

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE SENATE BILL 5468

Chapter 302, Laws of 1994
CHAPTER NO. CORRECTED
(partial veto)

53rd Legislature
1994 Regular Session

BUSINESSES--TAX INCENTIVES AND ECONOMIC DEVELOPMENT INFORMATION

EFFECTIVE DATE: 4/2/94

Passed by the Senate March 10, 1994
YEAS 30 NAYS 18

JOEL PRITCHARD

President of the Senate

Passed by the House March 10, 1994
YEAS 61 NAYS 36

BRIAN EBERSOLE

**Speaker of the
House of Representatives**

Approved April 2, 1994, with the
exception of section 2, which is
vetoed.

MIKE LOWRY

Governor of the State of Washington

CERTIFICATE

I, Marty Brown, Secretary of the
Senate of the State of Washington,
do hereby certify that the attached
is **ENGROSSED SECOND SUBSTITUTE
SENATE BILL 5468** as passed by the
Senate and the House of
Representatives on the dates hereon
set forth.

MARTY BROWN

Secretary

FILED

April 2, 1994 - 2:12 p.m.

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE SENATE BILL 5468

AS RECOMMENDED BY THE CONFERENCE COMMITTEE

Passed Legislature - 1994 Regular Session

State of Washington

53rd Legislature

1994 Regular Session

By Senate Committee on Trade, Technology & Economic Development
(originally sponsored by Senators Fraser, Skratek, Pelz and Prentice)

Read first time 02/04/94.

1 AN ACT Relating to private business entities receiving public
2 assistance; adding a new chapter to Title 43 RCW; and declaring an
3 emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that when public funds
6 are used to support private enterprise, the public may gain through the
7 creation of new jobs, the diversification of the economy, or higher
8 quality jobs for existing workers. The legislature further finds that
9 such returns on public investments are not automatic and that tax-based
10 incentives, in particular, may result in a greater tax burden on
11 businesses and individuals that are not eligible for the public
12 support. It is the purpose of this chapter to collect information
13 sufficient to allow the legislature and the executive branch to make
14 informed decisions about the merits of existing tax-based incentives
15 and loan programs intended to encourage economic development in the
16 state.

17 *NEW SECTION. **Sec. 2.** *(1) The department of revenue and the*
18 *department of community, trade, and economic development shall gather*

1 such base-line data as is necessary to measure the effect on businesses
2 of any of the following benefits: (a) A loan of one hundred thousand
3 dollars or more from the development loan fund; (b) fifty thousand
4 dollars or more in tax credits under chapter 82.62 RCW; or (c) a
5 deferral of one hundred thousand dollars or more in taxes under chapter
6 82.60 or 82.61 RCW. The departments shall measure the effect of the
7 programs on job creation, company growth, the introduction of new
8 products, the diversification of the state's economy, growth in
9 investments, the movement of firms or the consolidation of firms'
10 operation into the state, and such other factors as the departments
11 select.

12 (2) The departments shall also measure whether the businesses
13 receiving the benefits: (a) Have complied with federal and state
14 requirements for affirmative action in hiring and promotion of their
15 employees; (b) have provided an average wage that is above the average
16 wage paid by firms located in the same county that share the same two-
17 digit standard industrial code; (c) have provided basic health coverage
18 at a level at least equivalent to basic health coverage under chapter
19 70.47 RCW; (d) have complied with all applicable federal and state
20 environmental and employment laws and regulations; and (e) have
21 complied with the requirements of all federal and state plant closure
22 laws if reducing operations at a facility or relocating a facility.

23 (3) Businesses applying for one of the benefits specified in
24 subsection (1) of this section shall submit employment impact estimates
25 to the departments specifying the number and types of jobs, with wage
26 rates and benefits for those jobs, that the business submitting the
27 application expects to be eliminated, created, or retained on the
28 project site and on other employment sites of the business in
29 Washington as a result of the project that is the subject of the
30 application.

31 (4) The departments shall specify that upon a certain date or
32 dates, the businesses that receive one of the benefits specified in
33 subsection (1) of this section shall submit to the department an
34 employment impact statement stating the net number and types of jobs
35 eliminated, created, or retained, with the wage rates and benefits for
36 those jobs, by the business in Washington as a result of the benefit
37 received.

