

# HOUSE BILL REPORT

## HB 1057

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**As Reported by House Committee On:**

Technology, Economic Development, & Veterans

**Title:** An act relating to promoting economic development by increasing support for local communities to access federal funds.

**Brief Description:** Promoting economic development by increasing support for local communities to access federal funds.

**Sponsors:** Representatives Barnard, Ryu, Leavitt, Barkis, Taylor, Jacobsen, Reed, Callan, Keaton, Timmons, Tharinger, Simmons, Duerr, Nance, Davis, Bernbaum and Donaghy.

**Brief History:**

**Committee Activity:**

Technology, Economic Development, & Veterans: 1/17/25, 1/21/25 [DPS].

**Brief Summary of Substitute Bill**

- Requires the Department of Commerce (Commerce) to assist economic development organizations applying for federal funds by developing scoring criteria to prioritize awards of state matching funds.
- Expands the state's website to include all federal funding opportunities related to economic development.
- Requires biannual reporting on applications for federal funds, state matching funds awarded, federal funds received, and number of federal funding opportunities.

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**HOUSE COMMITTEE ON TECHNOLOGY, ECONOMIC DEVELOPMENT, & VETERANS**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Ryu, Chair; Kloba, Vice Chair; Volz, Ranking

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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.*

Minority Member; Barnard, Assistant Ranking Minority Member; Cortes, Donaghy, Keaton, Paul, Penner, Simmons and Waters.

**Staff:** Martha Wehling (786-7067).

**Background:**

The Department of Commerce's (Commerce) 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.

Recent federal grants for economic development projects included 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. Most federal grants 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.

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

Commerce is permitted to inventory 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 federal fund prospects 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 is also permitted to facilitate joint efforts that will increase the likelihood of success for applicants seeking grants.

Federal Funding Roadmap Project.

The Governor's Office initiated a Federal Funding Roadmap Project in 2023 to access federal funds available for climate, natural resource protection, workforce development, sustainable economic development, and equity goals. Project recommendations that were implemented included hiring a federal funding coordinator and creating a shared database and management system for tracking funding opportunities, available at the FundHubWA website.

Reporting.

Commerce is required to track the amount of federal economic development funding received and disbursed, along with any matching requirements, and provide the information

to the economic development committees of the House of Representatives and the Senate annually. Commerce's April 2022 report identified four completed grants, two ongoing grants, and one partial grant providing federal funding 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.

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

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

Commerce is required to develop an inventory of economic development grant opportunities, including:

- regularly reviewing the federal register;
- maintaining an inventory of private grants;
- providing a resource guide for federal grant applicants; and
- consulting with federal agencies, private foundations, and businesses on fund prospects for economic development.

Commerce is required to expand the FundHubWA website to include all federal funding opportunities that are available for economic development by July 1, 2026.

#### Support for Federal Grant Applicants.

Commerce is required to create scoring criteria to prioritize applications for matching state funds. The criteria must prioritize rural and frontier counties and include:

- number of jobs created;
- number of households affected;
- number of businesses impacted; and
- amount of federal funding applied for.

To prioritize the federal funds that will have the most significant impact on economic development, Commerce must solicit input on the scoring criteria from associate development organizations, ports, chambers of commerce, workforce development boards, and the Governor's office.

Commerce is required to provide a letter for federal grant applicants that identifies the availability of state matching funds. Successful applicants for state matching funds will receive 100 percent of the matching funds requested if the applicant is a political subdivision, federally recognized Indian tribe, institution of higher education, consumer-owned utility, small business, regional planning organization, economic development organization, nonprofit, or if the grant will increase the likelihood of receiving federal

funds, increase the award of federal funds, or will benefit a distressed area. Investor-owned utilities and other entities are eligible for 50 percent of the required match.

When no match is required for federal funds, the applicant may receive up to \$100,000 if state funds would increase the likelihood of receiving federal funds or increase the award of federal funds. This amount may be increased to \$500,000 if a project will benefit a distressed area.

Reporting.

Beginning in 2027, Commerce is required to report biannually on the use of state matching dollars to obtain federal funds. The report must identify the number of supporting letters provided to applicants, awards made of state matching funds, amount of federal funds received, and the number of funding opportunities listed on the FundHubWA website.

Moving Assets to Create Healthy Economic Development Account.

