
ENGROSSED SUBSTITUTE HOUSE BILL 2260

State of Washington

56th Legislature

1999 Regular Session

By House Committee on Finance (originally sponsored by Representatives Eickmeyer, Alexander, Mulliken, Kessler, McMorris, Grant, Parlette, Doumit, Clements, Linville, Mielke, Koster, DeBolt, Cox, Pennington, Dunn, Crouse, Sump, Ericksen, Veloria, Mastin, Hankins, Murray, Van Luven, Skinner, Schoesler, Hatfield, Conway, Kenney, Rockefeller, Thomas, Lantz, Barlean and Haigh)

Read first time 03/08/1999.

1 AN ACT Relating to tax incentives in rural counties; amending RCW
2 82.14.370, 43.160.020, 43.160.060, 43.160.070, 43.160.080, and
3 43.160.900; adding a new section to chapter 82.04 RCW; adding a new
4 section to chapter 82.62 RCW; adding new sections to chapter 43.131
5 RCW; adding a new chapter to Title 43 RCW; creating new sections;
6 repealing RCW 43.168.010, 43.168.020, 43.168.031, 43.168.040,
7 43.168.050, 43.168.060, 43.168.070, 43.168.090, 43.168.100, 43.168.110,
8 43.168.120, 43.168.130, 43.168.140, 43.168.150, and 43.168.900;
9 providing an effective date; and declaring an emergency.

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

11 NEW SECTION. **Sec. 1.** It is the intent of the legislature to
12 promote the creation and the retention of jobs. To that end section 2
13 of this act allows counties to provide public facilities that will
14 attract and retain businesses, thereby creating and maintaining jobs.

15 **Sec. 2.** RCW 82.14.370 and 1998 c 55 s 6 are each amended to read
16 as follows:

17 (1)(a) The legislative authority of a ((distressed)) rural county
18 with a population density of sixty or fewer persons per square mile, as

1 determined by the office of financial management, may impose a sales
2 and use tax in accordance with the terms of this chapter. The tax is
3 in addition to other taxes authorized by law and shall be collected
4 from those persons who are taxable by the state under chapters 82.08
5 and 82.12 RCW upon the occurrence of any taxable event within the
6 county. The rate of tax shall not exceed (~~(0.04)~~) 0.08 percent of the
7 selling price in the case of a sales tax or value of the article used
8 in the case of a use tax.

9 (b) The legislative authority of a rural county with a population
10 density greater than sixty persons per square mile but less than one
11 hundred persons per square mile, as determined by the office of
12 financial management, may impose a sales and use tax in accordance with
13 the terms of this chapter. The tax is in addition to other taxes
14 authorized by law and shall be collected from those persons who are
15 taxable by the state under chapters 82.08 and 82.12 RCW upon the
16 occurrence of any taxable event within the county. The rate of tax
17 shall not exceed 0.04 percent of the selling price in the case of a
18 sales tax or the value of the article used in the case of a use tax.

19 (2) The tax imposed under subsection (1) of this section shall be
20 deducted from the amount of tax otherwise required to be collected or
21 paid over to the department of revenue under chapter 82.08 or 82.12
22 RCW. The department of revenue shall perform the collection of such
23 taxes on behalf of the county at no cost to the county.

24 (3) Moneys collected under this section shall only be used for the
25 purpose of financing qualifying public facilities in rural counties.
26 The public facility must be listed as an item in the county's capital
27 facilities plan or the capital facilities plan of a city or town
28 located within the county. In implementing this section, the county
29 shall consult with cities, towns, and port districts within the county.

30 (4) No tax may be collected under this section before July 1, 1998.
31 No tax may be collected under this section by a county more than
32 twenty-five years after the date that a tax is first imposed under this
33 section.

34 (5) For purposes of this section(~~(, "distressed county")~~):

35 (a) "Rural county" means a county ((in which the average level of
36 unemployment for the three years before the year in which a tax is
37 first imposed under this section exceeds the average state unemployment
38 for those years by twenty percent)) with a population density of fewer

1 than one hundred persons per square mile, as determined by the office
2 of financial management.

3 (b) "Public facilities" means a project of a local government for
4 the planning, acquisition, construction, repair, reconstruction,
5 replacement, rehabilitation, or improvement of bridges, roads, domestic
6 and industrial water, flood control, earth stabilization, sanitary
7 sewer, storm sewer, railroad, electricity, natural gas,
8 telecommunications, buildings or structures, and port facilities, all
9 for the purpose of job creation, job retention, or job expansion.

