

CERTIFICATION OF ENROLLMENT

**ENGROSSED SECOND SUBSTITUTE SENATE BILL 5594**

Chapter 164, Laws of 1999

(partial veto)

56th Legislature  
1999 Regular Session

ECONOMIC VITALITY

EFFECTIVE DATE: 8/1/99

Passed by the Senate April 24, 1999  
YEAS 48 NAYS 0

BRAD OWEN  
President of the Senate

Passed by the House April 24, 1999  
YEAS 94 NAYS 1

CLYDE BALLARD  
Speaker of the  
House of Representatives

FRANK CHOPP  
Speaker of the  
House of Representatives

Approved May 3, 1999, with the  
exception of sections 106, 201 and 401,  
which are vetoed.

GARY LOCKE  
Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the  
Senate of the State of Washington, do  
hereby certify that the attached is  
**ENGROSSED SECOND SUBSTITUTE SENATE  
BILL 5594** as passed by the Senate and  
the House of Representatives on the  
dates hereon set forth.

TONY M. COOK  
Secretary

FILED

May 3, 1999 - 3:25 p.m.

Secretary of State  
State of Washington

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ENGROSSED SECOND SUBSTITUTE SENATE BILL 5594

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AS AMENDED BY THE HOUSE

Passed Legislature - 1999 Regular Session

State of Washington                      56th Legislature                      1999 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Rasmussen, T. Sheldon, Prentice, Fairley and Winsley; by request of Governor Locke)

Read first time 03/05/99.

1            AN ACT Relating to enhancing economic vitality; amending RCW  
2 43.160.010, 43.160.020, 43.160.060, 43.160.070, 43.160.900, 43.160.200,  
3 43.180.160, 82.60.020, 82.60.040, 82.60.070, 82.62.010, 82.62.030,  
4 43.168.010, 43.168.020, 43.168.110, 43.168.120, 43.17.250, 43.155.070,  
5 70.146.070, and 43.131.386; reenacting and amending RCW 43.160.076;  
6 adding a new section to chapter 43.63A RCW; adding a new section to  
7 chapter 82.60 RCW; adding a new section to chapter 82.62 RCW; adding a  
8 new section to chapter 43.168 RCW; creating new sections; repealing RCW  
9 43.160.212; repealing 1997 c 367 s 11, 1995 c 226 s 8, 1993 c 316 s 7,  
10 and 1991 c 314 s 33 (uncodified); providing an effective date; and  
11 providing an expiration date.

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

13            NEW SECTION.            **Sec. 1.**            The legislature finds that while  
14 Washington's economy is currently prospering, economic growth continues  
15 to be uneven, particularly as between metropolitan and rural areas.  
16 This has created in effect two Washingtons.            One afflicted by  
17 inadequate infrastructure to support and attract investment, another  
18 suffering from congestion and soaring housing prices.            In order to  
19 address these problems, the legislature intends to use resources

1 strategically to build on our state's strengths while addressing  
2 threats to our prosperity.

3 **PART I**

4 **RURAL ECONOMIC DEVELOPMENT**

5 **Enhanced Flexibility for Use of Community Economic**  
6 **Revitalization Board Funds**

7 **Sec. 101.** RCW 43.160.010 and 1996 c 51 s 1 are each amended to  
8 read as follows:

9 (1) The legislature finds that it is the public policy of the state  
10 of Washington to direct financial resources toward the fostering of  
11 economic development through the stimulation of investment and job  
12 opportunities and the retention of sustainable existing employment for  
13 the general welfare of the inhabitants of the state. Reducing  
14 unemployment and reducing the time citizens remain jobless is important  
15 for the economic welfare of the state. A valuable means of fostering  
16 economic development is the construction of public facilities which  
17 contribute to the stability and growth of the state's economic base.  
18 Strengthening the economic base through issuance of industrial  
19 development bonds, whether single or umbrella, further serves to reduce  
20 unemployment. Consolidating issues of industrial development bonds  
21 when feasible to reduce costs additionally advances the state's purpose  
22 to improve economic vitality. Expenditures made for these purposes as  
23 authorized in this chapter are declared to be in the public interest,  
24 and constitute a proper use of public funds. A community economic  
25 revitalization board is needed which shall aid the development of  
26 economic opportunities. The general objectives of the board should  
27 include:

28 (a) Strengthening the economies of areas of the state which have  
29 experienced or are expected to experience chronically high unemployment  
30 rates or below average growth in their economies;

31 (b) Encouraging the diversification of the economies of the state  
32 and regions within the state in order to provide greater seasonal and  
33 cyclical stability of income and employment;

34 (c) Encouraging wider access to financial resources for both large  
35 and small industrial development projects;

1 (d) Encouraging new economic development or expansions to maximize  
2 employment;

3 (e) Encouraging the retention of viable existing firms and  
4 employment; and

5 (f) Providing incentives for expansion of employment opportunities  
6 for groups of state residents that have been less successful relative  
7 to other groups in efforts to gain permanent employment.

