



Department of Commerce

Innovation is in our nature.

Associate Development Organizations Report, 2011-2012

Biennial Report per RCW 43.330.082

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Report to the Legislature
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Executive Summary

Overview

Associate Development Organizations (ADO) are the Washington State Department of Commerce's (Commerce) primary partner in local economic development activities. ADOs are local organizations designated by each county to coordinate business retention and expansion, and support new business development and recruitment activities within their service area. ADOs also support research, planning, and implementation of regional and local economic development strategies.

ADOs are charged with creating jobs, growing business, and leveraging capital investment in their communities. Most importantly, because ADOs are local entities, activities are grounded in the needs of its community. ADOs report quarterly to Commerce the types and quantities of economic development activities funded by their grant and local match for each county. ADOs also report the number of businesses, jobs, and private investments leveraged with the ADO grant funds.

This is the biennial ADO report of performance results to the Legislature.¹ This report fulfills a statutory requirement and provides additional information for policy makers and stakeholders about the role of ADOs in local economic development.

ADOs act as the hub for each county's economic development activities by coordinating with all of the organizations involved in developing the economy. The authorizing statute requires that ADOs work with an extensive and specific list of partners, including local governments, private organizations, state-funded organizations, and federal agencies.

Key Findings

In the 2011 and 2012 fiscal years, ADOs reported recruiting 60 companies to locate new facilities within the state, provided support for 381 businesses to stay open or expand, and helped 267 new businesses get off the ground. Combined, these efforts led to 10,085 jobs being created and retained, and just over \$697 million in private investment.

Business Recruitment

ADOs recruited 21 companies statewide in Fiscal Year 2012, creating 808 jobs, 34 percent of which were above the average county annual wage. The majority of businesses were recruited to more urban areas or areas where the cost of doing business is lower, especially energy costs. This is consistent with the survey findings that show that urban counties prioritize recruitment activities more than rural counties.

¹ Commerce must report the performance results of the contracts with the ADOs by the end of each even numbered year per RCW 43.330.082 (3), <http://apps.leg.wa.gov/rcw/default.aspx?cite=43.330.082>.

Business Expansion and Retention

ADOs completed 73 retention projects and 64 business expansions in FY 2012, which retained 2,294 jobs and generated 1,551 new jobs. The overall number of new business cases decreased by 23 percent as compared to the previous year. The number of businesses retained or expanded also declined as compared to the previous year.

Business Startups

ADOs provided business startup services to 102 new businesses in FY 2012, creating 301 jobs. The amount of private investment has risen significantly in the last two years. This increase is generally attributable to large investments in several projects to restart businesses in facilities that were closed because of the recession.

ADO services have been impacted by budget reductions from partners at all levels: federal, public, and private. This has resulted in a decline in the number of jobs and business outcomes created by the ADO network as compared to previous years.

Improved Data Collection

The full extent of this drop in ADO outcomes is not explained by budgetary cuts or the effects of the recession. A portion of the decline is attributable to several incremental program changes that have improved the data-collection system and increased the accuracy of performance metrics reported here. These changes have made the latest round of data less comparable with past years – most noticeably in the count of the companies served by the ADOs. However, improvements in data collection will allow the state to obtain future performance data that are more meaningful and accurate.

Changes in metrics are illustrative of how Commerce and the ADO network have been working through a series of programmatic improvements that include transitioning to a cloud-based performance measurement reporting system, implementing recent legislative changes, and engaging in a Lean process for contracting and reporting coordination. The overarching goal is to strengthen the ADO program and to use resources more efficiently.

Introduction

Report Scope and Methodology

Commerce is required to report ADO performance results to the Legislature and the Washington Economic Development Commission (WEDC) by the end of each even-numbered year. The report must include the performance results of the contracts with ADOs as required by RCW 43.330.082. Background information on local economic development around the state and recent ADO program improvements are also presented.

Toward that end, the following questions framed the scope of the 2011-2012 ADO report:

1. What were the ADOs' performance results; are there trends that can be attributable to the variation in annual budgets, demand for services, population, or general economic conditions?
2. What are the relationships between each ADO's scope of services and types of proposed funding? How are these relationships informed by each county's geography or population?
3. Have government agencies and/or private investors changed their funding levels? How have these changes affected the ADOs' performance?

The project team used the self-reported performance measurement data from the program's contract management database, information collected directly from the ADOs via an electronic survey, and economic, demographic, and budget information published by federal and state agencies.

Commerce's Contractual Relationship with ADOs

Commerce provides each ADO with annual funding, a portion of which is based on each county's population. The ADO must secure local money to match the population-based portion of the funds received from Commerce. Each county's funding and required local match amounts are detailed in the ADO Funding section on page 15.

ADOs report quarterly to Commerce the types and quantities of economic development activities funded by Commerce and the local match for each county. ADOs also report the number of businesses, jobs, and private investments leveraged with the ADO grant funds. Performance data was available for fiscal years 2008 through 2012.

ADO Performance Data

ADO performance results are presented in two sections. The first discusses each of the major outcome categories: jobs, companies served, and investment. The second section examines the inputs and outputs in each of the following activity areas:

- Recruitment of new businesses into Washington.
- Retention and expansion of existing businesses.

- Business startup assistance.
- Community asset building.

The data were annualized by fiscal year when appropriate. In some situations, the data are not fully comparable year by year. This is a result of several improvements to the data-collection process, changes that should yield data that are more consistent in the future.

ADO Survey

Commerce administered an online survey that focused on how ADOs prioritize the required activity areas according to their organization's mission and goals, and how their organization has been affected by changes in funding from their partner organizations. Responses were received from 32 of the 34 ADOs, representing 37 of the 39 counties, for a response rate of 94 percent.

Study Limitations

ADO performance measurement data have several limitations. First, the data are self-reported by each ADO. The reporting system does not employ performance measures that are verifiable by a third party. Therefore, Commerce staff is not able to fully audit the performance reports.

Second, several ADOs report difficulty determining the value of certain measures, such as amount of private investment leveraged and employment wages for many projects. Gathering this information depends greatly on the strength of the relationship between the ADO and the individual business.

Lastly, in July 2011, Commerce transitioned to a cloud-based contract performance monitoring system to track data on business recruitment, retention, expansion, and startups. This system provides greater context and detail about the outcomes reported by the ADOs and enables Commerce staff to review the data more effectively. Further, this tool allows ADOs to input quarterly updates on the businesses they are working with. This is particularly helpful because many economic development projects are lengthy and/or multi-phased.

Because of the new reporting system and the additional oversight and training received by the ADOs, the performance measures have undergone some recalibration in FY 2012. These changes have made the latest round of data less comparable in some respects with past years. The data most affected by these is the count of the companies served by the ADOs. Although there has been a general drop in business recruitment, retention, and expansion in the last year, this decline may be due, in part, to this transition.

Local Economic Development

Overview of ADOs

County-designated associate development organizations serve as a networking tool and resource hub for business retention, expansion, and relocation in Washington.

– RCW 43.330.080 [2007 c 249 § 1.]

ADOs are Commerce’s primary partner in local economic development activities. ADOs are an integral part of the state’s economic development plan and provide direct technical assistance and funding for economic activities in every county. ADOs are local organizations designated by each county to coordinate business retention and expansion, and support new business development and recruitment activities within their service area. ADOs also support research, planning, and implementation of regional and local economic development strategies.

Organizations that are designated as ADOs are expected to build strong relationships with public and private partners within their community. ADOs leverage their state funding to obtain financial support from their partners. With this combined effort, ADOs create jobs, business growth, and capital investment in their communities. Most importantly, because each ADO is a local entity, its activities are grounded in the needs of its community.

RCW 43.330.080 provides that the services delivered by ADOs include:

- Participating in the development of a countywide economic development plan.
- Performing as the local economic development point of contact for both public and private partners.
- Providing information on state and local permitting processes, tax issues, export assistance, and other essential information for operating, expanding, or locating a business in Washington.
- Marketing their county and the state as an excellent place to expand or relocate a business.
- Collaborating with local partners to meet workforce development needs.
- Providing business retention and expansion services.
- Partnering with other organizations, such as Small Business Development Centers and SCORE to improve business support services.
- Collecting data for use in local and statewide program evaluation.
- Participating in region-wide economic development planning and research.
- Sharing best practices with other associate development organizations at least two times each year.

ADO/Commerce Relationship

Team Washington began in 1985 as a strategy to bolster local economic development by forming public-private and state-local partnerships. As part of that strategy, ADOs were created to provide economic development services in every county in the state.

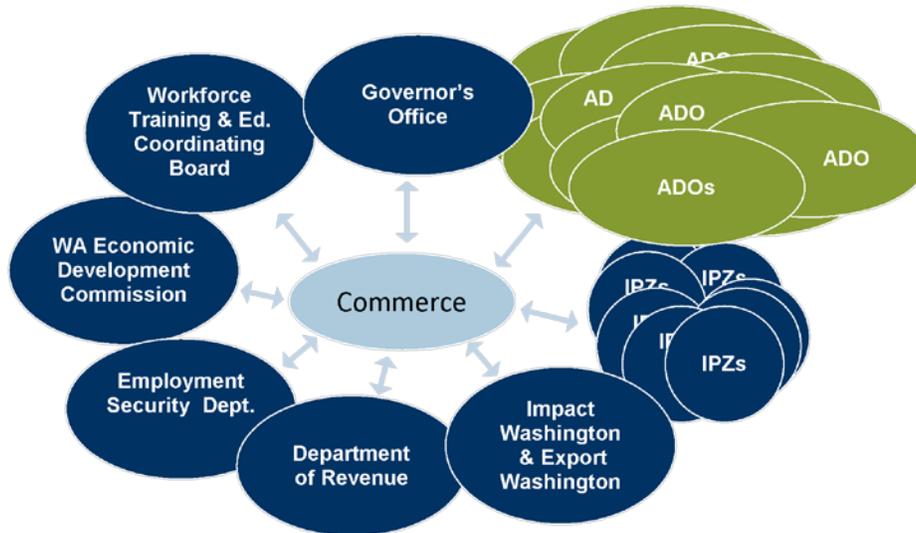
Originally, the Local Economic Development Assistance Program provided administrative grants to the 33 ADOs that served the state's 39 counties. The Growth Management Act of 1990 formally recognized the ADO network as the delivery system for local economic development resources and assigned administration and funding of the program to the Department of Trade and Economic Development (now Commerce).

ADOs negotiate their contracts with Commerce on a biennial basis. As part of the contracting process, ADOs and Commerce staff set target goals in a variety of performance measures for each county. Currently Commerce maintains contracted partnerships with 34 ADOs, serving all 39 counties.

Commerce's Business Services Division is the entity charged with maintaining the ADO contracts and providing support to the ADO network. As such, the relationship between the ADOs and Commerce is bifurcated. One side is a contractual relationship focused on the details of the grant and ensuring that performance is measured and targets are met. The other side of the relationship is a coordinated effort to provide economic development services throughout the state.

For example, Commerce serves a liaison between client businesses and other government agencies to help streamline site selection and permitting processes, and access certain loans and incentives. Commerce is able to elevate projects to the Governor's Office on behalf of the ADOs. Figure 1 shows various agencies that Commerce interacts with in the coordination of the economic development activities.