38 (5) The information collected on individual businesses under this
39 section is not subject to public disclosure.

1 (6) *The departments shall report their findings to the executive-*
2 *legislative committee on economic development policy, or the*
3 *appropriate legislative committees, if the executive-legislative*
4 *committee on economic development policy is not created by statute, by*
5 *September 1, 1995. The report shall provide aggregate information on*
6 *businesses that share the same two-digit standard industrial code.*

7 (6) *The executive-legislative committee on economic development*
8 *policy shall evaluate the departments' report and make recommendations*
9 *to the governor and the legislature on the continuation of the benefit*
10 *programs and any conditions under which they should operate if they are*
11 *to continue.*

12 *Sec. 2 was vetoed, see message at end of chapter.

13 NEW SECTION. **Sec. 3.** Sections 1 and 2 of this act shall
14 constitute a new chapter in Title 43 RCW.

15 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
16 preservation of the public peace, health, or safety, or support of the
17 state government and its existing public institutions, and shall take
18 effect immediately.

 Passed the Senate March 10, 1994.

 Passed the House March 10, 1994.

 Approved by the Governor April 2, 1994, with the exception of
 certain items which were vetoed.

 Filed in Office of Secretary of State April 2, 1994.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to section 2,
3 Engrossed Second Substitute Senate Bill No. 5468 entitled:

4 "AN ACT Relating to private business entities receiving public
5 assistance;"

6 This legislation would direct the Department of Revenue and the
7 Department of Community, Trade and Economic Development to prepare a
8 study of firms that have participated in state sales tax deferral,
9 business and occupation tax credit, and development loan fund programs.
10 The departments would be required to collect information to measure the
11 effect of these tax provisions and loans on businesses. The departments
12 would also be directed to measure whether the firms participating in
13 the programs have followed a wide range of federal and state
14 requirements under other statutes and have met other standards of
15 conduct not required under current law. Firms applying for
16 participation in these programs would be required to prepare employment
17 impact estimates for the departments.

18 I understand and agree with the premise that the state has an
19 interest in determining whether its economic development programs are

1 achieving their intended effect. I also agree that the goal of state
2 economic development activities is to encourage a sustainable high
3 wage, high skill economy in the state for all of the state's citizens.

4 I continue to believe that the state should maintain high
5 environmental, health and safety, and employment standards implemented
6 in a way that minimize bureaucracy, duplication, and confusion for the
7 state's businesses. High standards should be enacted in the laws that
8 govern these subjects. However, if compliance with existing standards
9 in these areas is to be examined by the study, the Department of
10 Revenue and the Department of Community, Trade and Economic Development
11 are not the proper agencies to conduct the study.

12 I am also concerned that the private business information to be
13 collected from businesses under this legislation would be subject to
14 public disclosure. Because we believe that public business should take
15 place in the open, our state has one of the strongest public disclosure
16 statutes in the nation. The only way for publicly collected information
17 to remain confidential is to amend our public disclosure statutes to
18 specifically exempt such information from disclosure requirements.
19 Despite the effort in the legislation to ensure that information
20 collected from individual firms will remain confidential, I believe
21 that information collected would be subject to disclosure.

22 As a result of these two concerns, I am vetoing section 2 of
23 Engrossed Second Substitute Senate Bill No. 5468. However, I also
24 believe that it is in the state's long-term interest to promote a
25 sustainable high wage, high skill economy and to maintain high
26 environmental, health and safety, and employment standards. As a
27 result, I am asking the directors of state agencies with responsibility
28 for environmental protection, employment, economic development, and
29 workplace health and safety to identify threshold criteria that the
30 state should consider applying in the future as eligibility criteria
31 for state assistance programs. If businesses are willful repeat
32 violators of existing statutes in these areas, these businesses should
33 be removed from the benefits of the state's economic development
34 programs. I am also directing these agencies to involve interested
35 parties in the process of identifying such criteria. I will examine the
36 results of these actions and consider requesting changes in state law
37 and regulations to implement them.

38 With the exception of section 2, Engrossed Second Substitute Senate
39 Bill No. 5468 is approved."