H-3631.1

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**HOUSE BILL 2631**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representative Griffey

AN ACT Relating to spurring innovation through incentivizing the use of sustainable building materials; reenacting and amending RCW 43.84.092; adding new sections to chapter 43.330 RCW; adding a new section to chapter 82.45 RCW; and creating new sections.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) The legislature intends to see Washington lead the world in innovation and environmental stewardship, particularly as it relates to the construction of tall commercial buildings. Over the years, programs have been implemented to spur innovation efforts in fields including mathematics, medicine, and technology. These contests have resulted in important innovations, solutions, and advanced the development of certain industries.

(2) In 2014 the United States department of agriculture established the U.S. tall wood building prize competition. The competition gave architects, engineers, and developers an opportunity to demonstrate the commercial viability of advanced wood products like cross-laminated timber in tall buildings. One of the winning teams designed a twelve-story multipurpose building to be constructed primarily from cross-laminated timber. The idea behind the building design competition was to increase the creation of tall wood building, increase the demand for wood products and wood product innovation, and boost rural economic development.

(3) The legislature intends to create a competitive incentive program to advance sustainability in the built environment. The legislature intends for grants to be awarded in a manner calculated to advance the local market, products, design, manufacturing, and skilled trades related to construction of commercial buildings using sustainable building materials. The program will invite proposals that use sustainable building materials, not limited to wood products, in the construction of tall commercial buildings.

(4) In recent years, the state has seen a dramatic increase in revenue from the real estate excise tax collected on sales of commercial buildings valued at more than ten million dollars. The legislature recognizes an opportunity to use the revenue from sales of existing high-value commercial buildings to create the capacity in Washington to develop the most innovative and sustainable next generation of tall commercial buildings.

(5) Therefore, the legislature intends to promote the manufacturing of sustainable building materials and use in construction by spurring innovation through a sustainable building materials incentive program. The legislature recognizes that it takes time to generate long-term investment by market innovators and to develop and foster a mature market. Therefore, the legislature intends to extend the incentive program for no less than ten years, to allow the growth opportunity of this industry to be fully realized.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

DEFINITIONS.

The definitions in this section apply throughout sections 3 through 9 of this act unless the context clearly requires otherwise.

(1) "Board" means the sustainable building materials incentive program board established in section 4 of this act.

(2) "Department" means the department of commerce.

(3) "Director" means the director of the department of commerce.

(4) "Mass timber" means a type of building component or system that uses large panelized wood construction, including:

(a) Cross-laminated timber;

(b) Nail laminated timber;

(c) Glue laminated timber;

(d) Laminated strand timber; and

(e) Laminated veneer lumber.

(5) "Sustainable building materials" means materials, including mass timber, concrete, steel, glass, and other materials proven to be suitable for construction of a building more than eighty-five feet in height.

(6) "Sustainable building materials incentive program account" means the account created in section 5 of this act.

(7) "Sustainable building materials incentive program or incentive program" means the program created in section 3 of this act.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM ESTABLISHED.

(1) The sustainable building materials incentive program is established in the department to spur innovation in the sustainable building materials sector and advance the building of tall buildings from sustainable building materials in Washington, promoting the manufacturing of sustainable building materials. The department, through the sustainable building materials incentive program board, must enter into a contract with a statewide nonprofit organization, existing on the effective date of this section, to carry out the purpose of chapter . . ., Laws of 2018 (this act) and whose sole purpose is to run the sustainable building materials incentive program. The contract must contain the statewide nonprofit organization's statewide sustainable building materials incentive program plan containing criteria and terms for the distribution of grants for successful proposals. Incentive program criteria must include:

(a) A requirement that fifty percent of grant funds must go towards an incentive applicant from the architecture and design industry and the remaining fifty percent of grant funds must go towards a competitor(s) from the production sector, including workforce development;

(b) Terms to include incentive program competitors from representation of all regions of the state, including both urban and rural communities;

(c) Length of the incentive program competition period;

(d) Goals of the incentive program;

(e) A description of program benefits to the public; and

(f) Such other criteria as agreed by the department and the nonprofit organization.

(2) The department may adopt rules as necessary to implement this section.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM BOARD.