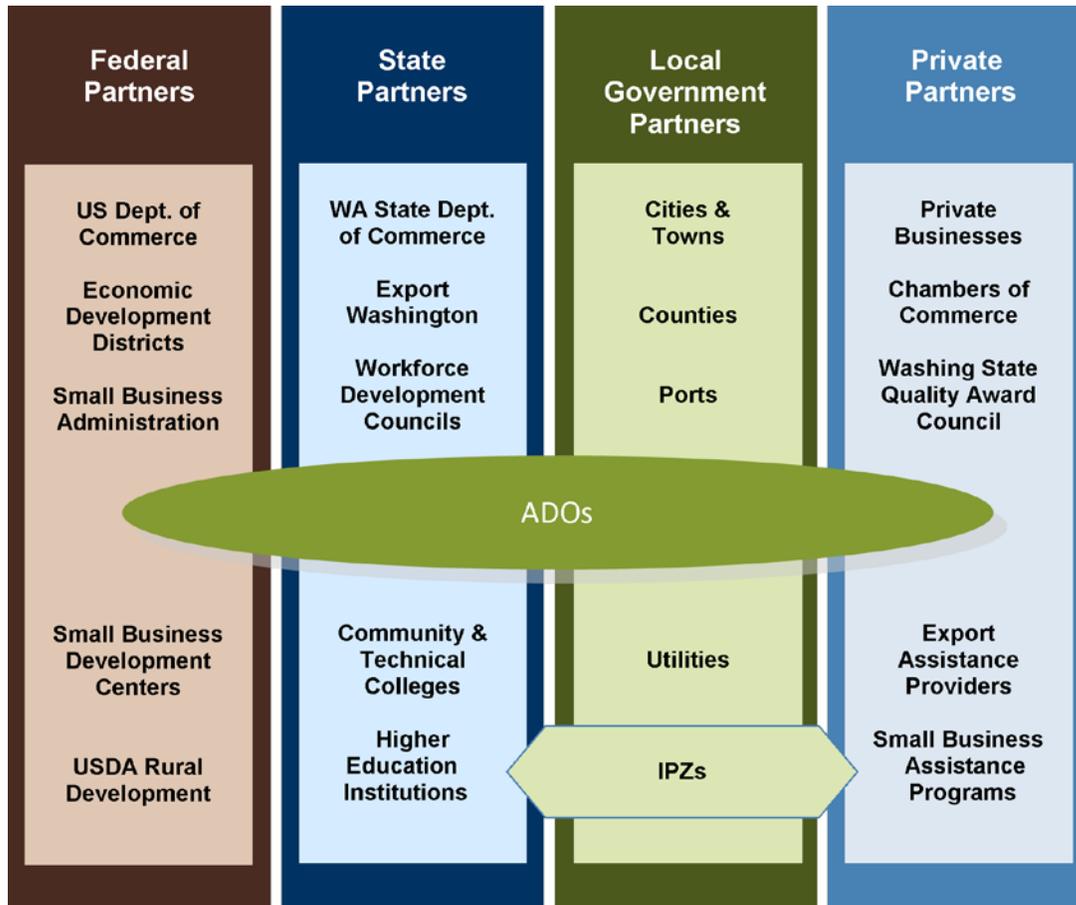
Figure 1: Commerce's Economic Development Partners



ADOs serve as the principal contact for Commerce regarding economic activity in their area. ADOs help Commerce gather data about community profiles, industrial sites, plans for business development and retention, reports on business activities, and proposals for other economic activities in their service areas.

The ADO acts as the hub for the county's economic development activities by developing working relationships with all of the organizations involved in developing the economy. The authorizing statute requires that ADOs work with an extensive and specific list of partners, including local governments, private organizations, state-funded organizations, and federal agencies and programs (Figure 2).

Figure 2: ADOs' Economic Development Partners



Partnerships can take many forms, some are exchanges of client referrals, some are contractual relationships, and some are personal relationships that help guide the county's economic development organizations in a cohesive direction. As an example, the directors of most ADOs sit on the governing boards of a partner organization, such as their workforce development council. Because of the vast network of relationships that the ADOs build in their community, ADOs are like Commerce's local branch offices in every corner the state. Each organization carries out state and regional economic development strategies and priorities.

Programmatic Improvements

The Washington Legislature revised the ADO enabling statute twice in the last two years. House Bill 1916 in 2011 and Engrossed Substitute Senate Bill 6355 in 2012 made changes to the programming, performance measurement reporting, and the contractual and functional relationship between ADOs and Commerce. Both pieces of legislation, and the programmatic responses, are summarized below to provide background on the performance metrics and data-collection improvements discussed in the following sections.

HB 1916 in 2011

HB 1916 changed the relationship between ADOs and Commerce in several ways. It affected training, information sharing protocols, and ensured that the entirety of each county is served by the ADO.

Business Services Training

Commerce was required to provide ADOs with business services training, including the fundamentals of export assistance and an overview of the services available from export assistance providers in the state. Export assistance providers are private or public organizations that assist companies to begin or increase exports. These services may be fee-based depending on the funding structure of the organization. In response to the legislation, Commerce developed an annual export training conference for the ADOs. Commerce also maintains ExportWashington.com as a repository of exporting tools and resources.

Recruitment and Retention Protocols

Commerce was required to develop recruitment and retention protocols relating to the sharing of information between ADOs and the state. Commerce now requires that ADOs share specific data upon completion of each project, including the identity of the companies that received services. However, the release of proprietary or confidential information is not required. More importantly, this protocol provides a clear line of communication for ADOs to request assistance and resources from Commerce staff; some of these projects are then elevated to the Governor's Office.

Service Areas

The legislation also included additional direction in how the ADOs provide business-related assistance, and work with partners throughout the county or counties in which they deliver these services. The legislation specifically mandates that King County provide additional performance measurement data including:

- The number of small businesses that received retention and expansion services.²
- The outcome of those services.
- The number of businesses located outside the boundaries of the largest city in its region that received recruitment, retention, and expansion services, and the outcome of those services.

ESSB 6355 in 2012

ESSB 6355 made several changes that affected the annual contractual and reporting requirements of the ADOs and the responsibilities of Commerce. Some of these changes will be implemented in the next cycle of contract negotiations for the 2013-2015 Biennium.

Best Practices

The ADOs must meet and share best practices with each other at least twice annually. Additionally, ADOs must provide a summary of best practices shared and implemented in their annual reports to Commerce.

ADO Reporting Requirements

Annual performance data must be inputted into a common Web-based business information system managed by Commerce. The system was launched July 2011 and the ADOs have used it for reporting and tracking performance data on business recruitment, retention, and expansion for a full year.

The statute specifies that the ADOs provide Commerce with the following information to show the organization's impact on employment in the regions they serve:

- Current employment and economic information for the community or region produced by the Washington State Employment Security Department (ESD).
- The net change from the previous year's employment and other indicators using data from ESD.
- Other relevant information on the community or regional area.
- The amount of funds received by the ADO from all sources (federal, public partners, private partners, etc.).
- The contracting organization's impact on employment through all funding sources.

² In this statute, a small business is defined as an in-state business, including a sole proprietorship, corporation, partnership, or other legal entity that is owned and operated independently from all other businesses and has either: 1) 50 or fewer employees, or 2) a gross revenue of less than \$7 million annually as reported on its federal income tax return or its return filed with the Department of Revenue over the previous three consecutive years.

Annual reports may also include information on the impact of the contracting organization on wages, exports, tax revenue, small business creation, foreign direct investment, business relocations, expansions, terminations, and capital investment.

Data standards and definitions must be developed during the contracting process that takes place between Commerce and ADOs every two years. The Washington Economic Development Commission (WEDC) must be included in the contracting process. Therefore, these changes to the reporting requirements will be incorporated into the ADO contracts during the next contract negotiation period.

Washington Economic Development Commission

The statute now requires that the WEDC consult with ADOs in developing the statewide economic development strategy and include information it requests from the ADOs in its progress report. ADOs are also required to provide information used in the WEDC's statewide economic development strategy and progress report. The support that ADOs provide for research and planning efforts should be aligned with the WEDC's statewide economic development strategy. Regional ADOs retain their independence to address local concerns and goals.

Business Retention and Expansion Services

The ADOs must provide business retention and expansion services that include, but are not limited to:

- Assisting trade-impacted businesses in applying for grants from the federal Trade Adjustment Assistance for Firms program.
- Identifying resources available for microenterprise development.
- Locating resources available on the revitalization of commercial districts.
- Finding opportunities to maintain jobs through shared work programs authorized under statute.

Lean Improvement Processes

In late July 2012, Commerce, five ADO representatives, and a Senate staff analyst performed a three-day Lean process-improvement exercise. The goal was to create a process that would aid in providing consistent and credible data for the Governor's Government Management Accountability and Performance (GMAP) report and for reporting to the Legislature. Lean is a systematic approach to identifying and eliminating waste.³ The team's targets were to:

- Review statutory language and identify obligations mandated by the Legislature.
- Review and identify reporting obligations incorporated in the new legislation for the next biennium's contracts.

³ <http://www.lean.org/WhatsLean/>

- Define and describe business retention, recruitment, and expansion activities and performance measure thresholds.
- Create a standard process for collecting and reporting data.
- Document and improve the process for Commerce staff to approve the quarterly reports in the cloud-based reporting software system (Salesforce).
- Reduce the number of Commerce staff phone calls to ADOs as part of the quarterly report review process. Set a goal of reducing callbacks from nine to zero.

The team's accomplishments included:

- Review of recent legislative changes (ESSB 6355) and identification of ADO reporting requirements.
- Clarification and refinement of business retention, recruitment, and expansion activities, and performance measure thresholds and definitions. Implementation of these changes is pending review and endorsement by the larger ADO cohort.
- Creation and population of definition document.
- Development of a standing list of actions and improvements for future contract development.
- Mapped the current process for input and review of data in Salesforce.
- Improved processing of ADO quarterly reports in one review by Commerce staff from 62 percent to 89 percent (estimated).

The outcomes from this Lean process clarified the working definitions of the activity areas and performance metric. As a consequence of these ongoing process improvements, performance metric data collected in the future may not be directly comparable with that collected thus far.

Improved Data Collection

Commerce has made significant improvements to performance metric data collection by transitioning to Salesforce, an Internet-based data collection system. In the new system, each ADO enters its data directly into the system on a quarterly basis. The system allows the ADO to enter a description and outcomes, such as jobs and investments, for individual projects. Outcome data were lumped together by quarter in the previous system. This change allows Commerce staff to spend less time doing data entry and more on follow-up and auditing of the data. Additionally, the system facilitates greater information sharing between the ADOs and Commerce as mandated by recent legislative changes.

Another improvement is that the new system will assist tracking and reporting of the metrics for multi-phased projects over time. This is important because an ADO's effort with a single project often continues for several quarters or even years. The ADO may report additional jobs or investment for a project, as different phases are complete. In the previous system, the second phase of hiring could have been logged as an entirely

different project, inadvertently increasing the number of businesses the ADO reported serving.

Several challenges still exist in ADO performance measurement. First, ADOs must collect sensitive information from each business they serve, including investments and new employee wages. Because of this sensitivity, some of the projects are reported without complete information. Thus, the performance data may be incomplete.

Second, the outcome data are self-reported by the ADOs, and it would be inefficient use of Commerce staff time to verify the reports individually. Additionally, none of the data collected addresses the long-term viability of the jobs created or businesses being served.

ADO Priorities

Survey Administration

As part of this study, Commerce administered a Web-based survey to gather additional information about how the ADOs prioritize their goals and how their capacity has changed over the past three years. The survey was designed to gather data at the county level, allowing the ADOs that serve multiple counties to differentiate the needs of the areas served. The survey was completed by 32 of the 34 ADOs, representing 37 of the 39 of the counties in the state, for a response rate of 94 percent.

