

HOUSE BILL REPORT

HB 1909

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Appropriations

Title: An act relating to veteran-owned businesses.

Brief Description: Concerning veteran-owned businesses.

Sponsors: Representatives Hunt, O'Ban, Morrell, Hayes and Bergquist; by request of Governor Inslee.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/20/13, 2/21/13 [DPS];
Appropriations: 2/28/13 [DP2S(w/o sub CDHT)].

Brief Summary of Second Substitute Bill

- Allows businesses owned jointly by a veteran and the veteran's spouse or domestic partner to be certified as a veteran-owned business.
- Requires that all veteran-owned businesses are located in the state, owned by a resident of the state, or that all corporate officers are residents of the state.
- Encourages state agencies to award 5 percent of all procurement contracts to veteran-owned businesses.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives McCoy, Chair; Appleton, Vice Chair; Angel, Ranking Minority Member; Johnson, Assistant Ranking Minority Member; Haler, Pike, Ryu, Santos and Sawyer.

Staff: Sean Flynn (786-7124).

Background:

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.

The Department of Veterans Affairs (DVA) certifies certain businesses as veteran-owned businesses. Businesses may submit an application to the DVA for certification. To qualify as a veteran-owned business, a business must be at least 51 percent owned and controlled by a veteran or an active or reserve member of the armed forces, including the National Guard, Coast Guard, or reserves.

The DVA collects and maintains a list of certified veteran-owned businesses on its website and issues decals for businesses to display and identify themselves as veteran-owned businesses.

The Legislature encourages state agencies to award 3 percent of all procurement contracts that are exempt from competitive bidding to veteran-owned businesses, including contracts by higher education institutions, and contracts for public works and personal service. The Department of Enterprise Services (DES) keeps records of all veteran-owned businesses certified by the DVA.

Agencies must perform outreach to veteran-owned businesses and match records with the DVA list of certified veteran-owned businesses to determine how many contracts are awarded to veteran-owned businesses. The DVA must collaborate with and assist other agencies in implementing outreach to veteran-owned businesses.

Summary of Substitute Bill:

A business that is 51 percent owned and controlled jointly by a veteran and his or her spouse or domestic partner may qualify as a veteran-owned business, if the veteran is involved in the day-to-day business operations.

In order to qualify as a veteran-owned business, the DVA must certify one of the following:

- the veteran owner is a resident of the state;
- all corporate officers are residents if the business is a corporation; or
- the principal office of the business is located in the state.

State agencies are encouraged to award 5 percent of all procurement contracts for public works, goods and services, architectural and engineering services, and highway construction to certified veteran-owned businesses.

The DVA must work with the DES to provide access to a centralized list of all certified veteran-owned businesses and develop a comprehensive plan to ensure that veteran-owned businesses have an opportunity to participate in public contracts. The DVA must report annually on all state agencies and educational institutions contracting with veteran-owned businesses.

Substitute Bill Compared to Original Bill:

The substitute bill resolves structural drafting issues in order to fully implement the intent, as reflected in the analysis, that all veteran-owned businesses must be veteran-owned and

located in the state, owned by a resident of the state, or that all corporate officers are residents of the state. The literal effect of the original bill is that any business located in the state or owned by a state resident is eligible to be certified as a veteran-owned business.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute 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) This bill provides more opportunities for veteran-owned businesses to contract with state agencies. The current law is limited to noncompetitive procurements, which are limited to \$35,000. This bill also makes it easier for agencies to track contracts with veteran-owned businesses by not having to separate noncompetitive contracts. It creates accountability for agencies to report, and for the DVA to track, what business is being done with veteran-owned businesses. The veterans' community would like to see language that requires rather than encourages agencies to give 5 percent of contracts to veteran-owned businesses.

(Opposed) None.

Persons Testifying: Representative Hunt, prime sponsor; Alfie Alvarado, Washington State Department of Veterans Affairs; and Jim Sims, Veterans Legislative Coalition.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community Development, Housing & Tribal Affairs. Signed by 31 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Parker, Pedersen, Pettigrew, Pike, Ross, Schmick, Seaquist, Springer, Sullivan and Taylor.

Staff: James Kettel (786-7123).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

The committee removed the requirement that the Department of Veterans Affairs report annually on all state agencies and educational institutions contracting with veteran-owned businesses.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 2, 2013.

Effective Date of Second Substitute 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) The registry of veteran-owned businesses was established in 2007. In 2009 veteran-owned businesses could become certified, which offered the possibility of receiving a noncompetitive contract from a state agency. The maximum award for a noncompetitive contract, in most cases, is \$3,500. A \$3,500 contract is often not enough money to entice a veteran-owned business to become certified. Encouraging state agencies to award 5 percent of all contracts to veteran-owned business should provide more incentive to become certified, increase the number of businesses, and enable businesses to hire additional veterans.

Centralizing the registry of veteran-owned businesses is only one aspect of the fiscal note. The fiscal note reflects additional resources for a program to assist veterans interested in starting a business, or growing a business.

(Opposed) None.

Persons Testifying: Representative Hunt, prime sponsor; and Alfie Alvarado, Washington State Department of Veterans Affairs.

Persons Signed In To Testify But Not Testifying: None.