

# HOUSE BILL REPORT

## 2SSB 5652

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### As Passed House - Amended:

April 9, 2007

**Title:** An act relating to microenterprise development.

**Brief Description:** Establishing the microenterprise development program.

**Sponsors:** By Senate Committee on Ways & Means (originally sponsored by Senators Kauffman, Kastama, Kilmer, Brown, Berkey, Rockefeller, Keiser and Shin).

### Brief History:

#### Committee Activity:

Community & Economic Development & Trade: 3/19/07, 3/28/07 [DP];

Appropriations: 3/31/07, 4/2/07 [DPA].

#### Floor Activity:

Passed House - Amended: 4/9/07, 83-15.

### Brief Summary of Second Substitute Bill (As Amended by House)

- Creates the Microenterprise Development Program.

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## HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** Do pass. Signed by 8 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Rolfes and P. Sullivan.

**Staff:** Meg Van Schoorl (786-7105).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 32 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Buri, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi,

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*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.*

Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Anderson and Chandler.

**Staff:** Owen Rowe (786-7391).

**Background:**

Depending on the program, microenterprises are usually defined as small businesses that employ 10 or less, or five or less employees. Microenterprise development programs are usually tailored to meet the needs of specific target groups such as welfare recipients, the working poor, rural businesses, or individuals or business sectors that for various reasons lack access to credit. Microenterprise development uses a variety of strategies, including poverty alleviation, human development, and economic development to assist these smallest of businesses. There are a variety of types of microenterprise partners including community development corporations, loan funds, community action agencies, women's organizations, community development banks and credit unions, housing and social service programs, and all levels of government.

**Summary of Amended Bill:**

The Microenterprise Development Program is created and will be administered by the Department of Community, Trade and Economic Development (DCTED). The intent of the program is to assist microenterprises in job creation by increasing the training, technical assistance, and financial resources available to them.

The DCTED shall provide organizational support to a statewide microenterprise association (Association). The Association will be a nonprofit entity with microenterprise development organizations as members. The Association will serve as an intermediary between the DCTED and the local microenterprise organizations. In addition, the DCTED will contract with the Association for the delivery of services and the distributions of grants. The Association may use no more than 10 percent of the grant funds for its administrative costs.

The DCTED must provide funds for capacity building for the Association and for microenterprise development organizations throughout the state. A microenterprise development organization is defined as a community development corporation, a nonprofit development organization, a nonprofit social services organization, or other locally operated nonprofit entity that provides services to low-income entrepreneurs. The DCTED must identify and facilitate the availability of state, federal, and private sources of funds to enhance the development of microenterprises in the state.

Along with the Association, the DCTED shall develop the grant criteria for the distribution of grant funding to microenterprise development organizations for delivery of training and technical assistance services. This criteria may include: the geographic representation of all regions of the state, including urban and rural areas; the ability of the microenterprise

development organizations to provide business development services in low-income communities; the scope of services offered by the microenterprise organization as well as the level of efficiency in the delivery of services; the ability of the organization to monitor the progress of its customers and identify technical and financial assistance needs; the ability of the organization to work with other organizations, public entities, and financial institutions to meet the technical and financial needs of its customers; the sufficiency of operating funds for the microenterprise development organization; and other agreed-upon criteria. The Association and any microenterprise development organization receiving grant funds must raise and contribute an amount equal to 25 percent of the Microenterprise Development Program funds received. These matching funds may come from private foundations, federal or local sources, financial institutions, or any other sources other than funds appropriated by the Legislature.

An annual accounting of program outcomes by the Association is required. It must include job creation, access to capital, leveraging of nonstate funds and other outcome measures required by the DCTED. By January 1, 2012, JLARC must use these data and other information to evaluate the program's effectiveness.

The DCTED is authorized to adopt any rules necessary to implement this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

**Staff Summary of Public Testimony:** (Community & Economic Development & Trade)

(In support) This bill creates a framework for microenterprise development organizations to work with the Small Business Administration, chambers of commerce, and others to provide needed training and technical assistance to the "smallest of the small" businesses. These fledgling companies are often owned by sole proprietors or single families, and typically require under \$35,000 to be invested. For example, through technical assistance and with under \$10,000 invested, we have helped single mothers start businesses in rural areas including a day spa and a small hair salon. Making loans available to microenterprises is also needed; entrepreneurs can get themselves into trouble by investing in their company with a credit card. However, there were concerns about the loan program on the Senate side. We created a statewide Microenterprise Development Association a year and a half ago to bring local microenterprise organizations together. Resources proposed under this bill would build the capacity of our Association and of these local organizations to more broadly market our services and reach more clients. As for accountability, we have done some follow-up on businesses we helped over the last several years. We have had only 3 percent in loan losses. Some microenterprises are still operating, others have been sold, some owners have started new enterprises, most are employing other people. However, without increased staff capacity, it is difficult for one person to market services, deliver them, and track the results.

(Opposed) None.

**Staff Summary of Public Testimony:** (Appropriations)

(In support) These funds are necessary to implement this legislation to support an economic sector not currently supported by state resources. There are currently 466,000 microbusinesses making up more than 80 percent of the employers in Washington. Investment in microenterprises provides returns in the form of new businesses, job creation, capital investment, and movement towards self-sufficiency for disadvantaged populations. By funding this legislation, dollars will flow to communities across the state where they have the greatest impact. There are multiple elements associated with this bill, such as capacity building for member organizations and support for this underserved economic sector, as well as the ability to match state funds with a private match of 25 percent. This bill creates a contractual relationship between the Department of Community, Trade and Economic Development and the non-profit state association that will serve as an intermediary to distribute these dollars directly into communities.

Please support this growing movement. Many around the state have been doing this work for over 10 years. This legislation will help to build business plans to help microenterprises become profitable. This is bottom level economic development for the poorest of the poor. Small businesses are the backbone of the economy and communities around the state.

(Opposed) None.

**Persons Testifying:** (Community & Economic Development & Trade) Senator Kauffman, prime sponsor; Teresa Lemmons, Metropolitan Development Council; Ruth Ann Halford, Shorebank Enterprise Cascadia; and Lisa Smith, Enterprise for Equity.

**Persons Testifying:** (Appropriations) Lisa Smith, Enterprise for Equity; and Teresa Lemmons, Metropolitan Development Council.

**Persons Signed In To Testify But Not Testifying:** (Community & Economic Development & Trade) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.