The survey included questions about how the ADOs prioritize the required activity areas to fit the needs of their communities, and a self-assessment of how effectively the ADO was performing in each of those areas. ADOs were asked to list budgetary contributions received from their federal, local-public, and private partners over the past three fiscal years. Finally, the ADOs were asked to report changes in their staffing levels over the three-year period.

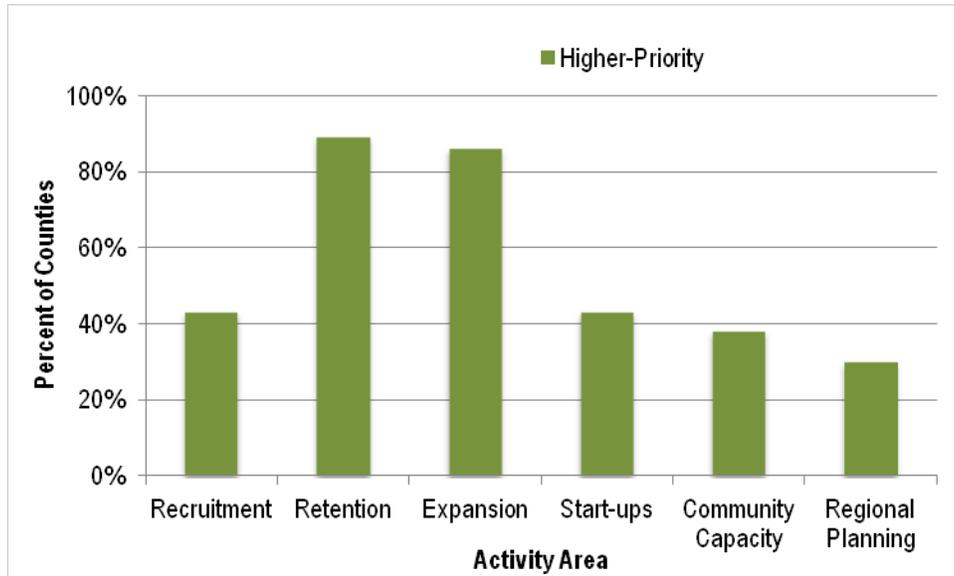
Activity Prioritization

ADOs are required to provide services in each of the activity areas listed in the statute. However, given limited resources and the differing needs of each community, the priorities of the ADOs vary. The goal of this survey was to determine what the differences were and what factors played a role in shaping the priorities.

ADOs were asked to rate each of the activities areas in order of importance according to their organization's mission and goals. The survey tool forced each responder to assign a different ranking to each activity area. The analyses divided the rankings into two categories: higher-priority (rank 1-3) and lower-priority (rank 4-6). The data were examined and compared with several other factors – county population, urban-versus-rural designation, which is based on county's population density, and the geographic location of east or west of the Cascades.

Figure 3 shows the higher-priority rankings for all responding counties. Notably, retention and expansion services fall into the higher-priority category for the majority of counties (89 percent and 86 percent, respectively). This finding appears to be consistent with the needs of businesses during the past few years, as they have struggled through the recession.

Figure 3: Higher-Priority Rankings for All Counties



Major differences in priorities are found when the population of the county is factored in. For the purpose of this comparison, counties were divided into two categories: those with populations above 75,000 and those with populations below 75,000. This population mark was chosen because the grouping of all counties above 75,000 encompassed all of the counties that are defined as urban.

Figure 4: Higher-Priority Activities by Population Groupings

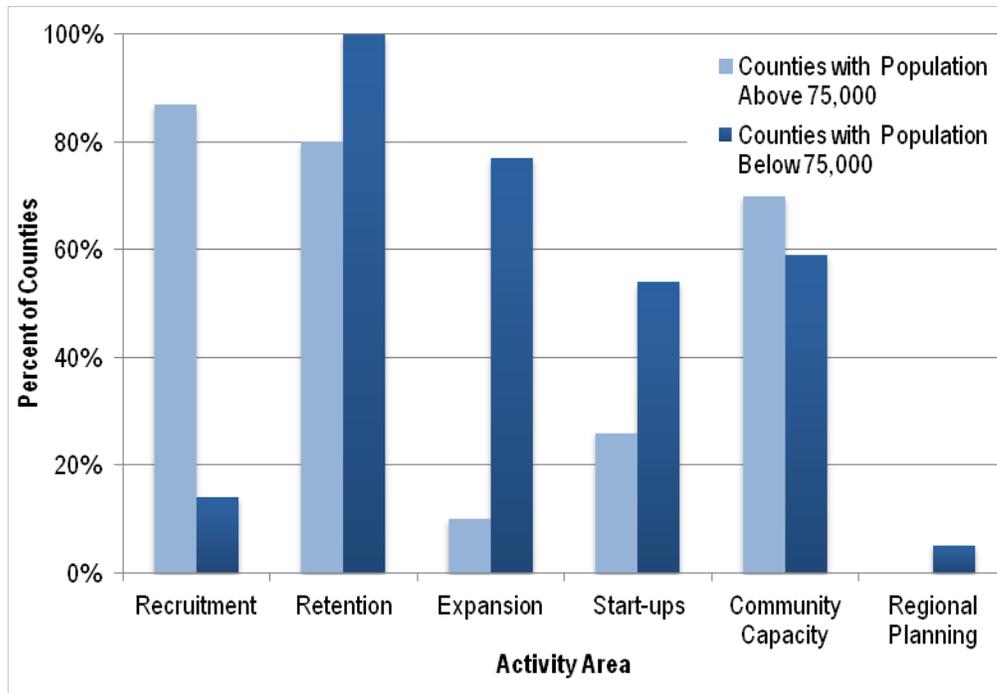


Figure 4 shows several priority differences when the population of the county is considered. One clear difference is that for urban counties recruitment is a high priority. Large, urban counties generally have more infrastructure and workforce resources to offer a company that is looking to relocate into the state. However, some counties in the state are classified as urban counties, but are at a competitive disadvantage because of the county's geography. Geographic factors that restrict the ability for a county to successfully recruit new businesses include limited potable water and sewer services, distance from interstate corridors or regional airports, and higher relative electricity rates.

Overall retention and expansion were higher priorities for most counties, as previously noted. When the county's population is factored in, expansion was in the higher-priority category for 100 percent of the larger counties and retention was a higher priority for 100 percent of the smaller counties. Smaller counties also ranked startup businesses and community capacity building as higher priorities instead of recruitment.

ADO Staffing Levels

Staffing levels stabilized in 2012 after fluctuating in 2011, with 10 ADOs reducing their staffing levels and four ADOs increasing their levels. The staffing reductions ranged from a reduction of 3 percent to a six-FTE cut.

Investigating the reasons behind each of the staffing reductions in 2011 was beyond the scope of this report, but some reported reasons included layoffs in anticipation of additional cuts to the ADO state grants (which didn't happen), fluctuations in funding from other partners, and inability to generate sufficient funds to match maximum funding amounts.

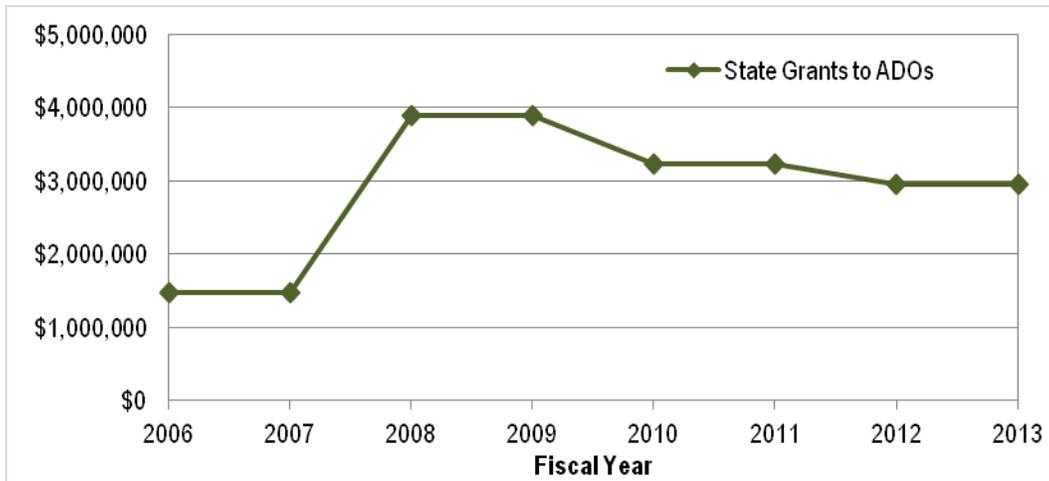
In 2012, no ADOs had reduced staffing and four additional ADOs increased their staffing capacity. Seven out of the eight ADOs with staffing increases over the two-year period were located west of the Cascades.

ADO Funding

Commerce provides the ADOs with annual funding to carry out the economic development goals defined in each biennial contract. Figure 5 shows the recent history of the state ADO funding. Notably, state funding increased in 2007 with Governor Gregoire's *Next Washington* strategy, which highlighted the importance of the ADOs' role in economic development. Consequently, the plan increased the total ADO budget by 162 percent, totaling \$7.8 million for the 2007-2009 Biennium.

ADO funding was reduced to \$6.5 million for the 2009-2011 Biennium. This was followed by another round in September of 2010 when Governor Gregoire announced an across-the-board reduction of an additional 6.3 percent for that fiscal year. ADOs were given \$6 million for the 2012-2013 Biennium.

Figure 5: ADO Funding History, FY 2005-2013

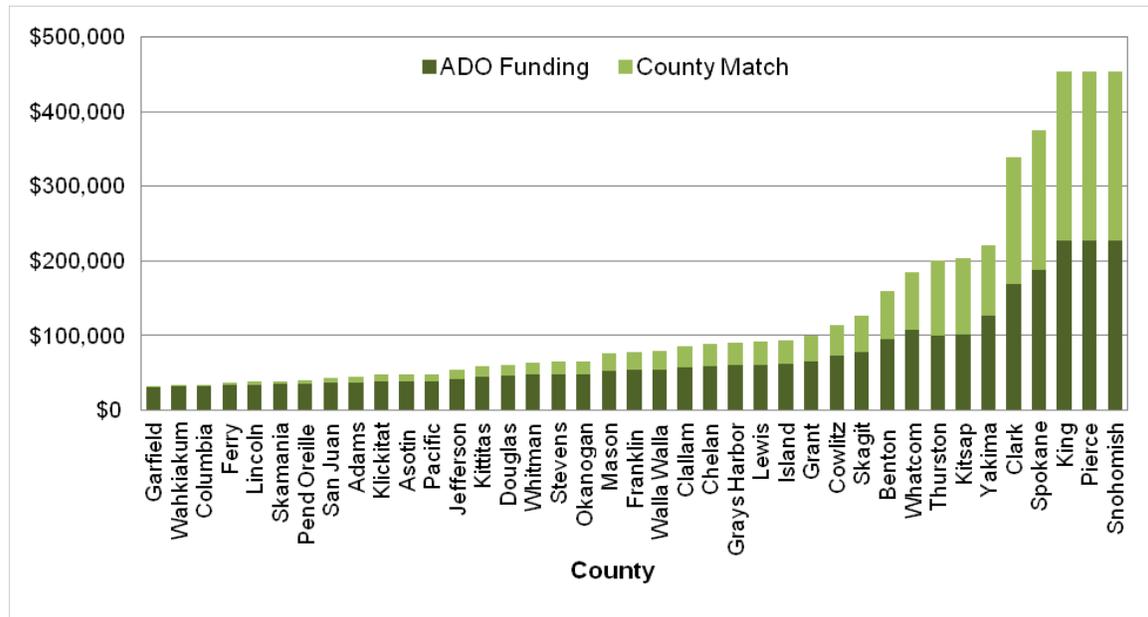


The formula used to distribute the funding is based on statutory guidelines (RCW 43.330.086), and provides the maximum levels of ADO funding from the state. The base allocation for rural counties is up to \$40,000 plus an additional amount of up to \$0.90 per capita. The maximum allocation for urban counties is as high as \$0.90 per capita, up to a maximum of \$300,000 per county.⁴

However, the state has never fully funded the ADO program, and the current per capita rate is \$0.55. Every county is required to match the state's per capita contribution with local funds. Figure 6 shows the state grant (base allocation and per capita amount) to ADOs and the local match for each county for FY 2012.