10 NEW SECTION. **Sec. 3.** It is the intent of the legislature that a
11 county imposing a tax under RCW 82.14.370 use that money for targeted
12 and effective projects that benefit the public. Therefore, the
13 amendments in section 2 of this act apply to any ordinance adopted
14 under RCW 82.14.370.

15 **Sec. 4.** RCW 43.160.020 and 1997 c 367 s 8 are each amended to read
16 as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section apply throughout this chapter.

19 (1) "Board" means the community economic revitalization board.

20 (2) "Bond" means any bond, note, debenture, interim certificate, or
21 other evidence of financial indebtedness issued by the board pursuant
22 to this chapter.

23 (3) "Department" means the department of community, trade, and
24 economic development.

25 (4) "Financial institution" means any bank, savings and loan
26 association, credit union, development credit corporation, insurance
27 company, investment company, trust company, savings institution, or
28 other financial institution approved by the board and maintaining an
29 office in the state.

30 (5) "Industrial development facilities" means "industrial
31 development facilities" as defined in RCW 39.84.020.

32 (6) "Industrial development revenue bonds" means tax-exempt revenue
33 bonds used to fund industrial development facilities.

34 (7) "Local government" or "political subdivision" means any port
35 district, county, city, town, special purpose district, and any other
36 municipal corporations or quasi-municipal corporations in the state
37 providing for public facilities under this chapter.

1 (8) "Rural county" means a county with a population density of
2 fewer than one hundred persons per square mile, as determined by the
3 office of financial management.

4 (9) "Sponsor" means any of the following entities which customarily
5 provide service or otherwise aid in industrial or other financing and
6 are approved as a sponsor by the board: A bank, trust company, savings
7 bank, investment bank, national banking association, savings and loan
8 association, building and loan association, credit union, insurance
9 company, or any other financial institution, governmental agency, or
10 holding company of any entity specified in this subsection.

11 (~~(9)~~) (10) "Umbrella bonds" means industrial development revenue
12 bonds from which the proceeds are loaned, transferred, or otherwise
13 made available to two or more users under this chapter.

14 (~~(10)~~) (11) "User" means one or more persons acting as lessee,
15 purchaser, mortgagor, or borrower under a financing document and
16 receiving or applying to receive revenues from bonds issued under this
17 chapter.

18 (~~(11)~~) (12) "Public facilities" means a project of a local
19 government for the planning, acquisition, construction, repair,
20 reconstruction, replacement, rehabilitation, or improvement of bridges,
21 roads, domestic and industrial water, flood control, earth
22 stabilization, sanitary sewer, storm sewer, railroad, electricity,
23 natural gas, telecommunications, buildings or structures, and port
24 facilities, all for the purpose of job creation, job retention, or job
25 expansion.

26 (~~(12)~~) (13) "Rural natural resources impact area" means:

27 (a) A nonmetropolitan county, as defined by the 1990 decennial
28 census, that meets three of the five criteria set forth in subsection
29 (~~(13)~~) (14) of this section;

30 (b) A nonmetropolitan county with a population of less than forty
31 thousand in the 1990 decennial census, that meets two of the five
32 criteria as set forth in subsection (~~(13)~~) (14) of this section; or

33 (c) A nonurbanized area, as defined by the 1990 decennial census,
34 that is located in a metropolitan county that meets three of the five
35 criteria set forth in subsection (~~(13)~~) (14) of this section.

36 (~~(13)~~) (14) For the purposes of designating rural natural
37 resources impact areas, the following criteria shall be considered:

38 (a) A lumber and wood products employment location quotient at or
39 above the state average;

1 (b) A commercial salmon fishing employment location quotient at or
2 above the state average;

3 (c) Projected or actual direct lumber and wood products job losses
4 of one hundred positions or more;

5 (d) Projected or actual direct commercial salmon fishing job losses
6 of one hundred positions or more; and

7 (e) An unemployment rate twenty percent or more above the state
8 average. The counties that meet these criteria shall be determined by
9 the employment security department for the most recent year for which
10 data is available. For the purposes of administration of programs
11 under this chapter, the United States post office five-digit zip code
12 delivery areas will be used to determine residence status for
13 eligibility purposes. For the purpose of this definition, a zip code
14 delivery area of which any part is ten miles or more from an urbanized
15 area is considered nonurbanized. A zip code totally surrounded by zip
16 codes qualifying as nonurbanized under this definition is also
17 considered nonurbanized. The office of financial management shall make
18 available a zip code listing of the areas to all agencies and
19 organizations providing services under this chapter.

