

---

HOUSE BILL 1990

---

State of Washington                      52nd Legislature                      1991 Regular Session

By Representatives Forner, Cantwell, Ferguson, Horn, Paris and Ludwig.

Read first time February 18, 1991. Referred to Committee on Trade & Economic Development\Appropriations.

1            AN ACT Relating to the small business export finance assistance  
2 center; amending RCW 43.210.030; reenacting and amending RCW  
3 43.210.050; adding new sections to chapter 43.210 RCW; adding new  
4 sections to chapter 43.131 RCW; creating new sections; repealing RCW  
5 43.131.325 and 43.131.326; making an appropriation; and declaring an  
6 emergency.

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

8            NEW SECTION.    **Sec. 1.**    The legislature finds:

9            (1) The exporting of value-added manufactured goods, which for the  
10 purposes of sections 1 through 5 of this act shall include processed  
11 food and agricultural products, from Washington state and the Pacific  
12 Northwest region to international markets is vitally important for the  
13 public good, for maintaining our high standard of living, keeping our  
14 business community competitive in global markets, and in providing  
15 secure family-supporting jobs for our citizens.

1           (2) Comprehensive export assistance programs should be managed in  
2 a proactive, aggressive, and consistent manner to provide small  
3 manufacturers with easily accessible contacts, information, and  
4 services.

5           (3) Washington state must improve the coordination of various  
6 export promotion programs and develop new, targeted, trade promotion  
7 services.

8           (4) International marketing education, language training, and  
9 cultural awareness are vitally important for the success of  
10 international export initiatives.

11           (5) Impediments to the entry of many small and medium-sized  
12 manufacturers into export markets have restricted growth in exports  
13 from Washington state and the Pacific Northwest region.

14           (6) Small and medium-sized manufacturers relatively new to  
15 exporting with gross annual revenues less than twenty-five million  
16 dollars require a comprehensive public export assistance program  
17 designed specifically to devise and manage complete introductory export  
18 strategies and secure export financing and credit guarantees. This  
19 comprehensive program for small and medium-sized manufacturers shall  
20 complement existing export assistance services offered by the  
21 department of trade and economic development and the Washington state  
22 department of agriculture by working with them in a close, cooperative,  
23 and strategic manner to promote the sale of Washington state products  
24 abroad.

25           (7) There is a need for a Pacific Northwest export assistance  
26 project which will specialize in providing comprehensive export  
27 assistance to small and medium-sized manufacturers relatively new to  
28 exporting throughout the state in acquiring international business  
29 information, designing and managing introductory export strategies, and

1 in securing company specific financing and credit guarantees for  
2 exporting.

3 (8) The economic health of our neighboring states and provinces has  
4 a direct impact on commercial activity in Washington state.  
5 Washington's ports, private export management firms, commercial banking  
6 institutions, business community at large, and consumers rely on strong  
7 exporting sectors in our neighboring states and provinces to stimulate  
8 business activity in Washington state. It is in the best interest of  
9 Washington state, and each state and province in the Pacific Northwest  
10 region, to work cooperatively in building a strong and competitive  
11 exporting base of value-added manufacturing businesses.

12 NEW SECTION. **Sec. 2.** (1) The Pacific Northwest export assistance  
13 project is hereby created for the following purposes:

14 (a) To assist small to medium-sized manufacturers relatively new to  
15 exporting with gross annual revenues less than twenty-five million  
16 dollars with comprehensive services for designing and managing  
17 introductory export strategies and in securing financing and credit  
18 guarantees for export transactions;

19 (b) To provide, in cooperation with the export promotion services  
20 offered by the department of trade and economic development and the  
21 Washington state department of agriculture, information and assistance  
22 to businesses with gross annual revenues less than twenty-five million  
23 dollars about the methods and procedures of structuring company  
24 specific export financing and credit guarantee alternatives; or

25 (c) To provide information to their clients about opportunities in  
26 organizing cooperative export networks, foreign sales corporations, or  
27 export trading companies under the United States export trading company  
28 act of 1982, for the purpose of increasing their comparative sales  
29 volume and ability to export their products to foreign markets.

