

SENATE BILL REPORT

SB 5223

AS REPORTED BY COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC
DEVELOPMENT, FEBRUARY 18, 1993

Brief Description: Establishing the Washington state self-employment loan program.

SPONSORS: Senators Skratek, Erwin, Bluechel, M. Rasmussen, Deccio and Winsley

SENATE COMMITTEE ON TRADE, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5223 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Jonathan Seib (786-7427)

Hearing Dates: February 2, 1993; February 18, 1993

BACKGROUND:

Beginning in the early 1980's, a number of programs were developed in this country and throughout the world based on the assumption that some low income persons, many dependent on traditional welfare programs, have the potential for self-sufficiency through self-employment. These programs suggest that appropriate training and minimal financial assistance can help those possessing such potential. While our state has been involved in demonstration projects to assist unemployed persons in establishing their own businesses, no program exists to build this capacity on the local level.

SUMMARY:

The self-employment loan program is established in the Department of Community Development. Through the program, the department will solicit and approve applications for funds from local development organizations to use as a revolving loan fund to finance the small businesses of low income persons.

The committee will award funds to local organizations on a competitive basis. Applications to the committee must include: 1) a detailed description of the need for a self-employment program in the particular community; 2) a detailed description of the applicant organization and its capacity to be a program administrator, and 3) a detailed description of the loan procedure and the self-employment training and support program into which the loan fund will be incorporated.

The department may not approve any application for greater than \$60,000. It may grant up to two awards to a single organization, but only one per biennium. The department may withdraw an award if an organization fails to meet the purposes of the act. It must report biennially to the Legislature on the progress and status of the overall program.

A local development organization may provide loans from awarded funds of no greater \$5,000 per person. It must report annually to the department on the progress and status of its program.

EFFECT OF PROPOSED SUBSTITUTE:

An appropriation of \$270,000 is added, no more than 15 percent of which can be used by the Department of Community Development for program administration costs.

Appropriation: \$270,000

Revenue: none

Fiscal Note: requested January 29, 1993

TESTIMONY FOR:

Pilot projects in Washington, and similar programs in other states and countries, suggest that self employment programs work well, creating jobs without substantial costs.

TESTIMONY AGAINST: None

TESTIFIED: Judy Johnson, Employment Security Department; Dara Fredrickson, Employment Security Department