

HOUSE BILL REPORT

2SSB 6679

As Passed House - Amended:

March 3, 2010

Title: An act relating to the small business export finance assistance center.

Brief Description: Concerning the small business export finance assistance center.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kauffman, Kastama and Shin).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/18/10, 2/22/10 [DPA];

General Government Appropriations: 2/25/10 [DPA(APPG w/o CEDT)].

Floor Activity:

Passed House: 3/3/10, 97-1.

Brief Summary of Second Substitute Bill (As Amended by House)

- Authorizes the Small Business Export Finance Assistance Center (Center) to make loans or provide loan guarantees to finance export activities for Washington businesses with \$200 million or less in annual sales.
- Requires the Center to develop, if funding is provided for this purpose, a rural manufacturer export outreach program and to develop export loan or loan guarantee programs.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Moeller, Orcutt, Parker and Probst.

Staff: Chris Cordes (786-7103).

HOUSE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS

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.

Majority Report: Do pass as amended by Committee on General Government Appropriations and without amendment by Committee on Community & Economic Development & Trade. Signed by 14 members: Representatives Darneille, Chair; Takko, Vice Chair; McCune, Ranking Minority Member; Armstrong, Assistant Ranking Minority Member; Blake, Dunshee, Hudgins, Kenney, Klippert, Pedersen, Sells, Short, Van De Wege and Williams.

Staff: Steve Smith (786-7178).

Background:

Small Business Export Finance Assistance Center.

The Small Business Export Finance Assistance Center (Center) is a nonprofit corporation formed under state law to assist small and medium-sized businesses, in both urban and rural areas, in financing exports and to provide information and assistance about export opportunities and financing. Among its specific powers, the Center may:

- provide assistance to businesses with annual sales of \$200 million or less in obtaining loans and loan guarantees made by financial institutions for financing exports from Washington, and provide financing and risk mitigation counseling;
- be available as a teaching resource to both public and private sponsors of programs relating to financing and risk mitigation to facilitate exporting businesses; and
- contract with federal agencies to be a program administrator for federally provided loan guarantee and export credit insurance programs.

The Center may not use any state funds to make loans or loan guarantees. It is directed to seek nonstate funds for its continued operation.

The Center contracts with the Department of Commerce for a two-year period. The contract requires the Center to seek nonstate funding and to report annually on its success in doing so. The contracting statute also refers to the Pacific Northwest Export Assistance Project, which was created in 1991 as a branch of the Center to assist certain manufacturers relatively new to exporting with comprehensive designing and financing services. The Pacific Northwest Export Assistance Project was repealed in 1997 after a sunset review.

Washington Manufacturing Services (Impact Washington)

By statute, the Washington Manufacturing Services is a nonprofit corporation whose mission is to operate a modernization extension system and stimulate the competitiveness of small and midsize manufacturers. Its activities include services under the Washington Manufacturing Innovation and Modernization Extension Service Program (Program) enacted in 2008. Small manufacturer participants in the Program receive vouchers for services and agree to make contributions to the Program's account for the services received. Funds used for the vouchers are intended to be eligible for the state match under the Manufacturing Extension Partnership Program of the U.S. Department of Commerce.

In 2008 funding from the Program's account was appropriated to contract with the Center to provide outreach services to rural manufacturing businesses to inform them of the importance

of, and opportunities in, international trade and of export assistance programs available to assist them.

The Washington Manufacturing Services has changed its name to Impact Washington.

Washington Economic Development Finance Authority.

The Washington Economic Development Finance Authority (WEDFA) is a public body of the state whose purpose is to act as a conduit, without using state or local government funds, to issue nonrecourse revenue bonds to help facilitate access to capital by Washington businesses that cannot otherwise readily obtain needed capital. It is authorized to participate in governmental economic development programs and must coordinate its programs with other state agencies. It may use nonstate funds to assist businesses that, because of the location or size of the business or the lack of financial expertise, do not have access to capital at terms comparable to large corporations.

In cooperation with the Center, the WEDFA is authorized to develop programs to provide for funding of export transactions for small businesses. Generally, it is authorized to secure or provide loan guarantees for eligible export transactions, defined as export activities that (1) will create or maintain jobs in Washington, (2) will obtain a material part of its value from goods manufactured or processed in Washington, and (3) could not obtain financing or reasonable terms from a financial institution.

Summary of Amended Bill:

The Small Business Export Finance Assistance Center is given additional authority to make loans or provide loan guarantees on loans from financial institutions to Washington businesses with \$200 million or less in annual sales. This new authority is to finance exports and business growth to accommodate increased export sales.

These new loans are available only when a financial institution makes assurances that a loan or loan guarantee is otherwise not available.

If funds are appropriated for this specific purpose, the Center must develop:

- a rural manufacturer export outreach program in conjunction with Impact Washington to inform these manufacturers of opportunities in international trade and the export assistance programs; and
- export loan or loan guarantee programs in conjunction with the WEDFA and federal or private entities.

References to the repealed Pacific Northwest Export Assistance Project are deleted.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Community & Economic Development & Trade):

(In support) Small businesses have suffered a large impact because of several recent natural disasters, and they are struggling to stay open. This bill came about after receiving ideas from a small business forum. They strongly recommended increasing technical and financial assistance to small businesses. Expanding the Small Business Export Finance Assistance Center's authority will build on the program funded in the operating budget that generated new export business for Washington companies. The bill is intended to coordinate, not duplicate, services.

(Opposed) None.

Staff Summary of Public Testimony (General Government Appropriations):

None.

Persons Testifying (Community & Economic Development & Trade): Senator Kauffman, prime sponsor; and Ron Newbry, Impact Washington.

Persons Testifying (General Government Appropriations): None.

Persons Signed In To Testify But Not Testifying (Community & Economic Development & Trade): None.

Persons Signed In To Testify But Not Testifying (General Government Appropriations): None.