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**SUBSTITUTE SENATE BILL 6667**

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**State of Washington**

**61st Legislature**

**2010 Regular Session**

**By** Senate Economic Development, Trade & Innovation (originally sponsored by Senators Kauffman and Kastama)

READ FIRST TIME 02/03/10.

1 AN ACT Relating to business assistance programs; amending RCW  
2 28B.30.530, 28B.20.297, 43.06.335, 43.338.020, 43.131.409, 43.131.410,  
3 and 43.79A.040; adding a new section to chapter 43.330 RCW; adding a  
4 new section to chapter 28B.20 RCW; adding a new section to chapter  
5 82.04 RCW; creating a new section; making appropriations; and providing  
6 an expiration date.

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

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.330 RCW  
9 to read as follows:

10 (1) The Washington entrepreneurial development and small business  
11 reference service is created in the department of commerce.

12 (2) The department must:

13 (a) In conjunction with and drawing on information compiled by the  
14 work force training and education coordinating board and the Washington  
15 economic development commission:

16 (i) Establish and maintain an inventory of the public and private  
17 entrepreneurial training and technical assistance services, programs,  
18 and resources available in the state;

1 (ii) Disseminate information about available entrepreneurial  
2 development and small business assistance services, programs, and  
3 resources via in-person presentations and electronic and printed  
4 materials and undertake other activities to raise awareness of  
5 entrepreneurial training and small business assistance offerings; and

6 (iii) Evaluate the extent to which existing entrepreneurial  
7 training and technical assistance programs in the state are effective  
8 and represent a consistent, integrated approach to meeting the needs of  
9 start-up and existing entrepreneurs;

10 (b) Assist providers of entrepreneurial development and small  
11 business assistance services in applying for federal and private  
12 funding to support the entrepreneurial development and small business  
13 assistance activities in the state;

14 (c) Distribute awards for excellence in entrepreneurial training  
15 and small business assistance; and

16 (d) Report to the governor, the economic development commission,  
17 the work force training and education coordinating board, and the  
18 appropriate legislative committees its recommendations for statutory  
19 changes necessary to enhance operational efficiencies or enhance  
20 coordination related to entrepreneurial development and small business  
21 assistance.

22 (3) In carrying out the duties under this section, the department  
23 must seek the advice of small business owners and advocates, the  
24 Washington economic development commission, the work force training and  
25 education coordinating board, the state board for community and  
26 technical colleges, the employment security department, the Washington  
27 state microenterprise association, associate development organizations,  
28 impact Washington, the Washington quality award council, the Washington  
29 technology center, the small business export finance assistance center,  
30 the Spokane intercollegiate research and technology institute,  
31 representatives of the University of Washington business school and the  
32 Washington State University college of business and economics, the  
33 office of minority and women's business enterprises, the Washington  
34 economic development finance authority, and staff from small business  
35 development centers.

36 (4) The director may appoint an advisory board or convene such  
37 other individuals or groups as he or she deems appropriate to assist in  
38 carrying out the department's duties under this section.

1       **Sec. 2.** RCW 28B.30.530 and 2009 c 486 s 1 are each amended to read  
2 as follows:

3       (1) The board of regents of Washington State University (~~shall~~)  
4 must establish the Washington State University small business  
5 development center.

6       (2) The center (~~shall~~) must provide management and technical  
7 assistance including but not limited to training, counseling, and  
8 research services to small businesses throughout the state. The center  
9 shall work with the department of (~~community, trade, and economic~~  
10 ~~development~~) commerce, the state board for community and technical  
11 colleges, the higher education coordinating board, the workforce  
12 training and education coordinating board, the employment security  
13 department, the Washington state economic development commission,  
14 associate development organizations, and workforce development councils  
15 to:

16       (a) Integrate small business development centers with other state  
17 and local economic development and workforce development programs;

18       (b) Target the centers' services to small businesses;

19       (c) Tailor outreach and services at each center to the needs and  
20 demographics of entrepreneurs and small businesses located within the  
21 service area;

22       (d) Establish and expand small business development center  
23 satellite offices when financially feasible; and

24       (e) Coordinate delivery of services to avoid duplication. In  
25 carrying out the duty under this subsection, the center must,  
26 consistent with the scope, goals, deliverables, and timeline of work  
27 specified in the annual cooperative agreement with the United States  
28 small business administration:

