

# SENATE BILL REPORT

## SHB 1717

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As of March 31, 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:** Passed House: 3/4/23, 90-6.

**Committee Activity:** Business, Financial Services, Gaming & Trade: 3/14/23, 3/21/23 [DPA-WM].

Ways & Means: 3/31/23.

### Brief Summary of Amended 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.
- Establishes certain requirements on reporting and financial oversight and monitoring by grant recipients.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Boehnke, Gildon, Lovick, MacEwen and Mullet.

**Staff:** Kellee Gunn (786-7429)

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### SENATE COMMITTEE ON WAYS & MEANS

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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.*

**Staff:** Trevor Press (786-7446)

**Background:** Associate Development Organizations. Associate Development Organizations (ADOs) are under contract with the state to provide economic development services in the communities that they represent. As part of their contracts, ADOs are required to submit annual performance reports to the Department of Commerce (Commerce), which Commerce compiles as a report and submits to the Legislature biennially.

The annual base funding an ADO receives from the state is dependent on local matching funds as well as whether the county served is a rural county. Funding is provided on a per capita basis. Commerce may consider an ADO's total resources when making contracting and fund allocation decisions.

**Summary of Amended Bill:** Commerce must establish an annual competitive grant program to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity at ADOs. Commerce shall develop grant criteria with relevant stakeholders and award funding based on initiatives aligned with its work and priorities. Awards must be given equitably across the state. No matching funds are required to participate in the grant program.

Grant recipients must provide:

- information on the use of their award funding to Commerce;
- information on how the ADO fosters equity, delivers inclusive economic development, and addresses equity gaps in their communities; and
- certain demographic data of the businesses and entrepreneurs served including, but not limited to, the number of businesses and entrepreneurs served that are certified by the office of minority and women's business enterprises and businesses and entrepreneurs not yet certified but that self-report as meeting the requirements of certification.

Commerce must provide the information provided by the ADOs in its report to the Legislature beginning with its December 31, 2026, report. In order to receive grant funds, governing boards of associate development organizations who receive grant funds must perform direct and meaningful oversight and monitoring of the organizations' financial activities to safeguard public resources.

The Associate Development Organization Innovation, Sustainability, Partnerships, and Equity Grant Account is created in the custody of the state treasurer. Moneys in the account may be spent only after an appropriation. The account may consist of state appropriations, private contributions, and other sources, to fund the grant program. Expenditures may only be used for the grant program.

**EFFECT OF BUSINESS, FINANCIAL SERVICES, GAMING & TRADE**

## COMMITTEE AMENDMENT(S):

- Requires grant recipients to provide certain information in their annual reports to Commerce on:
  1. how the ADO fosters equity, delivers inclusive economic development, and addresses equity gaps in their communities; and
  2. certain demographic data of the businesses and entrepreneurs served including, but not limited to, the number of businesses and entrepreneurs served that are certified by the office of minority and women's business enterprises and businesses and entrepreneurs not yet certified but that self-report as meeting the requirements of certification.
- Requires governing boards of ADOs to perform direct and meaningful oversight and monitoring of the organizations' financial activities to safeguard public resources to receive grant funds.
- Establishes that no matching funds are required to participate in the grant program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute House Bill (Business, Financial Services, Gaming & Trade):** *The committee recommended a different version of the bill than what was heard.* PRO: I've been in my role at Thurston County's ADO since 2004. The 34 ADOs have worked together, in coordination, to recover and reengage the economy. This bill is about growing the number of jobs, reinvesting money to bring in more revenue, and increasing economic activity. ADOs have a strong ROI for the communities they serve. For every dollar that goes into our ADO, we bring back \$16 to the local community. Our ADO serves just under 10,000 businesses and we would use this as a tool to launch new businesses and entrepreneurs. Our center for business innovation, and our women's business center could serve more people as a result of this legislation. The last few years have not been easy for economic development. ADO funding models have remained stagnant. ADOs do not receive COLAs, or other adjustments.

As Washington's only trade organization focused on economic development, we think this is just the right investment to support economic development and foster innovation. Passage of this bill is a critical step to support an intergovernmental network that will be a resource to catalyze innovative initiatives. This will build facilities and create and retain jobs. Please consider making the strong ADO partnership with the state even more impactful.

**Persons Testifying (Business, Financial Services, Gaming & Trade):** PRO: Suzanne

Dale Estey, Washington Economic Development Association; Michael Cade, Thurston Economic Development Council.

**Persons Signed In To Testify But Not Testifying (Business, Financial Services, Gaming & Trade):** No one.

**Staff Summary of Public Testimony on Bill as Amended by Business, Financial Services, Gaming & Trade (Ways & Means):** PRO: This bill would scale state ADO partnerships and we would like a \$10 million funding level. The network has created many jobs and generated a lot of revenue over the last few years. Impoverished communities do not have funds or expertise to bring in federal grants. These funds would help level the playing field. Funding for ADOs has remained stagnant. Now is the time to add additional funding.

**Persons Testifying (Ways & Means):** PRO: Suzanne Dale Estey, Washington Economic Development Association; Colleen McAler, Clallam Economic Development Council; Garry Clark, Economic Alliance Snohomish County.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.