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**Community & Economic  
Development & Trade Committee**

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**2SSB 6855**

**Brief Description:** Regarding state economic development programs.

**Sponsors:** Senators Kilmer, Brandland, Hatfield and McAuliffe.

**Brief Summary of Bill**

- Modifies project eligibility, application requirements, prioritization factors, financial parameters, and geographic targeting for the Community Economic Revitalization Board (CERB) Program.
- Requires the Economic Development Commission to conduct biennial outcome-based evaluations of CERB financial assistance.
- Terminates the Job Development Fund Program and an associated study effective June 30, 2009 and repeals several CERB statutory provisions.

**Hearing Date:** 2/20/08

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

Community Economic Revitalization Board Program

The Community Economic Revitalization Board (CERB) is a statutorily authorized state board charged with financing publicly-owned economic development infrastructure improvements that encourage new business development and expansion in areas where growth is desired. Staffing for CERB is provided by the Department of Community, Trade and Economic Development (DCTED). The CERB program provides local governments low-interest loans and, from time to time, grants, to help finance public facility projects. Assistance in the traditional CERB program is primarily targeted to rural communities. Counties, cities, towns, port districts, federally recognized Indian tribes, special purpose districts, municipal corporations and quasi-municipal

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corporations with economic development purposes are eligible to apply. The CERB financing can be used for public facilities including, but not limited to, bridges, roads, domestic and industrial water, sanitary and storm sewers, and railroad spurs. In recent years, the Legislature has given the CERB responsibility for implementing the Job Development Fund (JDF) and Local Infrastructure Financing Tool (LIFT) programs.

#### Public Infrastructure Study Committee

A proviso in the 2007-09 Capital Budget established the Study Committee on Public Infrastructure Programs and Funding Structures (Committee). The joint House-Senate bipartisan Committee was charged with making "recommendations for a comprehensive funding structure and a systematic approach to support the integration, consolidation and standardization of processes and procedures for community and economic development infrastructure programs."

The Committee's Final Report, dated January 1, 2008 determined that economic development resources should promote family wage jobs, job growth and retention, and should be based on regional plans that are consistent with the workforce development goals, the state economic development plan (when developed), and other state policy goals. The Committee proposed that: the Job Development Fund statute and the planned 2009-11 \$50 million Public Works Assistance Account Fund transfer be eliminated; the Legislature identify a permanent funding source for the CERB, re-evaluate the rural/urban mix of projects and maximum dollar amount allowed for each project in an expanded CERB program; the CERB funding criteria should prioritize projects compatible with statewide policy goals; and, performance measures should be required to indicate whether the projects are meeting the policy goals; if the CERB Program were to be expanded, adequate funding would be necessary for diligent application review and monitoring.

#### **Summary of Bill:**

##### Findings and Definitions (Sections 1 and 2)

Rural county has the same meaning as in the .09 Public Facilities Sales and Use Tax statute: a county with a population density of less than 100 persons per square mile or smaller than 225 square miles. References to the special tools and targeted funding needed by natural resources impact areas and rural counties are eliminated from the findings section. The definition of "rural natural resources impact area" is eliminated. Obsolete references to industrial revenue bonds, industrial development bonds, financial institutions, among others, are removed.

##### Community Economic Revitalization Board (Sections 3 and 4)

A majority of members currently appointed constitutes a quorum. Obsolete references to industrial development revenue bonds and industrial development facilities are removed.

##### Loans and Grants (Section 5)

The current requirement that the CERB provide at least ten percent of all financial assistance in any biennium in the form of grants to political subdivisions and federally recognized tribes is replaced by a limitation on the CERB to approve no more than 25 percent in grants.

The current prohibition on providing financial assistance for the acquisition of real property, including buildings and other fixtures which are a part of real property, is eliminated.

The CERB is prohibited from providing financial assistance for a project located outside the jurisdiction of the applicant political subdivision or federally recognized Indian tribe.

Existing language that describes eligible projects in terms of specific industrial sectors is replaced. The CERB must only provide financial assistance for:

- A project that demonstrates convincing evidence that a specific private development or expansion is ready to occur and will occur only if the public facility improvement is made, that will result in the creation of significant private sector jobs or capital investment, as determined by the CERB, and is consistent with Washington Economic Development Commission's comprehensive economic development plan;
- A project that cannot demonstrate that a specific private development or expansion is ready to occur and will occur only if the public facility improvement is made, but will result in significant private sector jobs or capital investment, is consistent with the Economic Development Commission's comprehensive economic development plan, is part of a local economic development plan consistent with applicable state planning requirements, can demonstrate project feasibility, and is located in a rural community, as defined by the CERB, or a rural county; or,
- Site-specific plans, studies and analyses that address certain impacts, engineering, marketing, design and planning elements, up to \$50,000 in grant funding.

An application must: demonstrate local match and participation, be approved by the political subdivision, be supported by the associate development organization or local workforce development council or approved by the governing body of the federally-recognized Indian tribe; and demonstrate convincing evidence that the average hourly wage of the private sector jobs will exceed the countywide average hourly wage.

"De minimis" general system improvements may be funded if they are critically linked to the project's viability.

The CERB must prioritize each project according to the unemployment rate in the area where the jobs are located; the total number of jobs created relative to the total area employment; whether the project offers a health insurance plan for employees that includes an option for dependents of employees; whether the investment will increase capacity to accommodate projected population and employment growth in a manner that supports infill and urban or industrial area redevelopment served by adequate public facilities. Projects should maximize the use of existing infrastructure and provide for adequate funding of necessary transportation improvements.

Two current prioritization factors are eliminated: the rate of return of the state's investment, including the expected increase in state and local tax revenues, and the relative benefits provided to the community by the jobs the project would create, not just the total number of jobs.

#### Conditions of Public Facilities Financial Assistance (Sections 6 and 7)

Outstanding financial assistance to Pierce, King and Snohomish counties may exceed 60 percent of the total disbursed funds. The CERB may partially forgive loan payments on projects in rural communities as defined by the CERB. Several references to the distressed county public facilities construction loan account and to rural natural resources impact areas are eliminated.

The current requirement for the CERB to spend at least 75 percent of all funds available for projects in rural counties or rural natural resources impact areas is replaced. Instead, the CERB must approve at least 75 percent of the first \$20 million available and at least 50 percent of any

additional funds for projects in rural counties. However, if there are insufficient applications received or anticipated from rural counties in the final six months of a biennium, the CERB may use the unused funds in non-rural counties.

Outcome-Based Evaluation by the Economic Development Commission (Sections 8 and 9)

The Economic Development Commission must biennially conduct outcome-based evaluations of the CERB financial assistance, in consultation with the CERB. The required data to be evaluated are listed. The first evaluation is due December 31, 2010. The Board must provide the Commission with the information as requested.

Miscellaneous, Repealers and Effective Date (Sections 10, 11, 12, 13 and 14)

The Job Development Fund Program expires June 30, 2009. Reports by the Joint Legislative Audit and Review Committee on State Public Infrastructure Programs and Funds (completed) and on the Job Development Fund (due 2010) expire June 30, 2009. A number of the CERB statutory sections are repealed, effective July 1, 2009.

**Appropriation:** None.

**Fiscal Note:** Requested on February 18, 2008.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 1 through 7, 10, and 13, which takes effect July 1, 2009.