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**SUBSTITUTE SENATE BILL 5223**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** Senate Committee on Trade, Technology & Economic Development  
(originally sponsored by Senators Skratek, Erwin, Bluechel, M.  
Rasmussen, Deccio and Winsley)

Read first time 02/22/93.

1 AN ACT Relating to the Washington state self-employment loan  
2 program; adding a new chapter to Title 43 RCW; and making an  
3 appropriation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that:

6 (1) The existence of poverty within the state is of substantial  
7 public concern, posing a serious threat to the safety, health, and  
8 welfare of the state's residents, causing significant public  
9 expenditures, and jeopardizing sources of public revenue;

10 (2) Self-employment is a realistic means by which some low-income  
11 persons can escape poverty and the cycle of dependence that traditional  
12 welfare programs may perpetuate; and

13 (3) Insufficient opportunity currently exists for those in poverty  
14 to become self-employed, due primarily to their unique training and  
15 financial needs.

16 Therefore, the legislature declares that there is substantial  
17 public purpose in providing training and capital to promote the self-  
18 employment of low-income persons in Washington. To accomplish this

1 purpose, the legislature creates the Washington state self-employment  
2 loan program.

3 NEW SECTION. **Sec. 2.** Unless the context clearly requires  
4 otherwise, the definitions in this section apply throughout this  
5 chapter.

6 (1) "Department" means the department of community development.

7 (2) "Director" means the director of the department of community  
8 development.

9 (3) "Low-income individual" means any person:

10 (a) Whose personal income is no greater than fifty percent of the  
11 median personal income for the county where the person resides or who  
12 is a member of a family whose income is no greater than fifty percent  
13 of the median family income for the county where the person resides; or

14 (b) Eligible to receive cash welfare payments under any federal,  
15 state, or local welfare program or is eligible to receive food stamps.

16 NEW SECTION. **Sec. 3.** Subject to the restrictions contained in  
17 this chapter, the department is authorized to solicit and approve  
18 applications of local development organizations for funds which the  
19 local organization will use within a self-employment program as a  
20 revolving loan fund to finance the small businesses of low-income  
21 individuals within their jurisdiction.

22 NEW SECTION. **Sec. 4.** The department shall approve those  
23 applications for funds that meet the minimum standards set forth in  
24 this chapter and that will best serve the intent of this chapter to  
25 provide self-employment for low-income persons in Washington state.

26 (1) The department shall not approve any application for more than  
27 sixty thousand dollars.

28 (2) In the first year of each biennium, the department may approve  
29 distribution of up to one-half of the fund appropriated to carry out  
30 the purposes of this chapter, with the remaining funds distributed in  
31 the second year.

32 (3) The department may approve up to two applications from a single  
33 organization, but only one each biennium.

34 NEW SECTION. **Sec. 5.** An application to the department shall  
35 include, but is not limited to:

1 (1) A detailed description of the need for a self-employment  
2 program in the area served by the applicant organization, including  
3 economic conditions and other characteristics of the community which  
4 the program would address;

5 (2) A detailed description of the applicant organization and its  
6 capacity to administer a self-employment program that includes a  
7 revolving loan fund. Relevant information may include the  
8 organization's standing in the community, its experience with low-  
9 income persons and in business training and development, its fiscal  
10 record, its relationship with other community organizations and  
11 governmental entities, and its staff resources;

12 (3) A detailed description of the self-employment program into  
13 which the revolving loan fund will be incorporated, including, but not  
14 limited to, a description of:

15 (a) The criteria and procedure by which program participants will  
16 be selected, explaining any particular groups that will be targeted and  
17 why;

18 (b) The personal and business training that will be provided  
19 program participants, including curriculum, schedule, training  
20 providers, and how this training will meet the unique needs of the  
21 community's low-income individuals wishing to become self-employed;

22 (c) The loan process, including the criteria and procedure by which  
23 applicants will be screened, general terms of the loans, and the means  
24 by which the organization will facilitate timely repayment; and

25 (d) Any oversight, social support, and follow-up assistance to be  
26 provided program participants who have been trained or provided loans.

27 (4) Any other information the department deems necessary to fully  
28 evaluate an organization's ability to carry out the purpose of this  
29 chapter.

30 NEW SECTION. **Sec. 6.** Any local development organization receiving  
31 funds under this chapter shall:

32 (1) Use the funds only in a revolving loan fund to finance the  
33 businesses of low-income individuals participating in the  
34 organization's self-employment program;

35 (2) Provide no loan out of these funds of more than five thousand  
36 dollars;

1 (3) Charge a reasonable rate of interest on loans provided out of  
2 these funds, using interest payments received for program  
3 administrative costs;

4 (4) Annually submit to the department a detailed report on the  
5 progress and status of the self-employment program and loan fund  
6 including, but not limited to:

7 (a) A description and explanation of any changes in the program  
8 from the original application;

9 (b) The number and characteristics of participants in the program,  
10 including their training status;

11 (c) The current employment status of those who have completed  
12 training;

13 (d) The number and size of loans provided, the terms of the loans,  
14 and their repayment status;

15 (e) A self-evaluation detailing the strengths and weaknesses of the  
16 program and what the local development organization will do to improve  
17 the program in the following year;

18 (f) Any other information the department deems necessary to:

19 (i) Evaluate the effectiveness of the program in carrying out the  
20 intent of this chapter; and

21 (ii) Determine the program characteristics that have contributed to  
22 or detracted from such effectiveness.

23 NEW SECTION. **Sec. 7.** If the department finds that an organization  
24 to whom funds were distributed under this chapter is unable to meet the  
25 intent of the chapter, the department may require that such funds be  
26 returned to the department for redistribution by the department.

27 NEW SECTION. **Sec. 8.** The department shall:

28 (1) Work with local development organizations to promote  
29 applications for funds; and

30 (2) Adopt rules to carry out its authority under this chapter.

31 NEW SECTION. **Sec. 9.** The department shall biennially report to  
32 the appropriate standing committees of the legislature on the progress  
33 and status of the self-employment loan program. The report shall  
34 include sufficient data to evaluate program effectiveness, including,  
35 but not limited to, a compilation and summary of the annual reports  
36 submitted by local organizations under section 6 of this act.

1        NEW SECTION.    **Sec. 10.**    If any provision of this act or its  
2 application to any person or circumstance is held invalid, the  
3 remainder of the act or the application of the provision to other  
4 persons or circumstances is not affected.

5        NEW SECTION.    **Sec. 11.**    Sections 1 through 9 of this act shall  
6 constitute a new chapter in Title 43 RCW.

7        NEW SECTION.    **Sec. 12.**    The sum of two hundred seventy thousand  
8 dollars, or as much thereof as may be necessary, is appropriated for  
9 the biennium ending June 30, 1995, from the general fund to the  
10 department of community development for the purposes of this act. No  
11 more than fifteen percent of this appropriation may be used by the  
12 department for administration costs.

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