8 (2) The legislature also finds that the state's economic  
9 development efforts can be enhanced by, in certain instances, providing  
10 funds to improve state highways (~~(in the vicinity of new)~~), county  
11 roads, or city streets for industries considering locating or expanding  
12 in this state ((or existing industries that are considering significant  
13 expansion)).

14 (a) The legislature finds it desirable to provide a process whereby  
15 the need for diverse public works improvements necessitated by planned  
16 economic development can be addressed in a timely fashion and with  
17 coordination among all responsible governmental entities.

18 (~~(It is the intent of the legislature to create an economic~~  
19 ~~development account within the motor vehicle fund from which~~  
20 ~~expenditures can be made by the department of transportation for state~~  
21 ~~highway improvements necessitated by planned economic development.))~~  
22 All (~~(such)~~) transportation improvements on state highways must first  
23 be approved by the state transportation commission and the community  
24 economic revitalization board in accordance with the procedures  
25 established by RCW 43.160.074 and 47.01.280. (~~(It is further the~~  
26 ~~intent of the legislature that such improvements not jeopardize any~~  
27 ~~other planned highway construction projects. The improvements are~~  
28 ~~intended to be of limited size and cost, and to include such items as~~  
29 ~~additional turn lanes, signalization, illumination, and safety~~  
30 ~~improvements.))~~)

31 (3) The legislature also finds that the state's economic  
32 development efforts can be enhanced by, in certain instances, providing  
33 funds to assist development of telecommunications infrastructure that  
34 supports business development, retention, and expansion in rural  
35 natural resources impact areas and rural counties of the state.

36 (4) The legislature also finds that the state's economic  
37 development efforts can be enhanced by providing funds to improve  
38 markets for those recyclable materials representing a large fraction of  
39 the waste stream. The legislature finds that public facilities which

1 result in private construction of processing or remanufacturing  
2 facilities for recyclable materials are eligible for consideration from  
3 the board.

4 ~~((4))~~ (5) The legislature finds that sharing economic growth  
5 state-wide is important to the welfare of the state. Rural counties  
6 and rural natural resources impact areas do not share in the economic  
7 vitality of the Puget Sound region. The ability of these communities  
8 to pursue business and job retention, expansion, and development  
9 opportunities depends on their capacity to ready necessary economic  
10 development project plans, sites, permits, and infrastructure for  
11 private investments. Project-specific planning, predevelopment, and  
12 infrastructure ~~((is one of several))~~ are critical ingredients ~~((that~~  
13 ~~are critical))~~ for economic development. Rural counties and rural  
14 natural resources impact areas generally lack ~~((the infrastructure))~~  
15 these necessary tools and resources to diversify and revitalize their  
16 economies. It is, therefore, the intent of the legislature to increase  
17 the ~~((availability of funds to help provide infrastructure to rural~~  
18 ~~natural resource impact areas))~~ amount of funding available through the  
19 community economic revitalization board for rural counties and rural  
20 natural resources impact areas, and to authorize flexibility for  
21 available resources in these areas to help fund planning,  
22 predevelopment, and construction costs of infrastructure and facilities  
23 and sites that foster economic vitality and diversification.

24 **Sec. 102.** RCW 43.160.020 and 1997 c 367 s 8 are each amended to  
25 read as follows:

26 Unless the context clearly requires otherwise, the definitions in  
27 this section apply throughout this chapter.

28 (1) "Board" means the community economic revitalization board.

29 (2) "Bond" means any bond, note, debenture, interim certificate, or  
30 other evidence of financial indebtedness issued by the board pursuant  
31 to this chapter.

32 (3) "Department" means the department of community, trade, and  
33 economic development.

34 (4) "Financial institution" means any bank, savings and loan  
35 association, credit union, development credit corporation, insurance  
36 company, investment company, trust company, savings institution, or  
37 other financial institution approved by the board and maintaining an  
38 office in the state.

1 (5) "Industrial development facilities" means "industrial  
2 development facilities" as defined in RCW 39.84.020.

