

---

**SUBSTITUTE HOUSE BILL 1677**

---

**State of Washington**

**65th Legislature**

**2017 Regular Session**

**By** House Capital Budget (originally sponsored by Representatives Peterson, Pike, Senn, McBride, DeBolt, Macri, Stonier, Riccelli, and Fey)

READ FIRST TIME 03/23/17.

1 AN ACT Relating to local government infrastructure funding;  
2 amending RCW 43.155.010, 43.155.020, 43.155.030, 43.155.040,  
3 43.155.060, 43.155.065, 43.155.068, 43.155.070, and 43.155.075;  
4 reenacting and amending RCW 43.155.050; creating new sections; and  
5 providing an expiration date.

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

7 **Sec. 1.** RCW 43.155.010 and 1996 c 168 s 1 are each amended to  
8 read as follows:

9 The legislature finds that there exists in the state of  
10 Washington over four billion dollars worth of critical projects for  
11 the planning, acquisition, construction, repair, replacement,  
12 rehabilitation, or improvement of streets and roads, bridges, water  
13 systems, and storm and sanitary sewage systems. The December, 1983  
14 Washington state public works report prepared by the planning and  
15 community affairs agency documented that local governments expect to  
16 be capable of financing over two billion dollars worth of the costs  
17 of those critical projects but will not be able to fund nearly half  
18 of the documented needs.

19 The legislature further finds that Washington's local governments  
20 have unmet financial needs for solid waste disposal, including

1 recycling, and encourages the board to make an equitable geographic  
2 distribution of the funds.

3 It is the policy of the state of Washington to encourage self-  
4 reliance by local governments in meeting their public works needs and  
5 to assist in the financing of critical public works projects by  
6 making loans, grants, financing guarantees, and technical assistance  
7 available to local governments for these projects.

8 **Sec. 2.** RCW 43.155.020 and 2009 c 565 s 33 are each amended to  
9 read as follows:

10 (~~Unless the context clearly requires otherwise,~~) The  
11 definitions in this section (~~shall~~) apply throughout this chapter  
12 unless the context clearly requires otherwise.

13 (1) "Board" means the public works board created in RCW  
14 43.155.030.

15 (2) "Capital facility plan" means a capital facility plan  
16 required by the growth management act under chapter 36.70A RCW or,  
17 for local governments not fully planning under the growth management  
18 act, a plan required by the public works board.

19 (3) "Department" means the department of commerce.

20 (4) "Financing guarantees" means the pledge of money in the  
21 public works assistance account, or money to be received by the  
22 public works assistance account, to the repayment of all or a portion  
23 of the principal of or interest on obligations issued by local  
24 governments to finance public works projects.

25 (5) "Local governments" means cities, towns, counties, special  
26 purpose districts, and any other municipal corporations or quasi-  
27 municipal corporations in the state excluding school districts and  
28 port districts.

29 (6) "Public works project" means a project of a local government  
30 for the planning, acquisition, construction, repair, reconstruction,  
31 replacement, rehabilitation, or improvement of streets and roads,  
32 bridges, water systems, or storm and sanitary sewage systems, lead  
33 remediation of drinking water systems, and solid waste facilities,  
34 including recycling facilities. A planning project may include the  
35 compilation of biological, hydrological, or other data on a county,  
36 drainage basin, or region necessary to develop a base of information  
37 for a capital facility plan.

38 (7) "Solid waste or recycling project" means remedial actions  
39 necessary to bring abandoned or closed landfills into compliance with

1 regulatory requirements and the repair, restoration, and replacement  
2 of existing solid waste transfer, recycling facilities, and landfill  
3 projects limited to the opening of landfill cells that are in  
4 existing and permitted landfills.

5 (8) "Technical assistance" means training and other services  
6 provided to local governments to: (a) Help such local governments  
7 plan, apply, and qualify for loans, grants, and financing guarantees  
8 from the board, and (b) help local governments improve their ability  
9 to plan for, finance, acquire, construct, repair, replace,  
10 rehabilitate, and maintain public facilities.

11 (9) "Value planning" means a uniform approach to assist in  
12 decision making through systematic evaluation of potential  
13 alternatives to solving an identified problem.

14 **Sec. 3.** RCW 43.155.030 and 1999 c 153 s 58 are each amended to  
15 read as follows:

16 (1) The public works board is hereby created.

