

***Trade & Economic Development
Committee***

HB 1954

Brief Description: *Providing for subsidy disclosure.*

Sponsors: *Representatives Veloria, Conway, Campbell, Cooper, Wood, Dickerson,
Dunshee, Romero and Doumit.*

Brief Summary of Bill

- *Requires all for-profit and some nonprofit business entities that receive a business subsidy from a state or local government agency to file an annual report to the state and local government agency on type of subsidy received, and the jobs created together with the hourly wages paid.*
- *Requires all state and local government agencies to collect the information and file an annual report to the Department of Revenue on the amount of business subsidies awarded to business entities.*
- *Requires the Department of Revenue to compile the state and local government agency reports and make the information available to the public.*

Hearing Date: *2/20/01*

Staff: *Kenny Pittman (786-7392).*

Background:

The state of Washington has created economic development incentive programs that are designed to encourage economic growth on a statewide or targeted basis in the state's economically distressed or rural areas. These programs provide incentives to businesses or a group of businesses through the use of grants, subsidies, tax exemptions or deferrals or similar benefits. The use of economic development incentives has been justified as a method to encourage economic growth through the creation or retention of jobs.

Currently, there is no systematic method for monitoring whether the state's economic development incentives have resulted in the creation or retention of jobs or the quality of jobs created.

Summary of Bill:

A business subsidy disclosure and reporting system is created. The disclosure and reporting system require that all state and local governments that provide business subsidies to business entities collect information on job creation and wages paid. The Department of Revenue (DOR) must publish information on the business entities that received state and local government business subsidies, the amount of the business subsidies, the number of full-time or part-time jobs created in specific wage bands, and the benefits paid within those wage bands. The disclosure and reporting requirement apply to all business subsidies entered into or state appropriations authorized after September 30, 2001.

For-Profit and Nonprofit Business Entities

Any for-profit and some nonprofit business entity that receive a business subsidy must file a report by August 1 of each year listing information on the type of subsidy received, and the jobs created together with the hourly wages paid. A nonprofit business entity with less than 100 full-time employees is not required to file the report. The report must list business subsidies that were received for the previous fiscal year. The report must be filed with the state or local government agency that provided the business subsidy and the DOR.

A business entity that fails to submit the required report, after receiving a notice from the local government agency, is subject to a penalty of \$500 per day, up to a maximum penalty of \$50,000. If the business entity does not submit its required report by November 1, it is not eligible to receive business subsidies until the report has been completed and submitted to the state and local government agency.

A business subsidy– is defined as a state or local government agency grant that exceeds \$25,000; a contribution of personal property, real property, infrastructure; a below market interest rate loan; any reduction or deferral of any tax or any fee, except for tax reductions resulting from conformity federal tax law; a guarantee of any payment under any loan, lease, or other obligation; and any preferential use of government facilities given to a business.

State and Local Government Agency Reporting

All state and local government agencies must file a report with the DOR that lists business entities that received business subsidies by September 1 of each year. The local government agency reports must include information on those business entities that did not complete their reports, business entities that have not met their job and wage goals within two years, and steps being taken to bring them into compliance or to recoup the subsidy.

The DOR must notify those state or local government agencies that have failed to submit their business subsidy report by September 1. If the report is not received by the DOR by

November 1 of the same year, the state or local government agency may not award any business subsidies until the report is completed.

Department of Revenue Public Reporting of Results

The DOR must publish a compilation and summary of the results for the previous calendar year by December 1 of each year. The results from all state and local government agencies must be made available to the public. The DOR reports must include information on: (1) the total amount of business subsidies awarded in each development region; (2) the distribution of business subsidy amounts by size of the business subsidy; (3) the distribution of business subsidy amounts by time category, such as monthly or quarterly; (4) the distribution of business subsidies by type and by public purpose; (5) the number of full-time and part-time jobs created within each wage category; and (6) the benefits paid within each wage category.

The DOR must forward a copy of its report to the appropriate legislative committees of the House of Representatives and Senate by December 31 of each year.

Appropriation: None.

Fiscal Note: Requested on February 12, 2001.

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