3 (6) "Industrial development revenue bonds" means tax-exempt revenue  
4 bonds used to fund industrial development facilities.

5 (7) "Local government" or "political subdivision" means any port  
6 district, county, city, town, special purpose district, and any other  
7 municipal corporations or quasi-municipal corporations in the state  
8 providing for public facilities under this chapter.

9 (8) "Sponsor" means any of the following entities which customarily  
10 provide service or otherwise aid in industrial or other financing and  
11 are approved as a sponsor by the board: A bank, trust company, savings  
12 bank, investment bank, national banking association, savings and loan  
13 association, building and loan association, credit union, insurance  
14 company, or any other financial institution, governmental agency, or  
15 holding company of any entity specified in this subsection.

16 (9) "Umbrella bonds" means industrial development revenue bonds  
17 from which the proceeds are loaned, transferred, or otherwise made  
18 available to two or more users under this chapter.

19 (10) "User" means one or more persons acting as lessee, purchaser,  
20 mortgagor, or borrower under a financing document and receiving or  
21 applying to receive revenues from bonds issued under this chapter.

22 (11) "Public facilities" means a project of a local government for  
23 the planning, acquisition, construction, repair, reconstruction,  
24 replacement, rehabilitation, or improvement of bridges, roads, domestic  
25 and industrial water, earth stabilization, sanitary sewer, storm sewer,  
26 railroad, electricity, telecommunications, transportation, natural gas,  
27 buildings or structures, and port facilities, all for the purpose of  
28 job creation, job retention, or job expansion.

29 (12) "Rural county" means a county with a population density of  
30 fewer than one hundred persons per square mile as determined by the  
31 office of financial management.

32 (13) "Rural natural resources impact area" means:

33 (a) A nonmetropolitan county, as defined by the 1990 decennial  
34 census, that meets three of the five criteria set forth in subsection  
35 ~~((+13))~~ (14) of this section;

36 (b) A nonmetropolitan county with a population of less than forty  
37 thousand in the 1990 decennial census, that meets two of the five  
38 criteria as set forth in subsection ~~((+13))~~ (14) of this section; or

1 (c) A nonurbanized area, as defined by the 1990 decennial census,  
2 that is located in a metropolitan county that meets three of the five  
3 criteria set forth in subsection (~~((13))~~) (14) of this section.

4 (~~((13))~~) (14) For the purposes of designating rural natural  
5 resources impact areas, the following criteria shall be considered:

6 (a) A lumber and wood products employment location quotient at or  
7 above the state average;

8 (b) A commercial salmon fishing employment location quotient at or  
9 above the state average;

10 (c) Projected or actual direct lumber and wood products job losses  
11 of one hundred positions or more;

12 (d) Projected or actual direct commercial salmon fishing job losses  
13 of one hundred positions or more; and

14 (e) An unemployment rate twenty percent or more above the state  
15 average. The counties that meet these criteria shall be determined by  
16 the employment security department for the most recent year for which  
17 data is available. For the purposes of administration of programs  
18 under this chapter, the United States post office five-digit zip code  
19 delivery areas will be used to determine residence status for  
20 eligibility purposes. For the purpose of this definition, a zip code  
21 delivery area of which any part is ten miles or more from an urbanized  
22 area is considered nonurbanized. A zip code totally surrounded by zip  
23 codes qualifying as nonurbanized under this definition is also  
24 considered nonurbanized. The office of financial management shall make  
25 available a zip code listing of the areas to all agencies and  
26 organizations providing services under this chapter.

27 **Sec. 103.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to  
28 read as follows:

29 The board is authorized to make direct loans to political  
30 subdivisions of the state for the purposes of assisting the political  
31 subdivisions in financing the cost of public facilities, including  
32 development of land and improvements for public facilities, project-  
33 specific environmental, capital facilities, land use, permitting,  
34 feasibility and marketing studies and plans; project design, site  
35 planning, and analysis; project debt and revenue impact analysis; as  
36 well as the construction, rehabilitation, alteration, expansion, or  
37 improvement of the facilities. A grant may also be authorized for  
38 purposes designated in this chapter, but only when, and to the extent

1 that, a loan is not reasonably possible, given the limited resources of  
2 the political subdivision and the finding by the board that (~~(unique))~~  
3 financial circumstances (~~(exist. The board shall not obligate more~~  
4 ~~than twenty percent of its biennial appropriation as grants)) require  
5 grant assistance to enable the project to move forward.~~

6 Application for funds shall be made in the form and manner as the  
7 board may prescribe. In making grants or loans the board shall conform  
8 to the following requirements:

9 (1) The board shall not provide financial assistance:

10 (a) For a project the primary purpose of which is to facilitate or  
11 promote a retail shopping development or expansion.