⁴ The enabling statute uses the Office of Financial Management definitions for urban and rural counties based on population density. Urban counties are those with more than 100 people per square mile, while rural counties have less than 100 people per square mile (RCW 43.330.086 and 82.14.370).

Figure 6: ADO Funding and Local Match by County, FY 2012

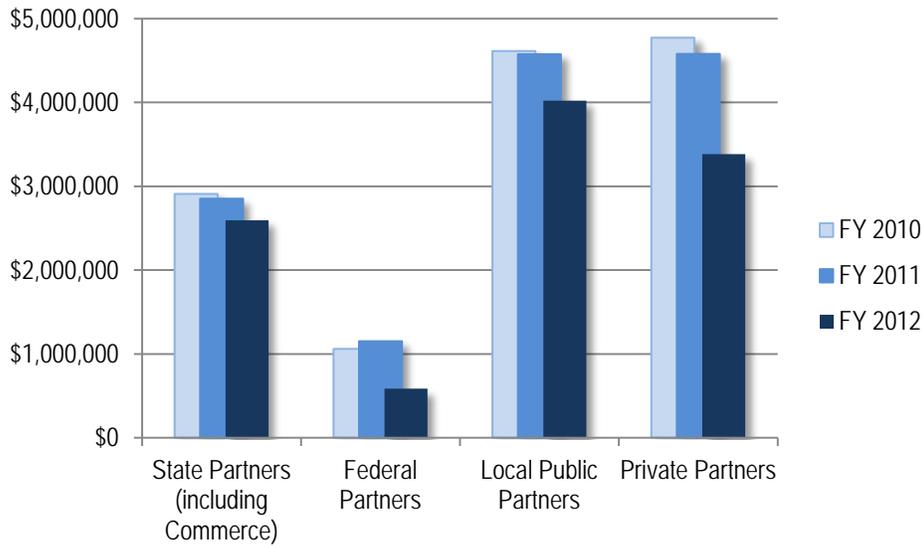


Funding Stability

The stability of an ADO’s budget affects its programming and marketing activities. While no organization would ever complain about having more money than expected, a reduction in funding can be a problem. ADOs provided information about their funding sources by partner type for fiscal years 2010 to 2012. The data were examined to get a sense of the funding trends from the ADO’s funding partners (other than the state grant).

ADOs sustained several funding reductions between fiscal years 2010 and 2012 from local-public, federal, and private partners. Individually, several ADOs actually increased funding from certain sources but the overall trend was a loss of funding (Figure 7). Federal-partner funding dropped by 45 percent, local-public partners reduced their funding by 13 percent, and private-partner funding was reduced by 29 percent over the three-year period.

Figure 7: Annual Funding Changes by Partner Type, FY 2010-2012



Federal Funding

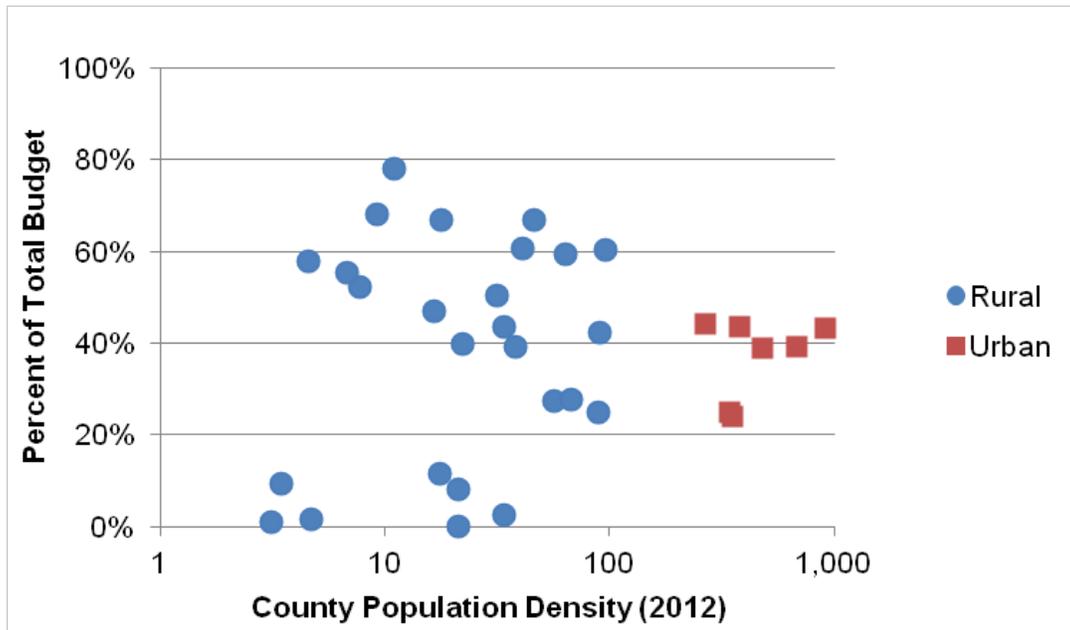
Nineteen ADOs received federal funding at some point between the 2010 and 2012 fiscal years. Twelve ADOs reported receiving funds every year during the three years studied while the remaining seven ADOs received one time, or short-term, federal funding. Federal funding made up 4 to 34 percent of rural ADOs’ annual budget in FY 2012.

Federal funding did not exceed 15 percent of the budgets of urban ADOs. The 12 ADOs that reported ongoing federal funding saw an overall 39 percent decrease in 2011, and another 12 percent in 2012.

Local Public Partners

Every ADO reported receiving funding from local public partners, including entities such as cities, counties, and ports. Figure 8 shows public funding as a percent of total budget. Rural ADOs display a wide variation in the percent of their budget generated from public sources. Urban ADOs show a range of 25-50 percent of their budgets attributable to local public funding.

Figure 8: Public-Partner Funding as Percent of Total Budget, FY 2012

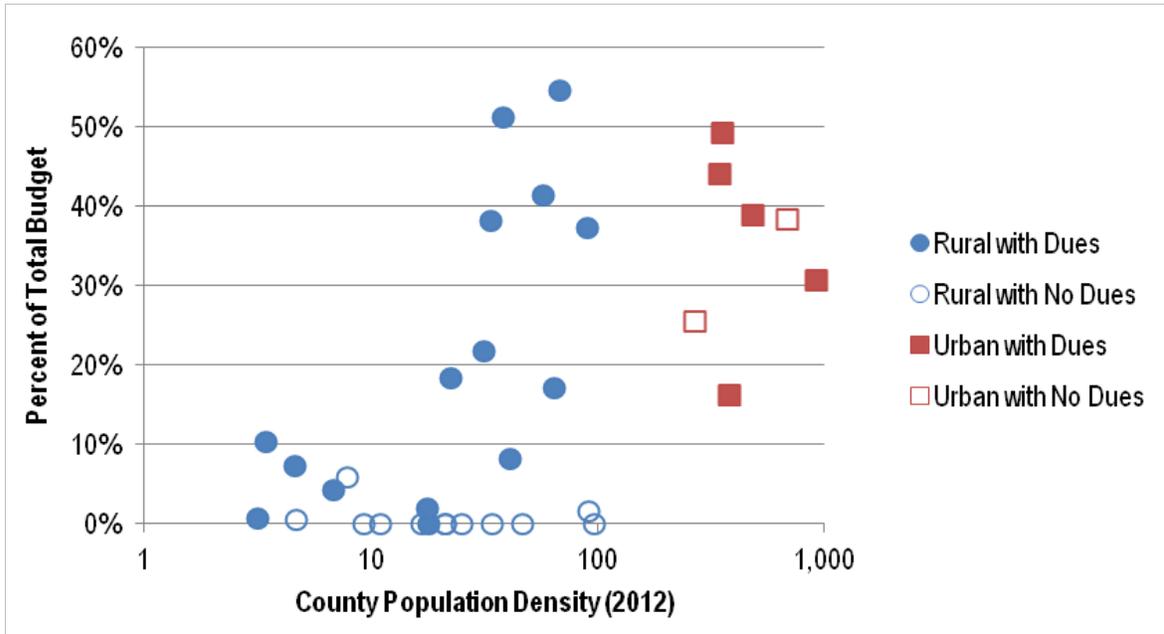


The most variation in public-partner funding was reported between 2010 and 2011. Eleven ADOs saw increases in funding and 12 had decreases. The net change statewide was a 6 percent decrease for 2011. In FY 2012, nine ADOs reported decreases in public funding and only six with increases; the net change for 2012 was a decrease of 2 percent.

Private Partners

Private-partner funding levels are nearly as variable as federal levels. Private funding accounted for some portion of the annual budget for 66 percent of ADOs. Fiscal 2011 proved to be particularly volatile, with 11 increases in private funding and six decreases – yet the overall statewide change was a 5 percent decrease. FY 2012 brought decreases with another nine, with a statewide funding decline of 2 percent.

Figure 9: Private-Partner Funding as Percent of Total Budget, FY 2012



Several trends emerge when a county’s population density is compared to the percentage of funding from private partners (Figure 9). Small rural counties receive a disproportionately smaller amount of funding from private partners than other, more densely populated counties. However, rural counties that collect membership dues have a greater proportion of funding from private partners. Rural counties that did not collect membership dues generally received no private source funding.

This dues/no dues trend among rural counties does not apply to the urban counties. Urban counties that did not collect dues had private-partner funding ranging between 17 and 50 percent, some of which is from private foundations. On average, private-partner funding accounts for 37 percent of urban counties’ annual budgets regardless of dues revenues.

Key Outcomes

ADOs self-report the types and quantities of economic development activities funded by the state grant and local match for each county. ADOs report outcome measures, which are considered the state’s return on its investment in the ADO program. Outcomes include the number of jobs created and retained, businesses served, and the private investments leveraged with the ADO grant funds.

Job Creation and Retention

Statewide job creation and retention outcomes have declined over the past several years, with 4,954 jobs created or retained in FY 2012. Job creation has declined approximately 11 percent each year between 2008 and 2012. This finding corresponds with the economic downturn during this same time period. Job creation outcomes reported by ADOs are divided into the following categories:

Recruitment – Jobs created at businesses that have just located in the county.

Expansion – Jobs created through business expansion.

Retention – Jobs are those that would have likely ended in the next 12 months without intervention by the ADO.

Startups – Jobs created at businesses that have started within the last year.

