
**Community & Economic
Development & Trade Committee**

HB 1790

Brief Description: Providing for the distribution of funds used for jobs, economic development, and local capital projects.

Sponsors: Representatives Ericks, Newhouse, Linville, Armstrong, Simpson, Haler, Takko, Hunt, McCoy, Hailey, Grant, Buri, Hinkle, Kessler, Alexander, P. Sullivan, Eddy, Curtis, VanDeWege, Conway, O'Brien, Green, Goodman, Morrell, Lantz and Moeller.

Brief Summary of Bill

- Provides a permanent revenue source for the Community Economic Revitalization Board Traditional and Rural programs as well as the Job Development Fund by allocating 3.3 percent of the state Real Estate Excise Tax receipts to the Public Facilities Construction Loan Revolving Account.

Hearing Date: 2/12/07

Staff: Tracey Taylor (786-7196).

Background:

Created in 1982 by the Legislature, the Community Economic Revitalization Board (CERB) provides low-interest loans (and, in unique circumstances, grants) to help finance local public economic development infrastructure necessary to develop or retain stable business and industrial activity.

These improvements include industrial water, general-purpose industrial buildings and port facilities, sanitary and storm sewers, industrial wastewater treatment facilities, railroad spurs, telecommunications, electricity, natural gas, roads and bridges. The public projects are linked to targeted business sectors in manufacturing, food processing, assembly, warehousing, industrial distribution, advanced technology, research and development and recycling facilities.

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.

Eligible applicants to the CERB traditional and rural programs include port districts, counties, cities, towns, special purpose districts and federally recognized Indian tribes.

The Traditional Program is available statewide and provides funding assistance to economically disadvantaged communities for public facilities to foster the creation and/or retention of jobs by industry. The Traditional Program requires an eligible private sector business at the time of the application. The applicant and business must provide evidence that a private development or expansion is ready to occur, and that the private development is contingent upon the approval of the CERB funds.

The CERB's Rural Program is targeted to rural counties and rural natural resource areas affected by downturns in the timber and commercial salmon industries. The program funds economic development infrastructure for prospective economic development projects when feasibility is demonstrated. Tourism development projects may be supported in rural areas. The Rural Program also funds project specific feasibility studies, planning and predevelopment activities to help evaluate high priority economic development projects that will assist communities in meeting their economic development goals.

Funding for the CERB's Traditional & Rural Programs for FY 2003-2007

- In 2002, the Legislature authorized the redirection of annual repayments of loans issued under the Public Works Trust Funds' Timber and Natural Resources loan program to the CERB. This fund source ends at the conclusion of Fiscal Year 2007.
- Beginning in FY 2005, the Legislature authorized the CERB to retain the interest earned on the CERB's revolving loan fund.
- Beginning in FY 2006, interest earned by the Public Works Assistance Account is transferred to the CERB.
- Existing CERB loan repayments to the CERB revolving account are appropriated for projects each fiscal year.

Job Development Fund

Created in 2005 by ESHB 1903, the Job Development Fund (JDF) was created "to assist with public infrastructure projects that directly stimulate community and economic development by supporting the creation of new jobs or the retention of existing jobs." The Legislature tasked the CERB with administering the JDF.

Cities, towns, counties, ports, federally recognized Tribes, special purpose districts, and municipal and quasi municipal corporations, or any combination thereof, are eligible to apply for JDF grants.

Eligible public facilities projects include planning, design, acquisition, construction, reconstruction, replacement, rehabilitation, or improvements to: bridges; roads, domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; electricity; telecommunications (with limitations); transportation; natural gas; buildings or structures; and port facilities.

JDF projects are currently funded in the Capital Budget out of the Public Works Assistance Account. The JDF is scheduled to expire at the end of the 2009-11 biennium.

Real Estate Excise Tax

The state Real Estate Excise Tax (REET) is imposed on the full selling price of real estate and is paid by the seller. The current REET rate is 1.28 percent. The majority of the tax revenue goes to the State General Fund. Counties retain 1.3 percent to cover administrative costs associated in collecting the tax. In addition, 6.1 percent is dedicated to the Public Works Assistance Account and 1.6 percent is dedicated to the City/County Assistance Fund. In 2006, the total REET revenue to the state was over \$1 billion.

Summary of Bill:

A portion of the state's REET revenues is dedicated to the CERB as a permanent source of funding. Beginning July 1, 2009, 3.3 percent of the REET revenue is allocated to the Public Facilities Construction Loan Revolving Account. Of the funds deposited in this account, 40 percent will be placed in the Economic Development Account and 60 percent in the newly created Job Development Fund subaccount.

The capital projects funded by local real estate excise taxes may include housing projects. Capital projects in counties and cities that plan under the Growth Management Act that are funded by an additional real estate excise tax available in those jurisdictions may include recreational, law enforcement, fire protection, administrative and jurisdictional facilities and trails, libraries, and housing projects.

The current expiration date for the Job Development Fund of June 30, 2011 is repealed and a new expiration date for the JDF of June 30, 2009, is set.

Appropriation: None.

Fiscal Note: Requested on February 6, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except sections 1-3 and 6 take effect July 1, 2009, and section 7 of this act takes effect June 30, 2009.