

HOUSE BILL REPORT

ESHB 1283

As Passed House

March 15, 1997

Title: An act relating to funding for business and economic development programs.

Brief Description: Providing funding for business and economic development programs.

Sponsors: By House Committee on Trade & Economic Development (originally sponsored by Representatives Mason, Van Luven, Veloria, Ballasiotes, Costa, Morris, Wood, Tokuda, Kessler, Scott and Blalock).

Brief History:

Committee Activity:

Trade & Economic Development: 2/6/97, 2/26/97, 2/27/97, 3/5/97 [DPS].

Floor Activity:

Passed House: 3/15/97, 90-6.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

Background: Main Street Program: The Main Street program was designed to provide technical assistance to downtown and neighborhood commercial districts to assist them in their revitalization efforts. The Department of Community, Trade, and Economic Development provides administrative and clerical support to the state's main street program and to local communities that are undertaking revitalization efforts under its general duties and powers.

Business and Occupation Tax Credit Program: The Business and Occupation (B&O) Tax Jobs Credit program was created in 1986 as an incentive for manufacturing, research and development, and computer-related service businesses to create employment opportunities in economically distressed communities. Business in eligible areas that create a new work force or increase an existing work force by 15 percent are allowed a B&O tax credit equal to \$2,000 for each new full-time employment position. No more than \$15 million in total credits against the state

B&O tax are allowed per biennium. No single business may receive more than \$300,000 in credits over the life of the program.

Higher Education Business and Economic Development Programs: The Business and Economic Development Program of the University of Washington's School of Business focuses the resources of the university to increase economic opportunities in distressed areas. The available services include, but are not limited to: (1) technical assistance to business owners and associations; (2) research and analysis of economic development strategies; and (3) increased opportunities to increase business practices. In addition, the program provides an opportunity for students to acquire hands-on learning in operating a business.

Summary of Bill: Main Street Program: The Washington Main Street program is created within the Department of Community, Trade, and Economic Development (DCTED) by statute. The DCTED must: (1) provide technical assistance to businesses, property owners, organizations, and local governments on the design and development of a local revitalization strategy and program; (2) provide financial assistance, to the extent funds are available, to local governments or local organizations to assist in start-up costs, feasibility studies, marketing studies, and design assistance; (3) develop criteria for selecting recipients of financial assistance and designation of a local program under the various categories; (4) operate the main street program in accordance to the plan developed by DCTED, in consultation with an advisory committee; (5) allow certification of local revitalization programs by local governments with populations greater than 100,000; and (6) conduct a study on possible financial incentives to assist in revitalization of commercial areas, the findings and recommendations of the study must be submitted to the appropriate committees of the Legislature by November 15, 1997.

Business and Occupation Tax Credit Program: The Business and Occupation (B&O) Jobs Tax Credit Program requirement that a business must increase its existing work force by 15 percent to claim a tax credit is replaced with a requirement that there is a net increase in employment over the previous year. The single business limitation of \$300,000 in credits over the life of the program is changed to \$295,000 per taxable year.

Higher Education Business and Economic Development Programs: The University of Washington and Washington State University are directed to conduct a study on the impact of their economic and business development programs and initiatives on economically distressed communities. The universities must analyze the economic impacts of the business development and technology transfer programs on creating economic opportunities for minority populations in Washington.

The universities must form separate advisory groups that are comprised of representatives of community-based organizations in distressed communities, small

business owners, financial institutions, insurance companies, local government, and other interested groups. The advisory committee is responsible for the review of program evaluation data collected by the individual universities.

Each individual university is required to prepare and submit a report with findings and recommendations based on the program evaluation data. The report is due by October 15, 1997, and must be submitted to the appropriate legislative committees of the House of Representatives and the Senate.

The individual universities must provide all administrative and clerical staffing for the advisory group.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Small businesses are very important to the state's economy. The University of Washington has worked with small businesses in the distressed areas. The program has been very beneficial in that the business owner gets the benefit of working with the latest management technology and techniques. The benefit to the students is that they get the opportunity to apply things learned in the classroom in an actual working business environment. This program helps the university put something back into the community.

Testimony Against: None.

Testified: Representative Mason, prime sponsor (pro); Michael Verchot, University of Washington Business and Economic Development Program (pro); Phil Kineat and Thaddous Spratler, UW Business School (pro); Carl Thompson, Thompson's Point of View (pro); Michael Bekele, Martin Luther King Way Market (pro); and Michele Jones (pro).