20 **Sec. 5.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to read
21 as follows:

22 The board is authorized to make direct loans to political
23 subdivisions of the state for the purposes of assisting the political
24 subdivisions in financing the cost of public facilities, including
25 development of land and improvements for public facilities, as well as
26 the construction, rehabilitation, alteration, expansion, or improvement
27 of the facilities. A grant may also be authorized for purposes
28 designated in this chapter, but only when, and to the extent that, a
29 loan is not reasonably possible, given the limited resources of the
30 political subdivision and the finding by the board that unique
31 circumstances exist. The board shall not obligate more than twenty
32 percent of its biennial appropriation as grants.

33 Application for funds shall be made in the form and manner as the
34 board may prescribe. In making grants or loans the board shall conform
35 to the following requirements:

36 (1) The board shall not provide financial assistance:

37 (a) For a project the primary purpose of which is to facilitate or
38 promote a retail shopping development or expansion.

1 (b) For any project that evidence exists would directly result in
2 a development or expansion that would displace existing jobs in any
3 other community in the state.

4 (c) For the acquisition of real property, including buildings and
5 other fixtures which are a part of real property.

6 (2) The board shall only provide financial assistance:

7 (a) For those projects which would result in specific private
8 developments or expansions (i) in manufacturing, production, food
9 processing, assembly, warehousing, and industrial distribution; (ii)
10 for processing recyclable materials or for facilities that support
11 recycling, including processes not currently provided in the state,
12 including but not limited to, de-inking facilities, mixed waste paper,
13 plastics, yard waste, and problem-waste processing; (iii) for
14 manufacturing facilities that rely significantly on recyclable
15 materials, including but not limited to waste tires and mixed waste
16 paper; (iv) which support the relocation of businesses from
17 nondistressed urban areas to ~~((distressed))~~ a rural ~~((areas))~~ county;
18 or (v) which substantially support the trading of goods or services
19 outside of the state's borders.

20 (b) For projects which it finds will improve the opportunities for
21 the successful maintenance, establishment, or expansion of industrial
22 or commercial plants or will otherwise assist in the creation or
23 retention of long-term economic opportunities.

24 (c)(i) Except as provided in (c)(ii) of this subsection, when the
25 application includes convincing evidence that a specific private
26 development or expansion is ready to occur and will occur only if the
27 public facility improvement is made.

28 (ii) Applications for projects located in rural counties or rural
29 natural resources impact areas need not demonstrate evidence that
30 specific private development or expansion is ready to occur if funds
31 are provided.

32 (3) The board shall prioritize each proposed project according to:

33 (a) The relative benefits provided to the community by the jobs the
34 project would create, not just the total number of jobs it would create
35 after the project is completed and according to the unemployment rate
36 in the area in which the jobs would be located. ~~((As long as there is~~
37 more demand for financial assistance than there are funds available,
38 the board is instructed to fund projects in order of their priority))i
39 and

1 (b) The rate of return on the state's investment, that includes the
2 expected increase in state and local tax revenues associated with the
3 project.

4 (4) A responsible official of the political subdivision shall be
5 present during board deliberations and provide information that the
6 board requests.

7 Before any financial assistance application is approved, the
8 political subdivision seeking the assistance must demonstrate to the
9 community economic revitalization board that no other timely source of
10 funding is available to it at costs reasonably similar to financing
11 available from the community economic revitalization board.

12 **Sec. 6.** RCW 43.160.070 and 1998 c 321 s 27 (Referendum Bill No.
13 49) are each amended to read as follows:

14 Public facilities financial assistance, when authorized by the
15 board, is subject to the following conditions:

16 (1) The moneys in the public facilities construction loan revolving
17 account and the distressed county public facilities construction loan
18 account shall be used solely to fulfill commitments arising from
19 financial assistance authorized in this chapter or, during the 1989-91
20 fiscal biennium, for economic development purposes as appropriated by
21 the legislature. The total outstanding amount which the board shall
22 dispense at any time pursuant to this section shall not exceed the
23 moneys available from the accounts. The total amount of outstanding
24 financial assistance in Pierce, King, and Snohomish counties shall
25 never exceed sixty percent of the total amount of outstanding financial
26 assistance disbursed by the board under this chapter without reference
27 to financial assistance provided under RCW 43.160.220.

28 (2) On contracts made for public facilities loans the board shall
29 determine the interest rate which loans shall bear. The interest rate
30 shall not exceed ten percent per annum. The board may provide
31 reasonable terms and conditions for repayment for loans, including
32 partial forgiveness of loan principal and interest payments on projects
33 located in rural counties or rural natural resources impact areas, as
34 the board determines. The loans shall not exceed twenty years in
35 duration.

