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SECOND SUBSTITUTE HOUSE BILL 3115

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State of Washington

60th Legislature

2008 Regular Session

**By** House Appropriations Subcommittee on General Government & Audit Review (originally sponsored by Representatives Kenney, Skinner, Green, Wallace, Haler, Chase, Rodne, Conway, Morrell, Linville, VanDeWege, Loomis, Kelley, Rolfes, Lias, Ormsby, and Darneille)

READ FIRST TIME 02/07/08.

1 AN ACT Relating to small business incubators; amending RCW  
2 43.176.010 and 43.176.020; adding new sections to chapter 43.176 RCW;  
3 and creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.176.010 and 2004 c 237 s 1 are each amended to read  
6 as follows:

7 (1) It is hereby declared to be the policy of the state of  
8 Washington to assist in the creation and expansion of innovative small  
9 commercial enterprises that produce marketable goods and services  
10 through the employment of Washington residents, the use of technology,  
11 and the application of best management practices. This policy is to be  
12 implemented through the use of small business incubators.

13 (2) The purpose of small business incubators is to provide  
14 comprehensive business assistance to start-up and early-stage firms in  
15 order to improve their chances of growing into healthy, sustainable  
16 companies. The legislature finds that companies that graduate from  
17 incubators create jobs, revitalize neighborhoods, and commercialize new  
18 technologies, thus strengthening local and regional economies.

1       **Sec. 2.** RCW 43.176.020 and 2004 c 237 s 2 are each amended to read  
2 as follows:

3       The definitions in this section apply throughout this chapter  
4 unless the context clearly requires otherwise.

5       (1) "Business incubator" means a facility (~~that offers:~~  
6 ~~(a) Space for start-up and expanding firms;~~  
7 ~~(b) The shared use of equipment and work areas;~~  
8 ~~(c) Daily management support services essential to high-quality~~  
9 ~~commercial operations; and~~

10 ~~(d) Technical assistance))~~ or program that provides, on an on-going  
11 basis, business-related training, services, and technical assistance to  
12 businesses that are less than five years old and have fewer than five  
13 employees at the time of admission to the facility or program.

14       (2) "Department" means the department of community, trade, and  
15 economic development.

16       (3) "Economically distressed or disadvantaged area" means: (a) A  
17 county that has an unemployment rate that is twenty percent above the  
18 state average for the immediately previous three years; or (b) an area  
19 that the department determines to be a low-income community, using as  
20 guidance the low-income community designations under the community  
21 development financial institutions fund's new markets tax credit  
22 program of the United States department of the treasury.

23       (4) "Qualified small business incubator" means an incubator that  
24 is:

25       (a)(i) Designated as a nonprofit organization under section  
26 501(c)(3) or section 501(c)(6) of the internal revenue code, or (ii)  
27 consists of a partnership between a designated nonprofit organization  
28 under section 501(c)(3) or section 501(c)(6) of the internal revenue  
29 code and a government or quasi-government agency;

30       (b) Focused on developing small businesses in an economically  
31 distressed or disadvantaged area; (~~and~~))

32       (c) Structured around a sound business plan; and

33       (d) Certified under section 3 of this act.

34       NEW SECTION. **Sec. 3.** A new section is added to chapter 43.176 RCW  
35 to read as follows:

36       CERTIFICATION. (1) The department must develop a certification  
37 program for small business incubators. At a minimum, the program must

1 require that: (a) An incubator meets the statutory definition of a  
2 small business incubator in RCW 43.176.020; and (b) the incubator work  
3 with each client business to develop a graduation plan at the time the  
4 business is admitted to the facility or program, and that the  
5 graduation plan be reviewed and updated annually. The department must  
6 develop additional criteria for certification and when developing such  
7 criteria will consult with the Washington association of small business  
8 incubators and the national business incubator association.

9 (2) In order to qualify for any funding from the department, a  
10 business incubator must at a minimum be certified under this section.

11 (3) Certification must be renewed every five years.

12 (4) Failure to meet the annual reporting requirements under section  
13 5 of this act automatically revokes a small business incubator's  
14 certification under this section.

15 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.176 RCW  
16 to read as follows:

17 ACCOUNTABILITY. All certified small business incubators are  
18 required annually to collect data for each client business. The  
19 collection of data must continue for at least five years after the  
20 client business stops receiving services from the certified small  
21 business incubator or the client business moves out the certified small  
22 business incubator facility. Client and certified small business  
23 incubator data must be submitted to the department by March 31st  
24 annually and include:

25 (1) Identification of the incubator's sponsors and the amount and  
26 source of their contributions;

27 (2) The number of current clients of the certified small business  
28 incubator;

29 (3) The industry and type of business for each client and graduate  
30 business;

31 (4) The total number of graduates of the certified small business  
32 incubator since its founding;

33 (5) The number of graduate firms still in business or that have  
34 been merged or acquired;

35 (6) The number of people currently employed full time by client and  
36 graduate firms;

- 1 (7) The number of people currently employed part time by client and  
2 graduate firms;
- 3 (8) Current monthly salaries and wages paid by client and graduate  
4 firms;
- 5 (9) Gross revenues for the most recent full year for client and  
6 graduate firms;
- 7 (10) The dollar amount of debt capital raised in the most recent  
8 year by client and graduate firms;
- 9 (11) The dollar amount of equity capital raised in the most recent  
10 year by client and graduate firms;
- 11 (12) The dollar amount of grant funds raised in the most recent  
12 full year by client and graduate firms;
- 13 (13) The total number of new jobs created in the last year by  
14 client and graduate firms;
- 15 (14) The percent of jobs created by client and graduate firms above  
16 the county minimum wage;
- 17 (15) The percent of graduates still in business;
- 18 (16) The number of graduates in the last three years;
- 19 (17) The income of certified small business incubator clients;
- 20 (18) The amount of taxes paid by small business incubator clients;
- 21 and
- 22 (19) The number of small business incubator clients owned by  
23 minorities or women.

24 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.176 RCW  
25 to read as follows:

26 REPORTING. Utilizing the data collected under section 4 of this  
27 act, the department is required to submit a biennial report to the  
28 legislature and the Washington economic development commission by  
29 September 1st of each even-numbered year, beginning in 2010, regarding  
30 the performance of certified small business incubators.

31 NEW SECTION. **Sec. 6.** Captions used in sections 3 through 5 of  
32 this act are not any part of the law.

33 NEW SECTION. **Sec. 7.** If specific funding for the purposes of this  
34 act, referencing this act by bill or chapter number, is not provided by

1 June 30, 2008, in the omnibus appropriations act, this act is null and  
2 void.

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