

**SENATE BILL REPORT**

**SB 5602**

**AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, FEBRUARY 26, 1991**

**Brief Description:** Authorizing public facility loans and grants in timber impact areas.

**SPONSORS:** Senators McDonald, Craswell, Owen, Niemi, Matson, Jesernig, L. Smith and Barr; by request of Trade and Economic Development and Office of Financial Management.

**SENATE COMMITTEE ON COMMERCE & LABOR**

**Majority Report:** That Substitute Senate Bill No. 5602 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McCaslin, McDonald, McMullen, and Moore.

**Staff:** Patrick Woods (786-7430)

**Hearing Dates:** February 20, 1991; February 26, 1991

**BACKGROUND:**

Recent changes in the management of federal forest lands due to policies concerning the spotted owl and old-growth forests have resulted in a major decline in timber supplies. The forest products industry is an integral part of the state's economy directly employing in excess of 60,000 persons, ranking it as Washington's second largest manufacturing industry. This reduction in timber supplies is expected to result in considerable job losses, adversely impacting the economy of the state and, in particular, rural timber dependent communities throughout Washington.

The Community Economic Revitalization Board (CERB) provides loans, or grants in unique circumstances to political subdivisions (cities, counties, ports and special utility districts) for public facilities which will result in specific private sector investments and permanent job opportunities. Funds can be used for any public facility including, but not limited to, sewer, water, access roads, port facilities, and improvements to state highways. Applications must include evidence that private development or expansion is ready to occur and will only materialize if CERB funds are provided. Eligible private development includes: manufacturing, production, food processing, assembly, warehousing, industrial distribution, recycling, or businesses that support the trading of goods and services outside the state's border.

**SUMMARY:**

The Legislature finds that the state's economic development efforts can be enhanced by providing "federal timber impact areas" with support for public facility improvements which are necessary to achieve long-term economic diversification goals.

"Federal timber impact area" is defined as a county meeting two of the following three criteria: (a) an area that has a logging and lumber employment level at or above the state average; (b) direct logging and lumber job loss of 100 or more; and (c) annual unemployment rate 20 percent above the state average.

"Small scale tourism projects" is defined as a project where additions to current facilities will attract nonresident visitors for overnight stays.

A separate economic development account is established within CERB to provide public facilities for industrial projects and small scale tourism projects that can demonstrate a high probability of attracting or retaining jobs and private investment. Funds are also available for feasibility studies that would be used to determine the economic viability of these projects.

Applications under this program are required to meet the following criteria: (1) applicants are limited to political subdivisions of the state in "federal timber impact areas" that demonstrate the local economy's dependence on the forest products industry; (2) applicants must demonstrate that their request is part of an economic development plan consistent with state planning requirements and projects must be approved by the local government and its associate development organization; and (3) applicants must demonstrate local management participation with land donation and other public or private funds and services.

The maximum level of board funding is as follows: feasibility studies may not exceed \$25,000 per study; "small scale tourism projects" may not exceed \$250,000; public facility projects may not exceed \$500,000. Grants may only be authorized if a loan is not possible due to the limited resources of the political subdivision.

**EFFECT OF PROPOSED SUBSTITUTE:**

The term "small scale tourism project" is modified to "tourism project" throughout the bill.

**Appropriation:** \$2 million

**Revenue:** none

**Fiscal Note:** requested February 18, 1991

**TESTIMONY FOR:**

The funding provided under this Community Economic Revitalization Board is necessary to assist timber dependent counties and those impacted by the recent reduction in timber harvest.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Mim Heuss, Washington Association Convention and Visitor Bureaus (pro); Dennis Matson, DTED (pro); Phyllis Shrauger, CERB (pro); Judith St. Claire, Clallam County EDC (pro); Chrys Cervingler, North Olympic Penninsula Visitor and Convention Bureau (pro); David McFadden, Yakima EDC (pro)