

# HOUSE BILL REPORT

## SHB 1717

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**As Passed House:**

March 4, 2023

**Title:** An act relating to supporting innovation at associate development organizations.

**Brief Description:** Supporting innovation at associate development organizations.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Rule, Corry, Paul, Stonier, Chapman, Duerr and Timmons).

**Brief History:**

**Committee Activity:**

Innovation, Community & Economic Development, & Veterans: 2/7/23, 2/10/23 [DP];  
Appropriations: 2/23/23, 2/24/23 [DPS].

**Floor Activity:**

Passed House: 3/4/23, 90-6.

**Brief Summary of Substitute Bill**

- Requires the Department of Commerce to establish an annual competitive grant program to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity at associate development organizations.

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**HOUSE COMMITTEE ON INNOVATION, COMMUNITY & ECONOMIC DEVELOPMENT, & VETERANS**

**Majority Report:** Do pass. Signed by 15 members: Representatives Ryu, Chair; Donaghy, Vice Chair; Rule, Vice Chair; Volz, Ranking Minority Member; Barnard, Assistant Ranking Minority Member; Chambers, Christian, Corry, Cortes, Paul, Senn, Shavers, Street, Waters and Ybarra.

**Staff:** Cassie Jones (786-7303).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Schmick.

**Staff:** Jessica Van Horne (786-7288).

### **Background:**

Washington State is composed of 39 counties, each one represented by an associate development organization (ADO) that furthers the county's or region's economic development goals. The Department of Commerce (Commerce) contracts with the ADOs in order to increase the support for and coordination of community and economic development services in communities or regional areas. The ADOs coordinate business recruitment, retention, and expansion activities and support research, planning, and implementation of regional and local economic development strategies. The contracting ADOs must:

- be broadly representative of community and economic interests;
- be capable of identifying key economic and community development problems, developing appropriate solutions, and mobilizing broad support for recommended initiatives;
- work closely with Commerce to carry out state-identified economic development priorities;
- work with and include local governments, local chambers of commerce, workforce development councils, port districts, labor groups, institutions of higher education, community action programs, and other appropriate private, public, or nonprofit community and economic development groups; and
- meet and share best practices with other ADOs at least two times each year.

Contracting ADOs must provide Commerce with an annual report including measures of their performance and a summary of best practices shared and implemented. The reports must include certain employment data and financial information. Commerce must submit a report to the Legislature in each even-numbered year on the performance results of the contracts with the ADOs.

### **Summary of Substitute Bill:**

Commerce must establish an annual competitive grant program to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity at the ADOs. Commerce must develop grant award criteria with relevant stakeholders and award funding based on initiatives that are aligned with its work and priorities. Awards must be given equitably across the state.

Grant recipients must provide information on the use of the funds in their annual reports. Beginning December 31, 2026, Commerce must include information on grant award funding and use in its report to the Legislature on the ADO contracts.

The Associate Development Organization Innovation, Sustainability, Partnerships, and Equity Grant Account is created in the State Treasury. Revenues to the account consist of appropriations by the Legislature, private contributions, and all other sources deposited in the account. Expenditures from the account may be used only for an annual grant to the ADOs to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Innovation, Community & Economic Development, & Veterans):**

(In support) This bill is about helping neighbors and friends and our economy through supporting the ADOs. The ADOs are an economic development tool to support families. They make it practical to bring the skills and creativity of businesses to the economy. That looks different across the state and the ADOs can help those in different communities with diverse ideas. Innovation should be supported in the state. Supporting the ADOs helps every Washingtonian to thrive. A robust economic development ecosystem is needed at the state, regional and local level. This is crucial for sustained economic recovery and job growth. This bill would increase funding for regional capacity and foster innovation in the delivery of economic development services. Each region can work with their own regional initiatives that are aligned with Commerce. These additional resources would provide much needed support to these ADOs. The ADOs are a proven, accountable, intergovernmental network that covers the entire state. In the last 5 years, the ADOs have helped over 600 businesses create jobs.

The ADO funding from Commerce is a cornerstone of an ADO budget and its efforts to building the economy. The return on investment is real. During COVID-19, the ADOs became agents of recovery. The demand on the ADOs has not dissipated. Reporting

requirements to Commerce have become more intense but funding has not met up with the increased requirements and expectations. Expanded funding would allow an ADO to expand personnel, provide culturally informed services, and greater outreach. The ADOs can hire workforce coordinators and assist companies to hire from a broader pool of workers. This is about equity and inclusivity and giving people the tools to compete and earn a living wage. This bill will provide resources that help change the economic outlook of distressed areas. The ADO funding levels have remained stagnant for decades despite increased responsibilities and staffing challenges. The ADOs do not receive cost of living increases or inflation adjustments. Now is the time to support additional funding for the ADOs to grow jobs and firms and support inclusive economic development. The ADOs could use these additional funds to teach digital literacy to businesses owners. Programs could be created to assist Spanish-speaking business owners. This funding will help create growing, resilient businesses and a strong economy.

**Staff Summary of Public Testimony (Appropriations):**

(In support) Associate development organizations (ADOs) provide significant support and have a strong return on investment in supporting new and established businesses. Associate development organizations run both statewide and regional assistance programs and are committed to addressing equity gaps. Associate development organizations have been delivering results in areas like job creation and retention, but have limited funding that has been impacted by inflation. This bill would support ADOs in providing equitable economic development opportunities to all areas of the state, both urban and rural. This bill would make the work of ADOs even more impactful by supporting initiatives currently funded through other sources and freeing up funding for other investments. The bill would complement legislation passed in 2021 dedicated to increasing manufacturing in the state. This bill has bipartisan support.

(Opposed) None.

**Persons Testifying (Innovation, Community & Economic Development, & Veterans):**

Representative Alicia Rule, prime sponsor; Suzanne Dale Estey, Washington Economic Development Association; Lynnette Buffington, Greater Grays Harbor, Incorporated; Garry Clark, Economic Alliance Snohomish County; Jonathan Smith, Yakima County Development Association; Gina Stark, Port of Bellingham; Brant Mayo, Grant County Economic Development Council; and Jennifer Baker, Columbia River Economic Development Council.

**Persons Testifying (Appropriations):** Emily Shay, Association of Washington Business; Alisha Benson, Greater Spokane, Incorporated; and Heidi McCutcheon, Thurston Economic Development Council.

**Persons Signed In To Testify But Not Testifying (Innovation, Community & Economic Development, & Veterans):** None.

**Persons Signed In To Testify But Not Testifying (Appropriations):** None.