12 (b) For any project that evidence exists would result in a  
13 development or expansion that would displace existing jobs in any other  
14 community in the state.

15 (c) For the acquisition of real property, including buildings and  
16 other fixtures which are a part of real property.

17 (2) The board shall only provide financial assistance:

18 (a) For those projects which would result in specific private  
19 developments or expansions (i) in manufacturing, production, food  
20 processing, assembly, warehousing, advanced technology, research and  
21 development, and industrial distribution; (ii) for processing  
22 recyclable materials or for facilities that support recycling,  
23 including processes not currently provided in the state, including but  
24 not limited to, de-inking facilities, mixed waste paper, plastics, yard  
25 waste, and problem-waste processing; (iii) for manufacturing facilities  
26 that rely significantly on recyclable materials, including but not  
27 limited to waste tires and mixed waste paper; (iv) which support the  
28 relocation of businesses from nondistressed urban areas to  
29 (~~(distressed))~~ rural counties or rural natural resources impact areas;  
30 or (v) which substantially support the trading of goods or services  
31 outside of the state's borders.

32 (b) For projects which it finds will improve the opportunities for  
33 the successful maintenance, establishment, or expansion of industrial  
34 or commercial plants or will otherwise assist in the creation or  
35 retention of long-term economic opportunities.

36 (c) When the application includes convincing evidence that a  
37 specific private development or expansion is ready to occur and will  
38 occur only if the public facility improvement is made.

39 (3) The board shall prioritize each proposed project according to:



1        (a) The relative benefits provided to the community by the jobs the  
2 project would create, not just the total number of jobs it would create  
3 after the project is completed and according to the unemployment rate  
4 in the area in which the jobs would be located(~~(. As long as there is~~  
5 ~~more demand for financial assistance than there are funds available,~~  
6 ~~the board is instructed to fund projects in order of their priority))i  
7 and~~

8        (b) The rate of return of the state's investment, that includes the  
9 expected increase in state and local tax revenues associated with the  
10 project.

11        (4) A responsible official of the political subdivision shall be  
12 present during board deliberations and provide information that the  
13 board requests.

14        Before any financial assistance application is approved, the  
15 political subdivision seeking the assistance must demonstrate to the  
16 community economic revitalization board that no other timely source of  
17 funding is available to it at costs reasonably similar to financing  
18 available from the community economic revitalization board.

19        **Sec. 104.** RCW 43.160.070 and 1998 c 321 s 27 (Referendum Bill No.  
20 49) are each amended to read as follows:

21        Public facilities financial assistance, when authorized by the  
22 board, is subject to the following conditions:

23        (1) The moneys in the public facilities construction loan revolving  
24 account and the distressed county public facilities construction loan  
25 account shall be used solely to fulfill commitments arising from  
26 financial assistance authorized in this chapter or, during the 1989-91  
27 fiscal biennium, for economic development purposes as appropriated by  
28 the legislature. The total outstanding amount which the board shall  
29 dispense at any time pursuant to this section shall not exceed the  
30 moneys available from the accounts. The total amount of outstanding  
31 financial assistance in Pierce, King, and Snohomish counties shall  
32 never exceed sixty percent of the total amount of outstanding financial  
33 assistance disbursed by the board under this chapter without reference  
34 to financial assistance provided under RCW 43.160.220.

35        (2) On contracts made for public facilities loans the board shall  
36 determine the interest rate which loans shall bear. The interest rate  
37 shall not exceed ten percent per annum. The board may provide  
38 reasonable terms and conditions for repayment for loans, including

1 partial forgiveness of loan principal and interest payments on projects  
2 located in rural counties or rural natural resources impact areas, as  
3 the board determines. The loans shall not exceed twenty years in  
4 duration.

5 (3) Repayments of loans made from the public facilities  
6 construction loan revolving account under the contracts for public  
7 facilities construction loans shall be paid into the public facilities  
8 construction loan revolving account. Repayments of loans made from the  
9 distressed county public facilities construction loan account under the  
10 contracts for public facilities construction loans shall be paid into  
11 the distressed county public facilities construction loan account.  
12 Repayments of loans from moneys from the new appropriation from the  
13 public works assistance account for the fiscal biennium ending June 30,  
14 1999, shall be paid into the public works assistance account.

