
Trade & Economic Development Committee

HB 2413

Brief Description: Requiring business subsidy disclosure.

Sponsors: Representatives Veloria, Campbell, Conway, Hurst, Dunshee and Kenney.

Brief Summary of Bill

- Requires any for-profit business entity that receives a business subsidy from a state or local government agency to file an annual report to the governmental agency and the Department of Revenue 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: 1/22/02

Staff: Kenny Pittman (786-7392).

Background:

The state of Washington has created various economic development incentive programs that are designed to encourage job creation or retention on either a statewide basis or in the state's economically distressed or rural areas. These programs provide incentives to businesses or specific-types of businesses through the use of grants, subsidies, tax exemptions or deferrals.

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 requires that all state and local governments that provide business subsidies, to for-profit business entities, must collect information on job creation and wages paid. The Department of Revenue (DOR) must publish information on the for-profit 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 wages bands. The disclosure and reporting requirement apply to all business subsidies entered into or state appropriations authorized after July 1, 2002.

For-Profit Business Entities - Subsidy Disclosure

Any for-profit business entity that receives a business subsidy must file a report by August 1 of each year that lists information on the type of subsidy received, and the jobs created together with the hourly wages paid. The report must list the type of 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 for-profit business entity that does not submit its report by November 1 may not receive business subsidies until the report has been satisfactorily completed and submitted to the state and local government agency that provided the business subsidy and DOR.

A "business subsidy" is defined as a state or local government agency grant of more than \$25,000; any contribution of personal property, real property, infrastructure; a below market interest rate loan; any reduction or deferral of any tax or fee. A business subsidy does not include tax reductions resulting from conformity with 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 for-profit business.

State and Local Government Agency Reporting Requirements

All state and local government agencies must file a report with the DOR that lists for-profit 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.

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 DOR must issue a warning to the state or local government agency.

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 city, town, or county; (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: Available.

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