

HOUSE BILL REPORT

SSB 5723

As Passed House - Amended:

April 14, 2009

Title: An act relating to providing support for small business assistance.

Brief Description: Providing support for small business assistance.

Sponsors: Senate Committee on Economic Development, Trade & Innovation (originally sponsored by Senators Kastama, Shin and Swecker).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/23/09, 3/26/09 [DPA];

Ways & Means: 4/4/09 [DPA(WAYS w/o CEDT)].

Floor Activity

Passed House - Amended: 4/14/09, 95-2.

Brief Summary of Substitute Bill (As Amended by House)

- Directs the Small Business Development Center (SBDC) to work with specified state and local economic and workforce development organizations to integrate, target, coordinate, and tailor its services and to establish and expand satellite offices when financially feasible.
- Creates the Business Assistance Account (Account) in the custody of the State Treasurer and directs the SBDC to first use Account funds to increase small business assistance at satellite offices.
- Adds an institution's contributions to local or statewide business assistance organizations as a twelfth factor for the Department of Financial Institutions' consideration when rating a bank's performance in meeting community credit needs.
- Requires state agency solicitations of purchased goods and services, personal services, information services, and printing services be posted on the state's common vendor registration and bid notification system.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- Requires the state's central services agencies to develop procurement policies and procedures which encourage and facilitate state agency purchases of products and services from small businesses in Washington.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Orcutt, Parker, Probst and Sullivan.

Staff: Meg Van Schoorl (786-7105)

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means and without amendment by Committee on Community & Economic Development & Trade. Signed by 18 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Cody, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Seaquist and Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Chandler and Schmick.

Staff: Debbie Driver (786-7143)

Background:

Washington Small Business Development Centers.

The Washington Small Business Development Center (SBDC) at Washington State University (WSU) has the statutory purpose of providing management and technical assistance, such as training, counseling, and research, to small businesses. The SBDC is a cooperative effort of WSU, other educational institutions, economic development organizations, and the U.S. Small Business Administration. The SBDC has business adviser centers at 23 locations. Thirteen are operated directly by WSU and 10 are operated under contract with WSU. Some are located at community colleges and some are co-located with economic development councils and other community-based locations. The SBDCs are supported by both federal and state funds.

Federal Community Reinvestment Act and the Washington Community Credit Needs Act.

The federal Community Reinvestment Act of 1977 (CRA) was enacted to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low-income and moderate-income neighborhoods. The CRA requires a periodic evaluation of the record of each bank and thrift in helping meet these credit needs. The evaluation is taken into account in considering an institution's applications for charters or for approval of bank

mergers, acquisitions, and branch openings. The CRA examinations are conducted by the federal agencies that are responsible for regulating the various banks and thrifts.

In 1985 the Legislature adopted the Community Credit Needs Act (Act). The Act is similar to the CRA. The Legislature stated that banks "have a responsibility to meet the credit needs of the businesses and communities of Washington, consistent with safe and sound business practices and the free exercise of management discretion." The Director of the Department of Financial Institutions (Director) is required to investigate whether a bank is satisfactorily meeting the credit needs of its community. The Director must accept any CRA report or document that a bank must file with a federal agency in lieu of an investigation. In assessing a bank's performance, 11 statutory factors must be considered. The examination report summarizes the assessment results and assigns a community reinvestment rating from "one" to "five" where "one" is excellent and "five" is poor performance. A bank's community reinvestment performance must be taken into account before approving any application for a new branch; an acquisition, merger, conversion, or purchase of assets of another institution that is not required for solvency reasons; or the exercise of any new power.

Summary of Amended Bill:

The SBDC must work with the Department of Community, Trade and Economic Development, the State Board for Community and Technical Colleges, the Higher Education Coordinating Board, the Workforce Training and Education Coordinating Board, the Employment Security Department, the Washington State Economic Development Commission, associate development organizations, and workforce development councils to: integrate and coordinate the SBDCs with other state economic and workforce development programs; target the SBDC services to in-state small businesses; tailor each center's outreach and services to local needs and demographics; and establish or expand satellite offices when financially feasible.

