

SENATE BILL REPORT

SB 5334

As Reported by Senate Committee On:
Trade & Economic Development, January 14, 2014
Agriculture, Water & Rural Economic Development, January 23, 2014
Ways & Means, February 5, 2014

Title: An act relating to public facilities' grants and loans.

Brief Description: Concerning public facilities' grants and loans.

Sponsors: Senator Hewitt; by request of Washington State Department of Commerce.

Brief History:

Committee Activity: Trade & Economic Development: 2/14/13, 2/21/13, 1/14/14 [w/oRec-AWRD, DNP].
Agriculture, Water & Rural Economic Development: 1/21/14, 1/23/14 [DP].
Ways & Means: 2/03/14, 2/05/14 [DPS].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That it be referred without recommendation and be referred to Committee on Agriculture, Water & Rural Economic Development.

Signed by Senators Braun, Chair; Angel, Vice Chair; Holmquist Newbry and Pedersen.

Minority Report: Do not pass.

Signed by Senator Chase, Ranking Member.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Hatfield, Chair; Honeyford, Ranking Member; Brown, Eide, Hobbs and Schoesler.

Staff: Diane Smith (786-7410)

SENATE COMMITTEE ON WAYS & MEANS

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: That Substitute Senate Bill No. 5334 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Fraser, Frockt, Hasegawa, Hatfield, Kohl-Welles, Padden, Parlette, Schoesler and Tom.

Staff: Brian Sims (786-7431)

Background: The Community Economic Revitalization Board (CERB) is governed by a 20-member statutory state board that is charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. The CERB receives administrative support from the Department of Commerce.

The CERB's focus is on creating and retaining jobs in partnership with local governments. Through CERB, local governments can apply for low-interest loans, and grants to help finance public facility projects. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. Public facilities eligible for the CERB financing include the following: bridges; roads; domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; telecommunications; electricity; transportation; natural gas; buildings or structures; and port facilities.

The traditional CERB program offers three financing programs: Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and planning projects, which evaluate high-priority economic development projects. Funding for CERB projects is appropriated in the capital budget primarily from the Public Facilities Construction Loan Revolving Account. CERB must make at least 75 percent of the first \$20 million of funds available and at least 50 percent of additional funds available to financial assistance for projects in rural counties.

Summary of Bill (Recommended Substitute): The Legislature intends to authorize flexibility for CERB to help fund planning, predevelopment, and construction costs of infrastructure, facilities, and sites that foster economic vitality and diversification.

Broadband is added to the public facilities that qualify for CERB funding.

Geographic requirements for the six business members of CERB are modified.

CERB must manage the following programs: Committed Private Sector Partner Construction; Prospective Development Construction; planning; and any other program authorized by the Legislature.

Specific criteria required for the awarding of loans and grants and requirements for prioritizing proposed projects are removed. Provisions removed relate to the following:

- convincing evidence that a specific private development is ready and will occur only with the proposed public facility improvement;
- consistency with the State Comprehensive Economic Development Plan developed by the Washington Economic Development Commission;
- obtaining local approval and support for an application for financing;
- demonstrating that wages of jobs created by a project will exceed the county's median wage;
- avoiding sprawl; and
- streamlining permitting.

Instead, for Committed Private Sector Partner Construction and Prospective Development Construction projects, CERB must prioritize funding using criteria that include the following: the number of jobs created; the average wage of those expected jobs; the local unemployment rate; the fit of the expected business creation or expansion within the region's preferred economic growth strategy; the speed with which the project can begin construction; the leveraging of non-state funds; and expected job creation and wage benefits for the amount of money provided. CERB may provide up to 25 percent of funds as grants but must consider the sustainability of the fund.

CERB is given the authority to elect to reserve up to \$1 million of its biennial appropriation to use as a state match for federal grant awards as long as the purpose of the federal funds is consistent with CERB's purpose of financing economic development infrastructure and the reserved CERB funds are matched, at a minimum, dollar for dollar by federal funds.

CERB's authority to familiarize government officials and members of the public with the CERB program is expanded to require collaborative relationships with economic development stakeholders and to provide advice to the Governor and Legislature on matters related to economic development.

Language is reorganized throughout the bill for clarity.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The substitute replaces the requirement that CERB manage the fund to ensure the fund's sustainability with the requirement that CERB consider the sustainability of the fund when making decisions about grant funding.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Trade & Economic Development):
Testimony From 2013 Regular Session.

PRO: This cleans up the statute enacted in 1982. This replaces selection criteria. This allows CERB to get federal matching funds. CERB allows the state to leverage private investment.

Persons Testifying (Trade & Economic Development):

Persons Testifying From 2013 Regular Session.

PRO: Michael Echanove, Dawn Eychaner, CERB; Ginger Eagle, WA Public Ports Assn.

Staff Summary of Public Testimony on Original Bill (Agriculture, Water & Rural Economic Development):

PRO: This is one of the few programs that leverages public infrastructure investment. It is critical for small, especially Eastern Washington, ports. It provides good-paying, long-term jobs in largely rural areas. This bill resets CERB in tune with the 21st century economy. When high wages are paid in the urban centers of a county, that drives up the median wage. Since CERB must reject any proposal that pays less than the median wage, the rural areas of the county cannot qualify for CERB projects even if the wages expected are very close to, but not quite up to, the median wage of the county as a whole. This bill still requires consideration of wages by many criteria but removes the median threshold. CERB has never had a default.

Persons Testifying (Agriculture, Water & Rural Economic Development): PRO: Ginger Eagle, WA Public Ports Assn.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: CERB is an important economic development program that produces good paying jobs in many of the rural parts of the state.

Persons Testifying (Ways & Means): PRO: Ginger Eagle, WA Public Ports Assn.