17 (2) The board shall be composed of seventeen members as provided  
18 in this subsection:

19 (a) Thirteen members appointed by the governor for terms of four  
20 years, except that five members initially shall be appointed for  
21 terms of two years. ~~((The board))~~ These members shall include: ~~((a)~~  
22 ~~Three))~~ (i) Two members, ~~((two))~~ one of whom shall be an elected  
23 official~~((s))~~ and one shall be a public works manager or a finance  
24 director, appointed from a list of at least six persons nominated by  
25 ~~((the))~~ a state association of ~~((Washington))~~ cities or its  
26 successor; ~~((b) three))~~ (ii) two members, ~~((two))~~ one of whom shall  
27 be an elected official~~((s))~~ and one shall be a public works manager  
28 or a finance director, appointed from a list of at least six persons  
29 nominated by ~~((the Washington))~~ a state association of counties or  
30 its successor; ~~((c) three))~~ (iii) one member~~((s))~~ appointed from a  
31 list of at least ~~((six))~~ three persons nominated ~~((jointly))~~ by ~~((the~~  
32 ~~Washington))~~ a state association of public utility districts  
33 ~~((association and))~~ or its successor; (iv) one member appointed from  
34 a list of at least three persons nominated by a state association of  
35 water-sewer districts~~((r))~~ or ~~((their))~~ its successor~~((s))~~; and ~~((d)~~  
36 ~~four))~~ (v) seven members appointed from the general public with  
37 expertise in relevant fields. In appointing the ~~((four))~~ seven  
38 general public members, the governor shall ~~((endeavor to))~~ balance  
39 the geographical composition of the board and ~~((to))~~ include members

1 with special expertise in relevant fields such as public finance,  
2 architecture and civil engineering, and public works construction.  
3 The governor shall appoint one of the general public members of the  
4 board as chair. The term of the chair shall coincide with the term of  
5 the governor.

6 (b) Four members from the legislature appointed for terms of four  
7 years. The speaker of the house of representatives shall appoint one  
8 member from each of the two major caucuses of the house of  
9 representatives and the president of the senate shall appoint one  
10 member from each of the two major caucuses of the senate.  
11 Additionally, the speaker of the house of representatives may  
12 designate one member from each of the two major caucuses of the house  
13 of representatives and the president of the senate may appoint one  
14 member from each of the two major caucuses of the senate as alternate  
15 members to take the place of the appointed member on the board for  
16 meetings at which the member will be absent. The alternate member  
17 shall have all powers to vote and participate in board deliberations  
18 as the other board members.

19 (3) Staff support to the board shall be provided by the  
20 department.

21 (4) Nonlegislative members of the board shall receive no  
22 compensation but shall be reimbursed for travel expenses under RCW  
23 43.03.050 and 43.03.060. Legislative members of the board shall be  
24 reimbursed for travel in accordance with RCW 44.04.120.

25 (5) If a vacancy on the board occurs by death, resignation, or  
26 otherwise, the governor shall fill the vacant position for the  
27 unexpired term. Each vacancy in a position appointed from lists  
28 provided by the associations under subsection (2) of this section  
29 shall be filled from a list of at least three persons nominated by  
30 the relevant association or associations. Any members of the board,  
31 appointive or otherwise, may be removed by the governor for cause in  
32 accordance with RCW 43.06.070 and 43.06.080.

33 **Sec. 4.** RCW 43.155.040 and 1985 c 446 s 10 are each amended to  
34 read as follows:

35 The board may:

36 (1) Accept from any state or federal agency, loans or grants for  
37 the planning or financing of any public works project and enter into  
38 agreements with any such agency concerning the loans or grants;

39 (2) Provide technical assistance to local governments;

1 (3) Accept any gifts, grants, or loans of funds, property, or  
2 financial or other aid in any form from any other source on any terms  
3 and conditions which are not in conflict with this chapter;

4 (4) Develop a program that provides grants and additional  
5 assistance to leverage federal programs, and other opportunities to  
6 target deeper financial assistance to communities with economic  
7 distress or projects that would result in rate increases to  
8 residential utility rates that exceed a determined percentage of  
9 median household income;

10 (5) Adopt rules under chapter 34.05 RCW as necessary to carry out  
11 the purposes of this chapter;

12 ((+5+)) (6) Do all acts and things necessary or convenient to  
13 carry out the powers expressly granted or implied under this chapter.