1 (2) The Pacific Northwest export assistance project is a separate  
2 branch of the small business export finance assistance center for  
3 accounting and auditing purposes.

4 (3) The Pacific Northwest export assistance project is subject to  
5 the authority of the small business export finance assistance center,  
6 under RCW 43.210.020, and shall be governed and managed by the board of  
7 directors, under RCW 43.210.030.

8 NEW SECTION. **Sec. 3.** (1) The small business export finance  
9 assistance center has the following powers and duties when exercising  
10 its authority under section 2(3) of this act:

11 (a) Solicit and accept grants, contributions, and any other  
12 financial assistance from the federal government, federal agencies, and  
13 any other public or private sources to carry out its purposes;

14 (b) Offer comprehensive export assistance and counseling to  
15 manufacturers relatively new to exporting with gross annual revenues  
16 less than twenty-five million dollars. As close to ninety percent as  
17 possible of each year's new cadre of clients must have gross annual  
18 revenues of less than five million dollars at the time of their initial  
19 contract. Counseling may include, but not be limited to, helping  
20 clients obtain debt or equity financing, in constructing competent  
21 proposals, and assessing federal guarantee and/or insurance programs  
22 that underwrite exporting risk; assisting clients in evaluating their  
23 international marketplace by developing marketing materials, assessing  
24 and selecting targeted markets; assisting firms in finding foreign  
25 customers by conducting foreign market research, evaluating  
26 distribution systems, selecting and assisting in identification of  
27 and/or negotiations with foreign agents, distributors, retailers, and  
28 by promoting products through attending trade shows abroad; advising  
29 companies on their products, guarantees, and after sales service

1 requirements necessary to compete effectively in a foreign market;  
2 designing a competitive strategy for a firm's products in targeted  
3 markets and methods of minimizing their commercial and political risks;  
4 securing for clients specific assistance as needed, outside the  
5 center's field of expertise, by referrals to other public or private  
6 organizations. The Pacific Northwest export assistance project shall  
7 focus its efforts on facilitating export transactions for its clients,  
8 and in doing so, provide such technical services as are appropriate to  
9 accomplish its mission either with staff or outside consultants;

10 (c) Sign three-year counseling agreements with its clients that  
11 provide for termination if adequate funding for the Pacific Northwest  
12 export assistance project is not provided in future appropriations.  
13 Counseling agreements shall not be renewed unless there are compelling  
14 reasons to do so, and under no circumstances shall they be renewed for  
15 more than two additional years. A counseling agreement may not be  
16 renewed more than once. The counseling agreements shall have mutual  
17 performance clauses, that if not met, will be grounds for releasing  
18 each party, without penalty, from the provisions of the agreement.  
19 Clients shall be immediately released from a counseling agreement with  
20 the Pacific Northwest export assistance project, without penalty, if a  
21 client wishes to switch to a private export management service and  
22 produces a valid contract signed with a private export management  
23 service, or if the president of the small business export finance  
24 assistance center determines there are compelling reasons to release a  
25 client from the provisions of the marketing agreement;

26 (d) May contract with private or public international trade  
27 education services to provide Pacific Northwest export assistance  
28 project clients with training in international business. The president  
29 and board of directors shall decide the amount of funding allocated for  
30 educational services based on the availability of resources in the

1 operating budget of the budget of the Pacific Northwest export  
2 assistance project;

3 (e) May contract with the Washington state international trade fair  
4 to provide services for Pacific Northwest export assistance project  
5 clients to participate in one trade show annually. The president and  
6 board of directors shall decide the amount of funding allocated for  
7 trade fair assistance based on the availability of resources in the  
8 operating budget of the Pacific Northwest export assistance project;

