
SUBSTITUTE SENATE BILL 5639

State of Washington

52nd Legislature

1991 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Cantu, Snyder, Anderson, Bluechel, Madsen, Barr, Sutherland, Johnson, Bauer, Bailey, Roach, A. Smith, Thorsness and Conner).

Read first time March 11, 1991.

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; and declaring an emergency.

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

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

8 (1) The exporting of value-added manufactured goods, which for the
9 purposes of sections 1 through 5 of this act shall include processed
10 food and agricultural products, from Washington state and the Pacific
11 Northwest region to international markets is vitally important for the
12 public good, for maintaining our high standard of living, keeping our
13 business community competitive in global markets, and in providing
14 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.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and shall take
4 effect immediately.

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

9 NEW SECTION. **Sec. 14.** If any provision of this act or its
10 application to any person or circumstance is held invalid, the
11 remainder of the act or the application of the provision to other
12 persons or circumstances is not affected.