Table 1: Jobs Created and Retained

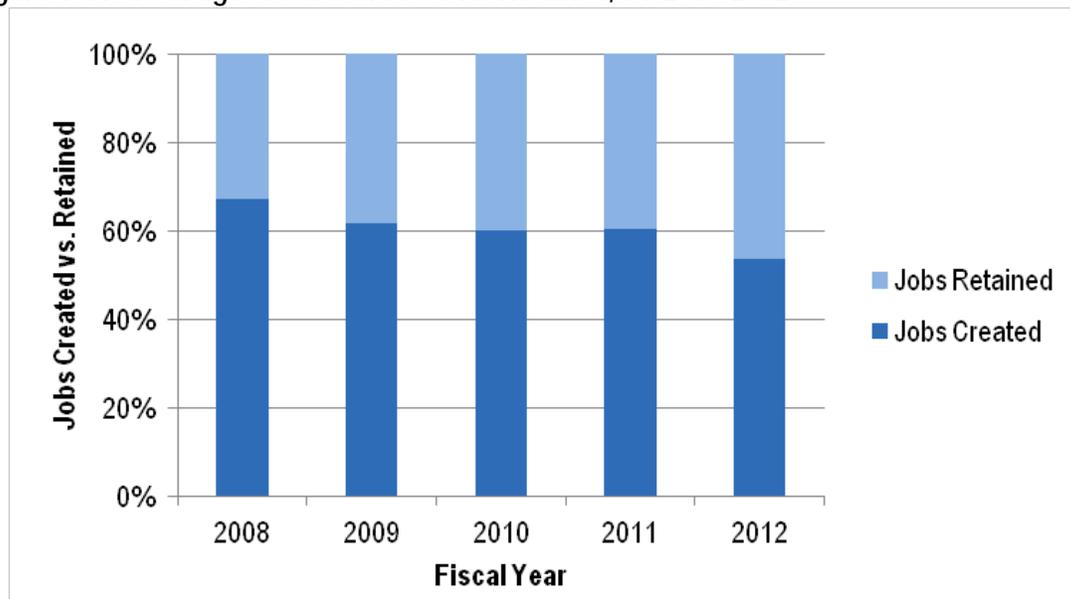
<i>Activity</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
Business recruitment	2,456	1,719	1,771	1,795	808
Business expansion	2,785	2,509	1,803	1,238	1,551
Business retention	2,779	2,872	2,657	2,349	2,294
Business startups	415	387	404	540	301
Total jobs created, retained	8,411	7,447	6,635	5,922	4,954

Table 1 shows the number of jobs created and retained within each ADO activity area in the past five years. Overall, the data show a steady decrease in job creation and retention over the past five years. Several factors for this decline have been cited by ADO and Commerce staff, including the effect of the recession on job growth, several budget reductions to the state ADO grants and from other partners, considerable downsizing of the Commerce Business Services staff that supported the ADOs (especially in the area of recruitment), and several incremental changes to the definition of and collection of the outcome data. It is not possible to determine the relative impact of each of these factors on the job-creation and retention data.

The number of jobs created through recruitment of businesses into the state decreased more than 50 percent – from 1,795 to 808 jobs – between fiscal years 2011 and 2012. Jobs created through business retention also declined, but to a lesser extent than

recruitment. Jobs created through expansion actually increased in FY 2012, and additional data will be necessary to determine if this represents a trend toward increased job outcomes in that area. The number of jobs created through new business startups have remained moderately consistent over time and do not appear to be affected in the same way by the recession.

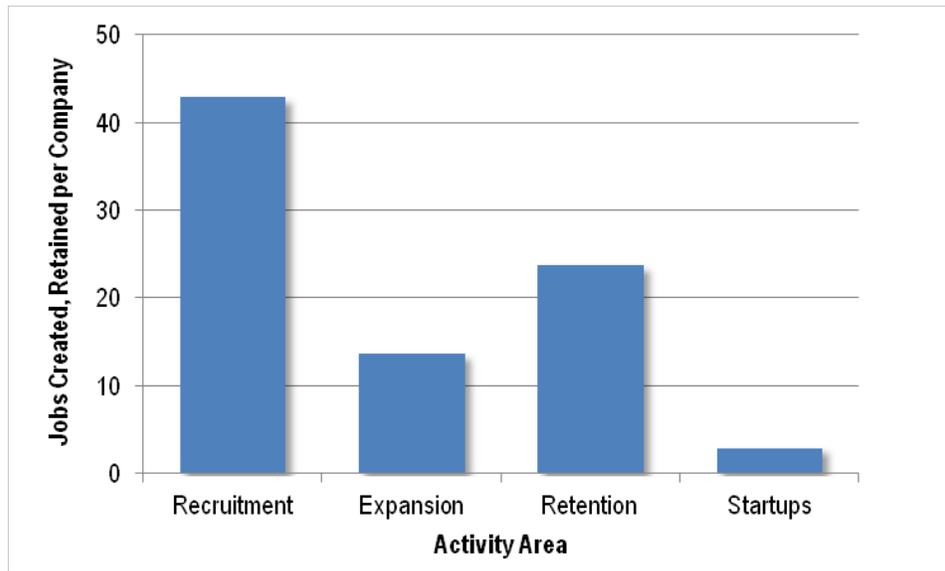
Figure 10: Percentage of Jobs Created vs. Retained, FY 2008-2012



Job outcomes can be divided into two broad categories: created and retained jobs. Recruitment, expansion, and new-business startup services create new jobs, and historically the majority of ADO job outcomes were jobs created through these activities. Figure 10 shows a slow decline in the percentage of jobs created versus jobs retained. The decline in the number of jobs created through recruitment is responsible for the majority of the change seen in FY 2012.

There were 21 companies recruited to the state in FY 2012 compared to 39 in the previous year, resulting in a significant reduction in the number of jobs created through recruitment. Recruited businesses create significantly more jobs per firm than businesses that expand, are retained, or are startups (Figure 11).

Figure 11: Average Number of Jobs per Company by Activity Area (Three-Year Average)



Businesses Served

ADOs partner with businesses to support relocation, retention, expansion, and startups. These companies are served in a variety of ways:

Recruitment is the process of assisting an out-of-state company to establish a presence in Washington. For the purposes of performance measurement reporting, a business is counted as having been “sited” when it has purchased or taken control of property with the intention of locating in a community, spending private-sector dollars and creating jobs.

Business expansion is the process of assisting an existing Washington business to meet its increased employment or space needs.

Retention is the process of assisting an existing Washington business to continue its operations at a sustainable level.

Startups are businesses that have generated revenue for less than a year, whether or not it has obtained a business license.

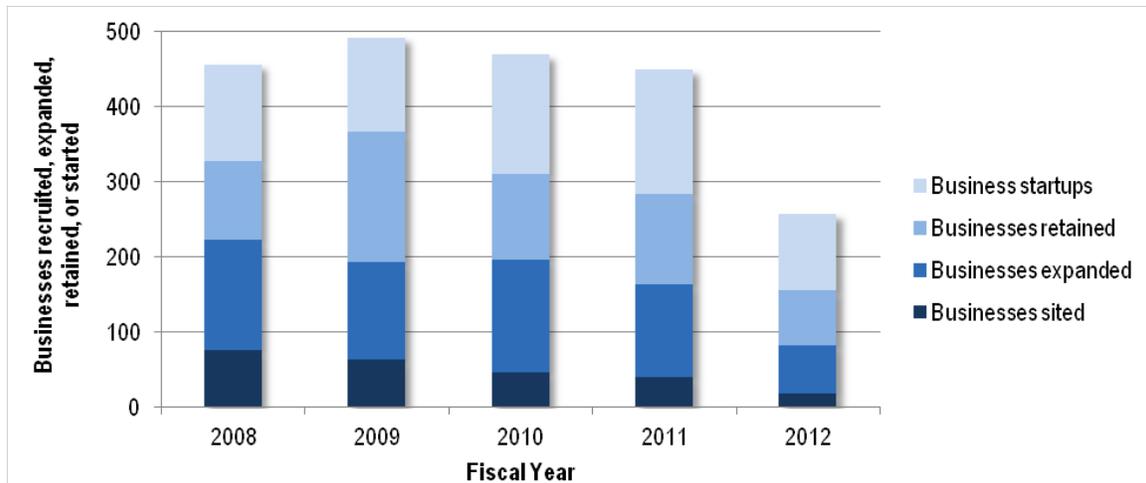
Table 2: Businesses Recruited, Expanded, Retained, and Started, FY 2008-2012

<i>Activity</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
Businesses recruited	75	62	46	39	21
Businesses expanded	147	130	150	123	64
Businesses retained	105	174	114	121	73
Business startups	128	125	158	165	102
Total businesses served	456	492	467	448	256

The number of businesses recruited, expanded, retained, or started remained moderately constant through 2011, but dropped by 46 percent in FY 2012 (Table 2). A decrease in this metric is not surprising, as there was a concurrent drop in job outcomes for the same fiscal year. Additionally, since the downturn in the economy, ADOs have taken significant budget cuts and in response have reduced their staff. However, this is a metric where the methodological changes in the performance measurement data collection have changed, so that FY 2012 is not entirely comparable to the previous years (see Improved Data Collection section on Page 11).

In the previous data-collection system, each ADO inputs the number of businesses with project outcomes each quarter. Some projects take many months to complete and may have produced reportable outcomes in multiple quarters. Each time the ADO made an entry to report the jobs or investment metrics, the business was added to the tally, artificially increasing the number of discreet businesses with job or investment outcomes. It is not feasible to determine the extent to which these data are impacted by these changes. The transition to the new cloud-based system should allow each company to be tracked over time and produce more accurate data.

Figure 12: Businesses Recruited, Expanded, Retained, and Started, FY 2008-2012



Private Investment

Private investment is the amount invested by private individuals (non-government) to finance a project, and can include private monies lent or equity invested. Overall, private investment has declined steeply through FY 2012. This is likely a consequence of certain incentives and funding sources that have expired or have been spent out. While the trend seems to be a decline, private investment historically tends to fluctuate substantially each year (Table 3). The wide variability is because a few large projects usually account for the majority of the statewide investment totals in each year. Adding to the inconsistency of the data, ADOs have stated that investment data are sometimes difficult to obtain from businesses. Therefore, these amounts are estimated or omitted from the ADO's project reports depending on the situation.