14 **Sec. 5.** RCW 43.155.050 and 2015 3rd sp.s. c 4 s 959 and 2015 3rd  
15 sp.s. c 3 s 7032 are each reenacted and amended to read as follows:

16 The public works assistance account is hereby established in the  
17 state treasury. Money may be placed in the public works assistance  
18 account from the proceeds of bonds when authorized by the legislature  
19 or from any other lawful source. Money in the public works assistance  
20 account shall be used to make loans and grants and to give financial  
21 guarantees to local governments for public works projects. Moneys in  
22 the account may also be appropriated to provide for state match  
23 requirements under federal law for projects and activities conducted  
24 and financed by the board under the drinking water assistance  
25 account. Not more than ~~((fifteen))~~ twenty percent of the biennial  
26 capital budget appropriation to the public works board from this  
27 account may be expended or obligated for preconstruction loans and  
28 grants, emergency loans and grants, or loans and grants for capital  
29 facility planning under this chapter~~((; of this amount, not more than~~  
30 ~~ten percent of the biennial capital budget appropriation may be~~  
31 ~~expended for emergency loans and not more than one percent of the~~  
32 ~~biennial capital budget appropriation may be expended for capital~~  
33 ~~facility planning loans)).~~ Not more than ten percent of the biennial  
34 capital budget appropriation to the public works board from this  
35 account may be expended or obligated as grants for preconstruction,  
36 emergency, capital facility planning, and construction projects.  
37 During the 2015-2017 fiscal biennium, the legislature may transfer  
38 from the public works assistance account to the general fund, the  
39 water pollution control revolving account, and the drinking water

1 assistance account such amounts as reflect the excess fund balance of  
2 the account. (~~During the 2013-2015 fiscal biennium, the legislature~~  
3 ~~may transfer from the public works assistance account to the~~  
4 ~~education legacy trust account such amounts as specified by the~~  
5 ~~legislature.~~) During the 2015-2017 fiscal biennium, the legislature  
6 may appropriate moneys from the account for activities related to the  
7 growth management act and the voluntary stewardship program. During  
8 the 2015-2017 fiscal biennium, the legislature may transfer from the  
9 public works assistance account to the state general fund such  
10 amounts as specified by the legislature. (~~In the 2017-2019 fiscal~~  
11 ~~biennium the legislature intends to allocate seventy three million~~  
12 ~~dollars of future loan repayments paid into the public works~~  
13 ~~assistance account to support basic education.~~)

14 **Sec. 6.** RCW 43.155.060 and 1988 c 93 s 2 are each amended to  
15 read as follows:

16 (1) In order to aid the financing of public works projects, the  
17 board may:

18 ~~((1))~~ (a) Make ~~((low interest or interest free))~~ loans or  
19 grants to local governments from the public works assistance account  
20 or other funds and accounts for the purpose of assisting local  
21 governments in financing public works projects. (~~The board may~~  
22 ~~require such terms and conditions and may charge such rates of~~  
23 ~~interest on its loans as it deems necessary or convenient to carry~~  
24 ~~out the purposes of this chapter.~~) Money received from local  
25 governments in repayment of loans made under this section shall be  
26 paid into the public works assistance account for uses consistent  
27 with this chapter.

28 ~~((2))~~ (b) Pledge money in the public works assistance account,  
29 or money to be received by the public works assistance account, to  
30 the repayment of all or a portion of the principal of or interest on  
31 obligations issued by local governments to finance public works  
32 projects. The board shall not pledge any amount greater than the sum  
33 of money in the public works assistance account plus money to be  
34 received from the payment of the debt service on loans made from that  
35 account, nor shall the board pledge the faith and credit or the  
36 taxing power of the state or any agency or subdivision thereof to the  
37 repayment of obligations issued by any local government.

1       (~~(3)~~) (c) Create such subaccounts in the public works  
2 assistance account as the board deems necessary to carry out the  
3 purposes of this chapter.

4       (~~(4)~~) (d) Provide a method for the allocation of loans, grants,  
5 and financing guarantees and the provision of technical assistance  
6 under this chapter.

