

SENATE BILL REPORT

SB 5755

As Reported By Senate Committee On:
International Trade & Economic Development, March 1, 2005

Title: An act relating to the small business incubator program.

Brief Description: Modifying provisions of the small business incubator program.

Sponsors: Senators Sheldon, Shin and Delvin.

Brief History:

Committee Activity: International Trade & Economic Development: 2/15/05, 3/1/05 [DPS].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5755 be substituted therefor, and the substitute bill do pass.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Joyce Ahlering (360-786-7486)

Background: Most small businesses fail within their first five years of operation because they are undercapitalized or lack proper management. A small business incubator is a facility in which a number of businesses operate under one roof with affordable rents, sharing services and equipment. Typically, professional and technical assistance is offered to the business on site.

In 2004, the Small Business Incubator (SBI) program was created within the Department of Community, Trade, and Economic Development (CTED). CTED develops criteria and accepts donations for the SBI grant fund, which promotes small business incubators as economic development tools.

The program awards grants to qualified SBI organizations for construction and equipment needs and technical assistance services. A grant recipient must show that the state grant is not the sole source of funds, and that it has the resources to complete the project in a timely manner.

Summary of Substitute Bill: A small business incubation program is defined as a program that provides advise and assistance to start-up firms to help them establish and accelerate their growth and success. A qualified program is a nonprofit organization or a nonprofit-government partnership that is focused on developing small businesses in an economically distressed or disadvantaged area. Finally, a qualified small business incubation program is structured around a sound business plan that includes the following criteria: affordability, quality, sustainability, and efficiency.

Substitute Bill Compared to Original Bill: In addition to a 501(c)(3) organization, a 501(c)(6) organization is added to the definition of qualified small business incubator program. Along with that, CTED is to require SBI grant recipients receiving funds for construction costs to have feasibility studies performed by a qualified vendor.

Appropriation: None.

Fiscal Note: Requested on February 11, 2005.

Committee/Commission/Task Force Created: No.

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

Testimony For: This bill will tighten up and clarify small business incubator grant criteria, and will ensure that small businesses that go through incubator programs have high success rates.

Other: It is not feasible for some small businesses like farms to physically move into an incubator facility. Thus, the distributive model of business incubation needs to be included in the definition of qualified small business incubation programs. Furthermore, the definition's sustainability category is problematic because sustainable small businesses are hard to achieve promptly. Finally, some of the small business incubation support covered in this bill is a duplication of efforts.

Testimony Against: None.

Who Testified: PRO: Jamie Beletz, Washington Association of Small Business Incubators. OTHER: Teresa Lemmons, Metropolitan Development Council; Michael Tracy, Grays Harbor Economic Development Council, Washington Economic Development Association.