

# HOUSE BILL REPORT

## HB 1565

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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.

**Sponsors:** Representatives Conway, Heavey, G. Cole and King.

**Brief History:**

Reported by House Committee on:  
Commerce & Labor, February 19, 1993, 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 5 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Conway; King; and Veloria.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Horn; and Springer.

**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 eligibility, 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 specific employment standards for employees, except as required under relevant federal or state law.

**Summary of Substitute Bill:** Private businesses that receive \$25,000 in business assistance must agree to comply with specified rules of conduct before receiving further assistance.

Rules of conduct

The rules of conduct include the following:

- (1) provide notice of reducing business operations in compliance with federal or state plant closure laws, regardless of whether the business is within the coverage of the plant closure law;
- (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 hourly workers at no less than, on the average for total wages paid, the per capita wage in the county in which the facility is located;
- (9) provide health coverage for employees that is at least equivalent to the state's basic health plan; and
- (10) comply with applicable federal and state environmental laws.

The definition of reducing business operations does not include reductions: (1) resulting from labor disputes; (2) occurring at construction sites; (3) resulting from seasonal factors or from lack of availability of natural resources required for production; or (4) resulting from fire, flood, war, or acts of God.

Business assistance definition

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

### Employment impact estimates

A business receiving \$25,000 or more in business assistance must submit employment impact estimates to the Office of Financial Management with information about the jobs expected to be eliminated, created, or retained because of the project. 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.

### Penalties

If a business fails to comply with the rules of conduct, 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.

All penalties collected will be deposited in the state general fund, except for penalties collected for violations of environmental laws. These penalties will be deposited in the natural resource restoration account, to be used for natural resource restoration or environmental enhancement in the communities in which the penalized business is located. Expenditures from the natural resource restoration account may be authorized only by the director of the Department of Ecology.

### Enforcement

The Office of Financial Management is responsible for reviewing participating businesses for compliance and for assessing penalties. The office must make an annual report on the business assistance program to the governor and appropriate legislative committees.

**Substitute Bill Compared to Original Bill:** The proposed substitute makes the following changes to the original bill: (1) the requirement that the employer must agree to pay employees at least the state average wage is deleted. Instead, the employer must agree that hourly employees will be paid, on the average for total wages paid, no less than the per capita wage in the county in which the facility is located; (2) the requirement for basic health coverage is

clarified to require that health care coverage must be at least equivalent to the coverage offered under the state basic health program; and (3) other technical changes are made to correct inconsistent language.

**Fiscal Note:** Requested February 8, 1993.

**Effective Date of Substitute Bill:** The bill takes effect January 1, 1994.

**Testimony For:** This bill gives agencies a tool to screen businesses who apply for public assistance. Businesses can be held to social responsibilities in return for the assistance if the commitment is contained in a binding contract. Taxpayer money should only be given to those businesses who are willing to be good corporate citizens. It should not be used to subsidize environmental degradation. There are too many examples of businesses taking public funds to improve the business, but then shutting down the plant or relocating. This is not fair to the community that subsidized the business improvements.

**Testimony Against:** The bill would prohibit participation by many small employers in economic development programs. The requirement to pay at least state average wage to all the employees would eliminate participation for many industries. For example, some employers who got grants under the job skills training program would not be eligible for participation under this bill. The effect of the bill may be to eliminate all business assistance programs.

**Witnesses:** (In favor): Jeff Johnson and Jim Tusler, Washington State Labor Council; Dyan Oldenburg, People for Puget Sound; and Joan Thomas, Washington Environmental Council. (In support of bill's concept): Tony Lee, Washington Association of Churches. (Opposed): Clif Finch, Association of Washington Business.