29       (i) Develop and maintain a state comprehensive plan for the  
30 coordination and integration of small business and entrepreneurial  
31 development programs and the operations of a statewide small business  
32 and entrepreneurial development system. The plan must include but not  
33 be limited to setting measurable goals, objectives, and priorities;

34       (ii) Advocate for the state's small business and entrepreneurial  
35 development system and for meeting the needs of small start-ups and  
36 existing entrepreneurs;

37       (iii) Work with private and public entrepreneurial development and  
38 small business assistance providers to develop entrepreneurial training

1 and small business assistance instructional materials and curricula  
2 that meet the particular entrepreneurial development and small business  
3 assistance needs of rural and low-income communities and small  
4 manufacturers interested in exporting; and

5 (iv) Identify policies to reduce administrative and other barriers  
6 to efficient delivery and coordination of small business and  
7 entrepreneurial assistance.

8 (3) The administrator of the center may contract with other public  
9 or private entities for the provision of specialized services.

10 (4) The small business development center may accept and disburse  
11 federal grants or federal matching funds or other funds or donations  
12 from any source when made, granted, or donated to carry out the  
13 center's purposes. When drawing on funds from the business assistance  
14 account created in RCW (~~(30.60.010)~~) 28B.30.531, the center must first  
15 use the funds to make increased management and technical assistance  
16 available to small and start-up businesses at satellite offices. The  
17 funds may also be used to develop and expand assistance programs such  
18 as small business planning workshops and small business counseling.

19 (5) The legislature directs the small business development center  
20 to request United States small business administration approval of a  
21 special emphasis initiative, as permitted under 13 C.F.R. 130.340(c) as  
22 of April 1, 2009, to target assistance to Washington state's smaller  
23 businesses. This initiative would be negotiated and included in the  
24 first cooperative agreement application process that occurs after July  
25 26, 2009.

26 (6) By December 1, 2009, and December 1, 2010, respectively, the  
27 center shall provide a written progress report and a final report to  
28 the appropriate committees of the legislature with respect to the  
29 requirements in subsections (2) and (5) of this section and the amount  
30 and use of funding received through the business assistance account.  
31 The reports must also include data on the number, location, staffing,  
32 and budget levels of satellite offices; affiliations with community  
33 colleges, associate development organizations or other local  
34 organizations; the number, size, and type of small businesses assisted;  
35 and the types of services provided. The reports must also include  
36 information on the outcomes achieved, such as jobs created or retained,  
37 private capital invested, and return on the investment of state and  
38 federal dollars.

1       **Sec. 3.** RCW 28B.20.297 and 2005 c 357 s 1 are each amended to read  
2 as follows:

3       (1) The legislature finds that small technology-based firms are the  
4 source of approximately one-half of the economy's major innovations.  
5 The legislature further finds that economic development in the state is  
6 increasingly driven by innovative firms and that it is in the interest  
7 of the state to:

8       (a) Increase participation by Washington state small businesses in  
9 the federal small business innovation research program by assisting  
10 them in becoming small business innovation research program grant  
11 recipients((

12 ~~The legislature further finds that many small business innovators~~  
13 ~~lack the grant writing skills necessary to prepare a successful small~~  
14 ~~business innovation research program proposal, and the federal program~~  
15 ~~that funded grant writing assistance has stopped operations. Nearly~~  
16 ~~fifty percent of small businesses trained under the federal program won~~  
17 ~~grants compared to less than ten percent of those that did not receive~~  
18 ~~training)); and~~

19       (b) Increase the number of innovative firms that understand and  
20 engage in the technology commercialization process by providing  
21 information resources and technical assistance in accessing new  
22 technologies.

23       (2) As used in this section:

24       (a) "Small business innovation research program" means the program,  
25 enacted pursuant to the small business innovation development act of  
26 1982, P.L. 97-219, that provided funds to small businesses to conduct  
27 innovative research having commercial application.

28       (b) "Small business" means a corporation, partnership, sole  
29 proprietorship, or individual, operating a business for profit, with  
30 two hundred fifty employees or fewer, including employees employed in  
31 a subsidiary or affiliated corporation, that otherwise meets the  
32 requirements of the federal small business innovation research program.

33       (3) To the extent funds are appropriated for these purposes, the  
34 Washington technology center ((shall)) must establish a small business  
35 innovation research and assistance program, including a proposal review  
36 process, to train and assist Washington small businesses to win phase  
37 I federal small business innovation research program awards((

1       ~~(a))~~ and federal technology innovation program awards. In  
2 operating the program, the Washington technology center (~~shall~~) must  
3 give priority to first-time small business innovation research program  
4 applicants, new businesses, and firms with fewer than ten employees.

