

February 17, 1997

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: HB 1766 - Requiring accountability in targeted tax job creation programs.

BACKGROUND:

The state of Washington uses a variety of techniques to assist businesses in the creation or retention of jobs. Financial assistance to businesses is provided as either direct (loans or grants) or indirect through the state's tax system (deferrals, exemptions, or credits).

The Department of Community, Trade, and Economic Development (CTED) administers various federal and state financial assistance programs that provide direct assistance to the business for the creation or retention of jobs. The CTED programs include loans or grants for infrastructure improvements, loans for business expansion, tax-exempt and taxable bond financing for business development, and low-interest loans through linked deposit lending.

The Department of Revenue (DOR) administers various tax-based programs that are designed to assist business in the creation or retention of jobs. The DOR programs include sales and use tax exemptions or deferrals, and business and occupation deductions or tax credits.

The federal and state economic development incentive programs typically have eligibility requirements and criteria. Most federal programs contain job creation or retention goals, as well as a requirement that a percentage of the jobs must be made available to low-income people.

SUMMARY:

All state agencies that provide state assistance to private

business must establish goals for wage and benefit levels and job creation or retention. State assistance is defined as a grant, loan, tax deferral, or tax abatement program where the business receives assistance in excess of \$25,000.

A private business that receives state assistance for economic development or job growth must have a net increase in the number of jobs within two years of receiving the state assistance. The state business assistance advisory committee may waive this requirement if it is determined that is in conflict with other economic development goals of the program. Business that fail to meet the agreed upon goals are required to repay the state assistance.

The Department of Community, Trade, and Economic Development (CTED) must: (1) provide advice and consultation to other state agencies in establishing goals for wage and benefit levels and job creation or retention; (2) establish measurable goals for new business-related tax expenditure legislation; and (3) review biennially, the need for continued legislation based on meeting the established goals. The results of the review must be reported to the appropriate committees of the Legislature.

State agencies that provide state assistance to businesses must report their goals for wage and benefit levels and job creation or retention and results for each project to CTED. The CTED must compile the state agency information and report its findings to the appropriate committees of the Legislature and the public by July 1 of each year.

An eleven member business assistance advisory committee is established within the CTED. The members are appointed by the Governor and represent labor, business, and state agencies. The labor and business members are appointed for four-year terms. The advisory committee must: (1) advise CTED on goals for wage and benefit levels and job creation or retention; (2) analyze the effect of state assistance to private business on established goals; (3) monitor the impact of state economic development policy on the state's economy; and (4) review drafts of state agency reports on the efforts to meet stated goals.

Appropriation: None.

Fiscal Note: Requested February 11, 1997.

Effective Date: Ninety days after adjournment of session in which bill is passed.