

HOUSE BILL REPORT

2SSB 5652

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to microenterprise development.

Brief Description: Establishing the microenterprise development program.

Sponsors: 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].

<p>Brief Summary of Second Substitute Bill</p> <ul style="list-style-type: none">• 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 School (786-7105).

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,

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community development banks and credit unions, housing and social service programs, and all levels of government.

Summary of 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 and report from the Association is required. It must include outcome measures required by the DCTED.

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

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(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.

Persons Testifying: Senator Kauffman, prime sponsor; Teresa Lemmons, Metropolitan Development Council; Ruth Ann Halford, Shorebank Enterprise Cascadia; and Lisa Smith, Enterprise for Equity.

Persons Signed In To Testify But Not Testifying: None.