

# HOUSE BILL REPORT

## HB 2577

---

**As Reported by House Committee On:**  
State Government & Tribal Relations  
Appropriations

**Title:** An act relating to agency responsibilities to regulated businesses and professions.

**Brief Description:** Concerning agency responsibilities to regulated businesses and professions.

**Sponsors:** Representatives Barkis, Chapman, Schmick, Walen, Chambers, Corry, Tarleton, Leavitt, Vick, Dye, Cody, Macri, Stokesbary, Frame, Tharinger, Hoff, Pellicciotti, Gildon, Senn, Walsh, Dent, Dolan, Jenkin, Volz, Blake, Lekanoff, Van Werven and Ybarra.

**Brief History:**

**Committee Activity:**

State Government & Tribal Relations: 1/31/20, 2/5/20 [DPS];

Appropriations: 2/8/20, 2/11/20 [DP2S(w/o sub SGOV)].

**Brief Summary of Second Substitute Bill**

- Requires regulatory agencies to provide certain information to businesses and professions when conducting audits, inspections, and examinations.

---

### HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL RELATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Gregerson, Chair; Pellicciotti, Vice Chair; Walsh, Ranking Minority Member; Goehner, Assistant Ranking Minority Member; Appleton, Dolan, Hudgins, Mosbrucker and Smith.

**Staff:** Carrington Skinner (786-7192).

**Background:**

Many state agencies, boards, and commissions that regulate businesses and professions conduct audits, inspections, and examinations of the businesses and professions they regulate. The Department of Revenue has primary responsibility for issuing business licenses through the Washington Business Licensing Service. Businesses may also need

---

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

additional licenses or permits issued by other state agencies. The Department of Licensing issues licenses and ensures compliance with professional standards and laws. Other professions may also be regulated by specific boards or commissions. Various state agencies, including the departments of Labor and Industries, Agriculture, and Health, conduct audits and inspections to verify compliance with applicable laws.

---

### **Summary of Substitute Bill:**

By December 31, 2020, regulatory agencies that conduct audits, inspections, or examinations of businesses and professions must provide specified information at each audit, inspection, or examination. Agencies subject to this requirement include state agencies, boards, commissions, and divisions. The requirement does not apply to local government entities. Among other information, the information provided must include:

- the purpose and legal authority for conducting the audit, inspection, or examination;
- the identification of the auditor, inspector, or examiner and contact information for a staff person to answer questions;
- whether the business may correct a violation to avoid or mitigate an administrative sanction, if any; and
- whether the business may designate official company representatives, and have certain professionals participate in the audit, inspection, or examination.

The required information does not need to be provided in the following situations:

- in certain emergencies involving imminent danger;
- in criminal investigations or proceedings, or an agency's undercover, surveillance, or seizure activities;
- state regulatory agency site visits the purpose of which is not verifying compliance with licensing or other regulatory requirements; or
- if the requirements would conflict with federal or state law or interfere with an agency performing its statutorily authorized duties.

A regulatory agency must post a general description of the responsibilities on its website. The Joint Legislative Audit and Review Committee must conduct a review of agencies' performance and compliance by December 31, 2023, which must include a survey of regulated businesses and a comparison of the views of small and large businesses.

### **Substitute Bill Compared to Original Bill:**

The substitute bill clarifies that auditors, inspectors, or examiners must present identification and contact information at an audit, inspection, or examination, and clarifies that if advance notice for an audit, inspection, or examination is not provided, the basis for the lack of notice must be given. It also specifies that the requirements to provide information do not apply when a criminal justice agency, as defined by statute, exercises its law enforcement authority, or to site visits that are not related to verifying compliance with licensing or other regulatory compliance.

---

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill started with conversations with businesses and regulatory agencies around the state about what was missing when audits and inspections are conducted. It was a difficult process to get 27 agencies to agree on this proposal which establishes eight best practices that provide consistency to audits, inspections, and examinations. These guiding principles make it easier for small businesses to address compliance. The bill allows businesses to correct problems and provides for more communication between agencies and businesses. This bill is the result of a bipartisan effort that was well worked by stakeholders and has broad support. The substitute bill is a continuation of work that has already been done and provides additional clarity.

(Opposed) None.

**Persons Testifying:** Representative Barkis, prime sponsor; Sheri Sawyer, Office of the Governor; and Patrick Conner, National Federation of Independent Business.

**Persons Signed In To Testify But Not Testifying:** None.

---

**HOUSE COMMITTEE ON APPROPRIATIONS**

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on State Government & Tribal Relations. Signed by 27 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Chopp, Cody, Corry, Dolan, Fitzgibbon, Hansen, Hoff, Hudgins, Kraft, Macri, Mosbrucker, Pettigrew, Ryu, Springer, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Dye, Kilduff, Pollet and Schmick.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Senn.

**Staff:** Michael Hirsch (786-7157).

**Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On State Government & Tribal Relations:**

The second substitute bill:

- adds imminent financial danger to the list of emergency exceptions to the information requirements;
- limits the agency requirement to explain how businesses may provide past agency advice explaining how the business may provide formal agency-written advice and formal agency-written interpretations; and
- removes the agency requirement to describe how a business may respond to an audit, inspection, or examination.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 6, 2020.

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

**Staff Summary of Public Testimony:**

(In support) This bill represents the culmination of a year of work of bipartisan bill sponsors, the Office of the Governor, and agencies that work with small businesses. The fiscal note states that the Joint Legislative Audit and Review Committee may be able to absorb almost all of the cost of the study within its workload.

(Opposed) None.

**Persons Testifying:** Patrick Connor, National Federation of Independent Business.

**Persons Signed In To Testify But Not Testifying:** None.