Table 3: Private Investment, FY 2008-2012

<i>Activity</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
Recruitment	\$403,664,258	\$681,865,500	\$348,264,993	\$165,799,700	\$113,146,000
Retention/expansion	\$272,857,631	\$421,399,810	\$687,218,281	\$303,365,359	\$114,916,867
Startups	\$24,412,523	\$23,823,700	\$6,980,430	\$107,390,670	\$108,249,592
Total	\$700,934,412	\$1,127,089,010	\$1,042,463,704	\$576,555,729	\$296,870,939

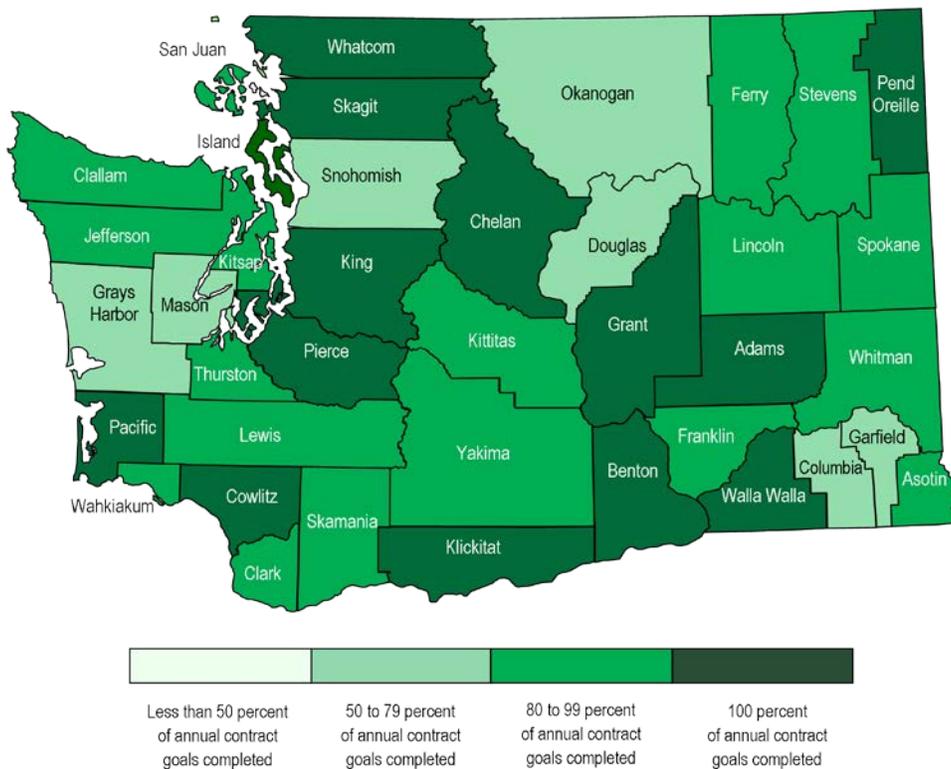
Activity Area Detail

This section details the input, outputs, and outcomes within each activity area. Inputs and outputs are the required economic development tasks required by each contract. The contracts set goals for the types and quantities of tasks that each ADO must complete in each contract year. Jobs, new businesses, and investment are the outcomes from these tasks.

Contract Goals

Commerce is required to review each ADO's performance annually. The ADO must meet its agreed-upon performance targets or a remediation plan is developed. Figure 13 shows the percentage of annual contract goals completed by each ADO in FY 2012. All ADOs met the minimum requirements of 50 percent goal completion, and a majority of the contracting organization met more than 80 percent of the goals set in their biennial contracts. ADOs representing 14 counties met 100 percent of their goals.

Figure 13: Percentage of Annual Contract Goals Completed, FY 2012



Performance measurement data were available for fiscal years 2008 through 2012. For the purpose of this study, the data were annualized by fiscal year for ease of comparison. Multi-year comparisons of the performance measures were made when appropriate.

Business Recruitment

An ADO's business recruitment efforts include making contacts with businesses and site selectors, and attending tradeshows to market its community as the ideal place for businesses to locate. As part of this marketing, most ADOs maintain websites with business statistics and demographic data. Through these activities, in FY 2012, ADOs recruited 21 companies statewide that created 808 jobs, 34 percent of which were above the average county annual wage (Table 4).

Business recruitment activity data show that the ADOs are meeting their goals for making new business contacts, working with site selectors, and attending trade shows. However, these efforts have resulted in fewer new clients than previous years and consequently fewer new jobs or businesses recruited. The use of contracted services to attend tradeshows on behalf of the ADOs has increased. While these services may provide more efficient use of the ADO's time and resources, additional research is needed to gauge their effectiveness to generate new clients.

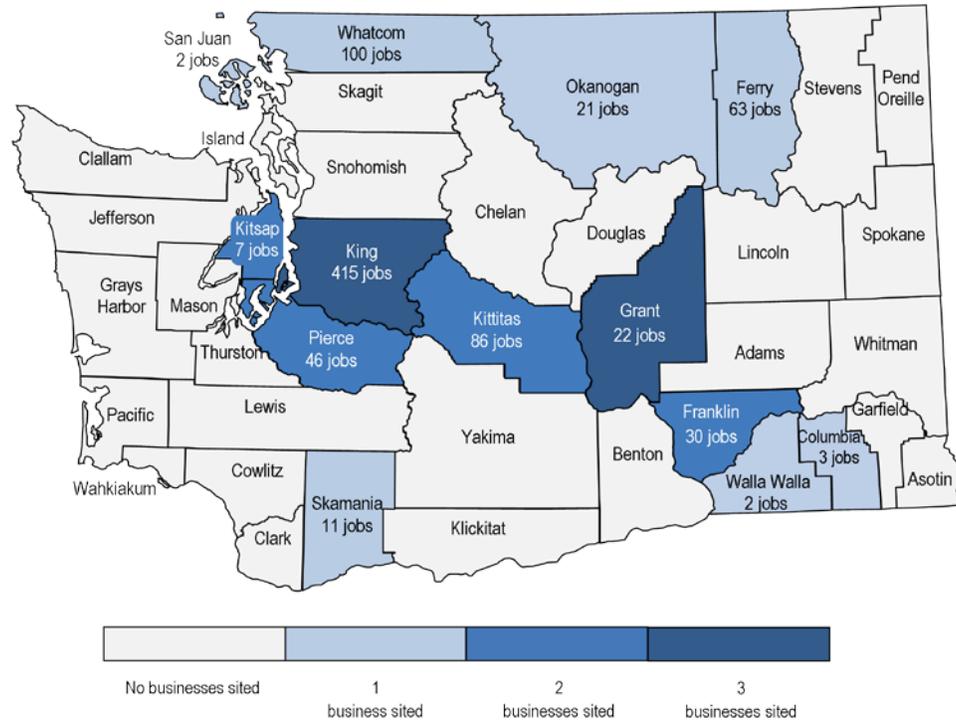
Table 4: Business Recruitment Performance Results

<i>Metric</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
Input					
Business contacts initiated	177,287*	245,209*	4,321	16,184	7,905
Site selectors	4,104	1,433	3,222	2,694	7,963
Trade shows	92	74	104	70	88
Output					
New clients	963	838	671	647	501
Inbound visits	161	132	177	129	123
Outcome					
Businesses recruited	75	62	46	39	21
Jobs created	2,456	1,719	1,771	1,795	808
Above county avg. wage	71%	53%	54%	27%	34%
Private investment	\$403,664,258	\$681,865,500	\$348,264,993	\$165,799,700	\$113,146,000

* Performance measure changed for FY 2010 to no longer include individual website hits.

Figure 14 shows the distribution of companies recruited throughout the state and the resulting jobs created. The majority of businesses are recruited to urban areas or those where the cost of business is lower. This aligns with survey findings that show urban counties prioritize recruitment activities more than rural counties. Factors influencing a company’s decision to locate in a particular area include available facilities, skilled workforce, and the cost of power.

Figure 14: Companies Recruited and Jobs Created, FY 2012



Major business recruitment projects in 2012 included:

- **Ferry County** assisted a trucking company to secure a five-year lease with the Republic Public Development Authority for space at the new industrial park. **Outcome:** \$671,000 in investments and 63 jobs.
- **Kittitas County** assisted an out-of-state restaurant franchise to locate a building site and facilitated zoning and permitting process and issues. The ADO completed a referral to WorkSource for workforce assistance. **Outcome:** 56 jobs.
- **Kittitas County** assisted an out-of-state grocery chain in location selection, demographic research including population, traffic counts, and consumer spending. The ADO also helped with permitting and workforce building. **Outcome:** \$3.5 million and 30 jobs.

- **Pierce County** recruited a company with dozens of locations nationwide to locate its corporate headquarters in Tacoma. **Outcome:** \$1.25 million and 40 jobs.
- **Whatcom County** assisted in the expansion of a fabrication facility “to better serve its growing client base in the state.” This company has also finalized a short-term lease that is anticipated to bring \$164,000 in revenue to the Port of Bellingham. **Outcome:** 100 jobs

Business Retention and Expansion

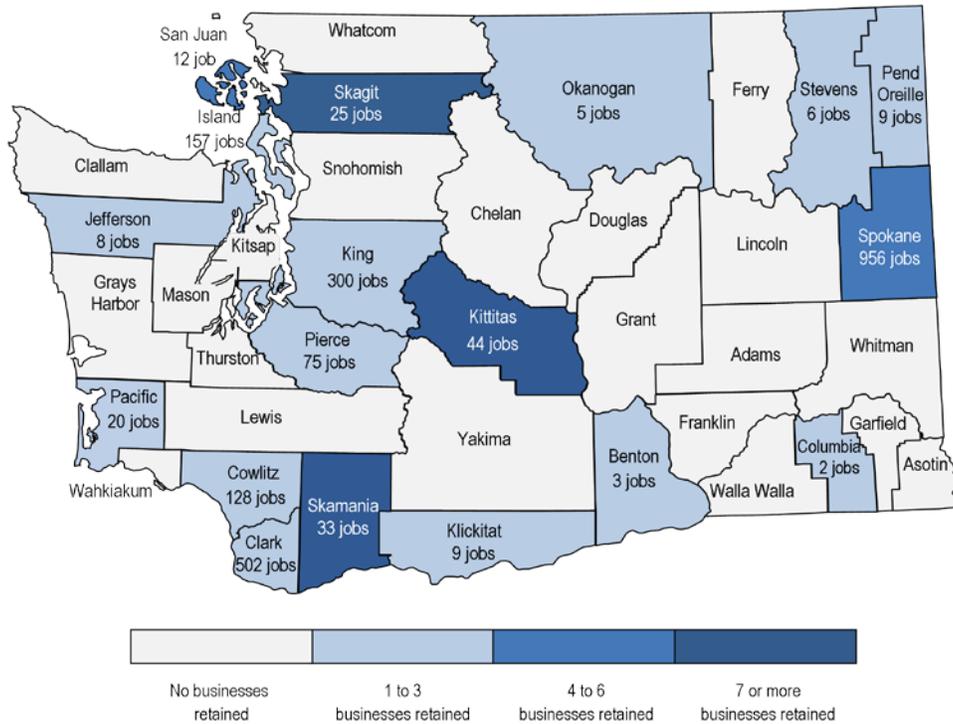
Business retention and expansion services are the core of an ADO’s work during the economic recession. The number of outreach interactions initiated by the ADOs has risen consistently over the past three years, showing an increased effort by the ADOs to create new business cases (Table 5). “Outreach interactions” are defined as first-time contacts that the ADOs make with businesses; subsequent contacts or follow-up is not included in this count. Despite this effort, the number of new business clients decreased by 23 percent in FY 2012.

In FY 2011, ADOs reported 116 retention projects and 123 business expansions, resulting in 2,349 retained jobs and 1,238 new jobs. In 2012, ADOs completed 73 retention projects and 64 business expansions, leading to 2,294 retained jobs and 1,551 new jobs. Jobs created through expansion increased 25 percent to 1,551 jobs in FY 2012 over the previous year, but still represent a nearly 50 percent decline from 2008 levels.

Table 5: Business Retention and Expansion Performance Results

<i>Metric</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
Input					
Outreach interactions initiated	7,572	2,582	1,084	1,335	1,539
Output					
New business cases	438	608	696	994	764
Referrals to partner org.	648	755	971	1,102	1,004
Outcome					
Businesses retained	105	174	113	116	73
Businesses expanded	148	131	150	123	64
Jobs retained	2,779	2,872	2,657	2,349	2,294
Jobs created (expansion)	2,785	2,509	1,803	1,238	1,551
Above county avg. wage	72%	55%	59%	31%	42%
Private investment	\$272,857,631	\$421,399,810	\$687,218,281	\$303,365,359	\$114,916,867

Figure 15: Businesses and Jobs Retained, FY 2012



Major business retention projects in 2012 included:

- **Columbia River EDC** (Clark County) assisted in securing a \$150,000 Workforce Investment Act (WIA) Fund award for worker training at the Frito-Lay plant. **Outcome:** \$15 million investment and 502 jobs.
- **Cowlitz EDC** (CEDC) worked with local partners at the Cowlitz Public Utility District to find a way to lower the operational costs. An existing two-year incentive was used to help the utility commit to keep the Longview plant open. **Outcome:** 128 above-average wage jobs.
- **GreaterSpokane** requested \$50,000 of the Governor’s Strategic Reserve Funds to help consolidate PepsiCo’s existing eastern Washington and northern Idaho operations. The city of the Spokane Valley facilitated the permitting process for the building improvements. **Outcome:** \$1.4 million, 34 new jobs and 94 retained jobs.
- **GreaterSpokane** received a retention/expansion project through a site selector. After 10 months of work, Liberty Mutual received Strategic Reserve Funds and moved to a new building in Liberty Lake. **Outcome:** \$5.3 million and 750 jobs retained.