The Moving Assets to Create Healthy Economic Development (MATCHED) Account is created. Expenditures are limited to provide matching state funds for applications for federal funds that will promote economic development, including broadband, equity, housing, public infrastructure, innovation, regional development, skills training, transportation, or workforce development.

When Commerce approves an application for matching funds, the state funds will be reserved for the project until the applicant notifies Commerce the federal application was withdrawn or denied.

Reserved funds will not be disbursed unless the federal application is approved, no other state funding is provided, the project will produce long-term economic benefits, no ongoing state support is required, the project will provide new jobs or higher income, and the state funds will not replace private investment.

**Substitute Bill Compared to Original Bill:**

The substitute bill removes the requirement that the Department of Commerce expand the eligibility for the Associate Development Organization Grant Program for grant writers to economic development organizations, rural counties, and frontier counties.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on January 21, 2025.

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

## **Staff Summary of Public Testimony:**

(In support) Economic development is the backbone of thriving communities, but Washington is missing out on the \$1.1 trillion of federal funding opportunities for projects in health care, transportation, job training, social services, climate, and education. In 2023 Washington was 19 percent below the national average in capturing federal funding opportunities, ranked 52 out of 53, while in 2022 it was 18 percent below. Securing matching dollars is required for many grant applications. A 20 percent match is typical, although the range is 20 to 50 percent. Over 60 percent of the recent federal infrastructure funds required a match.

Because Washington fails to provide matching dollars, it is underutilizing the federal grant opportunities. These missed opportunities included \$190 million to reduce the risk from future natural hazards; \$10 million to mitigate wildfire risk; \$8 million for workforce training; \$5 million for broadband to rural, economically challenged areas; \$500,000 for rural housing; and \$200,000 for startup expansion and improvement of business entities. Unlike Washington, Oregon has state dollars designated for federal funding opportunities; while Washington has three tech hubs, Oregon has eight, despite the fact that it is a smaller state.

Some local governments do not have the resources or staff to prepare the labor intensive federal grants, especially economically disadvantaged communities. Some communities skip the grant when a match is required, because they know they cannot provide it. The communities that most need the federal funds are the ones with the most limited access. In this committee's January 15, 2025, work session, the Military Department explained that the lack of matching funds is the largest barrier to success in seismic retrofit efforts. The Spokane region pursued multiple funds in the last year, sometimes with multiple applications, and all required some level of local match. Many grants require an infrastructure owner, and associate development organizations do not typically own infrastructure. When the state is an engaged and motivated partner, it can help ports solve problems in communities, especially infrastructure programs that all residents benefit from.

Washington's website, [fundhub.wa.gov](https://fundhub.wa.gov), currently identifies 107 federal fund opportunities for climate and clean energy, while the federal website, [grants.gov](https://grants.gov), identifies 2,825 grant opportunities. Expanding the website to include all economic development will benefit local communities, who may not even know there are federal grants available.

The return on investment for state matching funds ranges from 11:1 to 52:1. The Port of Benton received its first federal grant of \$9.56 million, which will help it transform the shoreline infrastructure and lead to a \$2.5 billion economic impact and 450 clean energy jobs, but it required a \$2.5 million match. Many smaller ports can not provide a similar match. The state previously provided funding for hydrogen that led to a huge federal investment, up to \$1 billion for the state, to manage the clean energy transformation as we move to a hydrogen economy. In 2023 Commerce identified a state match of \$907,000 that

secured \$17.5 million in federal broadband funding. In 2022 a \$1.7 million state match led to \$19.1 million in federal funds. That funding helped small businesses, international economic development, economically distressed areas, maritime, innovation clusters, and expanded a training program.

In a budget deficit year, a state match program supports statewide economic growth because the federal funds grow the tax base, increase job opportunities, and assist disadvantaged communities reach a more equal footing with their neighbors. It is also a fail-safe for the state, because if a community does not receive the grant, Washington does not spend the money. It is only disbursed when a federal grant is awarded. Providing state matching dollars will help rural communities compete for federal funding without overwhelming local budgets, and lead to an equitable and bright future for all Washingtonians.

(Opposed) None.

**Persons Testifying:** Representative Stephanie Barnard, prime sponsor; Cassie Hammond, Port of Benton; Gary Ballew, Greater Spokane Inc.; Karl Dye, TRIDEC; Stephanie Button, Historic Downtown Kennewick Partnership; Harpreet Kaur, Washington Build Back Black Alliance (WBBA); and Christopher Herman, Washington Public Ports Association.

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