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**SUBSTITUTE SENATE BILL 5677**

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**State of Washington 69th Legislature 2025 Regular Session**

**By** Senate Business, Financial Services & Trade (originally sponsored by Senators Cortes, Frame, Riccelli, and Schoesler)

AN ACT Relating to associate development organizations; and amending RCW 43.330.082 and 43.330.086.

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

**Sec.**  RCW 43.330.082 and 2014 c 112 s 112 are each amended to read as follows:

(1)((~~(a)~~)) Contracting associate development organizations must provide the department an annual report with measures of their performance and ((~~a summary of best practices shared and implemented by the contracting organizations~~)) commitment to inclusive economic development that addresses equity gaps in the communities that the contracting associate development organizations serve.

(2) Annual reports must include the following information to show the contracting organization's impact on employment and overall changes in employment:

(a) Current employment and economic information for the community or regional area produced by the employment security department; ((~~the~~))

(b) The net change from the previous year's employment and economic information using data produced by the employment security department; ((~~other~~))

(c) Other relevant information on the community or regional area; ((~~the~~))

(d) The amount of funds received by the contracting organization through its contract with the department; ((~~the~~))

(e) The amount of funds received by the contracting organization through all sources; ((~~and the~~))

(f) The contracting organization's impact on employment through all funding sources; and

(g) Demographic information that meet the standards for maintaining, collecting, and presenting federal data on race and ethnicity as described by the office of management and budget, statistical policy directive No. 15 as published on March 29, 2024, that provide common language for uniformity and comparability in the collection and use of race and ethnicity data. The data collected must contain disaggregated data of sufficient subcategories within the minimum categories for data on race and ethnicity for federal statistics, program reporting, and civil rights compliance in order to facilitate a meaningful analysis of persons receiving direct assistance from contracting associate development organizations. Any disaggregated data collected must be organized in such a way that the additional demographic information can be aggregated into the minimum federal categories for race and ethnicity. Information shall include, but not be limited to:

(i) The percentage of the number of awards provided to women and minority-owned businesses, including disaggregated demographic data; and

(ii) The percentage of funds awarded to women and minority-owned businesses, including disaggregated demographic data.

(3)(a) Annual reports may include 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 must be input into a common web-based business information system managed by the department. Specific measures, data standards, and data definitions must be developed in the contracting process between the department and the contracting organization every two years. Except as provided in (b) of this subsection, performance measures should be consistent across regions to allow for statewide evaluation.

(b) In addition to the measures required in subsections (1) and (2) of this section and (a) of this subsection, contracting associate development organizations in counties with a population greater than one million five hundred thousand persons must include the following measures in reports to the department:

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

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

((~~(2)~~)) (4)(a) The department and contracting associate development organizations must agree upon specific target levels for the performance measures in subsections (1) through (3) of this section. Comparison of agreed thresholds and actual performance must occur annually.

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

(c) Contracts and state funding must be terminated for one year for organizations that fail to achieve the agreed upon progress toward improved performance defined under (b) of this subsection. During the year in which termination for nonperformance is in effect, organizations must review alternative delivery strategies to include reorganization of the contracting organization, merging of previous efforts with existing regional partners, and other specific steps toward improved performance. At the end of the period of termination, the department may contract with the associate development organization or its successor as it deems appropriate.

((~~(3)~~)) (5) The department must submit a final report to the legislature by December 31st of each even-numbered year on the performance results ((~~of the contracts with~~)) from contracting associate development organizations required by subsections (2) and (3) of this section.

(6) The department and contracting associate development organizations may consult with state ethnic commissions as defined in RCW 44.28.005 and the governor's office of Indian affairs for technical assistance on complying with the standards for maintaining, collecting, and presenting federal data on race and ethnicity as described by the office of management and budget, statistical policy directive No. 15 as published on March 29, 2024, that provide common language for uniformity and comparability in the collection and use of race and ethnicity data.

**Sec.**  RCW 43.330.086 and 2008 c 131 s 3 are each amended to read as follows:

(1) To the extent that funds are specifically appropriated therefor, contracts with associate development organizations for the provision of services under RCW 43.330.080(1)(b)(i) shall be awarded according to the following annual schedule:

((~~(1)~~)) (a) For associate development associations serving urban counties, which are counties other than rural counties as defined in RCW 82.14.370, a ((~~locally matched allocation of up to ninety cents per capita,~~)) per county allocation totaling no more than ((~~three hundred thousand dollars~~)) $500,000 per organization and a matched allocation; and

((~~(2)~~)) (b) For associate development associations in rural counties, as defined in RCW 82.14.370, a per county base allocation of ((~~up to forty thousand dollars~~)) at least $85,000 and up to $150,000 and a ((~~locally~~)) matched allocation ((~~of up to ninety cents per capita~~)).

(2) The matched allocation may be provided through cash, in-kind, or a combination, with the in-kind match limited to 25 percent of the local match.

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