7       (2)(a) When establishing interest rates for loan programs  
8 authorized in this chapter for projects which are supported by a rate  
9 base of at least fifty thousand equivalent residential units, the  
10 board must base interest rates on the average daily market interest  
11 rate for tax-exempt municipal bonds as published in the bond buyer's  
12 index for the period from sixty to thirty days before the start of  
13 the application cycle.

14       (b) For projects with a repayment period between five and twenty  
15 years, the rate must be fifty percent of the market rate.

16       (c) For projects with a repayment period under five years, the  
17 rate must be twenty-five percent of the market rate.

18       (d) For any year in which the average daily market interest rate  
19 for tax-exempt municipal bonds for the period from sixty to thirty  
20 days before the start of an application cycle is nine percent or  
21 greater, the board may cap interest rates at four percent for  
22 projects with a repayment period between five and twenty years and at  
23 two percent for projects with a repayment period under five years.

24       (e) The board may also provide reduced interest rates, extended  
25 repayment periods, or grants for projects that meet financial  
26 hardship criteria as measured by the affordability index or similar  
27 standard measure of financial hardship. The board may provide reduced  
28 interest rates, extended repayment periods, or grants for projects  
29 that are supported by a rate base of less than fifty thousand  
30 equivalent residential units.

31       (3) All local public works projects aided in whole or in part  
32 under the provisions of this chapter shall be put out for competitive  
33 bids, except for emergency public works under RCW 43.155.065 for  
34 which the recipient jurisdiction shall comply with this requirement  
35 to the extent feasible and practicable. The competitive bids called  
36 for shall be administered in the same manner as all other public  
37 works projects put out for competitive bidding by the local  
38 governmental entity aided under this chapter.

1       **Sec. 7.** RCW 43.155.065 and 2001 c 131 s 3 are each amended to  
2 read as follows:

3       The board may make low-interest or interest-free loans or grants  
4 to local governments for emergency public works projects. Emergency  
5 public works projects shall include the construction, repair,  
6 reconstruction, replacement, rehabilitation, or improvement of a  
7 public water system that is in violation of health and safety  
8 standards and is being operated by a local government on a temporary  
9 basis. The loans or grants may be used to help fund all or part of an  
10 emergency public works project less any reimbursement from any of the  
11 following sources: (1) Federal disaster or emergency funds, including  
12 funds from the federal emergency management agency; (2) state  
13 disaster or emergency funds; (3) insurance settlements; or (4)  
14 litigation.

15       **Sec. 8.** RCW 43.155.068 and 2001 c 131 s 4 are each amended to  
16 read as follows:

17       (1) The board may make (~~low-interest or interest-free~~) loans or  
18 grants to local governments for preconstruction activities on public  
19 works projects before the legislature approves the construction phase  
20 of the project. Preconstruction activities include design,  
21 engineering, bid-document preparation, environmental studies, right-  
22 of-way acquisition, value planning, and other preliminary phases of  
23 public works projects as determined by the board. The purpose of the  
24 loans and grants authorized in this section is to accelerate the  
25 completion of public works projects by allowing preconstruction  
26 activities to be performed before the approval of the construction  
27 phase of the project by the legislature.

28       (2) Projects receiving loans or grants for preconstruction  
29 activities under this section must be evaluated using the priority  
30 process and factors in RCW 43.155.070(~~((2))~~). The receipt of a loan  
31 or grant for preconstruction activities does not ensure the receipt  
32 of a construction loan or grant for the project under this chapter.  
33 Construction loans or grants for projects receiving a loan or grant  
34 for preconstruction activities under this section are subject to  
35 legislative approval under RCW 43.155.070 (~~((4) and (5))~~) (7). The  
36 board shall adopt a single application process for local governments  
37 seeking both a loan or grant for preconstruction activities under  
38 this section and a construction loan for the project.



1       **Sec. 9.** RCW 43.155.070 and 2015 3rd sp.s. c 3 s 7033 are each  
2 amended to read as follows:

3       (1) To qualify for financial assistance under this chapter the  
4 board must determine that a local government meets all of the  
5 following conditions:

6       (a) The city or county must be imposing a tax under chapter 82.46  
7 RCW at a rate of at least one-quarter of one percent;

8       (b) The local government must have developed a capital facility  
9 plan; and

10       (c) The local government must be using all local revenue sources  
11 which are reasonably available for funding public works, taking into  
12 consideration local employment and economic factors.

