
**Technology, Economic Development, &
Veterans Committee**

HB 1406

Brief Description: Concerning associate development organizations.

Sponsors: Representatives Barnard, Ryu, Leavitt, Waters, Rule, Ybarra, Schmidt, Ramel, Paul, Reeves and Springer.

Brief Summary of Bill

- Removes additional reporting requirements for associate development organization contracts in counties with populations over 1,500,000.
- Increases the annual allocation for urban and rural county associate development organization contracts.
- Permits the matched portion of the allocation to be provided through cash, in-kind, or a combination.

Hearing Date: 1/29/25

Staff: Martha Wehling (786-7067).

Background:

Washington is composed of 39 counties, each of which can designate an associate development organization (ADO) that furthers the county's or region's economic development goals. The Department of Commerce (Commerce) contracts with the designated ADOs in order to increase the support for and coordination of community and economic development services in communities or regional areas. Commerce's 2023 annual report identifies contracts with 35 ADOs.

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.

The ADO contracts are required to include areas of work for direct assistance and support for regional economic research and planning efforts. Direct assistance is for companies in each ADO's county needing support to stay in business, expand, or relocate. The support for regional research and planning efforts implement target industry sector, cluster-based, and other economic development strategies.

The amount of funds provided to a contracting ADO on an annual basis varies depending on whether the county is urban or rural. A rural county is a county with a population density less than 100 people per square mile or smaller than 225 square miles. Under the Office of Financial Management's 2024 population density calculation, there are 30 rural counties. The remaining nine nonrural counties are urban counties. ADO allocations are as follows:

- ADOs serving *urban counties* receive a locally matched allocation of up to \$.90 per capita, with a maximum of \$300,000 per organization.
- ADOs serving *rural counties* receive a locally matched allocation of up to \$.90 per capita and a per county base allocation with a maximum of \$40,000.

Contracting ADOs are required to provide Commerce with an annual report including measures of their performance and a summary of best practices shared and implemented. Counties with populations more than 1,500,000 have additional reporting requirements related to small businesses. All ADO reports are required to include certain employment data and financial information. Commerce is required to submit a report to the Legislature in each even-numbered year on the performance results of the contracts with the ADOs.

Summary of Bill:

The amount of funds provided annually to an associate development organization (ADO) with a contract with the Department of Commerce (Commerce) is adjusted:

- ADOs serving *urban counties* receive a matched allocation, and a maximum of \$500,000 per organization.
- ADOs serving *rural counties* receive a matched allocation, and a minimum per county base allocation of \$85,000 and a maximum allocation of \$150,000.

The matched allocation may be provided through cash, in-kind, or a combination. Any in-kind match is limited to 25 percent of the local match.

The additional reporting requirements related to small businesses for ADOs with populations greater than 1,500,000 are eliminated.

Appropriation: None.

Fiscal Note: Requested on January 20, 2025.

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