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**SENATE BILL 5223**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** Senators Skratek, Erwin, Bluechel, M. Rasmussen, Deccio and Winsley

Read first time 01/18/93. Referred to Committee on Trade, Technology & Economic Development.

1 AN ACT Relating to the Washington state self-employment loan  
2 program; and adding a new chapter to Title 43 RCW.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that:

5 (1) The existence of poverty within the state is of substantial  
6 public concern, posing a serious threat to the safety, health, and  
7 welfare of the state's residents, causing significant public  
8 expenditures, and jeopardizing sources of public revenue;

9 (2) Self-employment is a realistic means by which some low-income  
10 persons can escape poverty and the cycle of dependence that traditional  
11 welfare programs may perpetuate; and

12 (3) Insufficient opportunity currently exists for those in poverty  
13 to become self-employed, due primarily to their unique training and  
14 financial needs.

15 Therefore, the legislature declares that there is substantial  
16 public purpose in providing training and capital to promote the self-  
17 employment of low-income persons in Washington. To accomplish this  
18 purpose, the legislature creates the Washington state self-employment  
19 loan program.

1        NEW SECTION.    **Sec. 2.**    Unless the context clearly requires  
2 otherwise, the definitions in this section apply throughout this  
3 chapter.

4        (1) "Department" means the department of community development.

5        (2) "Director" means the director of the department of community  
6 development.

7        (3) "Low-income individual" means any person:

8        (a) Whose personal income is no greater than fifty percent of the  
9 median personal income for the county where the person resides or who  
10 is a member of a family whose income is no greater than fifty percent  
11 of the median family income for the county where the person resides; or

12        (b) Eligible to receive cash welfare payments under any federal,  
13 state, or local welfare program or is eligible to receive food stamps.

14        NEW SECTION.    **Sec. 3.**    Subject to the restrictions contained in  
15 this chapter, the department is authorized to solicit and approve  
16 applications of local development organizations for funds which the  
17 local organization will use within a self-employment program as a  
18 revolving loan fund to finance the small businesses of low-income  
19 individuals within their jurisdiction.

20        NEW SECTION.    **Sec. 4.**    The department shall approve those  
21 applications for funds that meet the minimum standards set forth in  
22 this chapter and that will best serve the intent of this chapter to  
23 provide self-employment for low-income persons in Washington state.

24        (1) The department shall not approve any application for more than  
25 sixty thousand dollars.

26        (2) In the first year of each biennium, the department may approve  
27 distribution of up to one-half of the fund appropriated to carry out  
28 the purposes of this chapter, with the remaining funds distributed in  
29 the second year.

30        (3) The department may approve up to two applications from a single  
31 organization, but only one each biennium.

32        NEW SECTION.    **Sec. 5.**    An application to the department shall  
33 include, but is not limited to:

34        (1) A detailed description of the need for a self-employment  
35 program in the area served by the applicant organization, including

1 economic conditions and other characteristics of the community which  
2 the program would address;

3 (2) A detailed description of the applicant organization and its  
4 capacity to administer a self-employment program that includes a  
5 revolving loan fund. Relevant information may include the  
6 organization's standing in the community, its experience with low-  
7 income persons and in business training and development, its fiscal  
8 record, its relationship with other community organizations and  
9 governmental entities, and its staff resources;

10 (3) A detailed description of the self-employment program into  
11 which the revolving loan fund will be incorporated, including, but not  
12 limited to, a description of:

13 (a) The criteria and procedure by which program participants will  
14 be selected, explaining any particular groups that will be targeted and  
15 why;

16 (b) The personal and business training that will be provided  
17 program participants, including curriculum, schedule, training  
18 providers, and how this training will meet the unique needs of the  
19 community's low-income individuals wishing to become self-employed;

20 (c) The loan process, including the criteria and procedure by which  
21 applicants will be screened, general terms of the loans, and the means  
22 by which the organization will facilitate timely repayment; and

23 (d) Any oversight, social support, and follow-up assistance to be  
24 provided program participants who have been trained or provided loans.

25 (4) Any other information the department deems necessary to fully  
26 evaluate an organization's ability to carry out the purpose of this  
27 chapter.

28 NEW SECTION. **Sec. 6.** Any local development organization receiving  
29 funds under this chapter shall:

30 (1) Use the funds only in a revolving loan fund to finance the  
31 businesses of low-income individuals participating in the  
32 organization's self-employment program;

33 (2) Provide no loan out of these funds of more than five thousand  
34 dollars;

35 (3) Charge a reasonable rate of interest on loans provided out of  
36 these funds, using interest payments received for program  
37 administrative costs;

1 (4) Annually submit to the department a detailed report on the  
2 progress and status of the self-employment program and loan fund  
3 including, but not limited to:

4 (a) A description and explanation of any changes in the program  
5 from the original application;

6 (b) The number and characteristics of participants in the program,  
7 including their training status;

8 (c) The current employment status of those who have completed  
9 training;

10 (d) The number and size of loans provided, the terms of the loans,  
11 and their repayment status;

12 (e) A self-evaluation detailing the strengths and weaknesses of the  
13 program and what the local development organization will do to improve  
14 the program in the following year;

15 (f) Any other information the department deems necessary to:

16 (i) Evaluate the effectiveness of the program in carrying out the  
17 intent of this chapter; and

18 (ii) Determine the program characteristics that have contributed to  
19 or detracted from such effectiveness.

20 NEW SECTION. **Sec. 7.** If the department finds that an organization  
21 to whom funds were distributed under this chapter is unable to meet the  
22 intent of the chapter, the department may require that such funds be  
23 returned to the department for redistribution by the department.

24 NEW SECTION. **Sec. 8.** The department shall:

25 (1) Work with local development organizations to promote  
26 applications for funds; and

27 (2) Adopt rules to carry out its authority under this chapter.

28 NEW SECTION. **Sec. 9.** The department shall biennially report to  
29 the appropriate standing committees of the legislature on the progress  
30 and status of the self-employment loan program. The report shall  
31 include sufficient data to evaluate program effectiveness, including,  
32 but not limited to, a compilation and summary of the annual reports  
33 submitted by local organizations under section 6 of this act.

34 NEW SECTION. **Sec. 10.** If any provision of this act or its  
35 application to any person or circumstance is held invalid, the

1 remainder of the act or the application of the provision to other  
2 persons or circumstances is not affected.

3 NEW SECTION. **Sec. 11.** Sections 1 through 9 of this act shall  
4 constitute a new chapter in Title 43 RCW.

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