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

ESSB 5677

Brief Description: Concerning associate development organizations.

Sponsors: Senate Committee on Business, Financial Services & Trade (originally sponsored by Senators Cortes, Frame, Riccelli and Schoesler).

Brief Summary of Engrossed Substitute Bill

- Increases the maximum allocation for associate development associations in urban counties to \$500,000, and sets a minimum of \$85,000 and maximum of \$150,000 for associate development associations in rural counties.
- Permits the matched portion of the annual allocation for associate development association contracts to be provided through cash, in-kind, or a combination.
- Removes additional reporting requirements for associate development organization contracts in counties with populations over 1.5 million.
- Requires all associate development organizations to meet federal standards for maintaining, collecting, and presenting demographic data in their annual reports.

Hearing Date: 3/18/25

Staff: Martha Wehling (786-7067).

Background:

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.

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:

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

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 association with a contract with the Department of Commerce (Commerce) is adjusted:

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

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 associate development

organizations (ADOs) with populations greater than 1.5 million are eliminated. All ADOs are required to include demographic information in their annual reports that meets the federal Office of Management and Budget standards for maintaining, collecting, and presenting federal data. The ADOs and Commerce may consult with State Ethnic Commissions and the Governor's Office of Indian Affairs for technical assistance in complying with those standards.

Appropriation: None.

Fiscal Note: Requested on March 10, 2025.

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