

HOUSE BILL REPORT

HB 2641

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

Title: An act relating to expanding small business development centers.

Brief Description: Expanding small business development centers.

Sponsors: Representatives Kenney, Maxwell, Hasegawa, Sullivan, Liias, Clibborn, Ericks, Pettigrew, Chase, Conway, Probst, Kelley, Simpson, Sells, Goodman, Hudgins, Morrell and Santos.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/14/10, 1/20/10 [DP];

General Government Appropriations: 2/2/10, 2/5/10 [DPS].

Brief Summary of Substitute Bill

- Requires the Department of Licensing to collect a \$5 donation, with the opportunity to opt out, with each original and renewal application for the master business license.
- Directs deposit of donated funds into a Business Assistance Account for expenditure by the Small Business Development Center administrator on increased management and technical assistance to existing small and start-up businesses at satellite offices.
- Provides an effective date of October 1, 2010.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 6 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Chase, Liias, Probst and Sullivan.

Minority Report: Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Orcutt and Parker.

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.

Staff: Meg VanSchoorl (786-7105).

Background:

Master Business License.

The Business License Center, within the Department of Licensing, provides a single location where businesses may apply for a Master License. The Master Business Application is a simplified form used to apply online or in person for many state licenses, registrations, and permits. All specialty licenses available through the Master License Service must be renewed each year. The processing fees for master business applications and for renewal applications are set by statute at \$15 and \$9 respectively. There are also additional fees associated with licenses, registrations, or permits required for particular types of business.

Small Business Development Centers.

Small Business Development Centers (SBDC), headquartered at Washington State University (WSU), provide management and technical assistance such as training, counseling, and research, to existing small businesses and entrepreneurs. The SBDC is a cooperative effort between WSU, other educational institutions, economic development organizations, and the U.S. Small Business Administration. The SBDC has business adviser centers at 24 locations. Fourteen are operated directly by WSU and 10 are operated under contract with WSU. Some are located at community colleges and some are co-located with economic development councils and other community-based organizations. The SBDCs are supported by federal, state, and local funds.

Substitute Senate Bill 5723, enacted during the 2009 legislative session, directed the SBDC network to integrate and coordinate its services with other state economic and workforce development programs, target its services to in-state small businesses, tailor each center's outreach and services to local needs and demographics, and establish or expand satellite offices when financially feasible. A Business Assistance Account (Account) was established in the custody of the State Treasurer to be used only by the SBDC administrator or designee to expand business assistance services. No fund source for the Account was identified. Any funds in the Account must first be used to make increased management and technical assistance available to small and start-up businesses at satellite offices. The funds may also be used to develop and expand programs such as small business planning workshops and counseling.

Summary of Bill:

The Department of Licensing is required to provide an opportunity for master business applicants to make a voluntary donation of \$2 at the time they submit initial and renewal applications. These donations must be deposited into the Business Assistance Account. The SBDC administrator or designee is required to first use funds within the Account to make increased management and technical assistance available to existing small businesses and start up businesses at satellite offices.

Appropriation: None.

Fiscal Note: Received

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

Staff Summary of Public Testimony:

(In support) Small businesses are the true source of economic development for our state. This is a jobs bill and SBDCs are an important business tool. Through the jobs created by small businesses assisted by the SBDCs and the multiplier effect of business and worker spending, there is a return on investment of approximately \$4.30 for each funding dollar. Times are tight economically for businesses, the public and state government, and that is the reason we took the funding approach we did -- providing an opportunity for master business license applicants to make a very small, voluntary donation. We support the bill's voluntary, "opt-in" approach and would not want to see it changed to an "opt-out" system in the future. The WSU SBDC may have to leave up to \$250,000 in federal dollars on the table this year due to a shortfall in the required state and local match. This bill features an innovative way to capture and maximize those federal funds.

(Opposed) None.

Persons Testifying: Phil Eng, Evergreen Business Capital; Doug Levy, City of Renton; Ambert Carter, Washington Association of Business; and Larry Ganders, Washington State University.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Darneille, Chair; Takko, Vice Chair; Blake, Dunshee, Hudgins, Kenney, Pedersen, Sells, Van De Wege and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives McCune, Ranking Minority Member; Klippert and Short.

Staff: Sara del Moral (786-7118).

Summary of Recommendation of Committee On General Government Appropriations Compared to Recommendation of Committee On Community & Economic Development & Trade:

The effective date is October 1, 2010, rather than 90 days after session adjourns. With exceptions, the Department of Licensing (DOL) must collect a \$5 donation with each original

and renewal application for the Master License, rather than a \$2 opt-in donation. The DOL must make it clear to applicants that they may opt out of the donation. The DOL may not collect the donation from any applicant who opts not to donate.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect on October 1, 2010.

Staff Summary of Public Testimony:

(In support) Small businesses are in dire need. We need to strengthen small businesses and startup businesses. There is an amendment that pushes the start date back to October 2010. The fiscal note estimate seems high. It is a voluntary fee, not mandatory. It would be a great payback and it would help businesses. The Small Business Development Centers (SBDCs) received federal funds that are a 50-50 match with state or local dollars. In this budget environment, local sponsors have had difficulty maintaining these matching funds. The SBDCs have a record of providing a positive return on investment. By helping businesses, the SBDCs generate millions of dollars in tax revenues to the state. They create and save hundreds of jobs. Current staffing limits how much the SBDCs can help businesses, so more funds would really help small businesses.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Brett Rogers, Small Business Development Centers; and Doug Levy, Cities of Renton, Kent and Federal Way.

Persons Signed In To Testify But Not Testifying: None.