Frito-Lay Plant Modernization in Clark County Secures Future

The Frito-Lay plant in Vancouver is one of the oldest of more than 30 such plants nationwide in the PepsiCo chain and, with 500 employees, one of the largest employers in Clark County. Facing several significant challenges that threatened the plant's competitiveness, Frito-Lay collaborated with the Clark County ADO to secure worker training. The \$150,000 WIA workforce training grant led directly to a \$15 million capital investment to modernize the facility and secure its future within the PepsiCo network.

Frito-Lay plants across the nation effectively compete with each other for corporate capital investment. A lack of automation, aging infrastructure, lack of capital to commit to employee retraining, and a loss of market share to more modern plants put the Vancouver facility at a competitive disadvantage. PepsiCo closed two plants of similar age in Michigan and Hawaii within the last decade. In addition, a 10-year water credit agreement with the city of Vancouver was set to expire in 2012, leading to increased costs for the facility and – in the view of the ADO and others – an increased threat to its continued viability within the PepsiCo network.

Beginning in July of 2011, six months prior to the expiration of the water agreement, Clark County ADO pulled together local partners to work with the plant and PepsiCo corporate to secure funds for worker training. The ADO coordinated more than a dozen of these meetings that included the city of Vancouver, Clark County Commissioners, Clark Public Utilities District, Southwest Washington Workforce Development Council, and Northwest Food Processors Association, as well as Commerce and the Governor's Office.

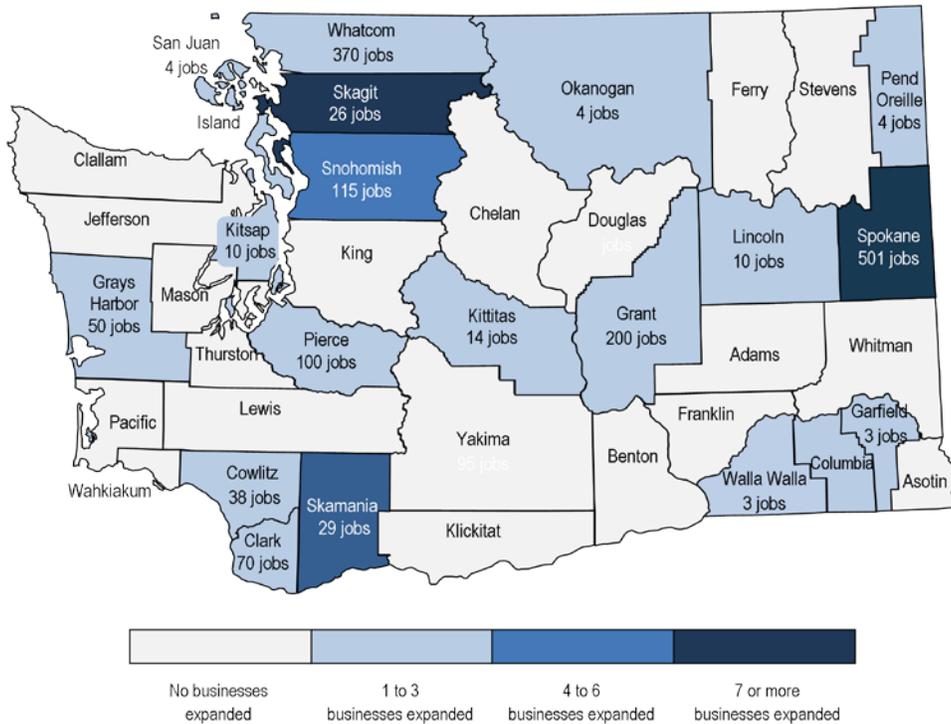
The WIA grant was awarded in November 2011, thereby leveraging the \$15 million investment from PepsiCo to modernize the plant. Following the training of more than 400 employees, Frito-Lay turned on its new \$15 million automated packaging system in July 2012, one day before the plant's 40th anniversary.

While securing competitiveness for the next decade, the new automated packaging equipment also enables the Vancouver facility to gain back business from other sister plants in Colorado and California, and increase its product line. The Vancouver facility is the main Frito-Lay plant serving the Pacific Northwest region of Washington, Oregon, Idaho, and Alaska.

Modernization also positions the plant to apply for "Global Excellence Distribution" status from PepsiCo within five years, which could potentially consolidate its Portland distribution operations into the Vancouver facility – leading to further capital investment and employment in Clark County. The Clark County ADO is seeking to turn recent job-retention efforts at Frito-Lay into future expansion.

Source: Bonnie Moore, Director of Business Development, Columbia River Economic Development Council (ADO), Southwest Washington Workforce Development Council (WDC)

Figure 16: Businesses Expanded and Jobs Created, FY 2012



Major business expansion projects in 2012 included:

- **Whatcom County** has been working to expand Heath Tecna for several years. In 2011, WIA funding provided support for Heath Tecna and resulted in an additional 250 jobs. **Outcome:** additional 120 jobs in 2012.
- **Pierce County** assisted Regence Blue Shield to expand their Tacoma office from 700 employees to 800 employees. Approximately 60 percent of the new jobs have wages above the county average wage. **Outcome:** 100 jobs.
- **Grant County** has been working with Genie Industries to expand after employment fell to only 400 jobs during the recession. Employment has been growing since 2010 and it has grown significantly in the first half of 2012 to nearly 900. **Outcome:** 200 jobs in 2012.
- **Cowlitz County** coordinated with Longview Schools, Lower Columbia College, Southwest Washington Workforce Development Council and WorkSource to assist Longview Fibre to find workers to fill 38 open positions. **Outcome:** 38 jobs.
- **Greater Spokane Inc.** helped SCAFCO Corporation take advantage of the Community Empowerment Zone incentive for a major expansion for grain bins production. **Outcome:** \$9.4 million investment and 22 jobs.

ADO Assistance Helps Spokane's SCAFCO Grain Systems Expand

Since the formation of the Spokane Community Empowerment Zone (CEZ) in 2001, 55 different companies have taken advantage of state sales tax deferrals/exemptions and B&O credits, resulting in a total estimated capital investment of over \$110 million and 1,260 new jobs through 2010. The Spokane ADO, Greater Spokane Inc., has been involved in nearly every one of those projects, including the \$9.4 million expansion of the SCAFCO Grain Systems manufacturing facility in 2012.

The SCAFCO expansion nearly doubled the floor space available for grain bin production, increased competitiveness through the purchase of new production equipment, and added 22 new jobs.

Greater Spokane Inc. previously worked with SCAFCO in 2009 to purchase 48 acres of vacant land from the city of Spokane thereby placing the former horse racing track back on city tax rolls and providing for manufacturing expansion.

In the normal course of business, Greater Spokane Inc. regularly visits local companies to keep them up to date on incentive opportunities, including the benefits of the CEZ.

As a result of ongoing contact, CEZ program education, and an established relationship, SCAFCO began working with the ADO in January 2012 to apply for a sales tax deferral under the CEZ for the expansion of its grain bin manufacturing facility. At least 50 percent of SCAFCO's grain bin systems are exported to over 78 countries.

The ADO assisted with preparation of the application, answered company questions regarding the CEZ program, and acted as a facilitator with the state Department of Revenue throughout the process. The application was submitted in March 2012. Concurrent with the CEZ application, the ADO brought together various city of Spokane departments with SCAFCO to facilitate the permitting process for actual construction.

Greater Spokane Inc. estimates that SCAFCO saved nearly \$800,000 from sales tax credits on its \$9.4 million manufacturing expansion.

Source: Stan Key, Manufacturing Industry Manager, Greater Spokane Incorporated (Spokane ADO)

Business Startups

ADOs help new businesses develop business plans, research markets, understand the regulatory environment, get appropriate permits and licenses, and access capital. For the purposes of reporting, a startup business is defined as company that may or may not have a business license and has generated revenue for less than a year. A large portion of the clients – especially in more urban areas – are referred to partner agencies such as SBDCs, which provide an array of services to small businesses.

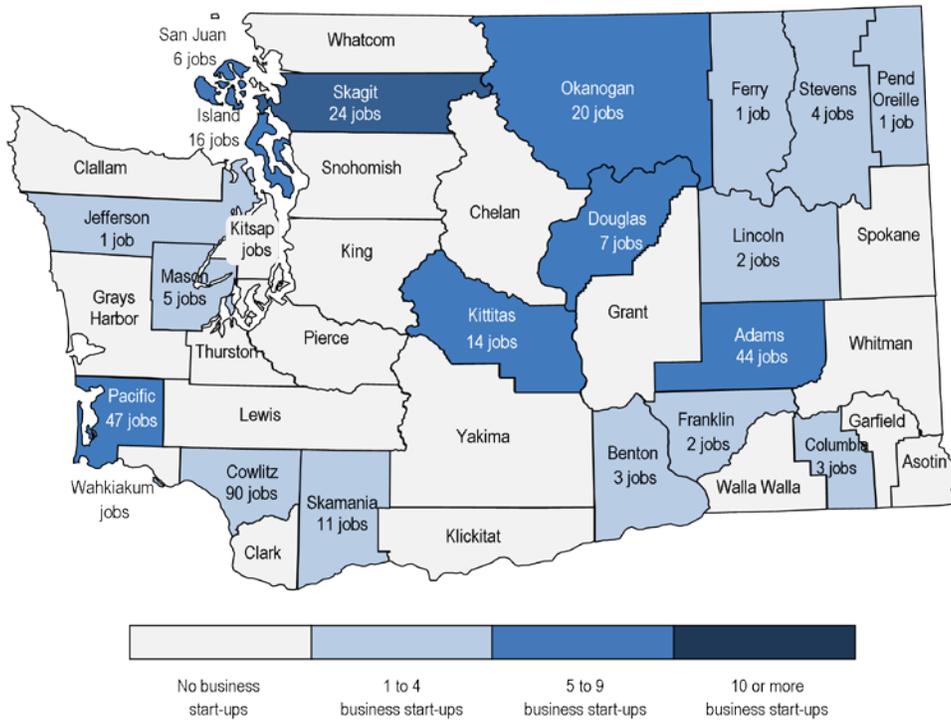
ADOs provided business startup services to 165 new businesses in FY 2011 and 102 in 2012. In 2012, ADOs helped create 301 jobs (Table 6). This represents a 38 percent decrease in new companies created from the previous year. Correspondingly, there was also a 33 percent decrease in businesses requesting assistance. The data show that ADOs are able to help start approximately 10 percent of the businesses requesting assistance.

The amount of private investment has risen significantly in the last two years. This increase is generally attributable to several large investments in projects to restart businesses in facilities that were closed because of the recession. These projects tend to be larger and require substantial upfront investment. These large projects stand out from the average startup projects, which usually have significantly lower upfront investments and fewer employees hired than the other ADO activity areas (see Figure 11 on Page 23).

