
SUBSTITUTE HOUSE BILL 2374

State of Washington

62nd Legislature

2012 Regular Session

By House Community & Economic Development & Housing (originally sponsored by Representatives Kenney, Smith, Finn, Maxwell, Ryu, Orcutt, and Ahern)

READ FIRST TIME 01/25/12.

1 AN ACT Relating to associate development organizations; and
2 amending RCW 43.330.080, 43.330.082, and 43.162.020.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.330.080 and 2011 c 286 s 2 are each amended to read
5 as follows:

6 ~~((In carrying out its obligations under RCW 43.330.070,)) (1)(a)~~
7 The department must ((provide business services training to and))
8 contract with county-designated associate development organizations to
9 increase the support for and coordination of community and economic
10 development services in communities or regional areas. ~~((The business~~
11 ~~services training provided to the organizations contracted with must~~
12 ~~include, but need not be limited to, training in the fundamentals of~~
13 ~~export assistance and the services available from private and public~~
14 ~~export assistance providers in the state. The organizations contracted~~
15 ~~within each community or regional area must work closely with the~~
16 ~~department to carry out state identified economic development~~
17 ~~priorities and must be broadly representative of community and economic~~
18 ~~interests. The organization must)) The contracting organizations in
19 each community or regional area must:~~

1 (i) Be broadly representative of community and economic interests;
2 (ii) Be capable of identifying key economic and community
3 development problems, developing appropriate solutions, and mobilizing
4 broad support for recommended initiatives(~~(.——The contracting~~
5 organization must));

6 (iii) Work closely with the department to carry out state-
7 identified economic development priorities;

8 (iv) Work with and include local governments, local chambers of
9 commerce, workforce development councils, port districts, labor groups,
10 institutions of higher education, community action programs, and other
11 appropriate private, public, or nonprofit community and economic
12 development groups; and

13 (v) Meet and share best practices with other associate development
14 organizations at least two times each year.

15 (b) The scope of services delivered under (~~these~~) the contracts
16 required in (a) of this subsection must include two broad areas of
17 work:

18 ~~((1))~~ (i) Direct assistance, including business planning, to
19 companies throughout the county who need support to stay in business,
20 expand, or relocate to Washington from out of state or other countries.
21 Assistance must comply with business recruitment and retention
22 protocols established in RCW 43.330.062, and includes:

23 ~~((a))~~ (A) Working with the appropriate partners throughout the
24 county(~~(7)~~) including, but not limited to, local governments, workforce
25 development councils, port districts, community and technical colleges
26 and higher education institutions, export assistance providers, (~~the~~
27 Washington manufacturing services)) impact Washington, the Washington
28 state quality award council, small business assistance programs,
29 innovation partnership zones, and other federal, state, and local
30 programs to facilitate the alignment of planning efforts and the
31 seamless delivery of business support services within the entire
32 county;

33 ~~((b))~~ (B) Providing information on state and local permitting
34 processes, tax issues, export assistance, and other essential
35 information for operating, expanding, or locating a business in
36 Washington;

37 ~~((c))~~ (C) Marketing Washington and local areas as excellent
38 locations to expand or relocate a business and positioning Washington

1 as a globally competitive place to grow business, which may include
2 developing and executing regional plans to attract companies from out
3 of state;

4 ~~((d))~~ (D) Working with businesses on site location and selection
5 assistance;

6 ~~((e))~~ (E) Providing business retention and expansion services
7 throughout the county, including business outreach and monitoring
8 efforts to identify and address challenges and opportunities faced by
9 businesses;

10 ~~((f))~~ (F) Participating in economic development system-wide
11 discussions regarding gaps in business start-up assistance in
12 Washington; ~~((and~~

13 ~~(g))~~ (G) Providing or facilitating the provision of export
14 assistance through workshops or one-on-one assistance; and

15 (H) Using a web-based information system to track data and
16 coordinate work with other economic development partners on business
17 recruitment, retention, expansion, and trade; and

18 ~~((2))~~ (ii) Support for regional economic research and regional
19 planning efforts to implement target industry sector strategies and
20 other economic development strategies, including cluster-based
21 strategies ~~((, that support increased living standards and increase~~
22 ~~foreign direct investment throughout Washington)).~~ Research and
23 planning efforts should support increased living standards and
24 increased foreign direct investment, and must be aligned with the
25 statewide economic development strategy. Activities include:

26 ~~((a) Participation))~~ (A) Participating in regional planning
27 efforts with workforce development councils involving coordinated
28 strategies around workforce development and economic development
29 policies and programs. Coordinated planning efforts must include, but
30 not be limited to, assistance to industry clusters in the region;