36 (3) Repayments of loans made from the public facilities
37 construction loan revolving account under the contracts for public
38 facilities construction loans shall be paid into the public facilities

1 construction loan revolving account. Repayments of loans made from the
2 distressed county public facilities construction loan account under the
3 contracts for public facilities construction loans shall be paid into
4 the distressed county public facilities construction loan account.
5 Repayments of loans from moneys from the new appropriation from the
6 public works assistance account for the fiscal biennium ending June 30,
7 1999, shall be paid into the public works assistance account.

8 (4) When every feasible effort has been made to provide loans and
9 if loans are not possible, the board may provide grants upon finding
10 that unique circumstances exist.

11 **Sec. 7.** RCW 43.160.080 and 1998 c 321 s 30 (Referendum Bill No.
12 49) are each amended to read as follows:

13 There shall be a fund in the state treasury known as the public
14 facilities construction loan revolving account, which shall consist of
15 all moneys collected under this chapter or deposited by the state
16 treasurer pursuant to any other legislative act, except moneys of the
17 board collected in connection with the issuance of industrial
18 development revenue bonds and moneys deposited in the distressed county
19 public facilities construction loan account under RCW 43.160.220, and
20 any moneys appropriated to it by law(~~(:—PROVIDED, That seventy five~~
21 ~~percent of all principal and interest payments on loans made with the~~
22 ~~proceeds deposited in the account under section 901, chapter 57, Laws~~
23 ~~of 1983 1st ex. sess. shall be deposited in the general fund as~~
24 ~~reimbursement for debt service payments on the bonds authorized in RCW~~
25 ~~43.83.184))~~). Disbursements from the revolving account shall be on
26 authorization of the board. In order to maintain an effective
27 expenditure and revenue control, the public facilities construction
28 loan revolving account shall be subject in all respects to chapter
29 43.88 RCW.

30 **Sec. 8.** RCW 43.160.900 and 1993 c 320 s 8 are each amended to read
31 as follows:

32 (1) The community economic revitalization board shall report to the
33 appropriate standing committees of the legislature biennially on the
34 implementation of this chapter. The report shall include information
35 on the number of applications for community economic revitalization
36 board assistance, the number and types of projects approved, the grant
37 or loan amount awarded each project, the projected number of jobs

1 created or retained by each project, the actual number of jobs created
2 or retained by each project, the amount of state and local tax revenue
3 generated by projects funded under this chapter, the number of
4 delinquent loans, and the number of project terminations. The report
5 may also include additional performance measures and recommendations
6 for programmatic changes. The first report shall be submitted by
7 December 1, 1994.

8 (2) The joint legislative audit and review committee shall conduct
9 performance reviews on the effectiveness of the program administered by
10 the board under this chapter. The committee may contract for services
11 to conduct the performance reviews. The costs for the performance
12 reviews shall be paid from repayments of principal and interest on
13 loans made under this chapter. The performance reviews shall be
14 submitted to the appropriate committees of the legislature by December
15 1, 2000, December 1, 2004, and December 1, 2008.

16 NEW SECTION. Sec. 9. The legislature finds that:

17 (1) The economic health and well-being of the state is of
18 substantial public concern, particularly in geographic areas of high
19 unemployment, economic stagnation, and poverty.

20 (2) The consequences of minimal economic activity and persistent
21 unemployment and underemployment are serious threats to the safety,
22 health, and welfare of residents of these geographic areas, decreasing
23 the value of private investments and jeopardizing the sources of public
24 revenue.

25 (3) The economic and social interdependence of communities and the
26 vitality of industrial and economic activity necessitates and partially
27 depends upon preventing substantial dislocation of residents and
28 rebuilding the diversification of the areas' economy.

29 (4) The ability to remedy problems in stagnant areas of the state
30 is beyond the power and control of the regulatory process and influence
31 of the state; and the ordinary operations of private enterprise,
32 without additional governmental assistance, are insufficient to
33 adequately remedy the problems of poverty and unemployment.

34 (5) Revitalization of depressed communities requires stimulation of
35 private investment, development of new business ventures, provision of
36 capital to ventures sponsored by local organizations and capable of
37 growth in the business markets, and assistance to viable, but

1 underfinanced, small businesses in order to create and preserve jobs
2 that are sustainable in the local economy.

3 Therefore, the legislature declares there to be a substantial
4 public purpose in providing capital to promote economic development and
5 job creation in areas of economic stagnation, unemployment, and
6 poverty. To accomplish this purpose, the legislature hereby creates
7 the rural Washington loan fund and vests in the department of
8 community, trade, and economic development the authority to spend
9 federal funds to stimulate the economy of distressed areas.

