

Joint Legislative Task Force on the Underground Economy

Sub-Committee on Local Government Opportunities and Challenges

Task: Have a broad discussion with local government (cities and counties) on opportunities to assist with the goals of the Task Force, and identify barriers and needs to seize those opportunities.

Areas of focus: Local Business Licenses, Building Permits

Local Business Licenses

Key Traits:

- Excellent overlap with Department of Revenue (DOR), lesser but still significant opportunity for overlap of information with Employment Security (ESD) and Labor and Industries (L&I).
- Should be issued around the same time a business licenses with the state, allowing for data-matching.
- Cities use local licensing for regulatory and revenue generating purposes.
- Department of Licensing (DOL) already has a system in place through their Master Licensing System (MLS) that allows cities to handle local business licensing through MLS. This is the same system state agencies use to issue a Unified Business Identifier (UBI).
- Grant system already exists to assist cities with initial programming costs to join the MLS system.
- DOR already has some data-sharing in place in this area.

Barriers:

- Many of the largest cities (e.g. Seattle) have their own complex data systems to handle business licensing, and have no interest in joining the MLS system.
- Cities do not want to be the compliance arm for the state, serving to stop a business from obtaining a local license before signing up for a UBI number.

- Counties do not have the legal authority to issue local business licenses, so they are unable to participate in this system or any data-matching opportunities with it.
- All jurisdictions are currently strained from a budget perspective, and low on staff. It may be difficult to persuade them to move ahead with a system change at this time.

Opportunities:

- Pursue data-sharing agreements between state agencies and some of the largest jurisdictions with their own systems.
- Hook DOR, ESD and L&I into the local entity portion of MLS, using the nexus for data-sharing to both the agencies as well as the cities.
- Enhance the DOL grants program and advertise to mid-cities and smaller cities, along with the enhancement of data-sharing with the state agencies that may help them identify businesses that lack the local registration.

Building Permits

Key Traits:

- For public safety purposes, as opposed to consumer protection and tax/level playing field concerns with state entities.
- May be issued to individuals performing work on their own property, as well as businesses.
- Information regarding the contractors involved is often lacking at the time the permit is issued.
- Contains critical data on where construction activity is taking place, as well as its scope, and general timing.

Barriers:

- It is legal for individuals to perform work on their own property, preventing local governments from requiring contractor information that may not exist.
- For information to be truly useful for underground economy purposes, much of it would have to be obtained during or after the job was complete, when all sub-contractors would be known.

- Local entities are understaffed, and have a difficult time doing closing inspections that serve the basic public safety issue that the permits are linked to.
 - Snohomish County has cut over 100 positions from their building inspection program.
 - Thurston County only open half days
 - Pierce County closed on Fridays, another 12 furlough days.

Opportunities:

- Conversations with both the cities and counties shows this to be an area in which the basic barriers around information, conflict of underlying purpose and staffing present barriers that outweigh potential opportunities.