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**SUBSTITUTE SENATE BILL 6355**

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**State of Washington**

**62nd Legislature**

**2012 Regular Session**

**By** Senate Economic Development, Trade & Innovation (originally sponsored by Senators Rolfes, Kastama, and Chase)

READ FIRST TIME 01/31/12.

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, the Washington state quality award  
28 council, small business assistance programs, innovation partnership  
29 zones, and other federal, state, and local programs to facilitate the  
30 alignment of planning efforts and the seamless delivery of business  
31 support services within the entire county;

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

36 ~~((c))~~ (C) Marketing Washington and local areas as excellent  
37 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~~). Such services must include, but  
8 are not limited to, business outreach and monitoring efforts to  
9 identify and address challenges and opportunities faced by businesses,  
10 assistance to trade impacted businesses in applying for grants from the  
11 federal trade adjustment assistance for firms program, and the  
12 provision of information to businesses on:

13 (I) Resources available for microenterprise development;

14 (II) Resources available on the revitalization of commercial  
15 districts; and

16 (III) The opportunity to maintain jobs through shared work programs  
17 authorized under chapter 50.60 RCW;

18 ~~((f))~~ (F) Participating in economic development system-wide  
19 discussions regarding gaps in business start-up assistance in  
20 Washington; (~~and~~

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

23 (H) Using a web-based information system to track data on business  
24 recruitment, retention, expansion, and trade; and

25 ~~((2))~~ (ii) Support for regional economic research and regional  
26 planning efforts to implement target industry sector strategies and  
27 other economic development strategies, including cluster-based  
28 strategies(~~, that support increased living standards and increase~~  
29 foreign direct investment throughout Washington)). Research and  
30 planning efforts should support increased living standards and  
31 increased foreign direct investment, and must be aligned with the  
32 statewide economic development strategy. Activities include:

33 ~~((a—Participation))~~ (A) Participating in regional planning  
34 efforts with workforce development councils involving coordinated  
35 strategies around workforce development and economic development  
36 policies and programs. Coordinated planning efforts must include, but  
37 not be limited to, assistance to industry clusters in the region;

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

6        ~~((c))~~ (C) Collecting and reporting data as specified by the  
7        contract with the department for statewide systemic analysis. The  
8        department must consult with the Washington state economic development  
9        commission in the establishment of such uniform data as is needed to  
10       conduct a statewide systemic analysis of the state's economic  
11       development programs and expenditures. In cooperation with other  
12       local, regional, and state planning efforts, contracting organizations  
13       may provide insight into the needs of target industry clusters,  
14       business expansion plans, early detection of potential relocations or  
15       layoffs, training needs, and other appropriate economic information;

16       ~~((d))~~ (D) In conjunction with other governmental jurisdictions  
17       and institutions, participate in the development of a countywide  
18       economic development plan, consistent with the state comprehensive plan  
19       for economic development developed by the Washington state economic  
20       development commission.

21       (2) The department must provide business services training to the  
22       contracting organizations, including but not limited to:

23       (a) Training in the fundamentals of export assistance and the  
24       services available from private and public export assistance providers  
25       in the state; and

26       (b) Training in the provision of business retention and expansion  
27       services as required by subsection (1)(b)(i)(E) of this section.

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

30       (1)(a) Contracting associate development organizations must provide  
31       the department with measures of their performance and a summary of best  
32       practices shared and implemented by the contracting organizations.  
33       Annual reports must include information on ~~((the impact of the~~  
34       ~~contracting organization on employment, wages, tax revenue, and capital~~  
35       ~~investment. Specific measures must be developed in the contracting~~  
36       ~~process between the department))~~ the community or regional area served  
37       by the contracting organization. Annual reports may include the impact

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

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

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

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

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

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

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

1 toward improved performance. At the end of the period of termination,  
2 the department may contract with the associate development organization  
3 or its successor as it deems appropriate.

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

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

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

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

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

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

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

36 (4)(a) In developing the comprehensive statewide economic  
37 development strategy, the commission must use, but may not be limited

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

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

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

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

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

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

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

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

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

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

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

1           (6) State agencies and associate development organizations must  
2 cooperate with the commission and provide information as the commission  
3 may reasonably request.

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

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

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

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

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

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

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

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

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