10 NEW SECTION. **Sec. 10.** Unless the context clearly requires
11 otherwise, the definitions in this section apply throughout this
12 chapter.

13 (1) "Department" means the department of community, trade, and
14 economic development.

15 (2) "Director" means the director of community, trade, and economic
16 development.

17 (3) "Distressed area" means: (a) A rural county; (b) a
18 metropolitan statistical area, as defined by the office of federal
19 statistical policy and standards, United States department of commerce,
20 in which the average level of unemployment for the calendar year
21 immediately preceding the year in which an application is filed under
22 this chapter exceeds the average state unemployment for such calendar
23 year by twenty percent; (c) an area within a county, which area: (i)
24 Is composed of contiguous census tracts; (ii) has a minimum population
25 of five thousand persons; (iii) has at least seventy percent of its
26 families and unrelated individuals with incomes below eighty percent of
27 the county's median income for families and unrelated individuals; and
28 (iv) has an unemployment rate which is at least forty percent higher
29 than the county's unemployment rate; or (d) a county designated as a
30 rural natural resources impact area under RCW 43.31.601. For purposes
31 of this subsection, "families and unrelated individuals" has the same
32 meaning that is ascribed to that term by the federal department of
33 housing and urban development in its regulations authorizing action
34 grants for economic development and neighborhood revitalization
35 projects.

36 (4) "Fund" means the rural Washington loan fund.

37 (5) "Local development organization" means a nonprofit organization
38 which is organized to operate within an area, demonstrates a commitment

1 to a long-standing effort for an economic development program, and
2 makes a demonstrable effort to assist in the employment of unemployed
3 or underemployed residents in an area.

4 (6) "Project" means the establishment of a new or expanded business
5 in an area, which business, when completed, will provide employment
6 opportunities. "Project" also means the retention of an existing
7 business in an area, which business, when completed, will provide
8 employment opportunities.

9 (7) "Rural county" means a county with a population density of
10 fewer than one hundred persons per square mile, as determined by the
11 office of financial management.

12 NEW SECTION. **Sec. 11.** Subject to the restrictions contained in
13 this chapter, the department is authorized to approve applications of
14 local governments for federal community development block grant funds
15 or other federal funds which the local governments would use to make
16 loans to finance business projects within their jurisdictions.
17 Applications approved by the department under this chapter must conform
18 to applicable federal requirements.

19 NEW SECTION. **Sec. 12.** (1) The department may approve an
20 application providing a loan for a project only if the department finds
21 that the project:

22 (a) Will result in creation of employment opportunities,
23 maintenance of threatened employment, or development or expansion of
24 business ownership by minorities and women;

25 (b) Has been approved by the director as conforming to federal
26 rules and regulations governing the spending of federal community
27 development block grant funds or other applicable federal funds;

28 (c) Will be of public benefit and for a public purpose, and that
29 the benefits, including increased or maintained employment, improved
30 standard of living, employment of disadvantaged workers, and
31 development or expansion of business ownership by minorities and women,
32 will primarily accrue to residents of the area;

33 (d) Will probably be successful;

34 (e) Would probably not be completed without the loan because other
35 capital or financing at feasible terms is unavailable, or because the
36 return on investment is inadequate.

1 (2)(a) The department shall, subject to applicable federal funding
2 criteria, give priority to applications that capitalize or recapitalize
3 an existing or new local revolving loan fund.

4 (b) The department shall, subject to applicable federal funding
5 criteria, give higher priority to economic development projects that
6 contain provisions for child care.

7 (3) The department may not approve an application that fails to
8 provide for adequate reporting or disclosure of financial data to the
9 department. The department may require an annual or other periodic
10 audit of the project books.

11 (4) The department may require that the project be managed in whole
12 or in part by a local development organization and may prescribe a
13 management fee to be paid to that organization by the recipient of the
14 loan or grant.

15 (5) The department shall fix the terms and rates pertaining to its
16 loans.

17 (6) If there is more demand for loans than funds available for
18 lending, the department shall provide loans for those projects which
19 will lead to the greatest amount of employment or benefit to a
20 community. In determining the "greatest amount of employment or
21 benefit," the department shall also consider the employment which would
22 be saved by its loan and the benefit relative to the community, not
23 just the total number of new jobs or jobs saved.

24 (7) To the extent permitted under federal law, the department shall
25 require applicants to provide for the transfer of all payments of
26 principal and interest on loans to the rural Washington loan fund
27 created under this chapter. Under circumstances where federal law does
28 not permit the department to require the transfer, the department shall
29 give priority to applicants who on their own volition make commitments
30 to provide for the transfer.