5       ~~((b))~~ (4) The Washington technology center may charge a fee for  
6 (~~this~~) its services.

7       (5) The sum of one hundred thousand dollars, or as much thereof as  
8 may be necessary, is appropriated for the fiscal year ending June 30,  
9 2011, from the state general fund for the operation of the assistance  
10 program specified in subsection (3) of this section.

11       NEW SECTION. Sec. 4. A new section is added to chapter 28B.20 RCW  
12 to read as follows:

13       The investing in innovation account is created in the custody of  
14 the state treasurer. Funds may be directed to the account from  
15 federal, state, and private sources. Expenditures from the account may  
16 be used only to carry out the investing in innovation grants program  
17 established under RCW 70.210.030, and other innovation and  
18 commercialization purposes consistent with the federal, state, or  
19 private and other funding guidelines that apply to the funds deposited  
20 in the account. Only the executive director of the Washington  
21 technology center or the executive director's designee may authorize  
22 expenditures from the account. The account is subject to allotment  
23 procedures under chapter 43.88 RCW, but an appropriation is not  
24 required for expenditures.

25       **Sec. 5.** RCW 43.06.335 and 2004 c 245 s 1 are each amended to read  
26 as follows:

27       (1) The Washington quality award council (~~shall~~) must be  
28 organized as a private, nonprofit corporation, in accordance with  
29 chapter 24.03 RCW and this section.

30       (2) The council (~~shall~~) must oversee the governor's Washington  
31 state quality award program. The purpose of the program is to improve  
32 the overall competitiveness of the state's economy by stimulating  
33 Washington state industries, business, and organizations to bring about  
34 measurable success through setting standards of organizational  
35 excellence, encouraging organizational self-assessment, identifying  
36 successful organizations as role models, and providing a valuable

1 mechanism for promoting and strengthening a commitment to continuous  
2 quality improvement in all sectors of the state's economy. The  
3 governor (~~shall~~) must annually present the award to organizations  
4 that improve the quality of their products and services and are  
5 noteworthy examples of high-performing work organizations, as  
6 determined by the council in consultation with the governor or  
7 appointed representative.

8 (3) The governor (~~shall~~) must appoint a representative to serve  
9 on the board of directors of the council.

10 (4) The council (~~shall~~) must establish a board of examiners, a  
11 recognition committee, and such other committees or subgroups as it  
12 deems appropriate to carry out its responsibilities.

13 (5) The council may conduct such public information, research,  
14 education, and assistance programs as it deems appropriate to further  
15 quality improvement in organizations operating in the state of  
16 Washington.

17 (6) The council (~~shall~~) must:

18 (a) Approve and announce award recipients;

19 (b) Approve guidelines to examine applicant organizations;

20 (c) Approve appointment of board of examiners; (~~and~~)

21 (d) Arrange appropriate annual awards and recognition for  
22 recipients;

23 (e) Provide training to technical assistance providers from the  
24 department of commerce, impact Washington, small business development  
25 centers, associate development organizations, and other organizations  
26 in continuous quality improvement, performance measurement, strategic  
27 planning, and other approaches designed to reduce operating costs,  
28 improve effectiveness, and increase productivity in businesses  
29 receiving assistance; and

30 (f) Offer the services of a public sector and a private sector  
31 manager to conduct conferences, perform outreach, provide training, and  
32 deliver technical assistance to organizations, agencies, and businesses  
33 to allow them to develop and implement quality management,  
34 accountability, and performance systems.

35 (7) The sum of two hundred thousand dollars, or as much thereof as  
36 may be necessary, is appropriated for the fiscal year ending June 30,  
37 2011, from the state general fund to the Washington quality award

1 council for the operation of its quality award program and the purposes  
2 of this act.

3 **Sec. 6.** RCW 43.338.020 and 2008 c 315 s 3 are each amended to read  
4 as follows:

5 (1) The Washington manufacturing innovation and modernization  
6 extension service program is created to provide assistance to small  
7 manufacturers located in the state of Washington. The program  
8 (~~shall~~) must be administered by the department.

9 (2)(a) Application to receive assistance under this program must be  
10 made to the department in a form and manner specified by the  
11 department. Successful applicants will receive an innovation and  
12 modernization extension voucher from the department to cover the costs  
13 of extension services performed by a qualified manufacturing extension  
14 partnership affiliate. An applicant may not receive a voucher or  
15 vouchers of over two hundred thousand dollars per calendar year. The  
16 department shall only allocate up to sixty percent of available funding  
17 during the first year of a biennium.

