

HOUSE BILL REPORT

HB 1406

As Reported by House Committee On:

Technology, Economic Development, & Veterans
Appropriations

Title: An act relating to associate development organizations.

Brief Description: Concerning associate development organizations.

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

Brief History:

Committee Activity:

Technology, Economic Development, & Veterans: 1/29/25, 2/5/25 [DP];
Appropriations: 2/22/25, 2/25/25 [DPS].

Brief Summary of Substitute Bill

- Removes additional reporting requirements for associate development organization contracts in counties with populations over 1.5 million.
- Permits the matched portion of the annual allocation for associate development organization contracts to be provided through cash, in-kind, or a combination.

HOUSE COMMITTEE ON TECHNOLOGY, ECONOMIC DEVELOPMENT, & VETERANS

Majority Report: Do pass. Signed by 12 members: Representatives Ryu, Chair; Kloba, Vice Chair; Barnard, Ranking Minority Member; Cortes, Donaghy, Keaton, Paul, Penner, Shavers, Simmons, Thomas and Waters.

Staff: Martha Wehling (786-7067).

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.

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 coordinate and increase support for community and economic development services in communities or regional areas. Commerce's 2023 annual report identifies contracts with 35 ADOs.

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 cents per capita, with a maximum of \$300,000 per organization.
- ADOs serving *rural counties* receive a locally matched allocation of up to 90 cents 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 1.5 million 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 1.5 million are eliminated.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Associate development organizations mean jobs, and jobs mean a strong economy. Associate development organizations and regional chambers are doing great work that forms the backbone of communities. Decreasing the funding disparity between urban and rural counties lays the groundwork for the critical resource needs of associate development organizations in most rural communities. This is crucial for sustained economic development and job growth. Rural communities have challenges in economic development because what makes living in a rural area wonderful creates a challenge to development, such as the limited availability of utilities, freeways, and large corporations. State revenue grows when associate development organizations provide services to companies and businesses to counties. There is a great return on investment of the funds provided, as well as more access to services. Those services can include small business outreach, language interpretation, service referrals, and the attraction of new businesses. Reporting can be overburdensome and outdated, and streamlining the reporting requirements will enable the organizations to spend their time doing their vital work.

(Opposed) None.

Persons Testifying: Representative Stephanie Barnard, prime sponsor; Suzanne Dale Estey, Washington Economic Development Association; Jennifer Baker, Columbia River Economic Development Council; Jennie Dickinson, Port of Columbia; Vaughn Taylor, Seattle Metropolitan Chamber of Commerce (ADO for King County); and Jonathan Smith, Yakima County Development Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Ormsby, Chair; Gregerson, Vice Chair; Macri,

Vice Chair; Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Berg, Bergquist, Burnett, Caldier, Callan, Corry, Cortes, Doglio, Dye, Fitzgibbon, Keaton, Leavitt, Lekanoff, Manjarrez, Marshall, Peterson, Pollet, Rude, Ryu, Springer, Street, Thai and Tharinger.

Staff: Jessica Van Horne (786-7288).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology, Economic Development, & Veterans:

The substitute bill restores the locally matched allocation of up to 90 cents per capita, totaling no more than \$300,000, per associate development organization (ADO) serving urban counties. The substitute bill also restores the base allocation of up to \$40,000 and a locally matched allocation of up to 90 cents per capita for ADOs serving rural counties.

Appropriation: None.

Fiscal Note: Available.

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) Associate development organizations (ADOs) help small businesses get federal funding and contracts, driving economic development in the state. Economic development is very challenging in rural communities. The good qualities of rural areas, such as open spaces, smaller populations, and shorter commutes, also creates barriers to bringing businesses to those areas. Funding for ADOs provided by the Department of Commerce can be the lone source of funding for economic development initiatives in such places, and the current amounts are not enough to retain talent when areas on the west side of the state can offer more competitive salaries.

(Opposed) None.

Persons Testifying: Jennie Dickinson, Port of Columbia, Columbia County ADO; and Gary Ballew, Greater Spokane, Inc., Spokane County ADO.

Persons Signed In To Testify But Not Testifying: None.