31 (8) The department shall not approve any application to finance or
32 help finance a shopping mall.

33 (9) For loans not made to minority and women-owned businesses, the
34 department shall make at least eighty percent of the appropriated funds
35 available to projects located in distressed areas, and may make up to
36 twenty percent available to projects located in areas not designated as
37 distressed.

38 (10) If an objection is raised to a project on the basis of unfair
39 business competition, the department shall evaluate the potential

1 impact of a project on similar businesses located in the local market
2 area. The department may deny a grant if the department determines the
3 proposed project is not likely to result in a net increase in
4 employment within a local market area.

5 (11) For loans to minority and women-owned businesses who do not
6 meet the credit criteria, the department may consider nontraditional
7 credit standards to offset past discrimination that has precluded full
8 participation of minority or women-owned businesses in the economy.
9 For applicants with high potential who do not meet the credit criteria,
10 the department shall consider developing alternative borrowing methods.
11 For applicants denied loans due to credit problems, the department
12 shall provide financial counseling within available resources and
13 provide referrals to credit rehabilitation services. In circumstances
14 of competing applications, the department shall give priority to
15 members of eligible groups which previously have been least served by
16 this fund.

17 NEW SECTION. **Sec. 13.** The department is encouraged to work with
18 local development organizations to promote applications for loans by
19 the fund. The department shall also provide assistance to local
20 development organizations and local governments to identify viable
21 projects for consideration by the department. The department shall
22 provide technical assistance to organizations that administer local
23 revolving loan funds regarding practices to establish sustainable
24 operations. The department shall adopt such rules and regulations as
25 are appropriate to carry out its authority under this chapter.

26 NEW SECTION. **Sec. 14.** The department may receive and approve
27 applications on a monthly basis but shall receive and approve
28 applications on at least a quarterly basis for each fiscal year. The
29 department shall make every effort to simplify the loan process for
30 applicants. Department staff shall process and assist in the
31 preparation of applications. Each application shall show in detail the
32 nature of the project, the types and numbers of jobs to be created,
33 wages to be paid to new employees, and methods of hiring unemployed
34 persons from the local market area. Each application must contain a
35 credit analysis of the business to receive the loan.

1 NEW SECTION. **Sec. 15.** The department shall make available an
2 amount of federal community development block grant funds equal to the
3 amount of state funds transferred or appropriated to the department for
4 purposes of supplementing the department's block grant funds.

5 NEW SECTION. **Sec. 16.** The department may make grants of state
6 funds to local governments that qualify as "entitlement communities"
7 under the federal law authorizing community development block grants.
8 These grants may be made only on condition that the entitlement
9 community provide the department with assurances that the entitlement
10 community will: (1) Spend the grant moneys for purposes and in a
11 manner satisfying state constitutional requirements; (2) spend the
12 grant moneys for purposes and in a manner satisfying federal
13 requirements; and (3) spend at least the same amount of the grant for
14 loans to businesses from the federal funds received by the entitlement
15 community.

16 NEW SECTION. **Sec. 17.** There is established the rural Washington
17 loan fund, which shall be an account in the state treasury. The rural
18 Washington loan fund shall include revenue from the sources established
19 by this chapter, appropriations by the legislature, federal funds,
20 private contributions, all loan payments of principal and interest that
21 are transferred under section 12 of this act, and all other sources.
22 Moneys in the account may be spent only after legislative appropriation
23 for loans or grants under this chapter. Any expenditures of federal
24 moneys must conform to applicable federal law.

25 NEW SECTION. **Sec. 18.** (1) The department shall develop guidelines
26 for rural Washington loan funds to be used to fund local economic
27 development revolving loan funds. The department shall consider the
28 selection process for grantees, loan quality criteria, legal and
29 regulatory issues, and ways to minimize duplication between development
30 loan funds and local economic development revolving loan funds.

31 (2) The department may make loans or grants from the rural
32 Washington loan fund to local governments to capitalize new, or to
33 recapitalize existing, economic development revolving loan funds in
34 distressed areas.

1 NEW SECTION. **Sec. 19.** The department shall develop performance
2 standards for judging the effectiveness of the program including, to
3 the extent possible, examining the effectiveness of loans or grants
4 with regard to:

5 (1) Creation of jobs for individuals of low and moderate income;

6 (2) Retention of existing employment;

7 (3) Creation of new employment opportunities;

8 (4) Diversification of the economic base of local communities;

9 (5) Establishment of employee cooperatives;

10 (6) Providing assistance in cases of employee buyouts of firms to
11 prevent the loss of existing employment;

12 (7) The degree of risk assumed by the rural Washington loan fund,
13 with emphasis on loans which did not receive financing from commercial
14 lenders, but which are considered financially sound.

