

HOUSE BILL REPORT

2SHB 1178

As Passed House:

March 8, 2007

Title: An act relating to contracts with associate development organizations for economic development services.

Brief Description: Revising provisions for contracts with associate development organizations for economic development services.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Rolfes, Linville, Simpson, Wallace, Kenney, Ericks and Green; by request of Governor Gregoire).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/24/07, 2/12/07 [DPS];

Appropriations: 2/22/07, 2/26/07 [DP2S(w/o sub CEDT)].

Floor Activity:

Passed House: 3/8/07, 96-0.

Brief Summary of Second Substitute Bill

- Updates the duties of Associate Development Organizations (ADOs).
- Provides accountability provisions for ADOs under contract with the Department of Community, Trade and Economic Development.
- Provides a funding formula for ADOs located in urban and rural counties.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

Staff: Tracey Taylor (786-7196).

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

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development & Trade. Signed by 34 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

Staff: Owen Rowe (786-7391).

Background:

Associate Development Organizations (ADOs) are under contract with the state to provide economic development services in the communities they represent. In most areas, they are known as Economic Development Councils or EDCs. There are currently 39 ADOs providing economic development services in Washington under contract with the Department of Community, Trade and Economic Development (DCTED).

Summary of Second Substitute Bill:

Current statutory language is updated to reflect changes in the economic development landscape. This includes eliminating the directive that the DCTED contract not only with ADOs, but also other local organizations. The DCTED is also directed to consult with local governments, higher education institutions, workforce development councils, labor groups, and other appropriate groups regarding the establishment of an economic development delivery system.

The ADOs must provide direct assistance, including business planning, to companies who need support to stay in business, expand or relocate to Washington from out of state or other countries. This may include acting as a conduit to partner organizations, providing relevant state and local information, marketing Washington, and developing and executing regional plans to attract out-of-state companies and direct foreign investment.

The ADOs are directed to support regional economic research and regional planning efforts to implement target industry strategies and other economic development strategies that support increased living standards. This includes participating in planning efforts involving combined strategies around workforce development and economic development policies and programs. The ADOs must also collect and report local and regional economic information to inform local, regional and statewide strategic decisions. The current directive to the DCTED is to contract on a regional basis for surveys of key sectors, employers and businesses for information.

An ADO must submit an annual report to the DCTED. This report must include employment, wages, tax revenue, and capital investment data. The DCTED and an ADO will develop specific performance measures as part of the biennial contracting process. Once the DCTED and an ADO agree on specific target levels, an annual comparison of the actual performance and the targets shall be conducted. Failure to achieve targets in more than one-half of the agreed measures triggers a remediation plan to address these performance gaps. If an ADO fails to achieve the agreed upon progress in the remediation plan, the ADO's contracts and state funding shall be terminated for one year. The ADO must reorganize or take other steps to address the issues and may reapply for a contract after a one year waiting period.

A funding formula is established for urban and rural ADOs. If an ADO is located in an urban county, they may receive a locally matched \$1 per capita allocation, up to \$400,000 per organization, per year. If an ADO is located in a rural county, they may receive a base allocation of \$30,000 plus a locally matched \$0.70 per capita allocation.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony: (Community & Economic Development & Trade)

(In support) This bill updates the state's grassroots economic development program. First, the bill strengthens the state and local partnership while allowing communities to work on economic strategies that best fit their vision. Second, the increase in funding for the local ADOs is tied directly to performance and accountability provisions to ensure that the money is used strategically and effectively. The current funding was clearly out-of-date. Our diverse counties have differing needs and resources. This bill allows local flexibility while still maintaining a cohesive strategic focus statewide.

(Opposed) None.

Staff Summary of Public Testimony: (Appropriations)

(In support) It has been 16 years since the Economic Development Councils have received any increased support from state government. Negotiations began this interim with the Governor's Office, and we immediately began looking at updating the underlying statute with performance measures and performance management. Performance targets will be set, and if targets are not met, state funding can be revoked. Special performance measures will be set in contracts and tailored to each area of the state. If these targets are not met, there is a remediation period and failing this, the money lapses for one year. Additionally, there are private match requirements in this bill. Associate development organizations (ADOs) provide true economic development that contributes to the state's tax base. In the 2005-07 biennium these organizations provided \$128 million in tax revenue. We are asking this Legislature to reinvest \$6.6 million back to the ADOs that work on the front lines everyday in each of

Washington's 39 counties. The ADOs work to expand private sector jobs and most of the job recruitment efforts in the state are contributed by these organizations.

(Opposed) None.

Persons Testifying: (Community & Economic Development & Trade) Representative Rolfes, prime sponsor; Marc Baldwin, Office of the Governor; James McMahan and Bruce Kendall, Washington Economic Development Association; Theresa Sanders, Spokane Economic Development Council; Bart Phillips, Columbia River Economic Development Council; Bill Lotto, Lewis County Economic Development Council; Jeff Marcell, enterpriseSeattle; David Kleitsch, City of Lynnwood; Ginger Eagle, Washington Public Ports Association; and Joe Tortorelli, Economic Development Northwest.

Persons Testifying: (Appropriations) Representative Rolfes, prime sponsor; Robin Toth, Greater Spokane Incorporated; James McMahan, Washington Economic Development Association; Marc Baldwin, Office of the Governor; Matt Matayoshi, Economic Development Council of Mason County; and Bill Lotto, Lewis County Economic Development Council.

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

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