

SENATE BILL REPORT

SB 5652

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 7, 2007
Ways & Means, February 21, 2007

Title: An act relating to microenterprise development.

Brief Description: Establishing the microenterprise development program.

Sponsors: Senators Kauffman, Kastama, Kilmer, Brown, Berkey, Rockefeller, Keiser and Shin.

Brief History:

Committee Activity: Economic Development, Trade & Management: 1/30/07, 2/07/07 [DPS-WM].

Ways & Means: 2/14/07, 2/21/07 [DP2S].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Substitute Senate Bill No. 5652 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5652 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Richard Ramsey (786-7412)

Background: A microenterprise is commonly understood to be a business with five or fewer employees, with start-up capital needs of \$35,000 or less, and without access to traditional commercial loans. Most microenterprises are sole-proprietorships, creating employment for the owner and often other family members. Some grow large enough to employ other members of the community.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Microenterprise development refers to the process by which entrepreneurs start and grow their businesses. Microenterprise development programs provide business development services to individuals currently operating or interested in starting a microenterprise.

Approximately 20 organizations operate microenterprise development programs in Washington; they offer a variety of microenterprise services and are at various stages of sophistication and organizational development. Governmental funding for microenterprise development programs is available in most states.

Summary of Bill: The Microenterprise Development Program is established in the Department of Community, Trade and Economic Development. The department is to provide organizational support to a statewide microenterprise association and contract with it for the delivery of capacity building services to microenterprise development organizations as well as grants for technical assistance and training to microentrepreneurs. The department is also to identify other sources of funds for microenterprise development and develop criteria for the distribution of grants. The department may provide loans to local microenterprise loan funds and to a loan guarantee fund.

The statewide microenterprise assistance association and microenterprise development organizations receiving funds must garner matching funds from foundations, financial institutions, or other sources. The statewide microenterprise assistance association may use no greater than 10 percent of state funds to cover administrative expenses and must provide the department with an annual accounting and report on outcomes.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Economic Development, Trade & Management): State funds are prevented from being used for loans.

EFFECT OF CHANGES MADE BY RECOMMENDED SECOND SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): Provisions authorizing the Department of Community Trade and Economic Development to make loans to: (1) microenterprise revolving loan funds; and (2) guarantee loans made by financial institutions to microenterprises are removed. The prohibition on using state funds for loans is also removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Economic Development, Trade & Management):
PRO: Microenterprise development is a proven tool that help low-income individuals work their way out of poverty. Businesses at the micro-enterprise level are not well served by the state's existing economic development toolbox. This provides a variety of services and is an opportunity to join other states in supporting microenterprise at the grass-roots level. Microenterprise development is an asset for overall economic development, it allows the lowest income members of our communities meet their goals.

Persons Testifying (Economic Development, Trade & Management): PRO: Theresa Lemmons, Metropolitan Development Council; Andrea Dimond, Washington Assistive Technology Foundation; Lisa Smith, Enterprise for Equity; Sean Callahan, former Secretary of State.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill will affect the smallest of the small businesses, usually one to five people. Microenterprise development is the first step in economic development. The state funds can be used to leverage federal funding for loans. The bill enables the Department of Community, Trade and Economic Development to contact with a state microenterprise organization in a cost-effective manner. The legislature should consider making appropriations consistent with Sections 3 (1) through 3 (3) of the fiscal note. The Diocese of Olympia has been effective in making microenterprise loans and wants to provide greater technical assistance with the operating funding provided via this bill.

Persons Testifying (Ways & Means): PRO: Senator Kauffman, prime sponsor; Teresa Lemmons, Metropolitan Development Council; Greg Hope, Diocese of Olympia, Jump Start Loans; Lisa Smith, Enterprise for Equity.