31 ~~((b) Participation between the contracting organization and))~~ (B)
32 Participating with the state board for community and technical colleges
33 as created in RCW 28B.50.050, and any community and technical colleges
34 in ~~((providing for))~~ the coordination of the job skills training
35 program and the customized training program within its region;

36 ~~((e))~~ (C) Collecting and reporting data as specified by the
37 contract with the department for statewide systemic analysis. The
38 department must consult with the Washington state economic development

1 commission in the establishment of such uniform data as is needed to
2 conduct a statewide systemic analysis of the state's economic
3 development programs and expenditures. In cooperation with other
4 local, regional, and state planning efforts, contracting organizations
5 may provide insight into the needs of target industry clusters,
6 business expansion plans, early detection of potential relocations or
7 layoffs, training needs, and other appropriate economic information;

8 ~~((d))~~ (D) In conjunction with other governmental jurisdictions
9 and institutions, participate in the development of a countywide
10 economic development plan, consistent with the state comprehensive plan
11 for economic development developed by the Washington state economic
12 development commission.

13 (2) The department must provide business services training to the
14 contracting organizations, including but not limited to training in the
15 fundamentals of export assistance and the services available from
16 private and public export assistance providers in the state.

17 **Sec. 2.** RCW 43.330.082 and 2011 c 286 s 3 are each amended to read
18 as follows:

19 (1)(a) Contracting associate development organizations must provide
20 the department with measures of their performance and a summary of best
21 practices shared and implemented by the contracting organizations.
22 Annual reports must include ~~((information on the impact of the~~
23 ~~contracting organization on employment, wages, tax revenue, and capital~~
24 ~~investment. Specific measures must be developed in the contracting~~
25 ~~process between the department)) the following information to show the~~
26 contracting organization's impact on employment and overall changes in
27 employment: Current employment and economic information for the
28 community or regional area produced by the employment security
29 department; the net change from the previous year's employment and
30 economic information using data produced by the employment security
31 department; other relevant information on the community or regional
32 area; the amount of funds received by the contracting organization
33 through its contract with the department; the amount of funds received
34 by the contracting organizations through all sources; and the
35 contracting organization's impact on employment through all funding
36 sources. Annual reports may include the impact of the contracting
37 organization on wages, exports, tax revenue, small business creation,

1 foreign direct investment, business relocations, expansions,
2 terminations, and capital investment. Data must be input into a common
3 web-based business information system managed by the department.
4 Specific measures, data standards, and data definitions must be
5 developed in the contracting process between the department, the
6 economic development commission, and the contracting organization every
7 two years. Except as provided in (b) of this subsection, performance
8 measures should be consistent across regions to allow for statewide
9 evaluation.

10 (b) In addition to the measures required in (a) of this subsection,
11 contracting associate development organizations in counties with a
12 population greater than one million five hundred thousand persons must
13 include the following measures in reports to the department:

14 (i) The number of small businesses that received retention and
15 expansion services, and the outcome of those services;

16 (ii) The number of businesses located outside of the boundaries of
17 the largest city within the contracting associate development
18 organization's region that received recruitment, retention, and
19 expansion services, and the outcome of those services.

20 (2)(a) The department and contracting associate development
21 organizations must agree upon specific target levels for the
22 performance measures in subsection (1) of this section. Comparison of
23 agreed thresholds and actual performance must occur annually.

24 (b) Contracting organizations that fail to achieve the agreed
25 performance targets in more than one-half of the agreed measures must
26 develop remediation plans to address performance gaps. The remediation
27 plans must include revised performance thresholds specifically chosen
28 to provide evidence of progress in making the identified service
29 changes.

30 (c) Contracts and state funding must be terminated for one year for
31 organizations that fail to achieve the agreed upon progress toward
32 improved performance defined under (b) of this subsection. During the
33 year in which termination for nonperformance is in effect,
34 organizations must review alternative delivery strategies to include
35 reorganization of the contracting organization, merging of previous
36 efforts with existing regional partners, and other specific steps
37 toward improved performance. At the end of the period of termination,

1 the department may contract with the associate development organization
2 or its successor as it deems appropriate.

3 (3) The department must submit a preliminary report to the
4 Washington economic development commission by September 1st of each
5 even-numbered year, and a final report to the legislature and the
6 Washington economic development commission by December 31st of each
7 even-numbered year on the performance results of the contracts with
8 associate development organizations.

9 (4) Contracting associate development organizations must provide
10 the Washington state economic development commission with information
11 to be used in the comprehensive statewide economic development strategy
12 and progress report due under RCW 43.162.020, by the date determined by
13 the commission.

