

SENATE BILL REPORT

SB 5926

As Amended by House, April 9, 2007

Title: An act relating to creating a joint legislative task force to review the underground economy in the construction industry.

Brief Description: Creating a joint legislative task force to review the underground economy in the construction industry.

Sponsors: Senators Kohl-Welles, Clements, Kastama, Weinstein, Fairley, Keiser, Marr, Tom, Murray, Oemig, Sheldon and Kline.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/12/07, 2/20/07 [DP-WM].

Ways & Means: 2/27/07, 3/2/07 [DP].

Passed Senate: 3/10/07, 45-0.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Clements, Ranking Minority Member; Franklin, Holmquist and Murray.

Staff: Jennifer Strus (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Paula Moore (786-7449)

Background: Some estimates place the percentage of unreported employment in Washington's construction industry at between 20 and 50 percent, although solid data on this phenomena is not readily available.

Summary of Bill: The joint legislative task force on the underground economy in the state's construction industry is created. The task force is to formulate a state policy to establish

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cohesion and transparency between state agencies so as to increase the oversight and regulation of the underground economy practices in the state.

The task force consists of the chairs and ranking minority members of the Senate Labor, Commerce, Research & Development and the House Commerce and Labor Committees; four members representing the construction business chosen from nominations submitted by statewide business construction organizations; and four members representing construction laborers chosen from nominations submitted by statewide labor organizations.

The Department of Employment Security, Department of Labor & Industries, and the Department of Revenue are to cooperate with the task force and will maintain a nonvoting liaison representative to the task force.

The task force is to choose its chair or co-chairs from among its legislative members and the chairs of the two standing committees will convene the first meeting.

The task force is to contract with the Institute for Public Policy to assist it in determining the extent of and projected costs to the state and workers of the underground economy in the construction industry.

The expenses of the task force will be paid jointly by the Senate and House of Representatives.

The task force is to report its findings and recommendations to the Legislature by January 1, 2008.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony (Labor, Commerce, Research & Development):

PRO: Currently, the Employment Security Department and Department of Revenue are releasing a report so there should be lots of information on the underground economy for the task force to review. There are many workers impacted by different elements of the underground economy. Underground economy practices are the rule rather than the exception. The underground economy causes turnover in the work place and ensures there are less qualified people building less quality buildings. Working off the books makes the worker easy to exploit. Workers are injured on the job and cannot get workers' compensation because they worked off the books and cannot prove they worked or that the injury was job related. A study is needed to see how big the problem really is.

OTHER: The Institute for Public Policy has the ability to provide the services needed under the bill.

Persons Testifying (Labor, Commerce, Research & Development): PRO: Dave Johnson, Washington State Building Trades; Clark Gilman, NW Carpenters; Jimmy Matta, NW Carpenters.

OTHER: Jim Manfield, Institute for Public Policy.

Signed in, Unable to Testify & Submitted Written Testimony: PRO: Gerardo Ramirez, worker; Amy Brackenbury, Building Industry Association of Washington; Gary Smith, Independent Business Association.

Staff Summary of Public Testimony (Ways & Means): PRO: The Institute study will assess what we lose in premiums and licensing fees to allow unfair conditions to exist within the construction industry. As the demand for new construction grows, the situation with the underground economy worsens.

Persons Testifying (Ways & Means): PRO: Dave Johnson, Washington Building Trades Council.

House Amendment(s): Allows the task force to contract with another entity if the Institute for Public Policy is unavailable. The task force can hire additional staff within available funding. Adds an emergency clause.