SENATE BILL REPORT
SB 5677

As of February 13, 2025

Title: An act relating to associate development organizations.

Brief Description: Concerning associate development organizations.

Sponsors: Senators Cortes, Frame, Riccelli and Schoesler.

Brief History:
Committee Activity: Business, Financial Services & Trade: 2/13/25.

Brief Summary of Bill

- Increases the amount of assistance that Associate Development Organizations can provide for direct assistance in urban and rural areas.
- Eliminates certain reporting requirements for Associate Development Organizations in counties with more than $1.5 million.
- Permits the matched portion of the allocation to be provided through cash, in-kind, or a combination.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Clint McCarthy (786-7319)

Background: Associate Development Organizations. 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.

ADOs are under contract with the state to provide economic development services in the

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communities that they represent. As part of their contracts, ADOs are required to submit annual performance reports to 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.

Contracts with Associate Development Organizations. Commerce must contract with county-designated ADOs to increase support and coordination of community and economic development in certain communities or areas. The scope of services must include direct assistance to companies throughout the area that need support to stay in business, expend, or relocate to Washington from out of state or other countries. Assistance must comply with business recruitment and retention protocols.

Since 1997, ADO's have been directed to have contracts that require the delivery of direct assistance to companies needing support to survive, expand, or relocate. The contracts will also require support for regional economic research and regional planning efforts to implement economic development strategies.

When appropriations are provided by the Legislature, contracts with ADO's shall be awarded based on the following annual schedule:

- for ADO's in urban counties, a locally matched allocation of up to $0.90 per capita totaling no more than $300,000 per organization; and
- for ADO's in rural counties, a per county base allocation of up to $40,000 and a locally matched allocation of up to $0.90 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 purposes for which contracts can be awarded is narrowed to direct assistance, including business planning to companies who need to stay in business, expand, or relocate based on a schedule for awards. The schedule for awards is modified as follows:

- for ADOs in urban counties, a per county allocation totaling no more than $500,000 per organization and a matched allocation; and
- for ADOs in rural counties, a per allocation of at least $85,000 and up $150,000.

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

Reporting requirements for ADOs in counties with a population greater than 1.5 million are eliminated. These reporting requirements include:

- the number of small businesses that receive expansion services and the outcomes achieved through delivering those services; and
- the number of businesses outside of the largest city within the ADO's region that received recruitment, retention, and expansion services, and the outcomes associated with receiving these services.

Appropriation: None.

Fiscal Note: Requested on February 7, 2025.

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: PRO: WEDA is committed to recruiting and retaining businesses in Washington State. This assistance is needed to get people between the ages of 18 and 54 working again. This bill allows ADOs to expand their tool kit to attract and retain businesses. ADOs bring revenue to the state by engaging with existing and new businesses. ADO's play a critical role with small businesses. Increasing the funding cap will enable ADO's to leverage more private investment.

Persons Testifying: PRO: Senator Adrian Cortes, Prime Sponsor; Suzanne Dale Estey, Washington Economic Development Association; Darrin Raines, Greater Grays Harbor, Inc. (ADO for Grays Harbor County); Jennie Dickinson, Port of Columbia (ADO for Columbia County); Jennifer Baker, Columbia River Economic Development Council (ADO for Clark County); Lynnette Buffington, Seattle Metro Chamber.

Persons Signed In To Testify But Not Testifying: No one.