15 NEW SECTION. **Sec. 20.** Any funds appropriated by the legislature
16 to the rural Washington loan fund for purposes of the timber recovery
17 act shall be used for development loans in rural natural resources
18 impact areas as defined in RCW 43.31.601.

19 NEW SECTION. **Sec. 21.** Subject to the restrictions contained in
20 this chapter, the department is authorized to approve applications of
21 minority and women-owned businesses for loans or loan guarantees from
22 the fund. Applications approved by the department under this chapter
23 must conform to applicable federal requirements. The department shall
24 prioritize available funds for loan guarantees rather than loans when
25 possible. The department may enter into agreements with other public
26 or private lending institutions to develop a joint loan guarantee
27 program for minority and women-owned businesses. If such a program is
28 developed, the department may provide funds, in conjunction with the
29 other organizations, to operate the program. This section does not
30 preclude the department from making individual loan guarantees.

31 To the maximum extent practicable, the department shall make
32 available to minority and women-owned businesses, on an equal basis,
33 funds available under this section. The department shall submit to the
34 appropriate committees of the senate and house of representatives
35 quarterly reports that detail the number of loans approved and the
36 characteristics of the recipients by ethnic and gender groups.

1 NEW SECTION. **Sec. 22.** The department may receive gifts, grants,
2 or endowments from public or private sources that are made from time to
3 time, in trust or otherwise, for the use and benefit of the purposes of
4 this chapter, and the department may spend gifts, grants, or endowments
5 or income from the public or private sources according to their terms,
6 unless the receipt of the gifts, grants, or endowments violates RCW
7 42.17.710.

8 NEW SECTION. **Sec. 23.** If any provision of this act or its
9 application to any person or circumstance is held invalid, the
10 remainder of the act or the application of the provision to other
11 persons or circumstances is not affected.

12 NEW SECTION. **Sec. 24.** Sections 9 through 22 of this act
13 constitute a new chapter in Title 43 RCW.

14 NEW SECTION. **Sec. 25.** It is the intent of the legislature to
15 attract and retain technology-based businesses in rural counties.
16 Section 26 of this act provides a tax incentive to those businesses
17 that are engaged in the business of providing technical support
18 services from rural counties. Encouragement of these types of business
19 will stimulate the information technology industry and be of benefit to
20 the state economy in general. To further the impact and benefit of
21 this program, this incentive is limited to rural counties of the state.
22 The legislature finds that providing this targeted incentive will both
23 increase its effectiveness and create a high technology work force in
24 rural counties.

25 NEW SECTION. **Sec. 26.** A new section is added to chapter 82.04 RCW
26 to read as follows:

27 (1) Subject to the limits and provisions of this section, a credit
28 is authorized against the tax otherwise due under this chapter for
29 persons engaged in a rural county in the business of providing
30 information technology help desk services to third parties.

31 (2) To qualify for the credit, the help desk services must be
32 conducted from a rural county.

33 (3) The amount of the tax credit for persons engaged in the
34 activity of providing information technology help desk services in
35 rural counties shall be equal to one hundred percent of the amount of

1 tax due under this chapter that is attributable to providing the
2 services from the rural county. In order to qualify for the credit
3 under this subsection, the county must meet the definition of "rural
4 county" at the time the person begins to conduct qualifying business in
5 the county.

6 (4) No application is necessary for the tax credit. The person
7 must keep records necessary for the department to verify eligibility
8 under this section. These records include information relating to
9 description of activity engaged in a distressed county by the person.

10 (5) If at any time the department finds that a person is not
11 eligible for tax credit under this section, the amount of taxes for
12 which a credit has been used is immediately due. The department shall
13 assess interest, but not penalties, on the credited taxes for which the
14 person is not eligible. The interest shall be assessed at the rate
15 provided for delinquent excise taxes under chapter 82.32 RCW, shall be
16 assessed retroactively to the date the tax credit was taken, and shall
17 accrue until the taxes for which a credit has been used are repaid.

18 (6) The credit under this section may be used against any tax due
19 under this chapter, but in no case may a credit earned during one
20 calendar year be carried over to be credited against taxes incurred in
21 a subsequent calendar year. No refunds may be granted for credits
22 under this section.

