

HOUSE BILL REPORT

E2SSB 5468

As Passed House - Amended
March 3, 1994

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

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

Sponsors: Senate Committee on Trade, Technology & Economic Development (originally sponsored by Senators Fraser, Skratek, Pelz and Prentice).

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, February 24, 1994,
DPA.
Passed House - Amended, March 3, 1994, 69-26.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 8 members:
Representatives Wineberry, Chair; Shin, Vice Chair;
Campbell; Conway; Morris; Quall; Springer and Valle.

Minority Report: Do not pass. Signed by 6 members:
Representatives Schoesler, Ranking Minority Member;
Chandler, Assistant Ranking Minority Member; Backlund;
Casada; Sheldon and Wood.

Staff: Bill Lynch (786-7092).

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 some 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 Bill: The Department of Revenue and the Department of Community, Trade and Economic Development will measure the effect on businesses of benefits that they

receive which constitute either: (a) a loan of \$100,000 or more from the development loan fund; (b) a credit of \$50,000 or more from the business and occupation tax for creating employment positions in distressed areas; (c) a deferral of \$100,000 or more in sales tax for manufacturing and research and development projects; or (d) deferral of \$100,000 or more in sales tax, or \$50,000 or more in business and occupation tax credits, for high technology research and development or pilot scale manufacturing and research. The departments must measure the effect of the programs on job creation, company growth, the introduction of new products, the diversification of the state's economy, growth in investments, the movement of firms or the consolidation of firms' operations into the state, and other factors the departments may select.

The departments must also measure whether the businesses receiving these benefits: have complied with federal and state laws regarding affirmative action hiring and promotion; have provided an average wage that is above the average wage paid by firms located in the same county that share the same two-digit standard industrial code; have provided basic health coverage at a level at least equivalent to basic health coverage under the Washington basic health plan; have complied with all applicable federal and state environmental laws; and have complied with the federal and state plant closure laws.

Businesses applying for one of these tax deferrals or credits must submit employment impact estimates to the departments. These employment impact estimates must specify the number and types of jobs, and the wage rates and benefits for those jobs, that the businesses expect will be eliminated, created, or retained as a result of the project that is the subject of the application.

Businesses that receive this assistance must submit to the departments an employment impact statement that states the net number and types of jobs eliminated, created, or retained, with the wage rates and benefits for those jobs as a result of the benefits received.

The departments must report their findings to the Executive-Legislative Committee on Economic Development Policy or the appropriate legislative committees by September 1, 1995. The committee must review the departments' report and make recommendations to the Governor and the Legislature on the continuation of the benefit programs and any conditions under which they should operate if they are to continue.

Fiscal Note: Available. New fiscal note requested on February 21, 1994.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: This study will show if the people are getting a good return on their investment. Assistance should be directed to businesses who have potential for long-term success and will pay high wages.

Testimony Against: The Department of Revenue should not have to study things not directly related to receiving the tax incentives.

Witnesses: Senator Sylvia Skratek, prime sponsor (pro); Representative Steve Conway, committee member (pro); Robby Stern, Al Lints, and Jim Tussler, Washington State Labor Council (pro); Judy Turpin, Washington Environmental Council (pro); and Len McComb, Department of Revenue (con).