

# SENATE BILL REPORT

## 2SHB 1815

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As Reported By Senate Committee On:  
International Trade & Economic Development, March 29, 2005

**Title:** An act relating to a small business incubator competitive grant program.

**Brief Description:** Creating a competitive grant program for organizations that assist small businesses.

**Sponsors:** House Committee on Appropriations (originally sponsored by 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 History:** Passed House: 3/11/05, 65-28.

**Committee Activity:** International Trade & Economic Development: 3/24/05, 3/29/05 [DPA-WM, DNP].

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### SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.  
Signed by Senators Shin, Chair; Sheldon, Vice Chair; Doumit and Eide.

**Minority Report:** Do not pass.  
Signed by Senators Pflug, Ranking Minority Member; Roach and Zarelli.

**Staff:** Joyce Ahlering (360-786-7486)

**Background:** Most small businesses fail within their first five years of operation because they are undercapitalized or lack proper management. A small business incubator is a facility in which a number of businesses operate under one roof with affordable rents, sharing services and equipment. Typically, professional and technical assistance is offered to the business on site.

In 2004, the Small Business Incubator (SBI) program was created within the Department of Community, Trade, and Economic Development (CTED). CTED develops criteria and accepts donations for the SBI program, which promotes small business incubators as economic development tools.

The program awards grants to qualified SBI organizations for construction and equipment needs and technical assistance services. A grant recipient must show that the state grant is not the sole source of funds, and that it has the resources to complete the project in a timely manner.

**Summary of Amended Bill:** A competitive grant program is established for small business incubators and entrepreneurial support programs providing business-related training and services as well as technical assistance to start-up or emerging businesses.

An entrepreneurial support program is defined as a program offering start-up or emerging business business-related training and services as well as technical assistance including operational development, business development, and financing. A start-up business is defined as a business that is: involved in initial product or service offerings; had gross revenues of no more than two million dollars during the previous fiscal year; is less than three years old; and has fewer than twenty employees. Finally, an emerging business is defined as a business that is: engaged in activities related to the development of initial product or service offerings; less than three years old and had gross revenues of no more than two million dollars during the previous fiscal year; or in a growth mode expanding its operation or its market.

501(c)(6) organizations are added to the definition of a qualified small business incubator for purposes of grant receipt, and qualified incubators are no longer required to be focused on developing small businesses in an economically distressed or disadvantaged area.

To the extent possible, grants are to be awarded among state-wide zones equally. The zones, by counties, are:

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

Grants are given for a two-year period, and administration and overhead expenses are limited to 10 percent of a grant award. One year after receiving a grant, a grant recipient must submit a progress report to CTED. In addition, CTED must submit biennial program reports to the legislature.

**Amended Bill Compared to Original Bill:** Technical omissions and repetitions within the grant fund county zones are corrected.

**Appropriation:** None.

**Fiscal Note:** Available for original bill.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

**Testimony For:** Some entrepreneurs may not have the business expertise to be successful, and this bill will help provide needed services to start-up businesses. Likewise, rural businesses will be covered by the bill because grant funds will be available to businesses that don't operate within four walls.

Other: The bill lacks language about creating new business with grant funds.

**Testimony Against:** None.

**Who Testified:** PRO: Representative Wallace, Representative Skinner, sponsors; Tom Strege, William Factory Small Business Incubator; Doug Sessions, Friends of the Arts; Lincoln Ferris, Coalition for Investing in Washington Jobs; Scott Taylor, Washington Public Ports Association; Teresa Lemmons, Metropolitan Development Council.