

# HOUSE BILL REPORT

## HB 2050

---

**As Reported by House Committee On:**  
Technology & Economic Development

**Title:** An act relating to establishing the small business enhancement program.

**Brief Description:** Establishing the small business enhancement program.

**Sponsors:** Representative Pettigrew.

**Brief History:**

**Committee Activity:**

Technology & Economic Development: 2/11/15, 2/19/15 [DPS].

**Brief Summary of Substitute Bill**

- Establishes the Microbusiness, Minibusines, and Small Business Enhancement Program within the Office of Minority and Women's Business Enterprises (OMWBE).
- Defines "small business," "microbusiness," and "minibusines."
- Requires the OMWBE to develop outcome-focused performance measures.

---

### HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Morris, Chair; Tarleton, Vice Chair; Fey, Hudgins, Ryu, Santos and Wylie.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Smith, Ranking Minority Member; Magendanz and Young.

**Minority Report:** Without recommendation. Signed by 3 members: Representatives DeBolt, Assistant Ranking Minority Member; Harmsworth and Nealey.

**Staff:** Kirsten Lee (786-7133).

**Background:**

---

*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.*

### Office of Minority and Women's Business Enterprises.

The Office of Minority and Women's Business Enterprises (OMWBE) was created in 1983 with the statutory purpose of providing minority and women-owned and controlled businesses (businesses) with the maximum practicable opportunity for increased participation in public works contracts and public contracts for goods and services.

Among other duties, the OMWBE must identify barriers to equal participation by qualified businesses in all state agency and educational contracts, and to establish annual overall goals for participation by qualified businesses for each state agency and educational institution.

The OMWBE is the sole authority in Washington for certifying minority, women-owned, and socially and economically disadvantaged business enterprises. Certified business enterprises are listed in the OMWBE database, which is used by cities, counties, state agencies, and transportation and educational institutions to source small and diverse firms for potential contracting opportunities.

### Associate Development Organizations.

An associated development organization (ADO) is a local economic development nonprofit corporation that is broadly representative of community interests. Associated development organizations serve as a point of contact for local economic development activities, supporting new business development and recruitment, and coordinating business retention and expansion activities within their area and are commonly referred to as an economic development council. Each county in Washington has designated an organization as their ADO. There are 34 ADOs total. The Department of Commerce contracts with each of the ADOs to provide technical and financial support for ADO activities.

---

### **Summary of Substitute Bill:**

The Microbusiness, Minibusines, and Small Business Enhancement Program (MMS-B Program) within the OMWBE is established. "Small business" means an in-state business, including a sole proprietorship, corporation, partnership, or other legal entity that is independently owned, certified by the OMWBE, and has either 50 or fewer employees or a gross annual revenue of less than \$7 million. "Microbusiness" means any business, including a sole proprietorship, corporation, partnership, or other legal entity that is independently owned, and has a gross annual revenue of less than one million dollars. "Minibusines" means any business, including a sole proprietorship, corporation, partnership, or other legal entity that is independently owned, and has a gross revenue of less than \$3 million, but \$1 million or more annually reported on its tax return. The MMS-B Program is tasked with:

- identifying microbusinesses, minibusinesses, and small businesses eligible for OMWBE certification with the assistance of associate development organizations;
- assisting the identified businesses in the certification process;
- providing training and information for microbusinesses, minibusinesses, and small businesses in their preparation of government contract proposals;

- assisting microbusinesses, minibusinesses, and small businesses in developing business plans;
- providing certified businesses with services related to job and business growth; and
- working with the Department of Commerce to leverage funding.

The OMWBE must develop outcome-focused performance measures and report to the Office of the Governor and appropriate legislative committees on the effectiveness of the Program by December 1, 2016.

**Substitute Bill Compared to Original Bill:**

The substitute bill: (1) renames the Small Business Enhancement Program to the Microbusiness, Minibusiness, and Small Business Enhancement Program; (2) changes the definition of "small business;" (3) adds definitions for "microbusiness" and "minibusiness;" and (4) includes microbusinesses and minibusinesses in the Program established within the OMWBE.

---

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill is aimed at addressing concerns from minority, women-owned, and disadvantaged businesses who feel they have not been receiving state contracts. These businesses are receiving less than 1 percent of state contracts. This legislation would provide mentoring to these businesses.

(In support with concerns) There is a concern with how "small business" is defined in the bill and a suggestion to define small business as it is found in the OMWBE statute, RCW 39.19. The definition under RCW 39.19 is based upon the North American Industry Classification System that uses average gross receipts and number of employees. Without additional funding, the OMWBE will not be able to meet the purpose of the bill. There is also a concern with how tracking and reporting will be done to comply with the legislation.

(Opposed) None.

**Persons Testifying:** (In support) Representative Pettigrew, prime sponsor.

(In support with concerns) Amanda Michelbrink, Office of Minority and Women Business Enterprises.

**Persons Signed In To Testify But Not Testifying:** None.