
**Economic Development,
Agriculture & Trade Committee**

2SHB 1815

Brief Description: Creating a competitive grant program for organizations that assist small businesses.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Wallace, Skinner, Pettigrew, Rodne, Kilmer, Ahern, Blake, McCoy, Anderson, Walsh, Lovick, Hudgins, Appleton, Strow, Murray, B. Sullivan, Simpson, Kessler, Williams, O'Brien, Conway, Morris, Linville, Lantz and Moeller).

Brief Summary of Second Substitute Bill

- Creates a competitive grant program for small business incubators and entrepreneurial support programs.

Hearing Date: 1/17/06

Staff: Tracey Taylor (786-7196).

Background:

Business incubation is a dynamic process of business enterprise development. Incubators provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services. Many business incubators also offer entrepreneurial firms shared office services, access to equipment, flexible leases, and expandable space.

An incubation program's main goal is to produce businesses that are financially viable and freestanding when they leave the incubator, usually after two or three years. Approximately 30 percent of incubator clients graduate each year.

In 2004, the Legislature passed the Washington Small Business Incubator and Assistance Act which created the Small Business Incubator (SBI) program which is administered by the Department of Community, Trade and Economic Development (DCTED).

The DCTED may award grants of up to \$3 million to qualified SBI organizations for the construction and equipment needs of the SBI facility. In order to receive the grant, the qualified SBI must show that it has the resources to complete the project in a timely manner and that the state grant is not the sole source of funds. In addition to the facilities funds, the DCTED may

provide technical assistance, up to a maximum of \$125,000 per year, per facility, to a qualified SBI for support services and the operation of the SBI facilities.

A SBI is defined as a physical location that offers:

- space for start-up and expanding firms with viable products;
- the shared use of equipment and work areas;
- daily management support services essential to high-quality commercial operations; and
- technical assistance.

To qualify for money under the SBI Program, a SBI organization must be a nonprofit 501(c)(3) organization focused on developing small businesses in an economically distressed or disadvantaged area. It must also have a sound business plan and meet other standards developed by the DCTED, in conjunction with the Washington Association of Small Business Incubators.

A SBI Account is created in the custody of the State Treasurer. The DCTED may accept and receive grants, gifts, and pledges for the support of the SBI program.

Summary of Bill:

A competitive grant program is established for small business incubators and entrepreneurial support programs providing business-related training and services as well as technical assistance to start-up or emerging businesses. Entrepreneurial support programs offer start-up or emerging businesses business-related training and services as well as technical assistance. An emerging business means a business that is engaged in activities related to the development of initial product or service offerings, a business which is less than three years old and during the previous fiscal year had gross revenues of no more than \$2 million or a business that is in a growth mode, expanding its operations or its market. A start-up business means a business that is involved in activities related to the initial product or service offerings which is less than three years old and during the previous fiscal year had gross revenues of no more than \$2 million and has fewer than 20 employees. The requirement that a qualified SBI be focused on developing businesses in an economically distressed area is removed.

The grants are awarded to 501(c)(3) or 501(c)(6) nonprofit organizations or governmental organizations, including port districts. To the extent possible, grants shall be awarded among zones equally. The zones, by counties are:

- Northwest Zone: Clallum, Jefferson, Whatcom, Skagit, San Juan and Island counties;
- Pacific Mountain Zone: Thurston, Mason, Grays Harbor, Lewis and Pacific counties;
- Southwest Zone: Wahkiakum, Cowlitz, Clark and Skamania counties;
- Northeast Zone: Adams, Chelan, Douglas, Whitman, Grant, Okanogan, Ferry, Stevens, Pend Oreille, Lincoln, and Spokane counties; and
- Southeast Zone: Benton, Franklin, Walla Walla, Columbia, Garfield, Asotin, Whitman, Kittitas, Skamania and Yakima counties.
- King Zone: King County.
- Pierce Zone: Pierce County.
- Snohomish Zone: Snohomish County.

Administration and overhead expenses are limited to 10 percent of the grant award. The grants are awarded for a two-year period and previous grantees are not prohibited for reapplying for new grants.

The DCTED will administer the grant program and shall establish an application process. At a minimum, the grant applications must include a work plan that describes the types of businesses to be targeted for assistance, the types of training, services and technical assistance to be offered and the performance measures to be applied. One year after receiving a grant, the grant recipient must submit a progress report to DCTED.

On a biennial basis, beginning December 1, 2007, the DCTED must submit a report to the appropriate committees of the Legislature. The report should include, but is not limited to, the number of businesses served by industry, the types of services provided, the number of jobs retained as the result of the grant program, the number of jobs created as the result of the grant program and the names of the grant recipients and the amounts of the grants.

Appropriation: None.

Fiscal Note: Available on original bill.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.