13       (2) Except where necessary to address a public health need or  
14 substantial environmental degradation, a county, city, or town  
15 planning under RCW 36.70A.040 may not receive financial assistance  
16 under this chapter unless it has adopted a comprehensive plan,  
17 including a capital facilities plan element, and development  
18 regulations as required by RCW 36.70A.040. This subsection does not  
19 require any county, city, or town planning under RCW 36.70A.040 to  
20 adopt a comprehensive plan or development regulations before  
21 requesting or receiving financial assistance under this chapter if  
22 such request is made before the expiration of the time periods  
23 specified in RCW 36.70A.040. A county, city, or town planning under  
24 RCW 36.70A.040 that has not adopted a comprehensive plan and  
25 development regulations within the time periods specified in RCW  
26 36.70A.040 may apply for and receive financial assistance under this  
27 chapter if the comprehensive plan and development regulations are  
28 adopted as required by RCW 36.70A.040 before executing a contractual  
29 agreement for financial assistance with the board.

30       (3) In considering awarding financial assistance for public  
31 facilities to special districts requesting funding for a proposed  
32 facility located in a county, city, or town planning under RCW  
33 36.70A.040, the board must consider whether the county, city, or town  
34 planning under RCW 36.70A.040 in whose planning jurisdiction the  
35 proposed facility is located has adopted a comprehensive plan and  
36 development regulations as required by RCW 36.70A.040.

37       (4) ~~((The board must develop a priority process for public works  
38 projects as provided in this section. The intent of the priority  
39 process is to maximize the value of public works projects  
40 accomplished with assistance under this chapter. The board must~~

1 attempt to assure a geographical balance in assigning priorities to  
2 projects. The board must consider at least the following factors in  
3 assigning a priority to a project:

4 (a) Whether the local government receiving assistance has  
5 experienced severe fiscal distress resulting from natural disaster or  
6 emergency public works needs;

7 (b) Except as otherwise conditioned by RCW 43.155.110, whether  
8 the entity receiving assistance is a Puget Sound partner, as defined  
9 in RCW 90.71.010;

10 (c) Whether the project is referenced in the action agenda  
11 developed by the Puget Sound partnership under RCW 90.71.310;

12 (d) Whether the project is critical in nature and would affect  
13 the health and safety of a great number of citizens;

14 (e) Whether the applicant's permitting process has been certified  
15 as streamlined by the office of regulatory assistance;

16 (f) Whether the applicant has developed and adhered to guidelines  
17 regarding its permitting process for those applying for development  
18 permits consistent with section 1(2), chapter 231, Laws of 2007;

19 (g) The cost of the project compared to the size of the local  
20 government and amount of loan money available;

21 (h) The number of communities served by or funding the project;

22 (i) Whether the project is located in an area of high  
23 unemployment, compared to the average state unemployment;

24 (j) Whether the project is the acquisition, expansion,  
25 improvement, or renovation by a local government of a public water  
26 system that is in violation of health and safety standards, including  
27 the cost of extending existing service to such a system;

28 (k) Except as otherwise conditioned by RCW 43.155.120, and  
29 effective one calendar year following the development of model  
30 evergreen community management plans and ordinances under RCW  
31 35.105.050, whether the entity receiving assistance has been  
32 recognized, and what gradation of recognition was received, in the  
33 evergreen community recognition program created in RCW 35.105.030;

34 (l) The relative benefit of the project to the community,  
35 considering the present level of economic activity in the community  
36 and the existing local capacity to increase local economic activity  
37 in communities that have low economic growth; and

38 (m) Other criteria that the board considers advisable.

1       ~~(5) For the 2015-2017 fiscal biennium, in place of the criteria,~~  
2 ~~ranking, and submission processes for construction loan lists~~  
3 ~~provided in subsections (4) and (7) of this section:)~~

4       (a) The board must develop a process ((~~for numerically ranking~~))  
5 to prioritize applications ((~~for construction~~)) and funding of loans  
6 and grants for public works projects submitted by local governments.  
7 The board must consider, at a minimum and in any order, the following  
8 factors in ((~~assigning a numerical ranking to a~~)) prioritizing  
9 projects:

10       (i) Whether the project is critical in nature and would affect  
11 the health and safety of many people;

12       (ii) The extent to which the project leverages ((~~nonstate~~)) other  
13 funds;