The WSU SBDC is directed to request the U.S. Small Business Administration approval of a special emphasis initiative to target assistance to Washington's smaller businesses. The initiative is to be negotiated and included in the first cooperative agreement application process occurring after the effective date.

A Business Assistance Account (Account) is established in the custody of the State Treasurer. Expenditures may be authorized only by the SBDC administer or designee, and may only be used to expand business assistance services. No appropriation is required, but the Account is subject to allotment.

The SBDC must submit to appropriate legislative committees a progress report by December 1, 2009, and a final report by December 1, 2010. The reports must address the SBDC's progress on the directives in the act, as well as on the amount and use of funding received through the Account. In addition, the report must include specified data regarding satellite offices, affiliations with local organizations, small businesses assisted, types of services provided, and outcomes achieved.

If any portion of the act conflicts with federal fund allocation requirements, the validity of the remaining parts of the act are not affected.

A bank's contributions to local or statewide business assistance organizations is added to a list of factors for the Department of Financial Institutions to consider when rating a bank's performance in meeting community credit needs.

The Legislature intends that the state further support small businesses by developing procurement policies, procedures, and materials that encourage and facilitate state agency purchase of products and services from Washington small businesses. "Small business" is defined as an in-state business, independently owned and operated that, together with affiliates, has 50 or fewer employees and average annual gross receipts of \$10 million or less over the previous three years. "In-state business" is defined as a business having a principal office and its officers in Washington.

The Department of General Administration, the Office of Financial Management, the Information Services Board, and the State Printer are required to develop procurement policies and procedures such as unbundled contracting and subcontracting which encourage and facilitate state agency purchases of products and services from Washington small businesses to the maximum extent practicable and consistent with international trade commitments. In addition, competitive solicitations for purchased goods and services, personal services over \$5,000 and sole source personal services, information services, and printing services must be posted on the state's common vendor registration and bid notification system. The Department of General Administration must convene a working group (the State Printer, the Department of Information Services, and the Office of Financial Management) to develop common policies and procedures to facilitate state government purchases from Washington small businesses. The working group must provide a written progress report to the Governor and Legislature by December 1, 2009.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Community & Economic Development & Trade):

(In support) This bill is designed to make the SBDC system more effective, provide a mechanism for banks to contribute to the SBDC system, and add these contributions as a factor to consider when assessing banks under the CRA. The SBDCs cover most of the state. Small business is where we will see the economic recovery begin, and the SBDCs work to reduce the high failure rate of small businesses. Banks often send firms to the SBDCs when they need business counseling to help them become prepared to seek bank loans. The SBDC in Renton does not receive any federal or state assistance, so creation of a mechanism through which they can receive private sector funding is critical. Half of the caseload in Renton is for women- and minority-owned businesses. There are 23 of the SBDCs, 13 operated by WSU and 10 operated through contracts with WSU. Often they are located in a community college or co-located with an economic development council.

(Opposed) None.

Staff Summary of Public Testimony (Ways & Means):

(In support) Renton recently established a Small Business Development Center on a grassroots basis with funding from the city, the chamber of commerce and bank groups, and the technical college. The SBDC has made 100 contacts, and over 50 percent of them are with women- and minority-owned enterprises. We appreciate the striking amendment's centralized account, integration, and focus.

(Opposed) None.

Persons Testifying (Community & Economic Development & Trade): Senator Kastama, prime sponsor; Bill Lotto, Small Business Development Center State Advisory Board; Doug Levy, City of Renton; and Larry Ganders, Washington State University.

Persons Testifying (Ways & Means): Doug Levy, City of Renton.

Persons Signed In To Testify But Not Testifying (Community & Economic Development & Trade): None.

Persons Signed In To Testify But Not Testifying (Ways & Means): None.