signed by Senators Baumgartner, Ranking Minority Member; Ericksen and Holmquist Newbry.

Staff: Edward Redmond (786-7471)

Background: The Department of Commerce (Commerce) works with businesses to facilitate resolution of siting, regulatory, expansion, and retention problems.

Associate development organizations (ADOs) are local organizations designated by each county to serve as the department's primary partner in local economic development activities in their county. ADOs deliver direct assistance to companies, and support research, planning, and implementation of regional and local economic development strategies.

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.

Commerce currently contracts with 34 ADOs serving the 39 counties in Washington. ADOs are required to work with businesses on site location and selection assistance and provide business retention and expansion services. The ADOs are required to submit annual performance reports to Commerce.

In 2011 the Legislature passed HB 1916 to improve the business services delivered by ADOs. To realize such business service improvements, the Legislature required Commerce to establish protocols to be followed by ADOs and Commerce staff for the recruitment and retention of businesses, including protocols relating to the sharing of information between the two entities; and train ADOs in export assistance.

Additionally, the Legislature required ADOs to provide or facilitate export assistance through workshops or one-on-one assistance, provide business-related assistance, and work with partners throughout the county in which they operate.

Summary of Engrossed Substitute Bill: The ADOs must meet and share best practices with each other at least twice annually.

In their annual reports to Commerce, 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 Commerce and ADOs every two years. The Washington Economic Development Commission (Commission) is included in the contracting process.

Innovation Partnership Zones are included in the list of appropriate partners for ADOs to work with when providing assistance to businesses. The ADOs must provide business retention and expansion services that include, but are not limited to:

- assisting trade impacted businesses apply for grants from the federal trade adjustment assistance for firms program;
- identifying resources available for microenterprise development;
- locating resources available on the revitalization of commercial districts; and
- finding opportunities to maintain jobs through shared work programs authorized under statute.

The ADOs must also use a web-based information system to track data on business recruitment, retention, expansion, and trade. The support that ADOs provide for research and planning efforts should be aligned with the Commission's statewide economic development strategy. Regional ADOs retain their independence to address local concerns and goals.

The Commission must consult with ADOs in developing the statewide economic development strategy and include information it requests from the ADOs in its progress report. The ADOs must 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.

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

Current responsibilities of Commerce and ADOs are reorganized to add clarity.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: Recently the Legislature created a more strategic approach for our statewide system of ADOs. This bill is following through on the experience we have had over the last few years. The bill ensures that the ADOs are working at the county and local level to promote business development and that those efforts are being coordinated statewide. Commerce has a major role to play with economic development in the state. Boots on the ground in our local communities, however, is where economic development really gets done. Having local economic development personnel engage with Commerce, local port districts, and communities is essential to realizing business expansion, retention, and business recruitment in our local communities.

OTHER: There is a technical issue in section 1, subsection H of the bill concerning the use of the web-based information system. The current language would require the ADOs to use the system to coordinate work with other economic development partners. In order to accomplish this, ADOs would need a full-user license which would cost approximately \$1,200 per ADO. Currently ADOs do not pay for this service. Commerce is unclear of how many additional licenses would be needed for other economic development partners to comply with this language, and therefore the cost would be indeterminate. Commerce spoke with the sponsor of the bill and it is her intention for this legislation to not have a fiscal impact. Commerce suggests removing language regarding coordinating work to correct this unintended issue.

Persons Testifying: PRO: Senator Rolfes, prime sponsor; Terry Brewer, Grant County Economic Development Commission; James Evans, WA Economic Development Assn.; Jeff Marcell, Enterprise Seattle, WA Economic Development Assn.

OTHER: Nick Demerice, WA State Dept. of Commerce.

House Amendment(s):

- Makes a technical amendment replacing Washington manufacturing services with Impact Washington. Impact Washington is one of the appropriate partners that ADOs may

collaborate with to facilitate the alignment of planning efforts and the seamless delivery of business support services within the entire county.

- Requires specific performance measures from ADOs in order to analyze their impacts on employment and overall changes in employment. The performance measures include current employment and economic information for the community or regional area produced by the Employment Security Department (ESD); the net change from the previous year's employment and economic information using data produced by ESD; other relevant information on the community or regional area; the amount of funds received by the contracting organization through its contract with Commerce; the amount of funds received by the contracting organizations through all sources; and the contracting organization's impact on employment through all funding sources.