9 (f) Provide biennial assessments of its performance. The Pacific  
10 Northwest export assistance project is an innovative program for the  
11 promotion of international trade. As such, the project personnel shall  
12 work with the department of revenue and employment security department  
13 to confidentially track the performance of the project's clients in  
14 increasing tax revenues to the state, increasing gross sales revenues  
15 and volume of products destined to foreign clients, and in creating new  
16 jobs for Washington citizens. A biennial report shall be prepared for  
17 the governor and legislature to assess the costs and benefits to the  
18 state from creating the project. The president of the small business  
19 export finance assistance center shall design an appropriate  
20 methodology for biennial assessments in consultation with the director  
21 of the department of trade and economic development and the director of  
22 the Washington state department of agriculture. The department of  
23 revenue and the employment security department shall provide data  
24 necessary to complete this biennial evaluation, if the data being  
25 requested is available from existing data bases. Client-specific  
26 information generated from the files of the department of revenue and  
27 the employment security department for the purposes of this evaluation  
28 shall be kept strictly confidential by each department and the small  
29 business export finance assistance center;

1 (g) Take whatever action may be necessary to accomplish the  
2 purposes set forth in sections 1 through 5 of this act; and

3 (h) Limit its assistance to promoting the exportation of value-  
4 added manufactured goods. The project shall not provide counseling or  
5 assistance, under any circumstances, for the importation of foreign  
6 made goods into the United States.

7 (2) The Pacific Northwest export assistance project shall not,  
8 under any circumstances, assume ownership or take title to the goods of  
9 its clients.

10 (3) The Pacific Northwest export assistance project may not use any  
11 Washington state funds which come from the public treasury of the state  
12 of Washington to make loans or to make any payment under a loan  
13 guarantee agreement. Under no circumstances may the center use any  
14 funds received under RCW 43.210.050 to make or assist in making any  
15 loan or to pay or assist in paying any amount under a loan guarantee  
16 agreement. Debts of the center shall be center debts only and may be  
17 satisfied only from the resources of the center. The state of  
18 Washington shall not in any way be liable for such debts.

19 (4) The Pacific Northwest export assistance project shall make  
20 every effort to seek nonstate funds to supplement its operations.

21 (5) The Pacific Northwest export assistance project shall take  
22 whatever steps are necessary to provide its services, if requested, to  
23 the states of Oregon, Idaho, Montana, Alaska, and the Canadian  
24 provinces of British Columbia and Alberta. Interstate services shall  
25 not be provided by the Pacific Northwest export assistance project  
26 during its first biennium of operation. The provision of services may  
27 be temporary and subject to the payment of fees, or each state may  
28 request permanent services contingent upon a level of permanent funding  
29 adequate for services provided. Temporary services and fees may be  
30 negotiated by the small business export finance assistance center's

1 president subject to approval of the board of directors. The president  
2 of the small business export finance assistance center may enter into  
3 negotiations with neighboring states to contract for delivery of the  
4 project's services. Final contracts for providing the project's  
5 counseling and services outside of the state of Washington on a  
6 permanent basis shall be subject to approval of the governor,  
7 appropriate legislative oversight committees, and the small business  
8 export finance assistance center's board of directors.

9 (6) The small business export finance assistance center may receive  
10 such gifts, grants, and endowments from public or private sources as  
11 may be made from time to time, in trust or otherwise, for the use and  
12 benefit of the purposes of the Pacific Northwest export assistance  
13 project and expend the same or any income therefrom according to the  
14 terms of the gifts, grants, or endowments.