Table 6: Business Startup Performance Results

<i>Metric</i>	<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>
<i>Input</i>					
Requests for assistance	678	713	1,822	1,575	1,042
Startup business workshops	163	118	160	224	197
<i>Output</i>					
Referrals to partner org.	629	1102	647	517	516
<i>Outcome</i>					
New businesses started	128	125	158	165	102
Jobs created	391	347	404	540	301
Jobs above county avg. wage	25%	25%	47%	26%	8%
Private investment	\$24,412,523	\$23,823,700	\$6,980,430	\$107,390,670	\$108,249,592

Figure 17: Businesses Started and Jobs Created, FY 2012



Major business startup projects in 2012 included:

- Cowlitz County** – In 2010, Bennu Glass LLC purchased the Cameron Family Glass plant, which had previously employed 100 workers before closing in 2009. Bennu Glass opened its wine bottle manufacturing facility in July 2012. The Cowlitz EDC assisted with hiring the workforce and the company is currently applying for a Job Skills Program grant. **Outcome:** \$65 million investment and 90 jobs.
- Adams County** assisted with the opening of Ritz House. The owners remodeled the facility, purchased new equipment, hired and trained new employees. **Outcome:** \$60,000 investment and 15 jobs.

Worker Training Key to Success for Cosmo Specialty Fibers

Following a \$110 million investment in a mill shuttered in 2006, Cosmo Specialty Fibers opened its newly renovated pulp mill in Cosmopolis in May of 2011 and soon began exporting its product to Asia. The high volume of high-quality “dissolvable” pulp is used in the manufacture of a wide range of products, from rayon to the tough composite screens on consumer electronic devices. Unable to compete on price point in the world marketplace, Cosmo is competing with quality and a specialty product they believe is an important building block for the new economy.

Achieving a pulp product of exceptional quality and purity takes a trained workforce versed in Lean manufacturing, quality improvement, Six Sigma, computer database programs, real-time monitoring of production, and other processes. Workforce training was a critical component of the Cosmo business plan. Grays Harbor ADO assumed the role as a single source of contact in the development and implementation of the program as it worked with Cosmo to assess its training needs.

Working with a number of local partners, the Grays Harbor ADO coordinated critical worker training for Cosmo. The customized training of the local workforce, one already versed in pulp production, was achieved by pulling together local players, including the Pacific Mountain Workforce Development Council and Grays Harbor Community College.

The training program investment of over \$125,000 was funded in part with WIA grants. A total of 175 workers were trained in the program through Grays Harbor College. Current employment at Cosmo is 200 workers with 95 percent from Washington State, many of whom worked at the previous Weyerhaeuser facility. In its first year of operation, Cosmo estimated it contributed \$160 million to the local economy in labor, material, and fiber expenditures.

Source: Tim Gibbs, CEO, Greater Grays Harbor Inc. (Grays Harbor ADO)

Community Asset and Capacity Building

Community capacity and asset building is a fundamental role of ADOs. In many areas, these activities are paving the way for future business recruitment and expansion. ADOs are expected to sponsor or co-sponsor events, seminars, and other structured activities involving the community on a broad range of topics, including transportation, housing, and clusters or targeted industry strategies.

ADOs are also required to participate in engagements with other organizations and local governments to increase community assets and capacity. The purpose of these meetings is to increase the community’s ability to grow and prosper economically. ADOs report

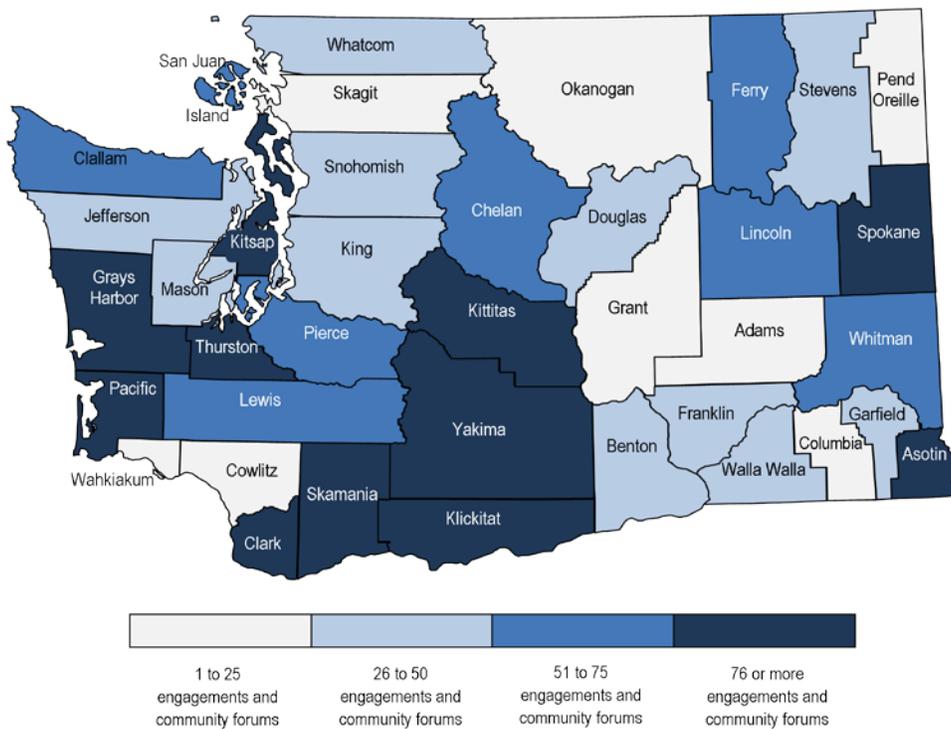
the number of events they attend where they are able to gather data, identify issues, or express thanks to local businesses. As a measure of an ADOs participation in community assets and capacity building, the number of engagements and community forums sponsored by the ADO is collected (Table 7 and Figure 18).

Table 7: Community Asset Building Performance

Metric	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Input: Engagements with partners	1,690	2,266	1,756	1,901	2,084
Output: Community forums	232	297	543	567	474

The number of engagements with partners has steadily increased over the past three years, underscoring the ADOs’ commitment to relationship building with their many partners. The number of community forums hosted by ADOs peaked in 2011 with 567 events statewide. The number of events number dropped to 474 in 2012.

Figure 18: Engagements and Community Forums, FY 2012



Pre-Employment Training Helps Genie Industries – and Local Workers

A successful pre-employment training program initiated by the Grant County ADO in partnership with local industry continues to ensure sufficient numbers of trained local workers ready for employment in a manufacturing environment.

In 2008, Grant County ADO noticed the chief issue facing industries in the area was hiring skilled entry-level employees. The ADO pulled together as many industries as it could and, using a community college model from Ohio, worked with local Big Bend Community College and WorkSource to implement the Pre-Employment Training, or P.E.T. program. This program is funded completely by the local manufacturing industry.

An intensive five-week training program incorporates real-world learning in the participating manufacturer's plants. Both Lean manufacturing and "just-in-time" production practices are part of the training.

Genie Industries in Moses Lake is the largest industrial employer in Grant County and manufactures lifts used in construction and maintenance. The facility lost a significant number of jobs during the economic downturn, bottoming out at about 400 employees. However, a series of manufacturing consolidations within the company has more than doubled those employment numbers in Grant County since 2010.

Genie was one of the 11 original business partners in the P.E.T. program. It is now under the umbrella of Big Bend Community College. The Grant County ADO continues its assist in improving the program, which has graduated 175 students with a diverse demographic background.

On graduation night, P.E.T. graduates receive a certificate and meet with potential employers. More than 85 percent find jobs within the program's sponsoring industries, and 97 percent find employment within the local manufacturing industry.

In 2011, Genie extended the lease of its 500,000-square-foot manufacturing facility at the Port of Moses Lake for an additional 15 years. Graduates of the P.E.T. program continue to find new employment at Genie as it expands and the company continues to benefit from a local skilled workforce.

Source: Jonathan Smith, Executive Director, Grant County Economic Development Council (Grant County ADO)

Conclusion

In fiscal years 2011 and 2012, ADOs reported that they recruited 60 companies to locate new facilities within the state, provided support for 381 businesses to stay open or expand, and helped 267 new businesses get off the ground. Combined, these efforts led to 10,085 jobs created and retained, and just over \$697 million in private investment.

ADO Priorities

Retention and expansion services were rated as a higher priority for the majority of counties (89 percent and 86 percent, respectively). This finding appears to be consistent with the businesses needs during the past few years, as they have struggled through the recession. Expansion was a higher priority for 100 percent of counties with populations above 75,000. Retention was a higher priority for 100 percent of the smaller counties. Smaller counties also ranked business startup services and building community capacity as higher priorities than recruitment.

Recruitment was rated a high priority mostly by the larger-population counties (populations over 75,000). These counties generally have more infrastructure and workforce to offer a company that is looking to relocate into the state, and are more focused than smaller rural counties on recruiting new firms.

Business Recruitment Outcomes

ADOs recruited 21 companies statewide in FY 2012, creating 808 jobs, 34 percent of which were above the average county annual wage. Business recruitment activity data show that the ADOs are meeting their goals for making new business contacts, site selectors, and attending trade shows. However, these efforts have resulted in fewer new clients than previous years, and fewer new jobs or business recruited.

The majority of businesses are recruited to more urban areas or areas where the cost of business is lower, especially energy costs. Factors influencing a company's decision to locate in a particular area include available facilities, skilled workforce, and the cost of power.

Business Expansion and Retention Outcomes

ADOs completed 73 retention projects and 64 business expansions in FY 2012, which retained 2,294 jobs and generated 1,551 new jobs. ADOs reported an increased level of outreach efforts for the year, however the number of new business cases decreased by 23 percent as compared to 2011. The number of businesses retained or expanded in 2012 also declined. Generally, the number of jobs created and retained annually has dropped to some extent over the past five years, with the exception of an increase in successful expansions in 2012.

Business Startup Outcomes

ADOs provided business startup services to 102 new businesses in FY 2012, creating 301 jobs. The amount of private investment has risen significantly in the last two years. This increase is generally attributable to several large investments in projects to restart businesses in facilities that were closed as a result of the recession.

Funding Stability

ADOs sustained several funding reductions between fiscal years 2010 and 2012 from local-public, federal, and private partners. Several ADOs increased funding from certain sources, but the overall trend was a loss of funding. Federal-partner funding dropped by 45 percent, local-public partners reduced their funding by 13 percent, and private-partner funding was reduced by 29 percent over the three-year period. The total funding decrease from all sources was approximately 20 percent from fiscal years 2010 to 2012.

ADO services have been impacted by budget reductions from federal, public, and private partners, resulting in a decline in the number of jobs and business outcomes created by the ADO network as compared to previous years. The full extent of this drop in ADO outcomes is not fully explained by budgetary cuts or even the effects of the recession.

A portion of the decline is attributable to several incremental program changes that have improved the data collection system and increased the accuracy of the data. These changes have made the latest round of data less comparable with past years – most noticeably in the count of the companies served by the ADOs. However, improvements in data collection will allow the state to obtain future performance data that are more meaningful and accurate.

Changes in metrics are illustrative of how Commerce and the ADO network have been working through a series of programmatic improvements that include transitioning to a cloud-based performance measurement reporting system, implementing recent legislative changes, and engaging in a Lean process for contracting and reporting coordination. The overarching goal is to strengthen the ADO program and to use resources more efficiently.