
Finance Committee

HB 2485

Brief Description: Modifying definitions applicable to local infrastructure financing tool program demonstration projects.

Sponsors: Representatives Fromhold, Orcutt, Wallace, Moeller, Dunn, Blake and McIntire.

Brief Summary of Bill

- Increases state and local excise tax allocation revenue for Local Infrastructure Finance Tool program demonstration projects with a base year of 2008.

Hearing Date: 1/22/08

Staff: Jeff Mitchell (786-7139).

Background:

The Local Infrastructure Financing Tool (LIFT) program, enacted by the 2006 Legislature, helps local governments finance public improvements to promote economic development.

LIFT projects are approved by the Community Economic Revitalization Board (CERB) in consultation with the Department of Revenue (DOR) and the Department of Community, Trade, and Economic Development (DCTED). As part of the 2006 legislation creating the LIFT program, the state recognized several demonstration projects to determine the feasibility of the LIFT program. Demonstration projects that must be approved prior to any other application. The state's maximum contribution for these projects was also specified in the legislation. These projects are the Bellingham redevelopment project (\$1 million per year), the Spokane River district project (\$1 million per year), and the Vancouver Riverwest project (\$500,000 per year).

A local government establishes a geographic boundary for a revenue development area (RDA) where the public improvement projects will occur. To finance these public improvements, the sponsoring and participating local governments allocate increases in local sales taxes and property taxes within the RDA. The state also contributes through a credit against the state sales and use tax for taxable transactions within the geographic area of the sponsoring and participating local governments. The total statewide contribution is \$7.5 million per year for 25 years.

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.

The state contribution for a specific RDA project is limited to the lesser of:

- (1) \$1 million;
- (2) the total amount of local property tax and excise tax allocation revenues and other revenues from local sources for the previous calendar year;
- (3) the amount of state property and excise tax allocation revenues for the previous calendar year; or
- (4) the amount of the project award.

State or local excise tax allocation revenues are the amount of state or local sales taxes received by the state or the sponsoring and participating local governments in the measurement year over the base year. The base year is generally the calendar year following the calendar year in which a project is approved by CERB. The measurement year is any year after the base year. Two demonstration projects have base years in 2008: the Spokane River district project and the Vancouver Riverwest project

Summary of Bill:

For an RDA associated with a demonstration project, state and local excise tax allocation revenue is increased to the entire amount of state and local excise tax collected during any measurement year. Stated differently, the amount of excise taxes collected in the base year becomes zero. This change only applies to an RDA associated with a demonstration project where the sponsoring government reasonably determines that no local excise tax distributions were received during a five-month period from August 1, 2008, to December 31, 2008. Increasing the amount of state and local excise tax allocation revenue increases the amount of local excise tax allocation revenues that may be dedicated to a project and potentially increases the amount of the state contribution through the state sales and use tax credit.

Appropriation: None.

Fiscal Note: Available.

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