15 (4) When every feasible effort has been made to provide loans and  
16 loans are not possible, the board may provide grants upon finding that  
17 unique circumstances exist.

18 **Sec. 105.** RCW 43.160.076 and 1998 c 321 s 28 (Referendum Bill No.  
19 49) and 1998 c 55 s 4 are each reenacted and amended to read as  
20 follows:

21 (1) Except as authorized to the contrary under subsection (2) of  
22 this section, from all funds available to the board for financial  
23 assistance in a biennium under this chapter without reference to  
24 financial assistance provided under RCW 43.160.220, the board shall  
25 spend at least seventy-five percent for financial assistance for  
26 projects in (~~distressed~~) rural counties or rural natural resources  
27 impact areas. (~~For purposes of this section, the term "distressed~~  
28 ~~counties" includes any county, in which the average level of~~  
29 ~~unemployment for the three years before the year in which an~~  
30 ~~application for financial assistance is filed, exceeds the average~~  
31 ~~state unemployment for those years by twenty percent.))~~

32 (2) If at any time during the last six months of a biennium the  
33 board finds that the actual and anticipated applications for qualified  
34 projects in (~~distressed~~) rural counties or rural natural resources  
35 impact areas are clearly insufficient to use up the seventy-five  
36 percent allocation under subsection (1) of this section, then the board  
37 shall estimate the amount of the insufficiency and during the remainder  
38 of the biennium may use that amount of the allocation for financial

1 assistance to projects not located in ((distressed)) rural counties or  
2 rural natural resources impact areas.

3 ((~~(3) This section expires June 30, 2000.~~))

4 *\*Sec. 106. RCW 43.160.900 and 1993 c 320 s 8 are each amended to*  
5 *read as follows:*

6 *(1) The community economic revitalization board shall report to the*  
7 *appropriate standing committees of the legislature biennially on the*  
8 *implementation of this chapter. The report shall include information*  
9 *on the number of applications for community economic revitalization*  
10 *board assistance, the number and types of projects approved, the grant*  
11 *or loan amount awarded each project, the projected number of jobs*  
12 *created or retained by each project, the actual number of jobs created*  
13 *or retained by each project, the amount of state and local tax revenue*  
14 *generated by projects funded under this chapter, the number of*  
15 *delinquent loans, and the number of project terminations. The report*  
16 *may also include additional performance measures and recommendations*  
17 *for programmatic changes. The first report shall be submitted by*  
18 *December 1, 1994.*

19 *(2) The joint legislative audit and review committee shall conduct*  
20 *performance reviews on the effectiveness of the program administered by*  
21 *the board under this chapter. The committee may contract for services*  
22 *to conduct the performance reviews. The costs for the performance*  
23 *reviews shall be paid from repayments of principal and interest on*  
24 *loans made under this chapter. The performance reviews shall be*  
25 *submitted to the appropriate committees of the legislature by December*  
26 *1, 2000, December 1, 2004, and December 1, 2008.*

27 *\*Sec. 106 was vetoed. See message at end of chapter.*

28 **Sec. 107.** RCW 43.160.200 and 1996 c 51 s 9 are each amended to  
29 read as follows:

30 (1) The economic development account is created within the public  
31 facilities construction loan revolving fund under RCW 43.160.080.  
32 Moneys in the account may be spent only after appropriation.  
33 Expenditures from the account may be used only for the purposes of RCW  
34 43.160.010((+3+)) (5) and this section. The account is subject to  
35 allotment procedures under chapter 43.88 RCW.

36 (2) Applications under this section for assistance from the  
37 economic development account are subject to all of the applicable

1 criteria set forth under this chapter, as well as procedures and  
2 criteria established by the board, except as otherwise provided.

3 (3) Eligible applicants under this section are limited to political  
4 subdivisions of the state in rural natural resources impact areas  
5 (~~that demonstrate, to the satisfaction of the board, the local~~  
6 ~~economy's dependence on the forest products and salmon fishing~~  
7 ~~industries)) and rural counties.~~

8 (4) Applicants must demonstrate that their request is part of an  
9 economic development plan consistent with applicable state planning  
10 requirements. Applicants must demonstrate that tourism projects have  
11 been approved by the local government. Industrial projects must be  
12 approved by the local government and the associate development  
13 organization.

14 (5) Publicly owned projects may be financed under this section upon  
15 proof by the applicant that the public project is a necessary component  
16 of, or constitutes in whole, a tourism project.

