

# HOUSE BILL REPORT

## HB 1903

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**As Reported by House Committee On:**  
Economic Development, Agriculture & Trade  
Capital Budget

**Title:** An act relating to creating a job development fund.

**Brief Description:** Creating a job development fund.

**Sponsors:** Representatives Ericks, Haler, Linville, Springer, Kilmer, Morrell, O'Brien, Schual-Berke, P. Sullivan, Simpson, Pettigrew, Jarrett, Wallace, Sells, Strow, Grant, Upthegrove, Kessler, Dunn, Fromhold, Appleton, Chase, Green, Moeller, Hasegawa and Takko.

**Brief History:**

**Committee Activity:**

Economic Development, Agriculture & Trade: 2/16/05, 3/1/05 [DP];  
Capital Budget: 3/4/05, 3/7/05 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Job Development Fund to assist political subdivisions of the state and federally recognized Indian tribes in partnership with political subdivisions finance public infrastructure projects that create jobs, stimulate community development, and stimulate economic development.

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### HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

**Majority Report:** Do pass. Signed by 13 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Blake, Chase, Clibborn, Grant, Kenney, Kilmer, McCoy, Morrell, Quall, P. Sullivan and Wallace.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Buri, Condotta, Dunn, Haler, Holmquist, Kretz, Newhouse and Strow.

**Staff:** Tracey Taylor (786-7196).

**Background:**

The Community Economic Revitalization Board (CERB) program was created in 1982 to provide direct loans and grants to counties, cities, and special purpose districts for economic development-related infrastructure improvements. The CERB financing is available for public improvements that include the acquisition, construction, or repair of domestic and industrial

water, sewer and storm water infrastructure; bridge, railroad, electricity, telecommunication, and road improvements; buildings and structures; port facilities; and feasibility studies. The CERB financing must be necessary to either bring a new business into a community or expand or retain an existing business that is already located in the community.

The CERB has 15 voting members. There are two members from the House of Representatives appointed by the Speaker of the House, and chosen from each of the two major caucuses. There are two members from the Senate, appointed by the President of the Senate, and chosen from each of the two major caucuses. The Governor appoints a recognized private or public sector economist, a port district official, one county official, one city official, one representative of a federally recognized Indian tribe and one representative of small business from each of the following geographic areas: (a) the area west of Puget Sound; (b) the area east of Puget Sound and west of the Cascade range; (c) the area east of the Cascade range and west of the Columbia River; and (d) the area east of the Columbia River. In addition, the Governor shall appoint one executive from large businesses on each side of the Cascades. The Director of the Department of Community, Trade & Economic Development, the Director of the Department of Revenue, the Commissioner of the Employment Security Department and the Secretary of Transportation all serve as nonvoting advisory members.

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### **Summary of Bill:**

The Job Development Fund is created in the custody of the State Treasurer for revenues generated from legislatively authorized bond sales and other lawful sources. Funds may only be spent after an appropriation. Expenditures from the fund shall be used to make grants to local governments for public infrastructure projects to stimulate the community and economic development.

The Job Development Fund grant program will be administered by the CERB. The CERB will establish a competitive process to request proposals for and prioritize projects from political subdivisions of the state and federally recognized Indian tribes. The projects must have a primary objective to stimulate community and economic development through redevelopment and rehabilitation projects.

A redevelopment project includes: the acquisition of a blighted area; demolition and removal of buildings and improvements; installation, construction or reconstruction of streets utilities, parks, playgrounds, and other improvements necessary for the carrying out in the area the provisions of a community renewal plan; making the land available for development or redevelopment by private enterprise or public bodies at its fair value for uses in accordance with the community renewal plan; and making loans or grants to a person or public body for the purpose of creating or retaining jobs, a substantial portion of which, as determined by the municipality, shall be for persons of low income.

A rehabilitation project includes the restoration and renewal of a blighted area in accordance with a community renewal plan by: carrying out plans for a program of voluntary or compulsory repair and rehabilitation of buildings or other improvements; acquisition of real

property and demolition or removal of buildings or improvements thereon where necessary to eliminate unhealthful, unsanitary or unsafe conditions, lessen density, reduce traffic hazards, eliminate obsolete or other uses detrimental to the public welfare, or otherwise to remove or prevent the spread of blight or deterioration, or to provide land for needed public facilities; installation, construction or reconstruction of streets, utilities, parks, playgrounds, and other improvements necessary for carrying out the area's community renewal plan; and the disposition of any property acquired in a community renewal area for use in accordance with the area's community renewal plan.

