

SENATE BILL REPORT

SB 5656

AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, MARCH 4, 1991

Brief Description: Authorizing public works loans to local governments in timber impact areas.

SPONSORS: Senators Newhouse, Matson, Owen, Niemi, Sutherland and McMullen; by request of Department of Community Development and Office of Financial Management.

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5656 be substituted therefor, and the substitute bill do pass.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; McMullen, Moore, Murray, and Skratek.

Staff: Patrick Woods (786-7430)

Hearing Dates: February 28, 1991; March 4, 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 an excess of 600,000 persons, ranking 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 Public Works Board was established in 1985 to address growing public infrastructure needs throughout the state. The board provides low interest and interest-free loans to local governments to finance repair/replacement and reconstruction of public works projects which include streets, roads, bridges, water systems and sanitary sewage systems.

SUMMARY:

The Public Works Board is authorized to provide low interest and interest-free loans to timber impacted areas for construction of new public works facilities that stimulate economic growth or diversification. The board is authorized to establish the following criteria for awarding loans to local governments: the local government must be imposing the excise tax on real estate sales; the government must have in place a capital improvements plan; it must have experienced or be about to experience employment loss due to the timber economy; the proposed project must provide an opportunity to

create or retain jobs within the community; the local government must provide reasonable assurance of its ability to repay the debt; and, it must meet any additional guidelines and criteria established by the board.

The public works assistance account appropriates \$7,000,000 for the purposes of the program. The board is required to provide to the Office of Financial Management and the legislative fiscal committees a report on loans awarded by January 15, 1994.

The act is terminated on June 30, 1993.

EFFECT OF PROPOSED SUBSTITUTE:

The term "timber impact area" is defined as a county meeting two of the following three criteria:

- (1) Have a logging and employment level at or above the state average;
- (2) Having logging and lumber job losses of 100 or more;
- (3) Annual unemployment rate 20 percent above the state average.

The criteria for awarding loans to local government is modified to require that employment losses due to the timber economy be of a significant nature.

Appropriation: \$7,000,000

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

Funds are needed for construction of public infrastructure to assist economic development in areas of the state that have been adversely impacted due to a decline in timber supplies from federal lands.

TESTIMONY AGAINST: None

TESTIFIED: Pete Butkus, Department of Community Development; Stan Finkelstein, Association of Washington Cities