17 (6) Applications must demonstrate local match and participation.  
18 Such match may include: Land donation, other public or private funds  
19 or both, or other means of local commitment to the project.

20 (7) Board financing for project-specific environmental, capital  
21 facilities, land use, permitting, feasibility and marketing studies and  
22 plans; project engineering, design, and site planning and analysis; and  
23 project debt and revenue impact analysis shall not exceed (~~twenty-~~  
24 ~~five~~) fifty thousand dollars per study. Board funds for (~~feasibility~~  
25 ~~studies~~) these purposes may be provided as a grant and require a  
26 (~~dollar for dollar~~) match (~~with up to one half in-kind match~~  
27 ~~allowed~~)).

28 (8) Board financing for tourism projects shall not exceed two  
29 hundred fifty thousand dollars. Other public facility construction  
30 projects under this section shall not exceed (~~five hundred thousand~~)  
31 one million dollars. Loans with flexible terms and conditions to meet  
32 the needs of the applicants shall be provided. Grants may also be  
33 authorized, but only when, and to the extent that, a loan is not  
34 reasonably possible, given the limited resources of the political  
35 subdivision.

36 (9) The board shall develop guidelines for allowable local match  
37 and (~~feasibility studies~~) planning and predevelopment activities.



1 \*Sec. 201 was vetoed. See message at end of chapter.

2 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.63A  
3 RCW to read as follows:

4 The department shall establish and administer a "one-stop  
5 clearinghouse" to coordinate state assistance for growers and nonprofit  
6 organizations in developing housing for agricultural employees.  
7 Growers, housing authorities, and nonprofit organizations shall have  
8 direct access to the one-stop clearinghouse. The department one-stop  
9 clearinghouse shall provide assistance on planning and design, building  
10 codes, temporary worker housing regulations, financing options, and  
11 management to growers and nonprofit organizations interested in  
12 farmworker construction. The department one-stop clearinghouse shall  
13 also provide educational materials and services to local government  
14 authorities on Washington state law concerning farmworker housing.

15 **PART III**

16 **DISTRESSED AREA TAX INCENTIVES**

17 **Distressed Area Sales and Use Tax Deferral**

18 **Sec. 301.** RCW 82.60.020 and 1996 c 290 s 4 are each amended to  
19 read as follows:

20 Unless the context clearly requires otherwise, the definitions in  
21 this section apply throughout this chapter.

22 (1) "Applicant" means a person applying for a tax deferral under  
23 this chapter.

24 (2) "Department" means the department of revenue.

25 (3) "Eligible area" means(~~:(a) A county in which the average~~  
26 ~~level of unemployment for the three years before the year in which an~~  
27 ~~application is filed under this chapter exceeds the average state~~  
28 ~~unemployment for those years by twenty percent; (b) a county that has~~  
29 ~~a median household income that is less than seventy-five percent of the~~  
30 ~~state median household income for the previous three years; (c) a~~  
31 ~~metropolitan statistical area, as defined by the office of federal~~  
32 ~~statistical policy and standards, United States department of commerce,~~  
33 ~~in which the average level of unemployment for the calendar year~~  
34 ~~immediately preceding the year in which an application is filed under~~  
35 ~~this chapter exceeds the average state unemployment for such calendar~~  
36 ~~year by twenty percent; (d) a designated community empowerment zone~~

1 approved under RCW 43.63A.700 or a county containing such a community  
2 empowerment zone; (e) a town with a population of less than twelve  
3 hundred persons in those counties that are not covered under (a) of  
4 this subsection that are timber impact areas as defined in RCW  
5 43.31.601; (f) a county designated by the governor as an eligible area  
6 under RCW 82.60.047; or (g) a county that is contiguous to a county  
7 that qualifies as an eligible area under (a) or (f) of this  
8 subsection)) a county with fewer than one hundred persons per square  
9 mile as determined annually by the office of financial management and  
10 published by the department of revenue effective for the period July  
11 1st through June 30th.

12 (4)(a) "Eligible investment project" means(~~(:~~  
13 (i)) an investment project in an eligible area as defined in  
14 subsection (3)((a), (b), (c), (e), or (f)) of this section((; or  
15 (ii) That portion of an investment project in an eligible area as  
16 defined in subsection (3)(d) or (g) of this section which is directly  
17 utilized to create at least one new full-time qualified employment  
18 position for each three hundred thousand dollars of investment on which  
19 a deferral is requested in an application approved before July 1, 1994,  
20 and for each seven hundred fifty thousand dollars of investment on  
21 which a deferral is requested in an application approved after June 30,  
22 1994)).

