

# HOUSE BILL REPORT

## SSB 5783

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**As Reported by House Committee On:**  
Labor & Workplace Standards

**Title:** An act relating to reestablishing the underground economy task force.

**Brief Description:** Reestablishing the underground economy task force.

**Sponsors:** Senate Committee on Labor, Commerce & Tribal Affairs (originally sponsored by Senators Conway, Hasegawa, Hunt, Keiser, Kuderer, Mullet, Stanford and Van De Wege).

**Brief History:**

**Committee Activity:**

Labor & Workplace Standards: 2/18/22, 2/22/22 [DP].

**Brief Summary of Substitute Bill**

- Reestablishes the Joint Legislative Task Force on the Underground Economy in the construction industry.
- Requires a report to the Legislature by December 1, 2022.

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### HOUSE COMMITTEE ON LABOR & WORKPLACE STANDARDS

**Majority Report:** Do pass. Signed by 5 members: Representatives Sells, Chair; Berry, Vice Chair; Mosbrucker, Assistant Ranking Minority Member; Bronoske and Ortiz-Self.

**Minority Report:** Do not pass. Signed by 1 member: Representative Hoff, Ranking Minority Member.

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

**Staff:** Trudes Tango (786-7384).

**Background:**

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*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.*

In 2007 legislation was enacted to create the Joint Legislative Task Force on the Underground Economy focusing on practices in the construction industry. The task force met over a few years and developed findings and recommendations, some of which were incorporated into legislation during the 2008 and 2009 legislative sessions.

The statute creating the task force expired in 2009. However, the Department of Labor and Industries (L&I), the Employment Security Department (ESD), and the Department of Revenue (DOR) are required to coordinate and provide an annual report to the Legislature on their efforts addressing the underground economy. In addition, the three agencies and various stakeholders participate on the Construction Underground Economy Advisory Committee, which generally has been meeting twice per year.

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### **Summary of Bill:**

The Joint Legislative Task Force on the Underground Economy in the Washington state construction industry is reestablished. The task force's purpose is to study the nature and scope of the underground economy and to recommend what policy changes, if any, are needed, including whether greater cohesion and transparency among state agencies is needed. The task force must contract with the Washington State Institute for Public Policy or another entity with expertise. "Underground economy" means contracting and construction activities in which payroll is unreported or underreported with consequent nonpayment of federal and state payroll taxes, including workers' compensation and unemployment compensation taxes.

The task force must consist of:

- a member from each of the two largest caucuses of the House of Representatives and the Senate, appointed by the President of the Senate and the Speaker of the House;
- four members representing the construction business;
- four members representing construction laborers; and
- one representative from the Attorney General's Office.

Industry and labor representatives will be appointed jointly by the President of the Senate and the Speaker of the House.

The ESD, L&I, and DOR must each have a nonvoting representative on the task force. The agencies must cooperate with the task force and provide information and data upon request.

The task force must use legislative facilities and will be staffed by Senate Committee Services and the House of Representatives' Office of Program Research. The task force may hire technical experts, if needed and within available resources. Expenses of the task force will be paid jointly by the Senate and the House.

The task force must submit a report of its findings and recommendations to the Legislature

by December 1, 2022.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The previous task force on the underground economy did good work, but there are issues that still need to be addressed. It is time to bring legislators back into the conversation. Fly-by-night contractors cost the tax payers money. A study by the Institute for Public Policy will ensure that policy issues will be addressed.

(Opposed) None.

**Persons Testifying:** Senator Steve Conway, prime sponsor; Josh Swanson, International Union of Operating Engineers, Local 302; and Mark Streuli, Iron Workers District Council of the Pacific Northwest and Northwest Carpenters Union.

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