

HOUSE BILL REPORT

HB 1570

*As of House Second Reading
March 12, 1991*

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

Brief Description: Imposing requirements on businesses that receive public assistance.

Sponsor(s): Representatives Jones, Heavey, Riley and R. King.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 28, 1991, DP;
House Second Reading, March 12, 1991.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass.* Signed by 7 members:
Representatives Heavey, Chair; Cole, Vice Chair; Franklin;
Jones; R. King; O'Brien; and Prentice.

Minority Report: *Do not pass.* Signed by 3 members:
Representatives Fuhrman, Ranking Minority Member; Lisk,
Assistant Ranking Minority Member; and Vance.

Staff: Chris Cordes (786-7117).

Background: Washington's economic development programs include various tax deferral plans and grant or loan programs to assist business development. Although these programs may include conditions for entitlement, private businesses receiving assistance are not required to give advance notice of any business closure, or to meet any special employment standards for employees, except as required under relevant federal or state law.

Summary of Bill: Private businesses that receive \$4,000 or more of assistance from a business assistance program, or 80 hours or more of technical assistance, are required to:

- (1) employ workers at no less than the state average wage;
- (2) comply with affirmative action laws;
- (3) provide 60 days notice of any reduction in business operations; and

- (4) before closure or relocation of a facility, make an offer to sell the facility to the employees or community.

Business assistance programs include the sales and use tax deferral or credit programs, state and local government industrial development bonds, and assistance programs operated by the Community Economic Revitalization Board.

If a business receiving sales and use tax deferrals or credits fails to comply with the act, the deferral is rescinded and the entire amount of any remaining deferred tax, together with a 10 percent penalty and interest becomes immediately payable. If the business has received industrial revenue bonds within the previous 10 years, failure to comply with the act subjects the business to a penalty equal to 110 percent of the federal tax exemption, with interest. Any recipient who violates the provisions of the act will not be eligible for state tax exemptions or development programs for 10 years.

Exemptions include reductions in business operations resulting from labor disputes; occurring at construction sites; resulting from seasonal factors or from fire, flood, war, or acts of God.

The Employment Security Department is responsible for reviewing participating businesses for compliance and for assessing penalties.

Fiscal Note: Available.

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

Testimony For: The State should not be subsidizing businesses with tax deferrals or financial assistance unless the business is willing to support its employees. At the very least, these businesses should pay a living wage to the employees. Other states have rules requiring accountability from the businesses that get public assistance, and Washington should adopt accountability rules, too.

Testimony Against: The bill sets a minimum wage level that is unrealistic for many businesses. Even a reduced wage standard would eliminate more than one-half of the businesses from participation in the business assistance programs.

Witnesses: Representative Evan Jones, prime sponsor (in favor); Jeff Johnson, Washington State Labor Council (in favor); Clif Finch, Association of Washington Business

(opposed); and Graeme Sackrison, Employment Security Department (neutral, but agency tasks need funding).