18 (b) Applicants must:

19 (i) Have a valid agreement with a qualified manufacturing extension  
20 partnership affiliate to engage in innovation and modernization  
21 extension services;

22 (ii) Agree to: (A) Make a contribution to the manufacturing  
23 innovation and modernization account created in RCW 43.338.030, in an  
24 amount equal to twenty-five percent of the amount of the innovation and  
25 modernization extension voucher, upon completion of the innovation and  
26 modernization extension service; and (B) make monthly or quarterly  
27 contributions over the subsequent eighteen months, as specified in  
28 their agreement with the affiliate, to the manufacturing innovation and  
29 modernization account created in RCW 43.338.030 in an amount equal to  
30 eighty percent of the amount of the innovation and modernization  
31 extension voucher;

32 (iii) Be a small manufacturer or an industry association or cluster  
33 association at the time the applicant entered into an agreement with a  
34 qualified manufacturing extension partnership affiliate; and

35 (iv) If a small manufacturer, ensure that the number of employees  
36 the applicant has in the state during the calendar year following the



1 completion of the program will be equal to or greater than the number  
2 of employees the applicant had in the state in the calendar year  
3 preceding the start of the program.

4 (3) The director may solicit and receive gifts, grants, funds,  
5 fees, and endowments, in trust or otherwise, from tribal, local,  
6 federal, or other governmental entities, as well as private sources,  
7 for the purpose of providing funding for the innovation and  
8 modernization extension services and outreach services specified in  
9 this chapter. All revenue solicited and received by the department  
10 pursuant to this subsection must be deposited into the manufacturing  
11 innovation and modernization account created in RCW 43.338.030.

12 (4) The department may adopt rules to implement this section.

13 (5) Any qualified manufacturing extension partnership affiliate  
14 receiving funding under this program is required to submit a copy of  
15 its annual independent federal audit to the department within three  
16 months of its issuance.

17 (6) The sum of two hundred thousand dollars, or as much thereof as  
18 may be necessary, is appropriated for the fiscal year ending June 30,  
19 2011, from the state general fund for the operation of the Washington  
20 manufacturing innovation and modernization extension service program  
21 and the purposes of this act.

22 **Sec. 7.** RCW 43.131.409 and 2008 c 315 s 7 are each amended to read  
23 as follows:

24 The Washington manufacturing innovation and modernization extension  
25 service program under chapter 43.338 RCW (~~shall be terminated~~)  
26 terminates on June 30, (~~(2012)~~) 2017, as provided in RCW 43.131.410.

27 **Sec. 8.** RCW 43.131.410 and 2008 c 315 s 8 are each amended to read  
28 as follows:

29 The following acts or parts of acts, as now existing or hereafter  
30 amended, are each repealed, effective June 30, (~~(2013)~~) 2018:

- 31 (1) RCW 43.338.005 and 2008 c 315 § 1;
- 32 (2) RCW 43.338.010 and 2008 c 315 § 2;
- 33 (3) RCW 43.338.020 and 2008 c 315 § 3;
- 34 (4) RCW 43.338.900 and 2008 c 315 § 4;
- 35 (5) RCW 43.338.030 and 2008 c 315 § 5; and
- 36 (6) RCW 43.338.040 and 2008 c 315 § 6.

1       **Sec. 9.** RCW 43.79A.040 and 2009 c 87 s 4 are each amended to read  
2 as follows:

3       (1) Money in the treasurer's trust fund may be deposited, invested,  
4 and reinvested by the state treasurer in accordance with RCW 43.84.080  
5 in the same manner and to the same extent as if the money were in the  
6 state treasury.

7       (2) All income received from investment of the treasurer's trust  
8 fund shall be set aside in an account in the treasury trust fund to be  
9 known as the investment income account.

10       (3) The investment income account may be utilized for the payment  
11 of purchased banking services on behalf of treasurer's trust funds  
12 including, but not limited to, depository, safekeeping, and  
13 disbursement functions for the state treasurer or affected state  
14 agencies. The investment income account is subject in all respects to  
15 chapter 43.88 RCW, but no appropriation is required for payments to  
16 financial institutions. Payments shall occur prior to distribution of  
17 earnings set forth in subsection (4) of this section.

18       (4)(a) Monthly, the state treasurer shall distribute the earnings  
19 credited to the investment income account to the state general fund  
20 except under (b) and (c) of this subsection.

