

# SENATE BILL REPORT

## SHB 1717

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As of February 22, 2024

**Title:** An act relating to supporting innovation at associate development organizations.

**Brief Description:** Supporting innovation at associate development organizations.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Rule, Corry, Paul, Stonier, Chapman, Duerr and Timmons).

**Brief History:** Passed House: 1/11/24, 93-4.

**Committee Activity:** Business, Financial Services, Gaming & Trade: 3/14/23, 3/21/23 [DPA-WM]; 1/23/24, 1/30/24 [DPA-WM].

Ways & Means: 3/31/23; 2/22/24.

### Brief Summary of Amended Bill

- Requires the Department of Commerce to establish an annual competitive grant program to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity at associate development organizations.
- Establishes certain requirements on reporting and financial oversight and monitoring by grant recipients.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Boehnke, Gildon, Hasegawa, Lovick, MacEwen and Mullet.

**Staff:** Kellee Gunn (786-7429)

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### SENATE COMMITTEE ON WAYS & MEANS

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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.*

**Staff:** Trevor Press (786-7446)

**Background:** Associate Development Organizations. Associate Development Organizations (ADOs) are under contract with the state to provide economic development services in the communities that they represent. As part of their contracts, ADOs are required to submit annual performance reports to the Department of Commerce (Commerce), which Commerce compiles as a report and submits to the Legislature biennially.

The annual base funding an ADO receives from the state is dependent on local matching funds as well as whether the county served is a rural county. Funding is provided on a per capita basis. Commerce may consider an ADO's total resources when making contracting and fund allocation decisions.

**Summary of Amended Bill:** Commerce must establish an annual competitive grant program to support and catalyze initiatives to foster innovation, sustainability, partnerships, and equity at ADOs. Commerce shall develop grant criteria with relevant stakeholders and award funding based on initiatives aligned with its work and priorities. Awards must be given equitably across the state.

Grant recipients must provide information on the use of their award funding, including information on how the ADO fosters equity, delivers inclusive economic development, and how the ADO addresses equity gaps in their communities. Certain demographic data of the businesses and entrepreneurs served must also be provided to the Department of Commerce. Commerce must include that information in its report to the Legislature beginning with its December 31, 2026, report.

In order to receive grant funds, the governing boards of ADOs must perform direct and meaningful oversight and monitoring of the ADO's activities to safeguard public resources. No matching funds shall be required for participation in the grant program. Commerce shall adopt rules to implement the program.

The Associate Development Organization Innovation, Sustainability, Partnerships, and Equity Grant Account is created in the custody of the state treasurer. Moneys in the account may be spent only after an appropriation. The account may consist of state appropriations, private contributions, and other sources, to fund the grant program. Expenditures may only be used for the grant program.

**EFFECT OF BUSINESS, FINANCIAL SERVICES, GAMING & TRADE COMMITTEE AMENDMENT(S):**

- Requires grant recipients to provide certain information in their annual reports to Commerce on:
  1. how the ADO fosters equity, delivers inclusive economic development, and

- addresses equity gaps in their communities; and
2. certain demographic data of the businesses and entrepreneurs served including, but not limited to, the number of businesses and entrepreneurs served that are certified by the office of minority and women's business enterprises and businesses and entrepreneurs not yet certified but that self-report as meeting the requirements of certification.
- Establishes that no matching funds are required to participate in the grant program.
  - Requires governing boards of ADOs to perform direct and meaningful oversight and monitoring of the organizations' financial activities to safeguard public resources to receive grant funds.
  - Establishes that Commerce shall adopt rules relating to the program.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Substitute House Bill (Business, Financial Services, Gaming & Trade) (Regular Session 2023):** *The committee recommended a different version of the bill than what was heard.* PRO: I've been in my role at Thurston County's ADO since 2004. The 34 ADOs have worked together, in coordination, to recover and reengage the economy. This bill is about growing the number of jobs, reinvesting money to bring in more revenue, and increasing economic activity. ADOs have a strong ROI for the communities they serve. For every dollar that goes into our ADO, we bring back \$16 to the local community. Our ADO serves just under 10,000 businesses and we would use this as a tool to launch new businesses and entrepreneurs. Our center for business innovation, and our women's business center could serve more people as a result of this legislation. The last few years have not been easy for economic development. ADO funding models have remained stagnant. ADOs do not receive COLAs, or other adjustments.