The CERB will develop criteria to evaluate and rank applications. The CERB must also develop performance and evaluation criteria to review how well successful applicants met the community and economic development objectives stated in their applications. Among the priorities for project ranking the CERB must consider are the relative benefits provided to the community by the jobs the project would create. This includes, but should not be limited to, the total of number of jobs a project would create after it is completed. The CERB must also consider the rate of return of the state's investment in the project. This includes the expected increase in state and local tax revenues associated with the project. An applicant must demonstrate that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs. An examination of the applicant's existing assets that may be applied to the project shall also be considered. An applicant must also demonstrate that no other timely source of funding is available for the project at a reasonably similar cost. A project may not receive funding from the job development fund if the project would result in a development or expansion that would displace existing jobs in any other community in the state.

The maximum grant available from the Job Development Fund for any single project is \$10 million and may not exceed 33 percent of the total cost of the project. The nonstate portion of the total project costs may include cash, the value of real property when acquired solely for the purpose of the project, and in-kind contributions.

For the 2005-2007 biennium, the CERB may solicit and rank applications; however to the extent funding is provided in the 2005-07 Capital Budget, the list of selected projects does not have to be submitted to the Legislature for approval unless otherwise required in the 2005-07 Capital Budget appropriation.

Beginning in the 2007-09 biennium, the CERB shall submit to the Legislature and the Governor a prioritized list of recommended projects for 70 percent of any biennial appropriation. However, the CERB may not sign contracts or otherwise financially obligate funds until the Legislature has approved a specific list of projects. The list must include a description of each project, the amount of recommended state funding, documentation of nonstate funds to be used for the project and a description of the expected community or economic development. The Legislature may remove projects from the CERB's recommended list, but may not change the order of priority for the projects. The CERB shall request a biennial appropriation of \$50 million; therefore, the total amount of CERB recommended projects shall not exceed \$30 million. The CERB may provide an alternative list of projects for an additional \$10 million in funds.

The remaining 30 percent or \$20 million dollars may be expended or obligated by the CERB, after consultation with the Legislature, for applications not on the legislatively approved list if the circumstances have subsequently changed making a project more urgent or more highly ranked. An application submitted after the deadline through no fault of the applicant that would have been ranked high on the list and that cannot wait until the next biennial application period due to emergency or exigent circumstances may also qualify for funding from the 30 percent; however, the Legislature must be consulted first. Consultation with the Legislature means the CERB notifies in writing to the Speaker of the House of Representatives and the Majority Leader of the Senate, then waits 10 days to give the Legislature time to comment on the proposed action prior to the obligating or spending the funds.

Grant contracts must include a provision that if a grantee is found to be out of compliance with the provisions of the contract, including the agreed-to performance criteria, the grantee must repay to the State General Fund the principal amount of the grant, plus interest or an amount otherwise agreed to by the Department of Community, Trade and Economic Development.

Grantees are required to provide an annual report by March 1 of each year. The report must include, at a minimum: the names of any businesses locating within the grantee's jurisdiction as a result of the public improvements financed in whole or in part by the Job Development Fund; the total number of permanent jobs created within the grantee's jurisdiction as a result of the public improvements financed in whole or in part by the Job Development Fund; and the average wage and benefits received by all employees of the businesses within the grantee's jurisdiction as the result of the public improvements funded in whole or in part by the Job Development Fund.

The CERB must report to the Governor and the Legislature on the implementation of the Job Development Fund program by December 1, 2005, and by December 1 in succeeding even-numbered years.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (In support) Municipal governments and other political subdivisions provide development that spurs on the creation of jobs and the growth of the economy. This bill provides a new mechanism to provide a quick infusion of cash for infrastructure needed for an economic development opportunity. The reality is that most cities and counties are small and their means and abilities to provide infrastructure development are hampered.

In addition, this is a new tool that will assist in making Washington competitive in business retention and recruitment. The 30 percent set aside is an excellent way to be responsive to economic development opportunities. The state really lacks a great grant tool such as this to

compete against Oregon, a state that has many more economic development tools than Washington.

(With concerns) Although this proposal has merit, the potential funding sources cause concern. In addition, the fact that this program would be a grant program, unlike CERB and Public Works Trust Fund, the CERB would be spending down the principal with no commitment to maintain it. Also, the CERB is a great program and a great board, but there is concern about impacting its core program by adding to its duties.

**Testimony Against:** None.

**Persons Testifying:** (In support) Representative Ericks, prime sponsor; Noel Gibb, City of Burien; Jeff Marcell, Enterprise Seattle; Scott Taylor, Washington Public Ports Association; Bryan Wall, Washington Association of Realtors; Steve Mullet, City of Tukwila; Mark Brown, City of Vancouver and Columbia River Economic Development Council; Kathy Keolker-Wheeler, City of Renton; Ron Newbry, Washington Economic Development Association; and Greg Hanon, National Association of Industrial and Office Properties.

