

HOUSE BILL REPORT

HB 2858

As Passed House:
February 28, 2018

Title: An act relating to allowing excess local infrastructure financing revenues to be carried forward.

Brief Description: Allowing excess local infrastructure financing revenues to be carried forward.

Sponsors: Representatives Johnson, Chandler, Appleton, McCabe and Haler.

Brief History:

Committee Activity:

Technology & Economic Development: 1/30/18, 1/31/18 [DP];

Finance: 2/16/18, 2/19/18 [DP].

Floor Activity:

Passed House: 2/28/18, 96-2.

Brief Summary of Bill

- Allows certain excess revenues from local public sources, under the Local Infrastructure Financing Tool program, to be carried forward and used to calculate the state's contribution in subsequent years.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 16 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Slatter, Steele, Wylie and Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Santos.

Staff: Kirsten Lee (786-7133).

HOUSE COMMITTEE ON FINANCE

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.

Majority Report: Do pass. Signed by 11 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Dolan, Pollet, Springer, Stokesbary, Wilcox and Wylie.

Staff: Tracey O'Brien (786-7152).

Background:

In 2006 the Local Infrastructure Financing Tool (LIFT) program was created and made available to certain local governments for financing local public improvement projects intended to encourage economic development or redevelopment. As part of the LIFT program, a sponsoring local government (a city, town, county, port district, or federally recognized Indian tribe) creates a "revenue development area" from which annual increases in revenues from local sales and use taxes and local property taxes are measured. These increases in revenues and any additional revenues from other local public sources are then used to pay for public improvements in the revenue development area and are also used to match a state contribution.

State funding for the LIFT program is provided through a credit against the state sales and use tax. The sponsoring local government is allowed to retain a certain amount of state sales and use tax revenue that would otherwise be deposited in the State General Fund. The maximum state contribution that a sponsoring local government may receive each year is limited to the lesser of:

- \$1 million;
- the amount of local matching funds (local excise tax allocation revenues, local property tax allocation revenues, and other revenues from local public sources) dedicated to the payment of the public improvements or bonds in the previous calendar year;
- the amount of the project award granted; or
- the highest amount of state retail sales and use tax revenues and state property tax revenues for any one calendar year.

The local funds and state contribution are used for the payment of bonds issued for financing local public improvements within the revenue development area. The public improvements may be financed on a pay-as-you-go basis.

The maximum statewide contribution for all of the LIFT projects is capped at \$7.5 million per year. Nine projects have been awarded state contributions under the LIFT program. The projects are located in Bellingham, Bothell, Everett, Federal Way, Mount Vernon, Puyallup, Vancouver, Yakima, and Spokane County.

The application process for the LIFT program is closed. The expiration date for the LIFT program is June 30, 2044.

Summary of Bill:

Under the LIFT program, the sponsoring local government may carry forward revenues from local public sources dedicated to the payment of the public improvements or bonds in the

previous calendar year that are in excess of the project award. These excess revenues may be used in later years for the purpose of calculating the state's contribution.

Outdated expiration dates are repealed.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Technology & Economic Development):

(In support) At times communities need help with economic development and that was the purpose of creating the Local Infrastructure Financing Tool (LIFT) Program. This bill would solve a major issue regarding the state match to local funds under the LIFT program by allowing excess local funds to be carried forward. This would allow cities who have large up-front project investments to move forward with continued state dollar matching funds past the first year of the project, and would align with local financing law and the Local Revitalization Financing Program.

(Opposed) None.

Staff Summary of Public Testimony (Finance):

(In support) The City of Yakima is using the Local Infrastructure Financing Tool (LIFT) to redevelop property that used to house a paper mill and part of a dump. Cash flow is not consistent over the life of a redevelopment project. Allowing the flexibility for a local jurisdiction to carry over excess LIFT revenues from year to year will even out the revenue flow over the course of the project. This legislation helps all of the LIFT communities with their projects and will positively impact each community.

(Opposed) None.

Persons Testifying (Technology & Economic Development): Representative Johnson, prime sponsor; and Susie Tracy, City of Yakima.

Persons Testifying (Finance): Representative Chandler; and Tony Sermonti, City of Yakima.

Persons Signed In To Testify But Not Testifying (Technology & Economic Development): None.

Persons Signed In To Testify But Not Testifying (Finance): None.