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**SUBSTITUTE SENATE BILL 5652**

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**State of Washington**

**60th Legislature**

**2007 Regular Session**

**By** Senate Committee on Economic Development, Trade & Management  
(originally sponsored by Senators Kauffman, Kastama, Kilmer, Brown,  
Berkey, Rockefeller, Keiser and Shin)

READ FIRST TIME 02/12/07.

1       AN ACT Relating to microenterprise development; amending RCW  
2 43.330.010; adding a new section to chapter 43.330 RCW; and creating a  
3 new section.

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

5       NEW SECTION. **Sec. 1.** (1) The legislature finds that:

6       (a) Microenterprises are an important portion of Washington's  
7 economy, providing approximately twenty percent of the employment in  
8 Washington and playing a vital role in job creation.

9       (b) While community-based microenterprise development organizations  
10 have expanded their assistance to their microentrepreneur customers in  
11 recent years, there remains a lack of access to capital, training, and  
12 technical assistance for low-income microentrepreneurs.

13       (c) Support for microenterprise development offers a means to  
14 expand business and job creation in low-income communities in both  
15 rural and urban areas of the state.

16       (d) Local and state charitable foundation support, federal program  
17 funding, and private sector support can be leveraged by a statewide  
18 program for development of microenterprises.

1 (2) It is the purpose of this act to assist microenterprises in job  
2 creation by increasing the training, technical assistance, and  
3 financial resources available to microenterprises. It is the intention  
4 of the legislature to carry out this purpose by enabling the department  
5 of community, trade, and economic development to contract with a  
6 statewide microenterprise association with the potential to provide  
7 organizational support and administer grants to local microenterprise  
8 development organizations, subject to the requirements of this act, and  
9 to leverage additional funds from sources other than moneys  
10 appropriated from the general fund.

11 **Sec. 2.** RCW 43.330.010 and 1993 c 280 s 3 are each amended to read  
12 as follows:

13 Unless the context clearly requires otherwise, the definitions in  
14 this section apply throughout this chapter.

15 (1) "Associate development organization" means a local economic  
16 development nonprofit corporation that is broadly representative of  
17 community interests.

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

20 (3) "Director" means the director of the department of community,  
21 trade, and economic development.

22 (4) "Financial institution" means a bank, trust company, mutual  
23 savings bank, savings and loan association, or credit union authorized  
24 to do business in this state under state or federal law.

25 (5) "Microenterprise development organization" means a community  
26 development corporation, a nonprofit development organization, a  
27 nonprofit social services organization or other locally operated  
28 nonprofit entity that provides services to low-income entrepreneurs.

29 (6) "Statewide microenterprise association" means a nonprofit  
30 entity with microenterprise development organizations as members that  
31 serves as an intermediary between the department of community, trade,  
32 and economic development and local microenterprise development  
33 organizations.

34 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.330 RCW  
35 to read as follows:

1 The microenterprise development program is established in the  
2 department of community, trade, and economic development. In  
3 implementing the program, the department:

4 (1) Shall provide organizational support to a statewide  
5 microenterprise association and shall contract with the association for  
6 the delivery of services and distribution of grants;

7 (a) The association shall serve as the department's agent in  
8 carrying out the purpose and service delivery requirements of this  
9 section;

10 (b) The association's contract with the department shall specify  
11 that in administering the funds provided for under subsections (3),  
12 (7), and (8) of this section, the association may use no greater than  
13 ten percent of the funds to cover administrative expenses;

14 (2) Shall provide funds for capacity building for the statewide  
15 microenterprise association and microenterprise development  
16 organizations throughout the state;

17 (3) Shall provide grants to microenterprise development  
18 organizations for the delivery of training and technical assistance  
19 services;

20 (4) Shall identify and facilitate the availability of state,  
21 federal, and private sources of funds which may enhance microenterprise  
22 development in the state;

23 (5) Shall develop with the statewide microenterprise association  
24 criteria for the distribution of grants to microenterprise development  
25 organizations. Such criteria may include:

26 (a) The geographic representation of all regions of the state,  
27 including both urban and rural communities;

28 (b) The ability of the microenterprise development organization to  
29 provide business development services in low-income communities;

30 (c) The scope of services offered by a microenterprise development  
31 organization and their efficiency in delivery of such services;

32 (d) The ability of the microenterprise development organization to  
33 monitor the progress of its customers and identify technical and  
34 financial assistance needs;

35 (e) The ability of the microenterprise development organization to  
36 work with other organizations, public entities, and financial  
37 institutions to meet the technical and financial assistance needs of  
38 its customers;

1           (f) The sufficiency of operating funds for the microenterprise  
2 development organization; and  
3           (g) Such other criteria as agreed by the department and the  
4 association;  
5           (6) Shall require the statewide microenterprise association and any  
6 microenterprise development organization receiving funds through the  
7 microenterprise development program to raise and contribute to the  
8 effort funded by the microenterprise development program an amount  
9 equal to twenty-five percent of the microenterprise development program  
10 funds received. Such matching funds may come from private foundations,  
11 federal or local sources, financial institutions, or any other source  
12 other than funds appropriated from the legislature;  
13           (7) May provide loans to local microenterprise revolving loan funds  
14 to make microloans exclusively to low-income microentrepreneurs;  
15           (8) May provide loans to a guarantee fund from which local  
16 microenterprise development organizations may guarantee loans made by  
17 financial institutions to microenterprises. The guarantee fund may be  
18 operated by the statewide microenterprise association or any other  
19 private or public entity which the department determines has the  
20 requisite expertise;  
21           (9) Shall require an annual accounting and report from the  
22 statewide microenterprise association it contracts with, to include  
23 such outcome measures as the department specifies;  
24           (10) Shall not use state funds for any loan provided under this  
25 section; and  
26           (11) May adopt rules as necessary to implement this section.

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