(With concerns) Rick Slunaker, Associated General Contractors.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Hankins, Assistant Ranking Minority Member; Blake, Ericks, Flannigan, Green, Hasegawa, Lantz, Moeller, Morrell, O'Brien, Schual-Berke, Springer and Upthegrove.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Jarrett, Ranking Minority Member; Cox, DeBolt, Eickmeyer, Ericksen, Holmquist, Kretz, Kristiansen, McCune, Newhouse, Roach, Serben and Strow.

**Staff:** Tracey Taylor (786-7196).

### **Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Economic Development, Agriculture & Trade:**

The Public Works Trust Fund (PWTF) Program was created in 1985 to provide loans to counties, cities, and certain special purpose districts, which do not include school and port districts, to improve existing public infrastructure. The PWTF loans are available for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of streets and roads, bridges, water systems, or storm and sanitary sewage systems, and solid waste facilities, including recycling facilities. In order to qualify for financial assistance under the PWTF, the county, city, and special purpose district must: (1) impose an excise tax on the sale of real estate of at least .25 of 1 percent; (2) have developed a

long-term plan for financing public works needs; and (3) be using all local revenue sources that are reasonably available for funding public works.

The Public Works Board (PWB) is composed of 13 members, appointed by the Governor for terms of four years. The PWB must include: three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Association of Washington Cities; three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Washington State Association of Counties; three members appointed from a list of at least six persons nominated jointly by the Washington Public Utilities Districts Association and a state association of water-sewer districts; and four members appointed from the general public. When making the general public appointments, the Governor must try to balance the geographical composition of the PWB and include members with special expertise in relevant areas. The PWB is chaired by a representative of the general public who is appointed by the Governor.

The PWB administers six programs: the PWTF Construction Loan Program; the PWTF Pre-Construction Loan Program; the PWTF Emergency Loan Program; the PWTF Planning Loan Program; the Drinking Water State Revolving Fund Program; and the Water System Acquisition and Rehabilitation Program.

The PWTF is capitalized through dedicated taxes and loan repayments. A portion of the taxes on water and sewer rates as well as the real estate excise tax goes to the PWTF. In addition, the proceeds from a tax on refuse collection of 3.6 percent is allotted to the PWTF. In Fiscal Year 2004, the refuse tax revenues were \$26.8 million.

### **Summary**

The Job Development Fund is created in the custody of the State Treasurer for revenues generated from the imposition of the refuse tax. Funds may only be spent after an appropriation. Expenditures from the fund shall be used to make grants to local governments for public infrastructure projects to stimulate the community and economic development.

The Job Development Fund Grant Program will be administered by the PWB. The PWB will establish a competitive process to request proposals for and prioritize projects from political subdivisions of the state and federally recognized Indian tribes in partnership with a political subdivision. The projects must have a primary objective to stimulate community and economic development.

The PWB will develop criteria to evaluate and rank applications. Among the priorities for project ranking the PWB must consider are the relative benefits provided to the community by the jobs the project would create. This includes, but should not be limited to, the total of number of jobs a project would create after it is completed. The PWB must also consider the rate of return of the state's investment in the project. This includes the expected increase in state and local tax revenues associated with the project. The community's present level of economic activity and the existing local financial capacity to increase economic activity must

also be considered. Finally, the PWB must consider whether a project is a partnership of multiple jurisdictions.

An applicant must demonstrate that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs. An examination of the applicant's existing assets that may be applied to the project shall also be considered. An applicant must also demonstrate that no other timely source of funding is available for the project at a reasonably similar cost. A project may not receive funding from the job development fund if the project would result in a development or expansion that would displace existing jobs in any other community in the state. The PWB must also develop performance and evaluation criteria to review how well successful applicants met the community and economic development objectives stated in their applications.

The maximum grant available from the Job Development Fund for any single project is \$10 million and may not exceed 33 percent of the total cost of the project. The nonstate portion of the total project costs may include cash, the value of real property when acquired solely for the purpose of the project, and in-kind contributions.

For the 2005-07 biennium, the PWB may solicit and rank applications; however to the extent funding is provided in the 2005-07 Capital Budget, the list of selected projects does not have to be submitted to the Legislature for approval unless otherwise required in the 2005-07 Capital Budget appropriation.

