

HOUSE BILL REPORT

SHB 1870

As Amended by the Senate

Title: An act relating to promoting economic development by increasing opportunities for local communities to secure federal funding.

Brief Description: Promoting economic development by increasing opportunities for local communities to secure federal funding.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Barnard, Ryu, Leavitt, Connors, Couture, Schmidt, Duerr, Slatter, Reed, Chapman, Graham, Ormsby, Timmons, Donaghy, Paul, Doglio, Reeves, Hackney and Griffey).

Brief History:

Committee Activity:

Innovation, Community & Economic Development, & Veterans: 1/9/24, 1/16/24 [DP];
Appropriations: 2/3/24, 2/5/24 [DPS].

Floor Activity:

Passed House: 2/13/24, 97-0.
Senate Amended.
Passed Senate: 3/1/24, 49-0.

Brief Summary of Substitute Bill

- Creates a program providing a state pool of matching funds for use by local communities submitting applications for federal grants.
- Requires the Department of Commerce (Commerce) to assist local communities by providing technical assistance with federal grant applications, prioritizing applications for federal funds in an existing grant program, and creating a resource guide for federal grant applicants.
- Requires Commerce to report on program effectiveness based on performance measurements, including the amount of federal dollars obtained relative to the state dollars expended.

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.

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; Caldier, Chambers, Christian, Cortes, Paul, Senn, Shavers, Street, Waters and Wilcox.

Staff: Martha Wehling (786-7067).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Corry, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Connors, Assistant Ranking Minority Member; Couture, Assistant Ranking Minority Member; Berg, Callan, Chopp, Davis, Dye, Fitzgibbon, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Stokesbary, Stonier, Tharinger and Wilcox.

Staff: Jessica Van Horne (786-7288).

Background:

The Department of Commerce (Commerce) is responsible for promoting community and economic development within the state by assisting Washington's communities to increase the quality of life of their citizens and their economic vitality and by assisting Washington's businesses to maintain and increase their economic competitiveness. Commerce's responsibilities include soliciting private and federal grants for economic and community development programs and maximizing the impact of federal funding for economic development through coordination with research facilities to leverage federal funding for research, development, innovation of new technologies, and transfer of technology to the private sector to promote business development and jobs in Washington.

Federal grant opportunities address multiple aspects of economic development, including broadband, clean and efficient energy, climate change resiliency, disaster mitigation and recovery, housing and homelessness, public infrastructure, semiconductor technology, transportation, and water and waste management. The majority of the federal grant opportunities require the applicant to provide a percentage of matching funds, also referred to as cost sharing. State funds may be used to meet federal match requirements in limited circumstances, including the Public Works Assistance Account and the Statewide Broadband Account.

Training and Technical Assistance to Local Communities.

Commerce provides training and technical assistance to local communities to promote local development and encourage economic growth and opportunity, including developing and implementing strategic development plans, assisting businesses, encouraging investment in public infrastructure, and expanding employment opportunities. Commerce makes training and technical assistance available through centralized and user-friendly information and referral, and coordinated community and economic development efforts. Local communities most in need of assistance are prioritized for training.

Associate Development Organization Grant Program.

By July 1, 2024, Commerce is required to establish a grant program to recruit, hire, and retain grant writers for associate development organizations. An "associate development organization" is a local economic development nonprofit corporation that is broadly representative of community interests. After the grant program is established, Commerce is required to award grants annually, and to prioritize grants for distressed areas.

Inventory of Grant Opportunities for Entities Engaged in Economic Development Activities.

Commerce inventories grant opportunities that are available for entities engaged in economic development activities. The inventory includes grant and project opportunities in the federal register. Commerce may consult with federal agencies on prospects for federal funds for Washington's economic development purposes, including the Small Business Administration, the Department of Labor, the Department of Commerce, the Department of Agriculture, and the Department of Ecology. Commerce facilitates joint efforts that will increase the likelihood of success in applicants seeking grants.

Reporting.

Commerce tracks the amount of federal economic development funding received and disbursed, along with any matching requirements, and provides the information annually to the economic development committees of the House of Representatives and the Senate. Commerce's April 2022 report identifies four completed grants, two ongoing grants, and one partial grant providing federal grants totaling \$19,087,000 with a state match of \$1,657,000. The grants provided funding for small business expansion into international markets, advancement of manufacturing in economically distressed areas, acceleration of innovation and modernization of the maritime industry, creation of nine innovation clusters, adaption to changes in defense manufacturing, and expansion of a training program from 75 to 292 businesses in rural counties.