14 **Sec. 3.** RCW 43.162.020 and 2011 c 311 s 5 are each amended to read
15 as follows:

16 (1) The commission must concentrate its major efforts on strategic
17 planning, policy research and analysis, advocacy, evaluation, and
18 promoting coordination and collaboration.

19 (2) During each regular legislative session, the commission must
20 consult with appropriate legislative committees about the state's
21 economic development needs and opportunities.

22 (3)(a) By October 1st of each even-numbered year, the commission
23 must submit to the governor and legislature a biennial comprehensive
24 statewide economic development strategy with a report on progress from
25 the previous comprehensive strategy.

26 (b) The comprehensive statewide economic development strategy must
27 include the industry clusters in the state and the strategic clusters
28 targeted by the commission for economic development efforts. The
29 commission must consult with the workforce training and education
30 coordinating board and include labor market and economic information by
31 the employment security department in developing the list of clusters
32 and strategic clusters that meet the criteria identified by the working
33 group convened by the economic development commission and the workforce
34 training and education coordinating board under chapter 43.330 RCW.

35 (4)(a) In developing the comprehensive statewide economic
36 development strategy, the commission must use, but may not be limited
37 to: Economic, labor market, and populations trend reports in office of

1 financial management forecasts; the annual state economic climate
2 report prepared by the economic climate council; joint office of
3 financial management and employment security department labor force,
4 industry employment, and occupational forecasts; the results of
5 scientifically based outcome evaluations; the needs of industry
6 associations, industry clusters, businesses, and employees as evidenced
7 in formal surveys and other input.

8 (b) The comprehensive statewide economic development strategy may
9 include:

10 (i) An assessment of the state's economic vitality;

11 (ii) Recommended goals, objectives, and priorities for the next
12 biennium, and the future;

13 (iii) A common set of outcomes and benchmarks for the economic
14 development system as a whole;

15 (iv) Recommendations for removing barriers and promoting
16 collaboration among participants in the innovation ecosystem;

17 (v) An inventory of existing relevant programs compiled by the
18 commission from materials submitted by agencies;

19 (vi) Recommendations for expanding, discontinuing, or redirecting
20 existing programs, or adding new programs; and

21 (vii) Recommendations of best practices and public and private
22 sector roles in implementing the comprehensive statewide economic
23 development strategy.

24 (c) The report on progress from the previous comprehensive strategy
25 must include information provided by associate development
26 organizations as requested by the commission. The commission may
27 include recommendations for associate development organizations in the
28 report on progress or in the comprehensive statewide economic
29 development strategy.

30 (5) In developing the biennial statewide economic development
31 strategy, plans, inventories, assessments, and policy research, the
32 commission must consult, collaborate, and coordinate with relevant
33 state agencies, private sector businesses, nonprofit organizations
34 involved in economic development, trade associations, associate
35 development organizations, and relevant local organizations in order to
36 avoid duplication of effort.

37 (6) State agencies and associate development organizations must

1 cooperate with the commission and provide information as the commission
2 may reasonably request.

3 (7) The commission must develop a biennial budget request for
4 approval by the office of financial management. The commission must
5 adopt an annual budget and work plan in accordance with the omnibus
6 appropriations bill approved by the legislature.

7 (8)(a) The commission and its fiscal agent must jointly develop and
8 adopt a memorandum of understanding to outline and establish clear
9 lines of authority and responsibility between them related to budget
10 and administrative services.

11 (b) The memorandum of understanding may not provide any additional
12 grant of authorities to the commission or the fiscal agent that is not
13 already provided for by statute, nor diminish any authorities or powers
14 granted to either party by statute.

15 (c) Periodically, but not less often than biannually, the
16 commission and fiscal agent must review the memorandum of understanding
17 and, if necessary, recommend changes to the other party.

18 (d) As provided generally under RCW 43.162.015, the executive
19 director of the commission must report solely to the governor and the
20 commissioners on matters pertaining to commission operations.

21 (9) To maintain its objectivity and concentration on strategic
22 planning, policy research and analysis, and evaluation, the commission
23 may not take an administrative role in the delivery of services.
24 However, subject to available resources and consistent with its work
25 plan, the commission or the executive director may conduct outreach
26 activities such as regional forums and best practices seminars.

27 (10) The commission must evaluate its own performance on a regular
28 basis.

29 (11) The commission may accept gifts, grants, donations,
30 sponsorships, or contributions from any federal, state, or local
31 governmental agency or program, or any private source, and expend the
32 same for any purpose consistent with this chapter.

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