15 (7) The president of the small business export finance assistance  
16 center, in consultation with the board of directors, may use the  
17 following formula in determining the number of clients that can be  
18 reasonably served by the Pacific Northwest export assistance project  
19 relative to its appropriation. Divide the amount appropriated for  
20 administration of the Pacific Northwest export assistance project by  
21 the marginal cost of adding each additional Pacific Northwest export  
22 assistance project client. For the purposes of this calculation, and  
23 only for the first biennium of operation, the biennial marginal cost of  
24 adding each additional Pacific Northwest export assistance project  
25 client shall be fifty-seven thousand ninety-five dollars. The biennial  
26 marginal cost of adding each additional client after the first biennium  
27 of operation shall be established from the actual operating experience  
28 of the Pacific Northwest export assistance project.

29 (8) All receipts from the Pacific Northwest export assistance  
30 project shall be deposited into the general fund.



1        NEW SECTION.    **Sec. 4.**    The department of trade and economic  
2 development shall adopt rules under chapter 34.05 RCW as necessary to  
3 carry out the purposes of sections 1 through 5 of this act.

4        NEW SECTION.    **Sec. 5.**    The small business export finance  
5 assistance center fund is created in the custody of the state  
6 treasurer. Expenditures from the fund may be used only for the  
7 purposes of funding the services of the small business export finance  
8 assistance center and its projects under this chapter. Only the  
9 director of the department of trade and economic development or the  
10 director's designee may authorize expenditures from the fund. The  
11 director of the department of trade and economic development shall not  
12 withhold funds appropriated for the administration of the small  
13 business export finance assistance center and its projects, if the  
14 small business export finance assistance center complies with the  
15 provisions of its contract under RCW 43.210.050 and section 2 of this  
16 act. Funding appropriated by the state of Washington shall not be used  
17 to provide services to other states or provinces. The fund is subject  
18 to allotment procedures under chapter 43.88 RCW, but no appropriation  
19 is required for expenditures.

20        NEW SECTION.    **Sec. 6.**    Sections 1 through 5 of this act are each  
21 added to chapter 43.210 RCW.

22        **Sec. 7.**    RCW 43.210.030 and 1985 c 231 s 3 are each amended to read  
23 as follows:

24        The small business export finance assistance center and its  
25 branches shall be governed and managed by a board of ((seventeen))  
26 nineteen directors appointed by the governor and confirmed by the  
27 senate. The directors shall serve terms of six years except that two

1 of the original directors shall serve for two years and two of the  
2 original directors shall serve for four years. The directors may  
3 provide for the payment of their expenses. The directors shall include  
4 a representative of a not-for-profit corporation formed for the purpose  
5 of facilitating economic development, at least two representatives of  
6 state financial institutions engaged in the financing of export  
7 transactions, a representative of a port district, and a representative  
8 of organized labor. Of the remaining board members, there shall be ((a  
9 ~~representative of the governor,~~)) one representative of business from  
10 the area west of Puget Sound, one representative of business from the  
11 area east of Puget Sound and west of the Cascade range, one  
12 representative of business from the area east of the Cascade range and  
13 west of the Columbia river, ((and)) one representative of business from  
14 the area east of the Columbia river, the director of the department of  
15 trade and economic development, and the director of the Washington  
16 state department of agriculture. One of the directors shall be a  
17 representative of the public selected from the area in the state west  
18 of the Cascade mountain range and one director shall be a  
19 representative of the public selected from that area of the state east  
20 of the Cascade mountain range. One director shall be a representative  
21 of the public at large. The directors shall be broadly representative  
22 of geographic areas of the state, and the representatives of businesses  
23 shall represent at least four different industries in different sized  
24 businesses as follows: (a) One representative of a company employing  
25 fewer than one hundred persons; (b) one representative of a company  
26 employing between one hundred and five hundred persons; ((and)) (c)  
27 ((two)) one representative((s)) of companies employing more than five  
28 hundred persons; (d) one representative from an export management  
29 company; and (e) one representative from an agricultural or food  
30 processing company. Any vacancies on the board due to the expiration

1 of a term or for any other reason shall be filled by appointment by the  
2 governor for the unexpired term.

