

HOUSE BILL REPORT

HB 2529

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to the small business export finance assistance center.

Brief Description: Assisting small business exporters.

Sponsors: Representatives Van Luven, Veloria, McDonald, Kenney, Tokuda, Dickerson, Mason, Kessler, Constantine, Thompson and Ogden; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity:

Trade & Economic Development: 1/26/98, 1/29/98 [DPS].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Veloria, Ranking Minority Member; Eickmeyer, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

Staff: Kenny Pittman (786-7392).

Background: The Small Business Export Finance Assistance Center (center) was created in 1983, as a nonprofit corporation, to provide financial and technical assistance to assist small and medium-sized businesses export their goods and services. The center is governed and managed by a 19-member board of directors. Members are appointed by the Governor and confirmed by the Senate for 6-year terms

The center may: (1) make loans to Washington businesses with annual sales of \$25 million or less for the purpose of financing goods or services to buyers in foreign countries, provided that the loans do not compete with or substitute for loans available through private financial institutions; (2) provide loan guarantees on private loans to businesses with annual sales of \$100 million or less for the purpose of financing goods or services to buyers in foreign countries; (3) provide export financial counseling to Washington exporters with annual sales of \$100 million or less, provided the counseling is not available from a Washington for-profit business; and (4) contract with the federal government to become a program administrator for federal risk insurance.

The center may not use state funds to make loans or any payments under a loan guarantee agreement. Debts of the center are its sole debts and may only be satisfied with its resources. The center may charge fees for counseling services. The state of Washington is not responsible for debts of the center.

Summary of Substitute Bill: The Small Business Export Finance Assistance Center (center) board of directors is reduced from 19 members to seven members. Members are appointed to the board, with advice from board members, by the Governor. The term of the board members is reduced from six-year terms to four-year terms. When possible, appointments to the board must reflect a geographic balance and diversity of the state.

The membership of the board of directors is revised to include: (1) the director of the Department of Community, Trade, and Economic Development, or the director's designee; (2) a representative of a large financial institution engaged in financing export transactions in Washington; (3) a representative of a small financial institution engaged in financing export transactions in Washington; (4) a large exporting company located in Washington; (5) a small exporting company located in Washington; (6) a representative of organized labor in a trade involving international commerce; and (7) a representative at large.

The powers and duties of the center are revised to include: (1) assistance to businesses with annual sales of \$150 million or less in obtaining loans and loan guarantees from financial institutions to finance the export of goods and services from Washington; (2) export finance and risk mitigation counseling to Washington exporters with annual sales of \$150 million or less, provided the counseling is not available from a Washington for-profit business; (3) assistance in obtaining export credit insurance or other forms of foreign risk mitigation to facilitate the export of goods and services from Washington; (4) use of the center as a teaching resource to both public and private sponsors of workshops/programs on financing and risk mitigation aspects of exporting from Washington; and (5) developing a comprehensive inventory of public and private export-financing resources, including information on country specific resources and payment terms.

Substitute Bill Compared to Original Bill: The substitute bill reduces the annual sales threshold to businesses that the center can assist in: (1) obtaining loans or loan guarantees; and (2) providing export finance and risk mitigation counseling from \$250 million to \$150 million.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The export finance center serves small and medium-sized Washington businesses in obtaining export financing or provides counseling. The bill helps improve the efficiency of the export finance center by reducing the size of the board of directors. The large board is not needed since the export finance center does not make direct loans to businesses (no need for a loan committee). The bill also allows the export finance center to assist larger middle-market businesses or those businesses that may have large export-related sales in a single year by increasing the threshold amounts. Increasing the threshold amounts also reflects the increase in the value of products exported since the export finance center was created in 1983.

Testimony Against: None.

Testified: Stephen Odom, Department of Community, Trade, and Economic Development (pro); Nancy Carlson, Export Finance Center of Washington (pro); and Kathy Cobb, North Pac-Bank (pro).