

SENATE BILL REPORT

SB 6479

As Reported By Senate Committee On:
Labor, Commerce & Trade, February 1, 1996

Title: An act relating to private business entities receiving public assistance.

Brief Description: Requiring that private business entities receiving public assistance create new jobs.

Sponsors: Senators Pelz, Heavey, Franklin, Smith, Quigley, Fraser, Thibaudeau, McAuliffe, Kohl and Goings.

Brief History:

Committee Activity: Labor, Commerce & Trade: 2/1/96 [DPS, DNPS].

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: That Substitute Senate Bill No. 6479 be substituted therefor, and the substitute bill do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; Franklin, Fraser and Wojahn.

Minority Report: Do not pass substitute.

Signed by Senators A. Anderson, Deccio, McDonald and Newhouse.

Staff: Jack Brummel (786-7428)

Background: According to the National Council for Urban Economic Development, many state and local governments are entering into agreements with businesses that contain "clawback" provisions which enable the community to reclaim tax abatements or other benefits if the company fails to live up to its projected performance.

Washington's economic development programs include various tax exemptions and deferrals, grants, and loan programs to assist business development. The programs typically have eligibility criteria, but private businesses receiving assistance are not required to meet wage and benefit level or job creation goals.

Summary of Substitute Bill: State or local government agencies providing financial assistance to a private business must set wage, benefit, and job creation or retention goals for the business and the business must create a net increase in jobs within two years of receipt of the assistance unless this requirement is in conflict with other economic development goals. Businesses failing to meet their goals must repay the assistance.

The Department of Community, Trade, and Economic Development is to receive reports from agencies providing business assistance on the goals set and the attendant results. The department is to publish a compilation of the reports. The director of the department is to

analyze the effect of assistance on the number of jobs created and the wages and benefits paid in those jobs.

The department must establish, for new business tax enactments, measurable wage, benefit and job creation or retention goals and the Director of the Department of Community, Trade, and Economic Development is to biennially review the merits of continuing the enactment.

A Business Assistance Advisory Committee is created to advise the department, monitor state economic policy impacts on the economy, and provide analysis.

Substitute Bill Compared to Original Bill: The substitute bill allows the consideration of other economic development goals besides job creation. The substitute bill requires the department to adopt rules, including the definition of "receipt of assistance" which begins the timeframe for the two-year job creation requirement after all necessary permits have been obtained.

Appropriation: None.

Fiscal Note: Requested on January 31, 1996.

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

Testimony For: When tax dollars are getting scarcer, the government needs to ensure they are getting what is being promised. If a business takes government assistance they should create new jobs or pay it back.

Testimony Against: Private businesses may legitimately receive assistance that wouldn't create jobs, such as grants for research and tax credits for day care. The bill would chill economic development efforts that keep companies in business.

There are other economic development standards the department tries to meet that could be hurt by the job creation focus of this bill.

Testified: Rick Bender, Jeff Johnson, WA State Labor Council (pro); Bob Dilger, WA State Building and Construction Trades Council (pro); Roy Wikinson, IAM (pro); Clif Finch, AWB (con); Carolyn Logue, National Federation of Independent Businesses (con); Gary Smith, WA Independent Business Assn. (con); Enid Layes, WA State Biotechnology and Biomedical Assn. (con); Jeff Robison, CTED.