(1) The sustainable building materials incentive program must be governed by a board of directors. The board of directors must consist of:

(a) One member from each of the two major caucuses of the house of representatives to be appointed by the speaker of the house of representatives and one member from each of the two major caucuses of the senate to be appointed by the president of the senate; and

(b) Nine representatives from the building industry, including representatives from architecture and design firms and building materials production sectors, appointed by the director of the department of commerce.

(2) Appointments by the director of the department must take into consideration the expertise and industry knowledge necessary to accelerate the maturation of the market in Washington, and the capability of the representative to evaluate applications for grants to be awarded in the areas of product design, workforce training, and production.

(3) The initial appointments under subsection (1) of this section must be appointed to terms as follows: Three members for two-year terms, three members for three-year terms, and three members for four-year terms, which must include the chair. After the initial appointments, all appointments must be for four years.

(4) The board must select from its membership the chair of the board and such other officers as it deems appropriate.

(5) A majority of the board constitutes a quorum.

(6) The board must create its own bylaws in accordance with the laws of the state of Washington.

(7) Any member of the board may be removed for misfeasance, malfeasance, or willful neglect of duty after notice and a public hearing, unless the notice and hearing are expressly waived in writing by the affected member.

(8) If a vacancy occurs on the board, the director must fill the same for the unexpired term.

(9) The members of the board serve without compensation but are entitled to reimbursement, solely from the funds of the authority, for expenses incurred in the discharge of their duties.

(10) The board must meet at least quarterly.

(11) No board member of the authority may serve on the board of an organization that could be considered for the contract authorized by RCW 43.79A.040.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM ACCOUNT.

The sustainable building materials incentive program account is created in the state treasury. All receipts from tax revenues deposited pursuant to section 9 of this act must be deposited into the account. Expenditures from the account may only be made after appropriation. Expenditures from the account may be made only by the department for the purpose of the sustainable building materials incentive program established in section 3 of this act. The account is subject to allotment procedures under chapter 43.88 RCW.

NEW SECTION. **Sec.**  GIFTS OR GRANTS TO THE SUSTAINABLE BUILDING MATERIALS INCENTIVE PROGRAM BOARD. The board may receive gifts, grants, or endowments from public or private sources that are made from time to time, in trust or otherwise, for the use and benefit of the purposes of the authority and spend gifts, grants, or endowments or income from public or private sources according to their terms, unless the receipt of gifts, grants, or endowments violates RCW 42.17A.560.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

JLARC REVIEW.

The joint legislative audit and review committee must conduct an evaluation of the sustainable building materials incentive program created in section 3 of this act and report its findings and recommendations to the governor and the economic development committees of the senate and house of representatives, in compliance with RCW 43.01.036, by December 1, 2026. The purpose of the evaluation is to determine the extent to which the sustainable building materials incentive program recipients are spurring innovation in the development of buildings made of sustainable materials and manufacturing of sustainable building materials. To evaluate whether the projects have spurred innovation, the joint legislative audit and review committee's review must include, the quantity and types of jobs created and maintained in the sustainable building materials industry, incomes of industry-related jobs, the number of sustainable materials buildings built in Washington since the enactment of this act, and whether new markets have been developed for sustainable building materials.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

SHORT TITLE.

This act may be cited as the sustainable building materials incentive program act.

NEW SECTION. **Sec.**  A new section is added to chapter 82.45 RCW to read as follows:

Beginning July 1, 2018, and ending July 1, 2028, the first five million dollars from taxes collected pursuant to RCW 82.45.060 on the sales of commercial buildings valued at more than ten million dollars must be deposited into the sustainable building materials incentive program account created in section 5 of this act.

**Sec.**  RCW 43.84.092 and 2017 3rd sp.s. c 25 s 50, 2017 3rd sp.s. c 12 s 12, and 2017 c 290 s 8 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community trust account, the diesel idle reduction account, the drinking water assistance account, the drinking water assistance administrative account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the Interstate 405 express toll lanes operations account, the education construction fund, the education legacy trust account, the election account, the electric vehicle charging infrastructure account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the high capacity transportation account, the state higher education construction account, the higher education construction account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the high occupancy toll lanes operations account, the hospital safety net assessment fund, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation fund, the money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the natural resources deposit account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pollution liability insurance agency underground storage tank revolving account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound taxpayer accountability account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state route number 520 civil penalties account, the state route number 520 corridor account, the state wildlife account, the supplemental pension account, the sustainable building materials incentive program account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation future funding program account, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, the state university permanent fund, and the state reclamation revolving account shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

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