

SENATE BILL REPORT

ESHB 1493

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 5, 1993

Brief Description: Assisting minority and women-owned businesses.

SPONSORS: House Committee on Trade, Economic Development & Housing (originally sponsored by Representatives Wineberry, Forner, Shin, Sheldon, Leonard, Basich, Locke, J. Kohl, Morris and Anderson)

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Skratek, Chairman; Sheldon, Vice Chairman; Bluechel, Erwin, M. Rasmussen, and Williams.

Staff: Midori Okazaki (786-7444)

Hearing Dates: March 30, 1993; March 31, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass with amendments to the amendment by Committee on Trade, Technology & Economic Development.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Anderson, Bauer, Bluechel, Gaspard, Hargrove, Jesernig, Niemi, Owen, Pelz, Quigley, Snyder, Sutherland, Talmadge, Williams, and Wojahn.

Staff: Martin Chaw (786-7715)

Hearing Dates: April 5, 1993

BACKGROUND:

Minority business enterprises (MBEs) and women's business enterprises (WBEs) benefit generally from statewide economic development programs.

The 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 MBEs or WBEs; and (4) to monitor agencies and perform

investigations to identify barriers to equal participation and expose discriminatory business practices.

SUMMARY:

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).

The Department of Trade and Economic Development's Business Assistance Center is to provide technical assistance to minority and women-owned businesses for marketing, finance, management, procurement, and identifying export markets. The Small Business Export Finance Assistance Center is to develop a minority business export outreach program.

The Department of Trade and Economic Development is required to contract with public and private agencies and organizations to conduct entrepreneurial training courses for minority and women-owned small businesses to be offered throughout the state.

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. OMWBE annually notifies the Governor, the Legislative Budget Committee, and the State Auditor of all agencies not in compliance with participation goals.

The Development Loan Fund Committee is expanded to include a member representing women-owned businesses. Financial assistance may be provided to qualified minority and women business owners and minority and women entrepreneurs through the development loan fund, and through loan guarantee programs operated jointly with other public or private lending institutions. The program can consider nontraditional credit criteria for minority and women-owned businesses. The matching requirement for entitlement communities is reduced from a 2:1 match to a 1:1 match.

The Washington State Small Business Bonding Assistance Program is established in the Department of Trade and Economic Development. The program provides education and bond guarantees for minority- and women-owned small business contractors. The state is to solicit support for the bond guarantee fund from other public and private entities.

The provisions dealing with the Small Business Export Finance Assistance Center, entrepreneurial training and bonding assistance and guarantee are null and void if specific funding is not provided in the Omnibus Appropriations Act.

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

SUMMARY OF PROPOSED TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT AMENDMENT:

The striking amendment deletes the extension of the sunset and termination dates of the business assistance center.

The Office of Minority and Women's Business Enterprises is required to rate the performance of public depositaries in making loans to minority and women-owned businesses. Effective July 1, 1994, funds available under the State Treasurer's time certificate of deposit investment program may be invested in only those otherwise qualified public depositaries which have received a satisfactory rating from the OMWBE. The Treasurer is authorized to issue certificates of deposit with a maturity of up to five years.

Agency procurement plans developed in consultation with the OMWBE must include specific measures the agency will undertake to increase participation by minority and women-owned businesses in contracts for public works and goods and services.

SUMMARY OF PROPOSED WAYS & MEANS AMENDMENT:

The section establishing the linked deposit program was amended as follows: the State Treasurer is authorized to give a 200 basis point preference to financial institutions for the investment of short-term assets; the State Treasurer may annually invest up to \$50 million under this program; the Department of Community Development is to provide technical assistance to MWBEs in securing loans; and a sunset of June 30, 1996, is established. The linked deposit program is null and void subject to specific funding included in the omnibus appropriations act for the technical assistance provided by the Department of Community Development.

Appropriation: none

Revenue: none

Fiscal note: requested

Effective date: The bill contains an emergency clause and takes effect July 1, 1993.

TESTIMONY FOR (Trade, Technology & Economic Development):

Economic discrimination is often hidden, but pervasive. Minority and women-owned businesses have historically been excluded from the marketplace. Businesses that are created have a high failure rate. Lack of access to capital has been identified as the greatest barrier to the success of minority and women-owned businesses. They are also hindered by denial of bonds and the lack of comprehensive business training.

Despite the efforts of the Office of Minority and Women's Business Enterprises to increase opportunities for minority and women-owned businesses in state procurement contracts, over 80 percent of African-American owned contracting firms in existence at the time of OMWBE's creation have failed. By increasing economic opportunities in minority communities, the quality of life is improved in minority communities and the state as a whole benefits from increased tax revenues and employment.

TESTIMONY AGAINST (Trade, Technology & Economic Development): None

TESTIFIED (Trade, Technology & Economic Development): PRO: Rep. Wineberry, original prime sponsor; Daniel K. Grimm, State Treasurer; Robert Branscomb, Office of Minority and Women's Business Enterprises; Clarence Williams, African-American Legislative Agenda; Eddie Rye, Jr., Black Contractors' Coalition; Becky Bogard, African-American Legislative Agenda; Floyd Davenport, Sr.; Donovan Rivers, Central Area Business Development Center; Herman McKinney, Urban Enterprise Center, Chamber of Commerce; Ken Keach, Export Assistance Center; Jim Medina; Office of Minority and Women's Business Enterprises; Kevin Johnson, Department of Trade and Economic Development; Caryn Johnson, South Seattle Community College; Robin Pollard, Business Assistance Center, DTED; Kathy Norwood, Business Assistance Center, DTED; Richard Kirton, WA Freedom Coalition

TESTIMONY FOR (Ways & Means):

This measure would assist a group which, historically, has been excluded from access to capital and as a result has not had access to success. The largest downfall for MWBEs has been the lack of access to capital and financial discrimination. This measure offers an excellent opportunity for MWBEs to prosper and eventually expand. This measure is crucial as it will provide jobs and economic development for the local community and the state. The programs in this measure would assist the targeted group gain access to areas where access was denied before.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Clarence Williams, African American Legislative Agenda; Trevor Sandison, WA Bankers Assn.; Kathy Norwood, DTED; Tom Owens, Washington Savings League; Valerie Pickens, business owner; Representative Jesse Wineberry, prime sponsor