Beginning in the 2007-09 biennium, the PWB shall submit to the Legislature and the Governor a prioritized list of recommended projects for 70 percent of any biennial appropriation. However, the PWB may not sign contracts or otherwise financially obligate funds until the Legislature has approved a specific list of projects. The list must include a description of each project, the amount of recommended state funding, documentation of nonstate funds to be used for the project and a description of the expected community or economic development. The Legislature may remove projects from the PWB's recommended list, but may not change the order of priority for the projects. The PWB shall base their budget request on the available money in the Job Development Fund at the beginning of the last fiscal year in a biennium. The PWB may provide an alternative list of projects for an additional \$10 million in funds.

The remaining 30 percent may be expended or obligated by the Governor, after consultation with the Legislature, for applications not on the legislatively approved list if the circumstances have subsequently changed making a project more urgent or more highly ranked. An application submitted after the deadline through no fault of the applicant that would have been ranked high on the list and that cannot wait until the next biennial application period due to emergency or exigent circumstances may also qualify for funding from the 30 percent; however, the Legislature must be consulted first. A project proposed after the application deadline, through no fault of the applicant, that would have ranked highly had it been proposed that otherwise meets the criteria and cannot wait for the next biennial application cycle due to exigent or emergency circumstances may also qualify for funding from the 30 percent. Consultation with the Legislature means the Governor notifies in writing to the Speaker of the

House of Representatives and the Majority Leader of the Senate, or his or her designee, then waits 10 days to give the Legislature time to comment on the proposed action prior to the obligating or spending the funds.

Grant contracts must include a provision that if a grantee is found to be out of compliance with the provisions of the contract, including the agreed-to performance criteria, the grantee must repay to the State General Fund the principal amount of the grant, plus interest or an amount otherwise agreed to by the Department of Community, Trade and Economic Development.

Grantees are required to provide an annual report by March 1 of each year. The report must include, at a minimum: the names of any businesses locating within the grantee's jurisdiction as a result of the public improvements financed in whole or in part by the Job Development Fund; the total number of permanent jobs created within the grantee's jurisdiction as a result of the public improvements financed in whole or in part by the Job Development Fund; and the average wage and benefits received by all employees of the businesses within the grantee's jurisdiction as the result of the public improvements funded in whole or in part by the Job Development Fund.

The PWB must report to the Governor and the Legislature on the implementation of the Job Development Fund Program by December 1, 2005, and by December 1 in succeeding even-numbered years.

Beginning September 1, 2010, and continuing every five years, the Joint Legislative Audit and Review Committee (JLARC) shall submit a report to the appropriate legislative committees. At a minimum, the report must evaluate the effectiveness of the Job Development Fund Grant Program and include a project by project review.

#### **Substitute Bill Compared to Original Bill:**

The substitute provides additional project criteria, including: but for the Job Development Fund money, the development would not occur; the development must improve viability of existing business; and whether or not a project is a partnership of multiple jurisdictions. The substitute requires that federally recognized Indian tribes partner with a political subdivision in order to be eligible for a grant. The program will be administered by PWB, not the Community Economic Revitalization Board (CERB). References to "blight" are removed from the substitute and it clarifies that a community's existing financial capacity to increase economic activity will be considered

The substitute clarifies that the basis of the PWB's biennial budget request is for the amount in the Job Development Fund Account at the beginning of the last fiscal year of the biennium when making budget requests beginning in 07-09. The substitute authorizes the Governor, not the CERB, to spend the 30 percent, in consultation with the Legislature. The substitute provides that the Speaker of the House of Representatives and the Senate Majority Leader may designate another legislator to be responsible for responding to the Governor regarding funding projects from the 30 percent fund. The substitute further clarifies that a letter, within the 10 days, from either house opposing the funding of a project will prevent the project from receiving money from the 30 percent fund. A third way to qualify for the 30 percent fund is



added: through no fault of the applicant, a project was not proposed prior to the biennial list that otherwise meets the program criteria, would have ranked highly on the list and cannot wait due exigent or emergency circumstances.

The refuse tax revenues are transferred from the Public Works Assistance Account to the Job Development Fund. A JLARC report evaluating the Job Development Fund Grant Program is required every five years, beginning in 2010. The substitute adds a severability clause.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** Local government need tools to create jobs and help stimulate the economy. Right now, local governments need assistance with public infrastructure to promote development. By providing needed relief in grant form, this bill would create a trickle up effect on the economy. It would also help local jurisdictions compete with locations in other states in retaining or attracting businesses. This bill would create a quick response program that would not have to wait to get a project moving until the Legislature returned to Olympia.

**Testimony Against:** None.

**Persons Testifying:** Scott Taylor, Washington Public Ports Association; Jim Justin, Association of Washington Cities, Ron Newbry, Washington Economic Development Association; and Paul Parker, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** None.