As Washington's only trade organization focused on economic development, we think this is just the right investment to support economic development and foster innovation. Passage of this bill is a critical step to support an intergovernmental network that will be a resource to catalyze innovative initiatives. This will build facilities and create and retain jobs. Please consider making the strong ADO partnership with the state even more impactful.

**Persons Testifying (Business, Financial Services, Gaming & Trade):** PRO: Suzanne Dale Estey, Washington Economic Development Association; Michael Cade, Thurston Economic Development Council.

**Persons Signed In To Testify But Not Testifying (Business, Financial Services,**

**Gaming & Trade):** No one.

**Staff Summary of Public Testimony on Bill as Amended by Business, Financial Services, Gaming & Trade (Ways & Means) (Regular Session 2023):** PRO: This bill would scale state ADO partnerships and we would like a \$10 million funding level. The network has created many jobs and generated a lot of revenue over the last few years. Impoverished communities do not have funds or expertise to bring in federal grants. These funds would help level the playing field. Funding for ADOs has remained stagnant. Now is the time to add additional funding.

**Persons Testifying (Ways & Means):** PRO: Suzanne Dale Estey, Washington Economic Development Association; Colleen McAleer, Clallam Economic Development Council; Garry Clark, Economic Alliance Snohomish County.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.

**Staff Summary of Public Testimony on Substitute House Bill (Business, Financial Services, Gaming & Trade) (Regular Session 2024):** *The committee recommended a different version of the bill than what was heard.* PRO: Our neighbors and friends are struggling to make ends meet. There are things we can and should do to expand opportunities for jobs. ADOs are a key tool in this process. During COVID, ADOs are the ones that worked hand in hand to make sure money was delivered appropriately. This bill helps address funding shortfalls. The committee passed this bill last year. This bill is bipartisan. This would increase funding for regional capacity, through a \$5 million fund that would go out as grants.

ADOs have not seen an increase in funding on over 15 years. No inflation or COLA. These organizations deliver and the collective results of ADOs have helped businesses expand and start up throughout the state. This investment will strengthen and grow the work of the ADOs. Commerce has recently deployed new metric data reporting, including OMWBE information. With these increased expectations, ADOs funding has not increased. Our ADO recently received one-time funding to do work with OMWBE businesses, and entities - with the funding in this bill, this work could continue. We can help provide additional services that our community needs.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.

**Persons Testifying (Business, Financial Services, Gaming & Trade):** PRO: Representative Alicia Rule, Prime Sponsor; Suzanne Dale Estey, Washington Economic Development Association; Vaughn Taylor, Seattle Metropolitan Chamber of Commerce (ADO for King County); Roni Holder-Diefenbach, Economic Alliance (ADO for Okanogan County).

**Staff Summary of Public Testimony (Ways & Means) (Regular Session 2024):** PRO:

Would appreciate at least \$2 million per fiscal year for this program. ADOs have created many new jobs and created millions in revenue. The ADO network has been working hard to address equity gaps and stimulate markets in underserved communities. Most ADOs don't have the existing funding for these new supports. These resources would catalyze ADO initiatives. Additional funding would allow for enhanced data analysis capacity.

**Persons Testifying (Ways & Means):** PRO: KARL DYE, TRIDEC; Alisha Benson, Greater Spokane Inc. & Washington Economic Development Association; Wendy Poischbeg, Economic Alliance Snohomish County.

**Persons Signed In To Testify But Not Testifying (Business, Financial Services, Gaming & Trade):** No one.