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SENATE BILL 6321

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State of Washington

53rd Legislature

1994 Regular Session

By Senators Bluechel, Skratek, Cantu, Sheldon, Williams, Erwin, M. Rasmussen, Snyder, Winsley and Oke

Read first time 01/19/94. Referred to Committee on Trade, Technology & Economic Development.

1 AN ACT Relating to networks for assisting businesses; amending RCW  
2 43.330.010 and 43.330.060; adding new sections to chapter 43.330 RCW;  
3 creating a new section; making an appropriation; and providing an  
4 effective date.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that most net job  
7 growth in Washington in the past decade came from small firms which  
8 grew rapidly, and the vitality of the state's economy is becoming  
9 increasingly dependent on them. Continued success of these firms  
10 depends on their ability to quickly adapt to customers' changing needs.  
11 Smaller businesses, however, often lack the resources necessary to keep  
12 pace with rapid changes in the global marketplace. Linkages between  
13 firms can allow groups of firms to work together to accomplish commonly  
14 needed tasks, solve common problems, or exploit common opportunities.  
15 The formation of flexible networks allows smaller firms to maintain  
16 their inherent freedom and flexibility, yet enjoy the economies of  
17 scale that are achieved by pooling resources, facilities, and services.  
18 Flexible networks can enhance the competitiveness of small businesses  
19 in the global marketplace. Flexible networks can also enhance state

1 economic development efforts by allowing agencies to deliver an  
2 integrated package of services to entire groups of firms with similar  
3 needs and leverage limited economic development resources.

4 The legislature further finds that many flexible networks that have  
5 developed were spontaneous and reflective of the needs of the  
6 participating firms. Moreover, the sustainability of a flexible  
7 network depends on the commitment of the member firms. However, lack  
8 of a cooperative tradition among firms and lack of awareness of the  
9 benefits of flexible networks are obstacles to the development of  
10 flexible networks.

11 The legislature further finds that public sector technical  
12 assistance and financial support is often needed to overcome obstacles  
13 to network formation. The department of community development and the  
14 department of trade and economic development have assisted networks in  
15 the defense contractor and secondary wood products industries through  
16 technical assistance and grants. Additional network support of the  
17 same types may be needed in these sectors or other targeted sectors  
18 such as biotechnology, software, environmental management, and  
19 recycling, and in other sectors of the economy where interest in  
20 networks develops.

21 It is the intent of the legislature that the state fulfill a needed  
22 role in stimulating the formation of flexible networks and in assisting  
23 firms with overcoming their resistance to cooperating with competitors.  
24 It is not the intent of the legislature to encourage or assist in the  
25 creation of joint business ventures which engage in anticompetitive  
26 behavior.

27 **Sec. 2.** RCW 43.330.010 and 1993 c 280 s 3 are each amended to read  
28 as follows:

29 Unless the context clearly requires otherwise, the definitions in  
30 this section apply throughout this chapter.

31 (1) "Associate development organization" means a local economic  
32 development nonprofit corporation that is broadly representative of  
33 community interests.

34 (2) "Department" means the department of community, trade, and  
35 economic development.

36 (3) "Director" means the director of the department of community,  
37 trade, and economic development.

1       (4) "Flexible network" means a group of private sector firms that  
2 works cooperatively to manufacture, sell, or market products or  
3 services, develop technology, or create or disseminate information.

4       NEW SECTION. Sec. 3. A new section is added to chapter 43.330 RCW  
5 to read as follows:

6       (1) For the purposes of this section:

7       (a) "Flexible network broker" means a person who is trained to  
8 assist private sector firms to form flexible networks and make other  
9 similar efforts to provide for joint manufacturing, marketing,  
10 technology development, information dissemination, and other  
11 activities.

12       (b) "Industrial service center" means a nonprofit organization  
13 providing services to an entire industry or sector in a defined  
14 geographic region.

15       (2) The department shall develop appropriate measures to promote  
16 and make more widely known the opportunities that flexible networks  
17 offer to improve the competitiveness of small businesses.

18       (3) The department shall direct federal economic development funds  
19 and grant awards to directly assist groups of firms to form flexible  
20 networks. The department shall:

21       (a) Make competitive grants, not to exceed twenty thousand dollars  
22 each, to groups of at least five firms for specific network activities  
23 or projects. Grant awards may not exceed seventy-five percent of the  
24 entire amount of the actual expenditure on the funded activity or  
25 project; and

26       (b) Assist in seeking and applying for other sources of funding or  
27 in-kind assistance.

28       The department may also require that, to be eligible for direct  
29 assistance, the flexible network collect from firms that participate in  
30 a flexible network membership dues or user participation fees to help  
31 defray the costs of the project. The department shall continue to  
32 pursue funding from federal and private resources to continue the  
33 direct assistance necessary to execute this section.

34       NEW SECTION. Sec. 4. A new section is added to chapter 43.330 RCW  
35 to read as follows:

36       The department shall promote and assist in the formation of  
37 flexible networks by associate development organizations, as defined in

1 RCW 43.330.010, and local governments. The department's activity shall  
2 include, but not be limited to, the establishment and administration of  
3 a competitive grant program for the support of associate development  
4 organization and local governmental flexible network activities. The  
5 department shall award grants of not greater than seventy-five thousand  
6 dollars to associate development organizations and local governments  
7 for the purpose of organizing and developing multiple flexible networks  
8 or industrial service centers. The department shall also award grants  
9 of not greater than twenty thousand dollars to associate development  
10 organizations and local governments for the purpose of supporting  
11 specific flexible network activities or projects. The department may  
12 require that associate development organizations and local governments,  
13 to be eligible for grants, require the commitment of resources by the  
14 members of the flexible network in the form of user participation fees  
15 or membership dues.

16 **Sec. 5.** RCW 43.330.060 and 1993 c 280 s 9 are each amended to read  
17 as follows:

18 (1) The department shall assist in expanding the state's role as an  
19 international center of trade, culture, and finance. The department  
20 shall promote and market the state's products and services  
21 internationally in close cooperation with other private and public  
22 international trade efforts and act as a centralized location for the  
23 assimilation and distribution of trade information.

24 (2) The department shall identify and work with Washington  
25 businesses that can use local, state, and federal assistance to  
26 increase domestic and foreign exports of goods and services.

27 (3) The department shall work generally with small businesses and  
28 other employers to facilitate resolution of siting, regulatory,  
29 expansion, and retention problems. This assistance shall include but  
30 not be limited to assisting in work force training and infrastructure  
31 needs, identifying and locating suitable business sites, and resolving  
32 problems with government licensing and regulatory requirements. The  
33 department shall facilitate the development of flexible networks or  
34 consortia in which small businesses can identify common needs and  
35 opportunities. The department shall identify gaps in needed services  
36 and develop steps to address them including private sector support and  
37 purchase of these services.

1 (4) The department shall work to increase the availability of  
2 capital to small businesses by developing new and flexible investment  
3 tools and by assisting in targeting and improving the efficiency of  
4 existing investment mechanisms.

5 (5) The department shall assist women and minority-owned businesses  
6 in overcoming barriers to increased investment and employment and  
7 becoming full participants in Washington's traded sector economy.

8 NEW SECTION. **Sec. 6.** The sum of one hundred fifty thousand  
9 dollars, or as much thereof as may be necessary, is appropriated for  
10 the biennium ending June 30, 1995, from the general fund to the  
11 department of community, trade, and economic development for the  
12 purposes of section 3 of this act.

13 NEW SECTION. **Sec. 7.** This act shall take effect July 1, 1994.

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