14       (iii) The extent to which the project is ready to proceed to  
15 construction;

16       (iv) Whether the project is located in an area of high  
17 unemployment, compared to the average state unemployment;

18       (v) Whether the project promotes the sustainable use of resources  
19 and environmental quality, as applicable;

20       (vi) Whether the project consolidates or regionalizes systems;

21       (vii) Whether the project encourages economic development through  
22 mixed-use and mixed income development consistent with chapter 36.70A  
23 RCW;

24       (viii) Whether the system is being well-managed in the present  
25 and for long-term sustainability;

26       (ix) Achieving equitable distribution of funds by geography and  
27 population;

28       (x) The extent to which the project meets the following state  
29 policy objectives:

30       (A) Efficient use of state resources;

31       (B) Preservation and enhancement of health and safety;

32       (C) Abatement of pollution and protection of the environment;

33       (D) Creation of new, family-wage jobs, and avoidance of shifting  
34 existing jobs from one Washington state community to another;

35       (E) Fostering economic development consistent with chapter 36.70A  
36 RCW;

37       (F) Efficiency in delivery of goods and services((~~, public~~  
38 ~~transit,~~)) and transportation; and

1           (G) ~~((Avoidance of additional costs to state and local~~  
2 ~~governments that adversely impact local residents and small~~  
3 ~~businesses; and~~

4           ~~(H))~~ Reduction of the overall cost of public infrastructure;  
5           ~~((and))~~

6           (xi) Whether the applicant sought or is seeking funding for the  
7 project from other sources; and

8           (xii) Other criteria that the board considers necessary to  
9 achieve the purposes of this chapter.

10          (b) Before ~~((November))~~ September 1, ((2016)) 2018, and each year  
11 thereafter, the board must develop and submit a report regarding the  
12 construction loans and grants to the office of financial management  
13 and appropriate fiscal committees of the senate and house of  
14 representatives ~~((a ranked list of qualified public works projects~~  
15 ~~which have been evaluated by the board and are recommended for~~  
16 ~~funding by the legislature)). The report must include:~~

17           (i) The total number of applications and amount of funding  
18 requested for public works projects;

19           (ii) A list and description of projects approved in the preceding  
20 fiscal year with project scores against the board's prioritization  
21 criteria;

22           (iii) The total amount of loan and grants disbursements made from  
23 the public works assistance account in the preceding fiscal year;

24           (iv) The total amount of loan repayments in the preceding fiscal  
25 year for outstanding loans from the public works assistance account;

26           (v) The total amount of loan repayments due for outstanding loans  
27 for each fiscal year over the following ten-year period; and

28           (vi) The total amount of funds obligated and timing of when the  
29 funds were obligated in the preceding fiscal year.

30          (c) The maximum amount of funding that the board may  
31 ~~((recommend))~~ provide for any jurisdiction is ten million dollars per  
32 biennium. ~~((For each project on the ranked list, as well as for~~  
33 ~~eligible projects not recommended for funding, the board must~~  
34 ~~document the numerical ranking that was assigned.~~

35          ~~(6))~~ (5) Existing debt or financial obligations of local  
36 governments may not be refinanced under this chapter. Each local  
37 government applicant must provide documentation of attempts to secure  
38 additional local or other sources of funding for each public works  
39 project for which financial assistance is sought under this chapter.

1       ~~((7))~~ (6) Before ~~((November))~~ September 1st of each ~~((even-~~  
2 ~~numbered))~~ year, the board must develop and submit to the appropriate  
3 fiscal committees of the senate and house of representatives a  
4 description of the loans and grants made under RCW 43.155.065~~((7))~~  
5 and 43.155.068~~((, and subsection (10) of this section during the~~  
6 ~~preceding fiscal year and a prioritized list of projects which are~~  
7 ~~recommended for funding by the legislature, including one copy to the~~  
8 ~~staff of each of the committees. The list must include, but not be~~  
9 ~~limited to, a description of each project and recommended financing,~~  
10 ~~the terms and conditions of the loan or financial guarantee, the~~  
11 ~~local government jurisdiction and unemployment rate, demonstration of~~  
12 ~~the jurisdiction's critical need for the project and documentation of~~  
13 ~~local funds being used to finance the public works project. The list~~  
14 ~~must also include measures of fiscal capacity for each jurisdiction~~  
15 ~~recommended for financial assistance, compared to authorized limits~~  
16 ~~and state averages, including local government sales taxes; real~~  
17 ~~estate excise taxes; property taxes; and charges for or taxes on~~  
18 ~~sewerage, water, garbage, and other utilities)).~~