23 (b) The lessor/owner of a qualified building is not eligible for a  
24 deferral unless the underlying ownership of the buildings, machinery,  
25 and equipment vests exclusively in the same person, or unless the  
26 lessor by written contract agrees to pass the economic benefit of the  
27 deferral to the lessee in the form of reduced rent payments.

28 (c) (~~For purposes of (a)(ii) of this subsection:~~  
29 (i) ~~The department shall consider the entire investment project,~~  
30 ~~including any investment in machinery and equipment that otherwise~~  
31 ~~qualifies for exemption under RCW 82.08.02565 or 82.12.02565, for~~  
32 ~~purposes of determining the portion of the investment project that~~  
33 ~~qualifies for deferral as an eligible investment project; and~~

34 (ii) ~~The number of new full-time qualified employment positions~~  
35 ~~created by an investment project shall be deemed to be reduced by the~~  
36 ~~number of full-time employment positions maintained by the recipient in~~  
37 ~~any other community in this state that are displaced as a result of the~~  
38 ~~investment project.~~

1       (d)) "Eligible investment project" does not include any portion of  
2 an investment project undertaken by a light and power business as  
3 defined in RCW 82.16.010(5), other than that portion of a cogeneration  
4 project that is used to generate power for consumption within the  
5 manufacturing site of which the cogeneration project is an integral  
6 part, or investment projects which have already received deferrals  
7 under this chapter.

8       (5) "Investment project" means an investment in qualified buildings  
9 or qualified machinery and equipment, including labor and services  
10 rendered in the planning, installation, and construction of the  
11 project.

12       (6) "Manufacturing" means all activities of a commercial or  
13 industrial nature wherein labor or skill is applied, by hand or  
14 machinery, to materials so that as a result thereof a new, different,  
15 or useful substance or article of tangible personal property is  
16 produced for sale or commercial or industrial use and shall include the  
17 production or fabrication of specially made or custom made articles.  
18 "Manufacturing" also includes computer programming, the production of  
19 computer software, and other computer-related services, and the  
20 activities performed by research and development laboratories and  
21 commercial testing laboratories.

22       (7) "Person" has the meaning given in RCW 82.04.030.

23       (8) "Qualified buildings" means construction of new structures, and  
24 expansion or renovation of existing structures for the purpose of  
25 increasing floor space or production capacity used for manufacturing  
26 and research and development activities, including plant offices and  
27 warehouses or other facilities for the storage of raw material or  
28 finished goods if such facilities are an essential or an integral part  
29 of a factory, mill, plant, or laboratory used for manufacturing or  
30 research and development. If a building is used partly for  
31 manufacturing or research and development and partly for other  
32 purposes, the applicable tax deferral shall be determined by  
33 apportionment of the costs of construction under rules adopted by the  
34 department.

35       (9) (~~"Qualified employment position" means a permanent full-time~~  
36 ~~employee employed in the eligible investment project during the entire~~  
37 ~~tax year.~~

38       (10)) "Qualified machinery and equipment" means all new industrial  
39 and research fixtures, equipment, and support facilities that are an



1 integral and necessary part of a manufacturing or research and  
2 development operation. "Qualified machinery and equipment" includes:  
3 Computers; software; data processing equipment; laboratory equipment;  
4 manufacturing components such as belts, pulleys, shafts, and moving  
5 parts; molds, tools, and dies; operating structures; and all equipment  
6 used to control or operate the machinery.

7 ~~((11))~~ (10) "Recipient" means a person receiving a tax deferral  
8 under this chapter.

9 ~~((12))~~ (11) "Research and development" means the development,  
10 refinement, testing, marketing, and commercialization of a product,  
11 service, or process before commercial sales have begun. As used in  
12 this subsection, "commercial sales" excludes sales of prototypes or  
13 sales for market testing if the total gross receipts from such sales of  
14 the product, service, or process do not exceed one million dollars.

