
**Innovation, Community & Economic
Development, & Veterans Committee**

HB 1912

Brief Description: Requiring state agencies to share information to encourage economic development.

Sponsors: Representatives Chapman, Waters, Schmidt, Barnard, Rule, Kloba, Sandlin, Wylie, Reeves and Tharinger.

Brief Summary of Bill

- Requires the Department of Commerce (Commerce) to collect information from four state agencies about individual business's revenue, employees, occupations, payroll, and North American Industry Classification System (NAICS) codes.
- Requires Commerce to provide the business data to associate development organizations after meeting data security standards and completing training.
- Requires the Department of Labor and Industries to identify the number and occupation of apprentices by county and publish the information on its website quarterly.

Hearing Date: 1/16/24

Staff: Martha Wehling (786-7067).

Background:

Business Licensing, Regulation, and Reporting.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Businesses are regulated and licensed by multiple state agencies including the Department of Revenue, the Department of Labor and Industries, the Employment Security Department, and the Department of Licensing. Each agency has statutory duties related to Washington businesses:

- The Department of Revenue is Washington's primary tax agency and is responsible for assessing, collecting, and reporting on taxes, such as the sales tax, business and occupation tax, and the capital gains tax.
- The Department of Labor and Industries' duties include workers' compensation, workplace safety, trade licensing, contractor registration, and regulation and enforcement of labor standards.
- The Employment Security Department manages the unemployment system, including unemployment benefits, job placement services, and collecting employment related data.
- The Department of Licensing regulates businesses and professions by issuing licenses and ensuring compliance with professional standards and laws.

Businesses and agencies have statutory reporting obligations. For example, certain executive branch agencies, including the Departments of Labor and Industries, Licensing, and Revenue, are required to inventory and update all business permits identified in a performance audit. At least 25 other agencies, including the Employment Security Department and the Departments of Revenue, Labor and Industries, and Licensing, are required to provide the Department of Revenue with information about each business license issued by the agency.

North American Industry Classification System Code.

The North American Industry Classification System (NAICS) was developed as the standard for use by federal statistical agencies in classifying business establishments for collection, analysis, and publication of statistical data related to the business economy of the United States. NAICS was developed by the federal Office of Management and Budget and adopted in 1997. The NAICS hierarchy begins with broader two-digit sectors, and becomes increasingly narrow with additional digits, including 96 three-digit subsectors, and 308 four-digit industry groups. There are 689 five-digit NAICS codes, which is the level that provides industry detail.

The Department of Commerce's Trade and Business Responsibilities.

The Department of Commerce's (Commerce) statutory obligations related to trade and business include:

- Assist in expanding Washington's role as an international center of trade, culture, and finance; promote and market Washington's products nationally and internationally; work closely with other private and public international trade efforts; function as a centralized location for the assimilation and distribution of trade information; and establish and operate foreign offices promoting overseas trade and commerce.
- Identify and work with businesses that can use assistance to increase domestic and foreign exports of goods and services.
- Work with small businesses and other employers on workforce training and infrastructure needs, identify and locate suitable business sites, and resolve licensing and regulatory

requirements.

- Increase the availability of capital to small businesses by developing new and flexible investment tools, assisting in targeting and improving the efficiency of existing investment mechanisms, and assisting in the procurement of managerial and technical assistance to attract potential investors.
- Assist women and minority-owned businesses in overcoming barriers to entrepreneurial success by conducting training courses in financing, marketing, managing, accounting, and recordkeeping.
- Prepare a specific, actionable plan to increase access to capital and technical assistance to small businesses and entrepreneurs. The plan must identify existing sources of capital and technical assistance, critical gaps and barriers, workable solutions, and the changes necessary to implement the plan.

Commerce has additional responsibilities that affect businesses, including community and economic development, recruitment and retention of businesses, business services training, operation of the small business retirement marketplace, and contracts with associate development organizations. Services provided by Commerce to meet these responsibilities include technical assistance on accessing capital, networking opportunities, mentorship programs, and education and training.

Associate Development Organizations.

Associate development organizations (ADOs) are local organizations designated by each county to serve as Commerce's primary partner in local economic development activities in their county. Commerce contracts with the ADOs to increase the support for and coordination of community and economic development services in communities or regional areas. The scope of services delivered under the contracts must include direct assistance, including business planning, to companies throughout the county who need support to stay in business, expand, or relocate to Washington. Services must also include support for regional economic research and regional planning efforts to implement target industry sector strategies and other economic development strategies. Both ADOs and Commerce have reporting requirements. The ADOs must submit annual performance reports to Commerce, and Commerce must submit a report to the Legislature by the end of each even-numbered year on the performance results of the contracts with the ADOs.

Public Records Act.

The Public Records Act requires all state and local governmental entities to make all public records available to the public upon request unless a specific exemption applies or disclosure is prohibited. Public records are records prepared or retained by a governmental entity that relate to the conduct of government or the performance of governmental or proprietary functions. There are statutory exemptions for records or information contained in records that allows the governmental entity to withhold the record or redact the information. The exemptions are narrowly construed and are permissive, meaning that the governmental entity has the discretion

to produce an exempt record unless a court enjoins production.

Summary of Bill:

Business Information Collected by the Department of Commerce.

The Department of Commerce (Commerce) is required to collect the following information from four state agencies about each business in Washington:

- the business's annual revenue;
- the business's number of employees and occupations;
- the business's aggregated payroll; and
- the business's North American Industry Classification System (NAICS) code.

Commerce must collect the information from the Department of Revenue, the Department of Labor and Industries, the Employment Security Department, and the Department of Licensing. The business information is exempt from disclosure by Commerce under the Public Records Act. The exemption does not affect other agencies' obligations under the Public Records Act.

Business Information Provided to Associate Development Organizations.

Commerce is required to provide associate development organizations (ADOs) with access to the information collected about individual businesses. Prior to receiving data, the ADOs must meet data security standards and complete training regarding the access, use, and confidentiality of the data. After receiving the data, the ADOs must keep the data confidential, except when the data is provided to organizations applying for grant funding. In that situation, the ADO may provide the requesting organization with aggregate data.

Apprentice Information Compiled and Published by the Department of Labor and Industries.

Beginning on January 1, 2025, the Department of Labor and Industries is required to compile aggregate data on the number of apprentices living in each county and categorize the apprentices by occupation. The Department of Labor and Industries must publish the aggregate data on its website and update the website data each quarter.

Appropriation: None.

Fiscal Note: Requested on January 8, 2024.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.