19       ~~((8))~~ (7) The board may not sign contracts or otherwise  
20 financially obligate funds from the public works assistance account  
21 before the legislature has appropriated funds to the board for ~~((a~~  
22 ~~specific list of))~~ the purpose of funding public works projects under  
23 this chapter. ~~((The legislature may remove projects from the list~~  
24 ~~recommended by the board. The legislature may not change the order of~~  
25 ~~the priorities recommended for funding by the board.~~

26       ~~(9) Subsection (8) of this section does not apply to loans made~~  
27 ~~under RCW 43.155.065, 43.155.068, and subsection (10) of this~~  
28 ~~section.~~

29       ~~(10) Loans made for the purpose of capital facilities plans are~~  
30 ~~exempted from subsection (8) of this section.~~

31       ~~((11))~~ (8) To qualify for loans, grants, or pledges for solid  
32 waste or recycling facilities under this chapter, a city or county  
33 must demonstrate that the solid waste or recycling facility is  
34 consistent with and necessary to implement the comprehensive solid  
35 waste management plan adopted by the city or county under chapter  
36 70.95 RCW.

37       ~~((12))~~ (9) After January 1, 2010, any project designed to  
38 address the effects of storm water or wastewater on Puget Sound may  
39 be funded under this section only if the project is not in conflict

1 with the action agenda developed by the Puget Sound partnership under  
2 RCW 90.71.310.

3 ~~((13) During the 2015-2017 fiscal biennium,))~~ (10) For projects  
4 involving repair, replacement, or improvement of a wastewater  
5 treatment plant or other public works facility for which an  
6 investment grade efficiency audit is reasonably obtainable, the  
7 public works board must require as a contract condition that the  
8 project sponsor undertake an investment grade efficiency audit. The  
9 project sponsor may finance the costs of the audit as part of its  
10 public works assistance account program loan or grant.

11 ~~((14)(a) For public works assistance account application rounds  
12 conducted during the 2015-2017 fiscal biennium,))~~ (11) The board must  
13 implement policies and procedures designed to maximize local  
14 government ~~((use))~~ consideration of ~~((federal))~~ other funds to  
15 finance local infrastructure ~~((including, but not limited to,  
16 drinking water and clean water state revolving funds operated by the  
17 state departments of health and ecology. Projects that are eligible  
18 for the drinking water and clean water state revolving funds may  
19 receive public works board preconstruction loans. Projects that are  
20 eligible for the drinking water and clean water state revolving funds  
21 are not eligible for public works board construction loans. For  
22 purposes of this subsection "eligible for drinking water and clean  
23 water state revolving funds" means:~~

24 ~~(i) Projects that have applied to the state revolving funds and  
25 are awaiting a funding decision;~~

26 ~~(ii) Projects that have been rejected for funding solely due to  
27 not meeting readiness requirements; and~~

28 ~~(iii) Projects that have not applied, but would likely be  
29 eligible if the project applied and met the project readiness  
30 requirements.~~

31 ~~(b) For all construction loan projects proposed to the  
32 legislature for funding during the 2015-2017 fiscal biennium, the  
33 board must base interest rates on the average daily market interest  
34 rate for tax-exempt municipal bonds as published in the bond buyer's  
35 index for the period from sixty to thirty days before the start of  
36 the application cycle. For projects with a repayment period between  
37 five and twenty years, the rate must be sixty percent of the market  
38 rate. For projects with a repayment period under five years, the rate  
39 must be thirty percent of the market rate. The board must also  
40 provide reduced interest rates, extended repayment periods, or~~

1 ~~forgivable principal loans for projects that meet financial hardship~~  
2 ~~criteria as measured by the affordability index or similar standard~~  
3 ~~measure of financial hardship)).~~

4 **Sec. 10.** RCW 43.155.075 and 2001 c 227 s 10 are each amended to  
5 read as follows:

6 In providing loans and grants for public works projects, the  
7 board shall require recipients to incorporate the environmental  
8 benefits of the project into their applications, and the board shall  
9 utilize the statement of environmental benefits in its prioritization  
10 and selection process, when applicable. For projects funded under  
11 this chapter, the board may require a local government to have  
12 sustainable asset management best practices in place; provide a long-  
13 term financial plan to demonstrate a sound maintenance program; have  
14 a long-term financial plan for loan repayments in place; and undergo  
15 value planning at the predesign project stage, where the greatest  
16 productivity gains and cost savings can be found. The board shall  
17 also develop appropriate outcome-focused performance measures to be  
18 used both for management and performance assessment of the loan and  
19 grant program. To the extent possible, the department should  
20 coordinate its performance measure system with other natural  
21 resource-related agencies as defined in RCW 43.41.270. The board  
22 shall consult with affected interest groups in implementing this  
23 section.

24 NEW SECTION. **Sec. 11.** (1) An interagency, multijurisdictional  
25 system improvement team must identify, implement, and report on  
26 system improvements that achieve the designated outcomes, including:

27 (a) Projects that maximize value, minimize overall costs and  
28 disturbance to the community, and ensure long-term durability and  
29 resilience;

30 (b) Projects that are designed to meet the unique needs of each  
31 community, rather than the needs of particular funding programs;

32 (c) Project designs that maximize long-term value by fully  
33 considering and responding to anticipated long-term environmental,  
34 technological, economic and population changes;

35 (d) The flexibility to innovate, including utilizing natural  
36 systems, addressing multiple regulatory drivers, and forming regional  
37 partnerships;

1 (e) The ability to plan and collaborate across programs and  
2 jurisdictions so that different investments are packaged to be  
3 complementary, timely, and responsive to economic and community  
4 opportunities;

5 (f) The needed capacity for communities, appropriate to their  
6 unique financial, planning, and management capacities, so they can  
7 design, finance, and build projects that best meet their long-term  
8 needs and minimize costs;

9 (g) Optimal use and leveraging of federal and private  
10 infrastructure dollars; and

11 (h) Mechanisms to ensure periodic, system-wide review and ongoing  
12 achievement of the designated outcomes.

13 (2) The system improvement team must consist of representatives  
14 of state infrastructure programs that provide funding for drinking  
15 water, wastewater, and storm water programs, including but not  
16 limited to representatives from the department of ecology, department  
17 of health, and the department of commerce. The system improvement  
18 team may invite representatives of other infrastructure programs,  
19 such as transportation and energy, as needed in order to achieve  
20 efficiency, minimize costs, and maximize value across infrastructure  
21 programs. The system improvement team shall also consist of  
22 representatives of users of those programs, representatives of  
23 infrastructure project builders, and other parties the system  
24 improvement team determines would contribute to achieving the desired  
25 outcomes, including but not limited to representatives from a state  
26 association of cities, a state association of counties, a state  
27 association of public utility districts, a state association of water  
28 and sewer districts, a state association of general contractors, and  
29 a state organization representing building trades. A representative  
30 from the department of ecology, department of health, and department  
31 of commerce shall facilitate the work of the system improvement team.

32 (3) The system improvement team must focus on achieving the  
33 designated outcomes within existing program structures and  
34 authorities. The system improvement team shall use lean practices to  
35 achieve the designated outcomes.

36 (4) The system improvement team shall provide briefings as  
37 requested to the public works board on the current state of  
38 infrastructure programs to build an understanding of the  
39 infrastructure investment program landscape and the interplay of its  
40 component parts.



1 (5) If the system improvement team encounters statutory or  
2 regulatory barriers to system improvements, the system improvement  
3 team must inform the public works board and consult on possible  
4 solutions. When achieving the designated outcomes would be best  
5 served through changes in program structures or authorities, the  
6 system improvement team must report those findings to the public  
7 works board.

8 (6) This section expires June 30, 2021.

9 NEW SECTION. **Sec. 12.** The public works board, in consultation  
10 with stakeholders, including the system improvement team and  
11 financing experts, must evaluate and report on other financing  
12 approaches that could be established to provide access to financing  
13 for local governments who have trouble accessing the existing private  
14 credit market at reasonable rates for infrastructure. The public  
15 works board must submit the report to the appropriate fiscal  
16 committees of the senate and house of representatives and the office  
17 of financial management by December 1, 2018.

--- END ---