

HOUSE BILL REPORT

HB 2527

As Reported by House Committee On:

Community & Economic Development & Trade
Appropriations Subcommittee on General Government & Audit Review

Title: An act relating to modifying the definitions of rural county for certain economic development programs.

Brief Description: Modifying the definitions of rural county for certain economic development programs.

Sponsors: Representatives Bailey, Kenney and Kretz.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/23/08, 1/24/08 [DP];
Appropriations Subcommittee on General Government & Audit Review: 2/5/08, 2/7/08 [DP].

Brief Summary of Bill

- Expands the definition of "rural county" under the Community Economic Revitalization Board program and, by reference, the Associate Development Organization program.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: 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 Sullivan.

Staff: Meg Van Schoorl (786-7105).

Background:

Community Economic Revitalization Board Program

The Community Economic Revitalization Board (CERB) program provides local governments low-interest loans and, from time to time, grants, to help finance public facility projects

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.

needed for private sector expansion and job creation. Assistance in the traditional CERB program is primarily targeted to rural communities. Counties, cities, towns, port districts, federally recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. The CERB financing can be used for public facilities including, but not limited to, bridges, roads, domestic and industrial water, sanitary and storm sewers, and railroad spurs. In recent years, the Legislature has also given the CERB responsibility for implementing the Job Development Fund and Local Infrastructure Financing Tool programs.

Associate Development Organization Program

Associate development organizations (ADOs) were created in 1985 as local public-private partnerships that would complement state economic development service delivery efforts under a cooperative model called "Team Washington." Designated by counties, ADOs are statutorily required to be broadly representative of community and economic interests, including local governments, chambers of commerce, workforce development councils, port districts, labor groups, higher education institutions, and other relevant groups. By statute, ADOs provide direct assistance to companies who need support to stay in business, expand, or relocate to Washington. They also support regional economic research and planning efforts to implement strategies that support increased living standards and foreign direct investment in the state. For Fiscal Year 2008, the Department for Community, Trade and Economic Development (DCTED) holds contracts with 34 ADOs serving 39 counties.

Second Substitute Senate Bill 5092 (2SSB 5092), enacted in 2007, substantially changed the contracting process, scope of work, and accountability required of the DCTED and each ADO. In addition, 2SSB 5092 established a new formula dependent upon population density for determining the level of pass-through funding provided under contract to each rural and urban ADO. Rural counties are those with fewer than 100 people per square mile. Urban counties are those with more than 100 people per square mile.

Under the new formula, rural counties receive a base annual allocation of \$40,000 plus an additional allocation of up to \$0.90 per capita. Urban counties receive an annual allocation of up to \$0.90 per capita, capped at \$300,000. The per capita allocation must be matched locally dollar for dollar. The "up to" language enables the per capita allocation to fit within appropriation limits. Based upon the 2007-09 operating budget appropriation of \$5 million, the DCTED has determined the per capita allocation to be \$0.555.

Definition of "Rural County"

The legal definition of "rural county" differs statute by statute. Under the CERB and the Rural Washington Loan Fund statutes, a rural county has a population density of fewer than 100 persons per square mile. The ADO statute refers to the CERB definition. For 2007-08, the density definition yields 31 "rural counties" and eight "urban counties." Under statutes for the .09 Public Facilities Sales and Use Tax and the Washington Economic Development Finance Authority, a rural county has a population density of less than 100 persons per square mile or is smaller than 225 square miles. Business and occupation taxes for programming or

manufacturing software and for information technology help desk services to third parties also refer to the .09 statute. For 2007-08, using this dual option "rural county" definition shifts one county (Island) from the urban to the rural column.

Summary of Bill:

Under the CERB program, a "rural county" is defined as either a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles as determined by the Office of Financial Management and published each year by the DCTED for the period July 1 - June 30. The definition of "rural county" under the ADO program is modified by reference.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) When the ADO bill was discussed last session, it was everyone's intention that Island County be considered a rural county, as it is under the .09 tax statute. As a result of this technical issue, Island County ADO will not receive \$40,000 in base funding annually. At the same time, one of the county's major employers is in bankruptcy and the county has lost car ferry service. To complement this bill, we are requesting \$40,000 per year be provided in the supplemental operating budget. The economic development organizations under our association support changing the Island County definition.

(Neutral) The DCTED agrees that this was a technical oversight. We have contracts in place for 34 associate development organizations. If Island County can be made whole through a supplemental budget item, it would prevent having to renegotiate and reduce the other contracts.

(Opposed) None.

Persons Testifying: (In Support) Representative Bailey, prime sponsor; and James McMahan, Washington Economic Development Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT & AUDIT REVIEW

Majority Report: Do pass. Signed by 13 members: Representatives Linville, Chair; Ericks, Vice Chair; Armstrong, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Alexander, Blake, Chandler, Kretz, Lantz, Lias, Miloscia, Nelson and Van De Wege.

Minority Report: Do not pass. Signed by 1 member: Representative Morris.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Subcommittee on General Government & Audit Review Compared to Recommendation of Committee On Community & Economic Development & Trade:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Testimony supported the definition of "rural county" for the purposes of this bill, and for future bills using the definition of rural counties.

(With concerns) Concerns have been raised with the possibility of some associate development organizations facing future funding reductions under the current base appropriations under this program.

Persons Testifying: (In support) Jim Lowery, Island County Economic Development Council.

(With concerns) Briahna Taylor, Washington Economic Development Association.

Persons Signed In To Testify But Not Testifying: None.