

SENATE BILL REPORT

ESHB 2784

As Reported By Senate Committee On:
Economic Development, February 25, 2004
Ways & Means, March 1, 2004

Title: An act relating to the small business incubator program.

Brief Description: Creating the small business incubator program.

Sponsors: House Committee on Trade & Economic Development (originally sponsored by Representatives Pettigrew, Skinner, O'Brien, Conway, Hunt, Cooper, Cairnes, Eickmeyer, Jarrett, Sullivan, Kirby, G. Simpson, Ruderman, Hatfield, Moeller, Chase, Kenney, Morrell, Hudgins and Murray).

Brief History:

Committee Activity: Economic Development: 2/25/04 [DPA-WM].
Ways & Means: 3/1/04 [DPA].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators T. Sheldon, Chair; Hale, Kohl-Welles, Murray, Schmidt and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Regala, Roach, Sheahan, B. Sheldon and Winsley.

Staff: Kirstan Arestad (786-7708)

Background: Most small businesses fail within their first five years of operation because they are undercapitalized and 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.

Small business incubators have an impressive track record. More than 80 percent of the nation's businesses participating in this type of environment survive beyond their first five years of existence.

Most incubator facilities in Washington provide an environment where public and private resources can combine to meet the needs of small businesses during their critical stages of development.

Summary of Amended Bill: The Small Business Incubator (SBI) program is created in the Department of Community, Trade, and Economic Development (CTED).

CTED must award grants to qualified SBI organizations for the construction and equipment needs of the SBI and for technical assistance services.

An SBI is defined as a facility that offers:

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

To qualify for money under the SBI Program, an SBI organization must be a nonprofit 501(c)(3) organization focused on developing small businesses in an economically distressed or disadvantaged area. They must also have a sound business plan.

CTED is to develop criteria and accept donations for the program, and integrate the promotion of small business incubators as economic development tools in its strategic plan.

An SBI non-appropriated account is created in the custody of the State Treasurer.

Ways & Means Amended Bill Compared to Economic Development Amended Bill: The amendment deletes the matching fund requirement for grant recipients and requires the grant recipient to show that the state grant is not the sole source of funds.

Economic Development Amended Bill Compared to Substitute Bill: The striking amendment restructures and clarifies the bill.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (Economic Development): Small businesses are the heartbeat of the economy. This bill is intended to help incubators help small businesses. This will allow start-ups to share expenses. Incubators help create jobs as expensively as you could hope for. This will help people to work where they live without long commutes. This will help get people off the dole. There has been a marked reduction in minority contractors.

Testimony Against (Economic Development): None.

Testified (Economic Development): Rep Pettigrew; Rep. Buck; Lincoln Ferris, Jamie Beletz, WA. Assoc. of Small Business Incubators; Terry Knapton, Economic Alliance of Okanogan Co.; Karen Primeau, Contractor Development and Competitiveness Center; Audrey Chase; Ellen Abellera, Commission on Asian Pacific American Affairs.

Testimony For (Ways & Means): Small business incubators have a 30-year history in this country, with over 950 incubators countrywide. In Washington, we have two incubators with 16-year histories. Businesses in the incubator program after three years have a 78 percent success rate. Businesses in the program after five years have an 87 percent success rate. In contrast, the failure rate for businesses not in the program have a failure rate of 80 percent. Community support is very important to this program.

Concerns: The Department of Community, Trade, and Economic Development has no concern with the policies behind the bill, but with funding issues. CTED is not able to absorb the program or the grant responsibility without funding.

Testimony Against (Ways & Means): None.

Testified (Ways & Means): PRO: Lincoln Ferris, Washington Association of Small Business Incubators; Doug Levy, City of Puyallup; CONCERNS: Tom McBride, Department of Community, Trade, and Economic Development.