

# SENATE BILL REPORT

## SSB 5783

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As Passed Senate, February 14, 2022

**Title:** An act relating to reestablishing the underground economy task force.

**Brief Description:** Reestablishing the underground economy task force.

**Sponsors:** Senate Committee on Labor, Commerce & Tribal Affairs (originally sponsored by Senators Conway, Hasegawa, Hunt, Keiser, Kuderer, Mullet, Stanford and Van De Wege).

**Brief History:**

**Committee Activity:** Labor, Commerce & Tribal Affairs: 1/31/22, 2/02/22 [DPS].

**Floor Activity:** Passed Senate: 2/14/22, 36-12.

**Brief Summary of First Substitute Bill**

- Reestablishes the Joint Legislative Task Force on the Underground Economy in the Washington State construction industry.
- Requires a report to the Legislature by December 1, 2022.

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

**Majority Report:** That Substitute Senate Bill No. 5783 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair, Labor; Stanford, Vice Chair, Commerce & Tribal Affairs; King, Ranking Member; Braun, Rivers, Robinson and Saldaña.

**Staff:** Susan Jones (786-7404)

**Background:** In 2007, the Legislature enacted SB 5926, which created a Joint Legislative Task Force to formulate a state policy to establish cohesion and transparency between state agencies to increase oversight and regulation of the underground economy practices in the

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construction industry. The Joint Legislative Task Force met over a few years and developed findings and recommendations, which were incorporated into legislation that passed during the 2008 and 2009 sessions.

**Summary of First Substitute Bill:** The Joint Legislative Task Force on the Underground Economy (task force) in the Washington State construction industry is reestablished. The purpose of the task force is to undertake a study on the nature and scope of the underground economy and to recommend what policy changes, if any, are needed to address the underground economy, including whether greater cohesion and transparency among state agencies is needed.

To assist the task force in achieving this goal and to determine the extent of and projected costs to the state and workers of the underground economy in the construction industry, the task force must contract with the Institute for Public Policy.

The task force members will be:

- a member from each of the two largest caucuses of the Senate appointed by the President of the Senate and the House of Representatives appointed by the Speaker of the House of Representatives;
- four members representing the construction business, selected from nominations submitted by statewide construction business organizations;
- four members representing construction laborers, selected from nominations submitted by statewide labor organizations; and
- one representative from the Attorney General's Office.

The industry and labor representatives will be appointed jointly by the President of the Senate and the Speaker of the House.

The Employment Security Department, the Department of Labor and Industries, and the Department of Revenue must:

- cooperate with the task force and must each maintain a liaison representative, who is a nonvoting member of the task force;
- cooperate with the task force and the Institute for Public Policy, or other entity as appropriate; and
- provide information and data as requested.

The task force must choose its chair or cochairs from among its legislative membership. The committee chairs must convene the initial meeting. The task force must use legislative facilities and staff support. Within available funding, the task force may hire additional staff with specific technical expertise if such expertise is necessary to carry out the mandates of this study. The expenses of the task force will be paid jointly by the Senate and House of Representatives. Task force expenditures are subject to approval.

The task force must report its findings and recommendations to the Legislature by

December 1, 2022.

Underground economy means contracting and construction activities in which payroll is unreported or underreported with consequent nonpayment of payroll taxes to federal and state agencies including nonpayment of workers' compensation and unemployment compensation taxes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

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

**Staff Summary of Public Testimony on Proposed Substitute:** *The committee recommended a different version of the bill than what was heard.* PRO: We are bringing this task force back. There has been an ad hoc group working under the Department of Labor and Industries (L&I). The ad hoc group has reached some impasses, so it makes sense to bring back the task force with legislative members.

Good contractors are losing out to fly by night businesses, losing tax dollars and customers have no recourse when something goes wrong. This brings in a good group to make recommendations. This reestablishes the task force that ensures a fair and level playing field. With the current state of the economy, this is a good time to redouble our efforts to combat the underground economy. This needs legislative influence.

OTHER: The underground economy is bad for employees, employers, businesses, and consumers. This is in all industries. This is not a new problem. There was a group with labor, business, L&I, Department of Revenue, and Employment Security District that allowed them to coordinate. We are not sure why there needs to be another task force.

**Persons Testifying:** PRO: Senator Steve Conway, Prime Sponsor; Mark Streuli, Iron Workers District Council NW and Carpenters Regional Council NW; Josh Swanson, Intl. Union of Operating Engineers.

OTHER: Tom Kwieciak, Building Industry Association of WA.

**Persons Signed In To Testify But Not Testifying:** No one.