

HOUSE BILL REPORT

2SHB 1909

As Passed House:
January 31, 2014

Title: An act relating to veteran-owned businesses.

Brief Description: Concerning veteran-owned businesses.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives S. Hunt, O'Ban, Morrell, Hayes and Bergquist; by request of Governor Inslee).

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/20/13, 2/21/13 [DPS];
Appropriations: 2/28/13 [DP2S(w/o sub CDHT)].

Floor Activity:

Passed House: 3/13/13, 97-0.

Floor Activity:

Passed House: 1/31/14, 95-0.

Brief Summary of Second Substitute Bill

- Allows businesses owned jointly by a veteran and the veteran's spouse or domestic partner to be certified as a veteran-owned business.
- Requires that all veteran-owned businesses are located in the state, owned by a resident of the state, or that all corporate officers are residents of the state.
- Encourages state agencies to award 5 percent of all procurement contracts to veteran-owned businesses.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Appleton, Chair; Sawyer, Vice Chair; Johnson, Ranking Minority Member; Haler, Pike, Ryu, Santos, Angel and McCoy.

Staff: Sean Flynn (786-7124).

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.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community Development, Housing & Tribal Affairs. Signed by 31 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, S. Hunt, Jinkins, Kagi, Morrell, Parker, Pettigrew, Pike, Schmick, Seaquist, Springer, Sullivan, Taylor, Alexander, Maxwell and Pedersen.

Staff: James Kettel (786-7123).

Background:

The Department of Veterans Affairs (DVA) certifies certain businesses as veteran-owned businesses. Businesses may submit an application to the DVA for certification. To qualify as a veteran-owned business, a business must be at least 51 percent owned and controlled by a veteran or an active or reserve member of the armed forces, including the National Guard, Coast Guard, or reserves.

The DVA collects and maintains a list of certified veteran-owned businesses on its website and issues decals for businesses to display and identify themselves as veteran-owned businesses.

The Legislature encourages state agencies to award 3 percent of all procurement contracts that are exempt from competitive bidding to veteran-owned businesses, including contracts by higher education institutions, and contacts for public works and personal service. The Department of Enterprise Services (DES) keeps records of all veteran-owned businesses certified by the DVA.

Agencies must perform outreach to veteran-owned businesses and match records with the DVA list of certified veteran-owned businesses to determine how many contracts are awarded to veteran-owned businesses. The DVA must collaborate with and assist other agencies in implementing outreach to veteran-owned businesses.

Summary of Second Substitute Bill:

A business that is 51 percent owned and controlled jointly by a veteran and his or her spouse or domestic partner may qualify as a veteran-owned business, if the veteran is involved in the day-to-day business operations.

In order to qualify as a veteran-owned business, the DVA must certify one of the following:

- the veteran owner is a resident of the state;
- all corporate officers are residents if the business is a corporation; or
- the principal office of the business is located in the state.

State agencies are encouraged to award 5 percent of all procurement contracts for public works, goods and services, architectural and engineering services, and highway construction to certified veteran-owned businesses.

The DVA must work with the DES to provide access to a centralized list of all certified veteran-owned businesses and develop a comprehensive plan to ensure that veteran-owned businesses have an opportunity to participate in public contracts.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Community Development, Housing & Tribal Affairs):

(In support) This bill provides more opportunities for veteran-owned businesses to contract with state agencies. The current law is limited to noncompetitive procurements, which are limited to \$35,000. This bill also makes it easier for agencies to track contracts with veteran-owned businesses by not having to separate noncompetitive contracts. It creates accountability for agencies to report, and for the DVA to track, what business is being done with veteran-owned businesses. The veterans' community would like to see language that requires rather than encourages agencies to give 5 percent of contracts to veteran-owned businesses.

(Opposed) None.

Staff Summary of Public Testimony (Appropriations):

(In support) The registry of veteran-owned businesses was established in 2007. In 2009 veteran-owned businesses could become certified, which offered the possibility of receiving a noncompetitive contract from a state agency. The maximum award for a noncompetitive contract, in most cases, is \$3,500. A \$3,500 contract is often not enough money to entice a veteran-owned business to become certified. Encouraging state agencies to award 5 percent of all contracts to veteran-owned business should provide more incentive to become certified, increase the number of businesses, and enable businesses to hire additional veterans.

Centralizing the registry of veteran-owned businesses is only one aspect of the fiscal note. The fiscal note reflects additional resources for a program to assist veterans interested in starting a business, or growing a business.

(Opposed) None.

Persons Testifying (Community Development, Housing & Tribal Affairs): Representative Hunt, prime sponsor; Alfie Alvarado, Washington State Department of Veterans Affairs; and Jim Sims, Veterans Legislative Coalition.

Persons Testifying (Appropriations): Representative Hunt, prime sponsor; and Alfie Alvarado, Washington State Department of Veterans Affairs.

Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs): None.

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