

# HOUSE BILL REPORT

## HB 1731

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*As Reported By House Committee on:  
Commerce & Labor*

**Title:** An act relating to private business entities receiving public assistance.

**Brief Description:** Imposing requirements for businesses that receive public assistance.

**Sponsor(s):** Representatives Heavey, R. King, Jones, Prentice and G. Cole.

**Brief History:**

Reported by House Committee on:  
Commerce & Labor, February 6, 1992, DPS.

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**HOUSE COMMITTEE ON  
COMMERCE & LABOR**

**Majority Report:** *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 7 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Franklin; Jones; R. King; O'Brien; and Prentice.

**Minority Report:** *Do not pass.* Signed by 4 members: Representatives Fuhrman, Ranking Minority Member; Lisk, Assistant Ranking Minority Member; Vance; and Wilson.

**Staff:** Chris Cordes (786-7117).

**Background:** Washington's economic development programs include various tax deferral plans and grant or loan programs to assist business development. Although these programs may include conditions for entitlement, private businesses receiving assistance are not required to give advance notice of any business closure, to continue to honor collective bargaining agreements after relocating a facility, or to meet any special employment standards for employees, except as required under relevant federal or state law.

**Summary of Substitute Bill:** Private businesses that receive \$25,000 or more in business assistance are required to:

- (1) provide notice of any reduction in business operations in compliance with federal or state plant closure laws;

- (2) continue to recognize a union that is a party to a collective bargaining agreement at the new facility if the business purchases or relocates a facility in the state;
- (3) include in a contract of sale of a facility, the requirement that the purchaser is bound by any collective bargaining agreement in effect at the facility;
- (4) not permanently replace legally striking employees;
- (5) maintain a neutral position with respect to union representation;
- (6) comply with affirmative action laws;
- (7) before closure or relocation of a facility, make an offer to sell the facility to the employees or community;
- (8) employ workers at no less than the state average wage;
- (9) provide basic health coverage for employees.

Business assistance includes any loans, grants, bonds, tax deferrals, or tax abatements administered by the state or local government.

A business applying for business assistance must submit employment impact estimates to the department with information about the jobs expected to be eliminated, created, or retained because of the project which is the subject of the application. The estimates must be submitted for review and comment to employees and employee representatives, the local economic planning council, and other affected or interested community organizations. The business must also submit a post-employment impact statement within six months after the assistance ceases.

If a business fails to comply with the act, the business assistance is rescinded and the amount of the monetary assistance, together with a 10 percent penalty and interest, becomes immediately payable. If the business has received industrial revenue bonds within the previous 10 years, failure to comply with the act subjects the business to a penalty equal to 110 percent of the federal tax exemption, with interest. Any recipient who violates the provisions of the act will not be eligible for state tax exemptions or development programs for 10 years.

The provisions relating to reductions in business operations do not include reductions: (1) resulting from labor disputes; (2) occurring at construction sites; (3) resulting from seasonal factors or from fire, flood, war, or acts of God.

The Employment Security Department is responsible for reviewing participating businesses for compliance and for assessing penalties. The department must make an annual report on the business assistance program to the Office of Financial Management.

**Substitute Bill Compared to Original Bill:** The proposed substitute bill makes the following changes: (1) the business assistance program definition is changed to include any loan, grant, bond, tax deferral, or tax abatement administered by the state or its political subdivisions; (2) businesses are required to comply with the social compact if they receive \$25,000 or more in business assistance, rather than \$4,000; (3) in addition to other social compact requirements, the business must agree not to permanently replace legally striking employees; (4) the penalty for failure to comply with the social compact is recision of the business assistance and repayment of the monetary amount granted to the business, along with penalties and interest; (5) a business applying for business assistance must submit employment impact estimates to the department with information about the jobs expected to be eliminated, created, or retained because of the project which is the subject of the application. The estimates must be submitted for review and comment to employees and employee representatives, the local economic planning council, and other affected or interested community organizations. The business must also submit a post-employment impact statement within six months after the assistance ceases; (6) the Employment Security Department must make an annual report on the business assistance program to the Office of Financial Management; and (7) the effective date of the bill is changed from January 1, 1992, to January 1, 1993.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect January 1, 1993.

**Testimony For:** This bill would make a large difference in the treatment of workers in a case in which a company has received public assistance to expand and modernize a plant, but then the plant is closed. It would codify the worker protections and give employees incentives to work hard and be productive for the company. Note: Testimony on this bill was heard during the 1991 session.

**Testimony Against:** The bill's requirements would prohibit most companies from participating in programs designed to encourage economic growth. It would be counterproductive to the state's role in fostering job development and assisting small business. Note: Testimony on this bill was heard during the 1991 session.

**Witnesses:** (In favor) Jim Tussler, Washington State Labor Council. (Opposed) Clif Finch, Association of Washington Business.