

HOUSE BILL REPORT

ESSB 6479

As Reported By House Committee On:

Trade & Economic Development

Title: An act relating to private business entities supported by state economic development programs.

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

Sponsors: Senate Committee on Labor, Commerce & Trade (originally sponsored by Senators Pelz, Heavey, Franklin, Smith, Quigley, Fraser, Thibaudeau, McAuliffe, Kohl and Goings).

Brief History:

Committee Activity:

Trade & Economic Development: 2/21/96, 2/22/96 [DPA].

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended. Signed by 10 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Sheldon, Ranking Minority Member; Veloria, Assistant Ranking Minority Member; Ballasiotes; Hatfield; Mason; Skinner and Valle.

Minority Report: Do not pass. Signed by 3 members: Representatives Backlund; Hickel and Sherstad.

Staff: Kenny Pittman (786-7392).

Background: The state of Washington provides financial assistance to businesses to encourage the creation or retention of jobs. State agency assistance to businesses is provided as either direct financial assistance (loans or grants) or indirect financial assistance through the state's tax system (deferrals, exemptions, or credits).

The state economic development financing programs typically have eligibility criteria. Most federal economic development financing programs contain job creation or retention targets. At the present time there is not an overall state policy or requirement that businesses that receive state assistance meet stated wage and benefit levels or job creation goals. Several states now require businesses to repay the

financial assistance if the business does not meet the projected job creation or retention goals.

Summary of Amended Bill: An 11-member business assistance advisory committee is created. The members of the advisory committee must include three members that represent labor, three members that represent business, and five members that represent state agencies. The Governor must appoint the members of the advisory committee by September 1, 1996.

The advisory committee must conduct a study on the effectiveness of state assistance to business on the goal of economic development, job creation, or retention. State assistance is defined as a grant, loan, tax deferral, or tax abatement program by which the business receives assistance of more than \$25,000. In conducting the study, the advisory committee must (1) inventory existing state assistance programs; (2) identify the type of state assistance; (3) identify the number of jobs created or retained and typical wages paid in the jobs; (4) evaluate the effectiveness of state assistance in meeting the goals of economic development, job creation, or retention; and (5) review economic development assistance programs in other states and countries and compare them to similar state assistance programs.

The advisory committee must present its final report and recommendations to the appropriate committees of the Legislature no later than December 1, 1997.

The Department of Community, Trade and Economic Development and the Department of Revenue must provide staff support to the advisory committee.

Amended Bill Compared to Engrossed Substitute Bill: The amended bill (1) deletes the requirement that all state agencies that provide state assistance to private businesses must establish goals for wage and benefit levels and job creation or retention; (2) deletes the requirement that private business that receive state assistance for economic development or job growth must have a net increase in the number of jobs within two years of receiving the state assistance, unless the business assistance advisory committee determines the requirement is in conflict with other economic development goals of the program (businesses that fail to meet the agreed upon goals are required to repay the state assistance); and (3) deletes the provision that the Department of Community, Trade and Economic Development compile the state agency information and report its findings to the Legislature by July 1 of each year.

Appropriation: None.

Fiscal Note: Not requested (Amended Bill).

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

Testimony For: (Engrossed Substitute Bill) This is a start in the right direction. It directs state resources to those businesses that create family wage jobs. This will bring accountability to the state's economic development financing programs. The business will be made aware of their requirements before state assistance is made. There is also a provision to take into consideration unforeseen circumstances. The bill finishes the work on workforce training by linking assistance with family wage job creation.

Testimony Against: (Engrossed Substitute Bill) The bill is in conflict with the objectives of some state assistance programs to business that are not based on wages, but may focus on diversification of the local economy. The major tax-exemption programs already require the department to report on their effectiveness. The Legislature should hold businesses accountable; this is not the right approach.

Testified: (Engrossed Substitute Bill): Representative Conway (pro); Jeff Johnson, Washington Labor Council (pro); Dan Sexton, Washington State Association of Plumbers and Pipefitters (pro); and Bob Dilger, Washington State Building Trades (pro). Amber Balch, Association of Washington Business (con); Enid Layes, Washington Biotechnology and Biomedical Association (con); and Carolyn Logue, National Federation of Independent Business (con).