

HOUSE BILL REPORT

HB 1493

As Reported By House Committee On:
Trade, Economic Development & Housing
Appropriations

Title: An act relating to minority and women-owned businesses.

Brief Description: Assisting minority and women-owned businesses.

Sponsors: Representatives Wineberry, Forner, Shin, Sheldon, Leonard, Basich, Locke, J. Kohl, Morris and Anderson.

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, March 3, 1993,
DPS;
Appropriations, March 6, 1993, DPS(TEH-A APP).

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Wineberry, Chair; Shin, Vice Chair; Forner, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Campbell; Casada; Conway; Morris; Quall; Schoesler; Sheldon; Springer; Valle; and Wood.

Staff: Charlie Gavigan (786-7340).

Background: Minority business enterprises (MBE's) and women's business enterprises (WBE's) benefit generally from statewide economic development programs.

Washington State's Office of Minority and Women's Business Enterprises (OMWBE) was created in 1983 to increase opportunities for minorities and women to obtain state contracts. OMWBE's major duties are: (1) to set annual MBE and WBE participation goals in fulfilling state contracts; (2) to certify businesses as eligible for MBE or WBE status; (3) to provide a certification list for state agencies and others seeking to solicit bids from MBE's or WBE's; and (4) to monitor agencies and perform investigations to identify barriers to equal participation and expose discriminatory business practices.

Summary of Substitute Bill: The Omnibus Minority and Women-owned Businesses Assistance Act provides technical assistance, training and education, export assistance contract procurement assistance, loans and grants, and bonding assistance to minority and women-owned businesses. Minority and women-owned business is defined as a business that has been certified by the Office of Minority and Women's Business Enterprises (OMWBE) and has complied with specific training requirements.

The Department of Trade and Economic Development is to provide technical assistance to minority and women-owned businesses for marketing, finance, management, procurement, and identifying export markets.

OMWBE is to work with state agencies to develop a plan, that includes direct contracting with certified minority and women-owned businesses for public works and construction, to achieve OMWBE participation goals for certified firms in state contracting. If OMWBE finds that an agency is not complying, the Office of Financial Management (OFM) suspends the agency's authority to spend money until the agency complies or develops an acceptable plan to comply.

A business training course of instruction for MBE's and WBE's must be established. The Department of Trade and Economic Development contracts with private or public organizations to develop the course. The training course is for resident minority and women business owners. Businesses with five or more years of experience and certification can access state assistance without completing this training.

Financial assistance may be provided to qualified minority and women business owners and minority and women entrepreneurs through the establishment of the Washington State minority and women-owned businesses loan fund. The director of the Department of Community Development may establish this lending program by creating a seven member loan fund committee to administer the fund. The fund can be capitalized by switching state funds with federal funds administered by the Department of Community Development. The fund can be used for loans or loan guarantees, with priority given to loan guarantees. Criteria for loan approval are provided. Individual loans may not exceed \$75,000 unless approved by the director of the Department of Community Development. The director may approve loans up to \$150,000.

The Washington State Small Business Bonding Assistance Program is established in the Department of Community Development. The program provides education and bond guarantees for minor minority and women-owned contracting

businesses. The state provides half the funding for the guarantees, matched with private sector funds.

The Business Assistance Center in the Department of Trade and Economic Development is not terminated on June 30, 1993, but is required to undergo a sunset review process in 1995.

Substitute Bill Compared to Original Bill: Provisions are added which: (1) define "minority" and "minority and women-owned business;" (2) expand export assistance; (3) provide that if OMWBE finds that an agency is not complying, OFM suspends the agency's authority to spend money until the agency complies or develops an acceptable plan to comply; (4) change the loan program to a loan and loan guarantee program; (5) add a bond assistance program; and (6) revise the Business Assistance Center termination.

Fiscal Note: Requested.

Appropriation: From the state building construction account, \$5 million is appropriated for the loan and guarantee program. From discretionary federal funds for the bond assistance program, \$1 million is appropriated.

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

Testimony For: Minority and women-owned businesses need targeted state assistance to better participate in the economy of Washington State. In the future, Washington's economic prosperity will depend on better inclusion of minority and women-owned businesses.

Testimony Against: None.

Witnesses: Representative Wineberry, prime sponsor (supports); Kathy Norwood, Department of Trade and Economic Development (supports); and Robin Swenson, Department of Trade and Economic Development (supports).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Trade, Economic Development & Housing be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass. Signed by 24 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Ballasiotes; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; Peery; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott; Wang; and Wolfe.

Minority Report: Do not pass. Signed by 1 member:
Representative Wineberry.

Staff: Beth Redfield (786-7130).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Trade, Economic Development & Housing: The amended bill strikes the substitute bill and modifies the development loan fund statutes to include consideration for loans to minority and women-owned businesses, instead of creating a new loan fund for minority and women-owned businesses. Specifically, the amended bill expands the Development Loan Fund Committee to include a representative of women-owned businesses. For loans to minority and women-owned businesses, the committee is allowed to use nontraditional credit standards, develop alternative borrowing methods, and provide financial counseling and referrals for credit rehabilitation services. The committee is authorized to enter into agreements with other public and private lending institutions to develop a loan guarantee program for minority and women-owned businesses. The committee is directed to simplify the loan process. Finally, the amended bill specifies that entitlement communities spend at least the same amount as, instead of double the amount of, the state grant for loans to businesses.

Fiscal Note: Available.

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

Testimony For: The current Minority and Women's Business Enterprise Program is a certification program only. This program will provide assistance to minority and women-owned businesses. The loan fund will provide the state with an excellent financial tool to address the needs of minority and women-owned businesses. Supporters are continuing to look for non-state sources of funds. There is some concern with the provision of the bill which requires certification as a minority or women-owned business to apply for a loan under the program.

Testimony Against: None.

Witnesses: Becky Bogard, African American Legislative Agenda (supports); and Clarence Williams, African American Legislative Agenda (supports).