Associate development organizations that receive grants provide annual reports to Commerce on the use of the grant funds and the number and type of grants applied for, and Commerce must include information on grant award funding and use in its reports on

associate development organization contracts.

Summary of Substitute Bill:

Moving Assets Towards Community Health Program.

The Department of Commerce (Commerce) is required to establish and administer the Moving Assets Towards Community Health (MATCH) program. The program will provide a state pool of matching funds to increase opportunities for local communities to compete for federal grants. Commerce may adopt rules to implement the MATCH program.

Technical Assistance for Federal Grant Applications.

Commerce must provide technical assistance to local communities developing applications for federal funding in Commerce's training and technical assistance that it provides to local communities, community-based nonprofit organizations, regional areas, and businesses. To the extent funding is made available, Commerce may provide the technical assistance through contracts with external parties.

Prioritized Grants for Federal Funds in Associate Development Organization Grant Program.

Commerce's grant program supporting associate development organizations must prioritize grants for applications for federal funds, in addition to grants for distressed areas.

Federal Resource Guide Included in Inventory of Grant Opportunities.

Commerce may include a resource guide for applicants for federal grants in its existing inventory of grant opportunities. The resource guide should include links to federal applications and relevant resources, as well as contact information for Commerce staff for grant applicants in need of assistance.

Reporting on Moving Assets Towards Community Health Program Effectiveness.

Beginning December 31, 2027, Commerce must provide a report on the MATCH program that identifies the federal funds awarded to entities, efforts made to assist local communities with obtaining federal funds, all applicants and projects receiving federal awards in the prior two years, and program effectiveness based on performance measurement requirements, including the amount of federal dollars obtained relative to the state dollars expended. The report must be updated every two years, posted on Commerce's website, and provided to the Governor and Legislature.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment removes the requirement that the Department of Commerce establish and administer a Moving Assets Towards Community Health (MATCH) program, as well as associated reporting requirements. The Senate amendment also revises the intent section to expand, not just continue, the Legislature's efforts to increase the Department of Commerce's capacity to assist local communities in applying for federal grants, and removes the description of the MATCH program.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 29, 2024.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

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

(In support) Matching dollars provide a critical resource to communities so that the communities can access federal dollars. Trying to acquire federal funds creates a "chicken and egg dilemma," and matching funds will solve that problem for communities which need a match to access federal funds. The Spokane region was designated as a tech hub under the CHIPS Act but will need \$7 million from all community partners for the 10 percent match required to access the \$40-70 million Phase 2 grant application. Many smaller communities have a hard time coming up with the necessary matching funds, meaning they are not able to bring federal dollars into the community. Some communities are deferring maintenance work in order to have matching dollars available. The funds are especially critical for communities in distress.

There is an unprecedented opportunity to take advantage of federal funding that is available, including the Inflation Reduction Act, the CHIPS Act, and the Infrastructure Investment and Jobs Act. Federal funds are used for projects like culvert replacement, broadband, workforce development, decarbonization, aerospace, manufacturing, and transportation, many of which align with state priorities and make Washington competitive with other parts of the country. Other states have been aggressive in pursuing the federal funding opportunities, but Washington is currently in the lower 25 percent of states obtaining federal funds leaving it at a competitive disadvantage. Some communities are dedicating time and effort to apply for as many grants as possible, but when there is a high demand for certain grants, and a lack of local or state funding, the communities are not able to tap into the full potential of federal funds available. Increasing technical assistance and assistance with grant writing will build capacity for future grants and help maximize the resources coming to Washington and create a valuable program for the future.

(Opposed) None.

(Other) Matching funds provide opportunities that are desperately needed to avoid losing out on the unprecedented amount of federal funding that is available for infrastructure and community development. There are recent examples of why state matching funds are so impactful, such as the Pacific Northwest hydrogen hub from the Department of Energy; the Legislature's \$2 million investment in this opportunity led to \$1 billion of federal funds that has catalyzed an additional \$8 billion in private investments, primarily in rural communities. The investments can grow exponentially. The Department of Commerce has requested \$136.5 million in the supplemental capital budget to provide state matching funds to improve competitiveness in green jobs and infrastructure.

Staff Summary of Public Testimony (Appropriations):

(In support) None.

(Opposed) None.

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

(In support) Representative Stephanie Barnard, prime sponsor; Brandy DeLange, Association of Washington Cities; Suzanne Dale Estey, Washington Economic Development Association; Richa Sigdel, City of Pasco; Gary Ballew, Greater Spokane; and Karl Dye, Tri-City Development Council.

(Other) Brian Young, Washington State Department of Commerce.

Persons Testifying (Appropriations): None.

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

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