

HOUSE BILL REPORT

2SSB 6667

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to business assistance programs.

Brief Description: Concerning business assistance programs.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kauffman and Kastama).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/18/10, 2/22/10 [DPA].

**Brief Summary of Second Substitute Bill
(As Amended by House)**

- Requires the Department of Commerce and the Small Business Development Center to prepare a plan by December 1, 2010, to increase access to capital and technical assistance for small businesses and entrepreneurs.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 6 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Lias, Moeller and Probst.

Minority Report: Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt and Parker.

Staff: Meg Van Schoorl (786-7105).

Background:

Department of Commerce.

The Department of Commerce (Department) was created by statute in 2009 as a successor agency to the Department of Community, Trade and Economic Development. The

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Department has adopted as its mission to grow and improve jobs in Washington, and has identified eight priorities, including focusing on rural economic development and helping small businesses succeed. Under current law, the Department is required to work to increase availability of capital to small businesses by developing new and flexible investment tools, and to assist women and minority-owned businesses in overcoming barriers to entrepreneurial success.

Washington State University Small Business Development Center.

Small Business Development Centers (SBDCs), headquartered at Washington State University (WSU), provide management and technical assistance such as training, counseling, and research, to existing small businesses and entrepreneurs. Supported by federal, state, and local funds, the SBDC is a cooperative effort between WSU, other educational institutions, economic development organizations, and the U.S. Small Business Administration. The SBDC has business adviser centers at 24 locations. Legislation enacted during the 2009 session directed the SBDC network to integrate and coordinate its services with other state economic and workforce development programs.

Washington State Microenterprise Development Association.

A statute first enacted in 2007 and amended in 2009 established a microenterprise development program within the Department and required the Department to contract with a statewide microenterprise association for delivery of services and distribution of grants.

The Washington State Microenterprise Association (WSMA) is an independent, nonprofit organization formed in 2007 to be a network of microenterprise development organizations, professionals, and advocates. The WSMA has two staff members, 10 board members, and is headquartered in Federal Way. Its goals include supporting the capacity of microenterprise development organizations to provide access to capital and micro-lending. There are approximately 20 existing and emerging microenterprise development organizations in the state. They typically serve microenterprises in defined geographic areas, in target "markets" such as urban, rural, and industry-specific, and by target populations, such as minority, low-income, and people with disabilities.

Microenterprises are described as businesses with five or fewer employees that require \$35,000 or less in initial capital, and lack access to traditional commercial loans. According to the WSMA, there are over 480,000 microenterprises in Washington.

Summary of Amended Bill:

The Legislature finds that small businesses and entrepreneurs are a fundamental source of economic and community vitality, but that they need increased access to capital and technical assistance to maximize their potential. The Legislature intends for the Department and the SBDC to build on their existing missions and authorities and expand services to small businesses and entrepreneurs.

By December 1, 2010, the Department and the SBDC must jointly prepare and present to the Governor and appropriate legislative committees, a specific, actionable plan to increase access to capital and technical assistance to small businesses and entrepreneurs. The Department and the SBDC must consult with the WSMA and may consult with others as necessary to develop the plan. The plan must identify: existing sources of capital and technical assistance; critical gaps and barriers to availability of capital and delivery of technical assistance; workable solutions to addressing gaps and barriers; and financial resources and statutory changes necessary to implement the plan beginning with the 2011-13 biennium. The plan must identify feasible capital sources and practical mechanisms for increasing access. The plan must also include information on specific gaps, barriers, and solutions related to rural and low-income communities and to small manufacturers interested in exporting.

Amended Bill Compared to Second Substitute Bill:

The striking amendment: (1) replaces all sections of the underlying bill, including provisions related to the Department, the SBDCs, the Washington Technology Center, the Washington Quality Award Council, and the Washington Manufacturing Innovation and Modernization Extension Service Program; (2) provides findings and intent related to the importance of small businesses and entrepreneurs, and their need for access to capital and technical assistance; (3) requires the Department and the SBDC, in consultation with the WSMA, to jointly prepare an actionable plan for increased access to capital and technical assistance beginning with the 2011-13 biennium; and (4) sets out the required elements of the plan, authorizes consultation with other organizations if needed, and requires the plan to be presented by December 1, 2010, to the Governor and appropriate legislative committees.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available on 2SSB 6667. Requested on striking amendment on 2/22/2010.

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:

(In support) Natural disasters and the economic downturn have hit small businesses hard in our area. In roundtables, small businesses have cited increased access to capital and technical assistance as actions the state can take to assist them. However, the bill is more complex than intended. What is most important is retaining the aspects related to the SBDCs and the WSMA. We support the bill because technical assistance by the Washington Technology Center to help small businesses apply for Small Business Innovation Research funding has generated over \$4.1 million in federal grants to businesses. Training and consulting services by Washington Manufacturing Services has had a significant positive financial impact on manufacturers in the last five years.

(With concerns) The bill duplicates existing efforts and excludes entities that should be included, such as microenterprise development organizations that are working with small business development centers. While we generally support the bill, section 1 is a mish-mash of government and should be removed.

Persons Testifying: (In support) Ron Newbry, Impact Washington; and Scott Hazlegrove, Washington Technology Center.

(With concerns) Lew McMurrin, Washington Technology Industry Association; Teresa Lemmons, Washington State Microenterprise Association; and Lisa Smith, Enterprise for Equity.

Persons Signed In To Testify But Not Testifying: None.