
**Economic Development,
Agriculture & Trade Committee**

HB 1815

Brief Description: Modifying the small business incubator program.

Sponsors: Representatives Wallace, Skinner, Pettigrew, Rodne, Kilmer, Ahern, Blake, McCoy, Anderson, Walsh, Lovick, Hudgins, Appleton, Strow, Murray, B. Sullivan, Simpson, Kessler, Williams, O'Brien, Conway, Morris, Linville, Lantz and Moeller.

Brief Summary of Bill

- Creates a competitive grant program for small business incubators providing business-related training and services and technical assistance to start-up or emerging businesses.

Hearing Date: 2/16/05

Staff: Tracey Taylor (786-7196).

Background:

Business incubation is a dynamic process of business enterprise development. Incubators provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services. Many business incubators also offer entrepreneurial firms shared office services, access to equipment, flexible leases, and expandable space.

An incubation program's main goal is to produce businesses that are financially viable and freestanding when they leave the incubator, usually after two or three years. Approximately 30 percent of incubator clients graduate each year.

In 2004, the Legislature passed the Washington Small Business Incubator and Assistance Act which created the Small Business Incubator (SBI) program which is administered by the Department of Community, Trade and Economic Development (DCTED).

The DCTED may award grants of up to \$3 million to qualified SBI organizations for the construction and equipment needs of the SBI facility. In order to receive the grant, the qualified SBI must show that it has the resources to complete the project in a timely manner and that the state grant is not the sole source of funds. In addition to the facilities funds, the DCTED may provide technical assistance, up to a maximum of \$125,000 per year, per facility, to a qualified SBI for support services and the operation of the SBI facilities.

A SBI is defined as a physical location that offers:

- space for start-up and expanding firms with viable products;
- the shared use of equipment and work areas;
- daily management support services essential to high-quality commercial operations; and
- technical assistance.

To qualify for money under the SBI Program, a SBI organization must be a nonprofit 501(c)(3) organization focused on developing small businesses in an economically distressed or disadvantaged area. It must also have a sound business plan and meet other standards developed by the DCTED, in conjunction with the Washington Association of Small Business Incubators.

A SBI Account is created in the custody of the State Treasurer. The DCTED may accept and receive grants, gifts, and pledges for the support of the SBI program.

Summary of Bill:

The definition of a business incubator is expanded to include a program that offers start-up or emerging business-related training and services as well as technical assistance. The training, services and assistance can include financial planning, business planning and accounting. An emerging business means a business that is engaged in activities related to the development of initial product or service offerings or a business which is less than 3 years old and during the previous fiscal year had gross revenues of no more than \$2 million. A start-up business means a business that is involved in activities related to the initial product or service offerings which during the previous fiscal year had gross revenues of no more than \$2 million and has fewer than 20 employees.

A competitive grant program is established for small business incubators providing business related training and services as well as technical assistance to start-up or emerging businesses. The grants are awarded to 501(c)(3) nonprofit organizations or governmental organizations by region, with a regional cap of \$200,00 per year. The regions, by counties, are:

- Northwest Region: Clallum, Jefferson, Whatcom, Skagit, San Juan and Island counties;
- Puget Sound Region: King, Pierce, Snohomish, and Thurston counties;
- Southwest Region: Lewis, Wahkiakum, Grays Harbor, Mason, Pacific, Cowlitz, Clark and Skamania counties;
- Northeast Region: Adams, Chelan, Douglas, Whitman, Grant, Okanogan, Ferry, Stevens, Pend Oreille, Lincoln, and Spokane counties; and
- Southeast Region: Benton, Franklin, Walla Walla, Columbia, Garfield, Asotin, Whitman, Kittitas, Skamania and Adams counties.

Administration and overhead expenses are limited to 10 percent of the grant award. The grants are awarded for a two-year period and previous grantees are not prohibited for reapplying for new grants.

The DCTED will administer the grant program and shall establish an application process. At a minimum, the grant applications must include a work plan that describes the types of businesses to be targeted for assistance, the types of training, services and technical assistance to be offered and the performance measures to be applied. One year after receiving a grant, the grant recipient must submit a progress report to DCTED.

On a biennial basis, beginning December 1, 2008, the DCTED must submit a report to the appropriate committees of the Legislature. The report should include, but is not limited to, the number of businesses served by industry, the types of services provided, the number of jobs retained as the result of the grant program, the number of jobs created as the result of the grant program and the names of the grant recipients and the amounts of the grants.

Appropriation: The sum of \$1.2 million for FY 06 and \$1.2 million for FY 07.

Fiscal Note: Requested on February 10, 2005.

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