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Bill Analysis

Legislative Service Commission

S.B. 24

123rd General Assembly
(As Introduced)

Sen. Hagan

BILL SUMMARY

- Requires certain businesses that annually receive over \$25,000 of state financial assistance in the form of grants or loans for purposes of economic development or job growth to pay at least a "living wage" to their employees.

CONTENT AND OPERATION

State financial assistance to promote economic development or job growth

Under current law, the Department of Development offers more than 15 "direct" programs and a total of 60 "direct" and "indirect" programs (includes technical and community assistance) that provide some form of state financial assistance for purposes of economic development or job growth. The financial assistance includes but is not necessarily limited to loans and grants. For example, one program enables the state, through the Department of Development, to provide inducements, direct loans, and loan guarantees to any person to assist in and facilitate the establishment or development of eligible projects to assist local areas throughout the state that are experiencing economic stagnation or decline (Chapter 166., not in the bill). Among the state "grant" programs are the Industrial Technology and Enterprise Development Grant program (sec. 122.33(A), not in the bill), to provide capital to acquire, construct, enlarge, improve, or equip and to sell, lease, exchange, and otherwise dispose of property, structures, equipment, and facilities within the state, and the Thomas Alva Edison Grant Program (sec. 122.33(C), not in the bill), to provide grants to foster co-operative research and development efforts involving enterprises and educational institutions that will lead to the creation of jobs.

The bill

(sec. 122.181)

The bill requires that commencing on the date on which the sum of state financial assistance received by an "employer" *in the form of either grants or loans* first exceeds \$25,000 in a fiscal year and the purpose of that assistance is economic development or job growth, such an "employer" must pay at least a "living wage" to all its employees. As defined in the bill, "living wage" means the hourly wage that, when multiplied by 2080, yields annual compensation equal to 125% of the federal poverty level for a family of four.¹ Based on a 1999 federal poverty level figure of \$16,700 (125% of which is \$20,875), the "living wage" for this year would be approximately \$10.04 per hour.²

An employer who violates the provisions of the bill with respect to an employee must pay the employee back wages in an amount equal to twice the difference between the living wage and the wage actually paid to the employee during the course of the violation. Any employer who violates the provisions of the bill is not eligible to receive any state financial assistance in the form of either grants or loans until the employer has fully complied with the payment of back wages.

The provisions of the bill are applicable to the following types of "employers":

- (1) A for-profit corporation;
- (2) A nonprofit corporation in which the ratio of total compensation of the corporation's chief executive officer to the full-time equivalent of its lowest-paid employee exceeds 25 to 1;
- (3) A partnership;
- (4) A limited liability company; and
- (5) A sole proprietorship.

¹ *The multiplier is derived at by multiplying 40 hours per week times 52 weeks per year.*

² *64 Federal Register 13 428, March 18, 1999.*

The provisions of the bill are *not* applicable to a "small business." A "small business" is defined in the bill as an employer that had fewer than ten employees immediately before receiving any state financial assistance.

COMMENT

The terms "grant" and "loan" are not defined in the bill. The bill is not explicit as to whether the use of "inducements" (as used in the economic development program under Chapter 166. of the Revised Code), grants that take the form of a refundable tax credit (such as the job creation tax credit under section 122.17 of the Revised Code), or loan guarantees would qualify as "grants" or "loans" and therefore require an "employer" receiving them to be subject to the requirements of the bill.

HISTORY

ACTION	DATE	JOURNAL ENTRY
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