21       (b) The following accounts and funds shall receive their  
22 proportionate share of earnings based upon each account's or fund's  
23 average daily balance for the period: The Washington promise  
24 scholarship account, the college savings program account, the  
25 Washington advanced college tuition payment program account, the  
26 agricultural local fund, the American Indian scholarship endowment  
27 fund, the foster care scholarship endowment fund, the foster care  
28 endowed scholarship trust fund, the students with dependents grant  
29 account, the basic health plan self-insurance reserve account, the  
30 contract harvesting revolving account, the Washington state combined  
31 fund drive account, the commemorative works account, the Washington  
32 international exchange scholarship endowment fund, the toll collection  
33 account, the developmental disabilities endowment trust fund, the  
34 energy account, the fair fund, the family leave insurance account, the  
35 food animal veterinarian conditional scholarship account, the fruit and  
36 vegetable inspection account, the future teachers conditional  
37 scholarship account, the game farm alternative account, the GET ready  
38 for math and science scholarship account, the grain inspection

1 revolving fund, the juvenile accountability incentive account, the law  
2 enforcement officers' and firefighters' plan 2 expense fund, the local  
3 tourism promotion account, the pilotage account, the produce railcar  
4 pool account, the regional transportation investment district account,  
5 the rural rehabilitation account, the stadium and exhibition center  
6 account, the youth athletic facility account, the self-insurance  
7 revolving fund, the sulfur dioxide abatement account, the children's  
8 trust fund, the Washington horse racing commission Washington bred  
9 owners' bonus fund and breeder awards account, the Washington horse  
10 racing commission class C purse fund account, the individual  
11 development account program account, the Washington horse racing  
12 commission operating account (earnings from the Washington horse racing  
13 commission operating account must be credited to the Washington horse  
14 racing commission class C purse fund account), the life sciences  
15 discovery fund, the Washington state heritage center account, the  
16 reduced cigarette ignition propensity account, the investing in  
17 innovation account, and the reading achievement account. However, the  
18 earnings to be distributed shall first be reduced by the allocation to  
19 the state treasurer's service fund pursuant to RCW 43.08.190.

20 (c) The following accounts and funds shall receive eighty percent  
21 of their proportionate share of earnings based upon each account's or  
22 fund's average daily balance for the period: The advanced right-of-way  
23 revolving fund, the advanced environmental mitigation revolving  
24 account, the city and county advance right-of-way revolving fund, the  
25 federal narcotics asset forfeitures account, the high occupancy vehicle  
26 account, the local rail service assistance account, and the  
27 miscellaneous transportation programs account.

28 (5) In conformance with Article II, section 37 of the state  
29 Constitution, no trust accounts or funds shall be allocated earnings  
30 without the specific affirmative directive of this section.

31 NEW SECTION. **Sec. 10.** A new section is added to chapter 82.04 RCW  
32 to read as follows:

33 (1) In computing the tax imposed under this chapter, a credit is  
34 allowed for participants in the Washington manufacturing innovation and  
35 modernization extension service program created in RCW 43.338.020. The  
36 credit allowed under this section is equal to fifty percent of the  
37 value of a program participant's contributions to the manufacturing

1 innovation and modernization account created in RCW 43.338.030. If a  
2 participant in the program does not meet the qualifications in RCW  
3 43.338.020(2)(b)(iv), the participant must remit to the department the  
4 value of any credits taken plus interest. The credit earned by a  
5 participant in one calendar year may be carried over to be credited  
6 against taxes incurred in subsequent calendar years. The annual  
7 statewide credit available is limited to one million two hundred  
8 twenty-five thousand dollars.

9 (2) This section expires July 1, 2019.

10 NEW SECTION. **Sec. 11.** If any provision of this act or its  
11 application to any person or circumstance is held invalid, the  
12 remainder of the act or the application of the provision to other  
13 persons or circumstances is not affected.

14 NEW SECTION. **Sec. 12.** If any part of this act is found to be in  
15 conflict with federal requirements that are a prescribed condition to  
16 the allocation of federal funds to the state or the eligibility of  
17 employers in this state for federal unemployment tax credits, the  
18 conflicting part of this act is inoperative solely to the extent of the  
19 conflict, and the finding or determination does not affect the  
20 operation of the remainder of this act. Rules adopted under this act  
21 must meet federal requirements that are a necessary condition to the  
22 receipt of federal funds by the state or the granting of federal  
23 unemployment tax credits to employers in this state.

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