3 **Sec. 8.** RCW 43.210.050 and 1985 c 466 s 64 and 1985 c 231 s 5 are  
4 each reenacted and amended to read as follows:

5 The small business export finance assistance center formed under  
6 RCW 43.210.020 and 43.210.030 (~~is eligible to receive consideration~~  
7 ~~for~~) shall enter into a contract under this chapter (~~from the~~) with  
8 the department of trade and economic development or its statutory  
9 successor. The contract shall require the center to provide export  
10 assistance services, (~~may not have a duration of longer than two~~  
11 years,) consistent with sections 1 through 5 of this act, shall have  
12 a duration of two years, and shall require the center to aggressively  
13 seek to fund its continued operation from nonstate funds. The contract  
14 shall also require the center to report (~~at least twice~~) annually to  
15 the department on its success in obtaining nonstate funding. Upon  
16 expiration of the contract, any provisions within the contract  
17 applicable to the Pacific Northwest export assistance project shall be  
18 automatically renewed without change provided the legislature  
19 appropriates funds for administration of the small business export  
20 assistance center and the Pacific Northwest export assistance project.  
21 The provisions of the contract related to the Pacific Northwest export  
22 assistance project may be changed at any time if the director of the  
23 department of trade and economic development or the president of the  
24 small business export finance assistance center present compelling  
25 reasons supporting the need for a contract change to the board of  
26 directors and a majority of the board of directors agrees to the  
27 changes. The department of agriculture shall be included in the  
28 contracting negotiations with the department of trade and economic  
29 development and the small business export finance assistance center

1 when the Pacific Northwest export assistance project provides export  
2 services to industrial sectors within the administrative domain of the  
3 Washington state department of agriculture. The department of trade  
4 and economic development, the small business export finance assistance  
5 center, and, if appropriate, the department of agriculture, shall  
6 report annually, as one group, to the appropriate legislative oversight  
7 committees on the progress of the Pacific Northwest export assistance  
8 project.

9 NEW SECTION. Sec. 9. The following acts or parts of acts are  
10 each repealed:

- 11 (1) RCW 43.131.325 and 1985 c 231 s 10; and
- 12 (2) RCW 43.131.326 and 1985 c 231 s 11.

13 NEW SECTION. Sec. 10. A new section is added to chapter 43.131  
14 RCW to read as follows:

15 The Pacific Northwest export assistance project shall be terminated  
16 on June 30, 1996, as provided in section 11 of this act.

17 NEW SECTION. Sec. 11. A new section is added to chapter 43.131  
18 RCW to read as follows:

19 The following acts or parts of acts, as now existing or hereafter  
20 amended, are each repealed, effective June 30, 1997:

- 21 (1) Section 1 of this act;
- 22 (2) Section 2 of this act;
- 23 (3) Section 3 of this act;
- 24 (4) Section 4 of this act; and
- 25 (5) Section 5 of this act.

1        NEW SECTION.    **Sec. 12.**        The sum of ..... dollars, or as much  
2        thereof as may be necessary, is appropriated for the biennium ending  
3        June 30, 1993, from the general fund to the small business export  
4        finance assistance center fund, under section 5 of this act, for the  
5        small business export finance assistance center of which .....  
6        dollars are provided solely for the Pacific Northwest export assistance  
7        project for the purposes of this act.

8        NEW SECTION.    **Sec. 13.**        This act is necessary for the immediate  
9        preservation of the public peace, health, or safety, or support of the  
10       state government and its existing public institutions, and shall take  
11       effect immediately.

12       NEW SECTION.    **Sec. 14.**        If specific funding for the small  
13       business export finance assistance center, referencing this act by bill  
14       number, is not provided by June 30, 1991, in the omnibus appropriations  
15       act, this act shall be null and void.

16       NEW SECTION.    **Sec. 15.**        If any provision of this act or its  
17       application to any person or circumstance is held invalid, the  
18       remainder of the act or the application of the provision to other  
19       persons or circumstances is not affected.