23 (7) A person taking tax credits under this section shall make an
24 annual report to the department. The report shall be in a letter form
25 and shall include the following information: Type of activity in which
26 the person is engaged in the county, number of employees in the
27 distressed county, and how long the person has been located in the
28 county. The report must be filed by January 30th of each year for
29 which credit was claimed during the previous year.

30 (8) Transfer of ownership does not affect credit eligibility;
31 however, the credit is available to the successor only if the
32 eligibility conditions of this section are met.

33 (9) As used in this section:

34 (a) "Rural county" means a county with a population density of less
35 than one hundred persons per square mile, as determined by the office
36 of financial management.

37 (b) "Information technology help desk services" means the following
38 services performed using electronic and telephonic communication:

39 (i) Software maintenance;

- 1 (ii) Software diagnostics and troubleshooting;
- 2 (iii) Software installation;
- 3 (iv) Software repair;
- 4 (v) Software information and training; and
- 5 (vi) Software upgrade.

6 NEW SECTION. Sec. 27. A new section is added to chapter 82.62 RCW
7 to read as follows:

8 A person is not eligible to receive a credit under this chapter if
9 the person is receiving credit for the same position under section 26
10 of this act or RCW 82.04.44525.

11 NEW SECTION. Sec. 28. A new section is added to chapter 43.131
12 RCW to read as follows:

13 The information technology help desk services business and
14 occupation tax credit shall be terminated on June 30, 2003, as provided
15 in section 29 of this act.

16 NEW SECTION. Sec. 29. A new section is added to chapter 43.131
17 RCW to read as follows:

18 The following acts or parts of acts, as now existing or hereafter
19 amended, are each repealed, effective June 30, 2004:

- 20 (1) Section 26 of this act; and
- 21 (2) Section 27 of this act.

22 NEW SECTION. Sec. 30. Sections 25 through 27 of this act are
23 necessary for the immediate preservation of the public peace, health,
24 or safety, or support of the state government and its existing public
25 institutions, and take effect July 1, 1999.

26 NEW SECTION. Sec. 31. The following acts or parts of acts are
27 each repealed:

28 (1) RCW 43.168.010 (Legislative findings and declaration) and 1985
29 c 164 s 1;

30 (2) RCW 43.168.020 (Definitions) and 1996 c 290 s 3, 1995 c 226 s
31 27, 1993 c 280 s 56, 1991 c 314 s 19, 1988 c 42 s 18, 1987 c 461 s 2,
32 & 1985 c 164 s 2;

1 (3) RCW 43.168.031 (State development loan fund committee--
2 Terminated June 30, 1994--Powers and duties transferred) and 1995 c 399
3 s 92 & 1988 c 186 s 7;
4 (4) RCW 43.168.040 (Approval of applications for federal community
5 development block grant funds for projects) and 1987 c 461 s 3 & 1985
6 c 164 s 4;
7 (5) RCW 43.168.050 (Application approval--Conditions and
8 limitations) and 1993 c 512 s 12, 1990 1st ex.s. c 17 s 74, 1989 c 430
9 s 9, 1987 c 461 s 4, 1986 c 204 s 2, & 1985 c 164 s 5;
10 (6) RCW 43.168.060 (Staff support and other duties of department--
11 Rules) and 1985 c 164 s 6;
12 (7) RCW 43.168.070 (Processing of applications--Contents of
13 applications) and 1993 c 512 s 14, 1987 c 461 s 5, & 1985 c 164 s 7;
14 (8) RCW 43.168.090 (Availability of funds for committee use) and
15 1985 c 164 s 9;
16 (9) RCW 43.168.100 (Entitlement community grants--Conditions) and
17 1993 c 512 s 15, 1986 c 204 s 1, & 1985 c 164 s 10;
18 (10) RCW 43.168.110 (Washington state development loan fund) and
19 1992 c 235 s 11 & 1985 c 164 s 11;
20 (11) RCW 43.168.120 (Guidelines for use of funds for existing
21 economic development revolving loan funds--Grants to local governments
22 to assist existing economic development revolving loan funds) and 1987
23 c 461 s 6;
24 (12) RCW 43.168.130 (Development of performance standards) and 1998
25 c 245 s 52 & 1987 c 461 s 7;
26 (13) RCW 43.168.140 (Rural natural resources impact areas) and 1995
27 c 226 s 28 & 1991 c 314 s 20;
28 (14) RCW 43.168.150 (Minority and women-owned businesses--
29 Application process--Joint loan guarantee program) and 1993 c 512 s 13;
30 and
31 (15) RCW 43.168.900 (Severability--1985 c 164) and 1985 c 164 s 15.

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