15 **Sec. 302.** RCW 82.60.040 and 1997 c 156 s 5 are each amended to  
16 read as follows:

17 (1) The department shall issue a sales and use tax deferral  
18 certificate for state and local sales and use taxes due under chapters  
19 82.08, 82.12, and 82.14 RCW on each eligible investment project that  
20 ~~((a))~~ is located in an eligible area as defined in RCW  
21 82.60.020~~((3) (a), (b), (c), (e), or (f))~~;

22 ~~(b) Is located in an eligible area as defined in RCW~~  
23 ~~82.60.020(3)(g) if seventy five percent of the new qualified employment~~  
24 ~~positions are to be filled by residents of a contiguous county that is~~  
25 ~~an eligible area as defined in RCW 82.60.020(3) (a) or (f); or~~

26 ~~(c) Is located in an eligible area as defined in RCW~~  
27 ~~82.60.020(3)(d) if seventy five percent of the new qualified employment~~  
28 ~~positions are to be filled by residents of a designated community~~  
29 ~~empowerment zone approved under RCW 43.63A.700 located within the~~  
30 ~~county in which the eligible investment project is located)).~~

31 (2) The department shall keep a running total of all deferrals  
32 granted under this chapter during each fiscal biennium.

33 (3) This section expires July 1, 2004.

34 **Sec. 303.** RCW 82.60.070 and 1995 1st sp.s. c 3 s 9 are each  
35 amended to read as follows:

36 (1) ~~((Each recipient of a deferral granted under this chapter prior~~  
37 ~~to July 1, 1994, shall submit a report to the department on December~~

1 ~~31st of each year during the repayment period until the tax deferral is~~  
2 ~~repaid.))~~ Each recipient of a deferral granted under this chapter  
3 after June 30, 1994, shall submit a report to the department on  
4 December 31st of the year in which the investment project is certified  
5 by the department as having been operationally completed, and on  
6 December 31st of each of the seven succeeding calendar years. The  
7 report shall contain information, as required by the department, from  
8 which the department may determine whether the recipient is meeting the  
9 requirements of this chapter. If the recipient fails to submit a  
10 report or submits an inadequate report, the department may declare the  
11 amount of deferred taxes outstanding to be immediately assessed and  
12 payable.

13 (2) If, on the basis of a report under this section or other  
14 information, the department finds that an investment project is not  
15 eligible for tax deferral under this chapter (~~for reasons other than~~  
16 ~~failure to create the required number of qualified employment~~  
17 ~~positions)),~~ the amount of deferred taxes outstanding for the project  
18 shall be immediately due.

19 (3) (~~If, on the basis of a report under this section or other~~  
20 ~~information, the department finds that an investment project for which~~  
21 ~~a deferral has been granted under this chapter prior to July 1, 1994,~~  
22 ~~has been operationally complete for three years and has failed to~~  
23 ~~create the required number of qualified employment positions, the~~  
24 ~~department shall assess interest, but not penalties, on the deferred~~  
25 ~~taxes for the project. The interest shall be assessed at the rate~~  
26 ~~provided for delinquent excise taxes, shall be assessed retroactively~~  
27 ~~to the date of deferral, and shall accrue until the deferred taxes are~~  
28 ~~repaid.~~

29 (4) ~~If, on the basis of a report under this section or other~~  
30 ~~information, the department finds that an investment project for which~~  
31 ~~a deferral has been granted under this chapter after June 30, 1994, has~~  
32 ~~been operationally complete for three years and has failed to create~~  
33 ~~the required number of qualified employment positions, the amount of~~  
34 ~~taxes not eligible for deferral shall be immediately due. The~~  
35 ~~department shall assess interest at the rate provided for delinquent~~  
36 ~~excise taxes, but not penalties, retroactively to the date of deferral.~~

37 (5) ~~If, on the basis of a report under this section or other~~  
38 ~~information, the department finds that an investment project qualifying~~  
39 ~~for deferral under RCW 82.60.040(1) (b) or (c) has failed to comply~~

1 with any requirement of RCW 82.60.045 for any calendar year for which  
2 reports are required under subsection (1) of this section, twelve and  
3 one half percent of the amount of deferred taxes shall be immediately  
4 due. The department shall assess interest at the rate provided for  
5 delinquent excise taxes, but not penalties, retroactively to the date  
6 of deferral.

7 (6)) Notwithstanding any other subsection of this section,  
8 deferred taxes need not be repaid on machinery and equipment for lumber  
9 and wood products industries, and sales of or charges made for labor  
10 and services, of the type which qualifies for exemption under RCW  
11 82.08.02565 or 82.12.02565 to the extent the taxes have not been repaid  
12 before July 1, 1995.

13 ((7)) (4) Notwithstanding any other subsection of this section,  
14 deferred taxes on the following need not be repaid:

15 (a) Machinery and equipment, and sales of or charges made for labor  
16 and services, which at the time of purchase would have qualified for  
17 exemption under RCW 82.08.02565; and

18 (b) Machinery and equipment which at the time of first use would  
19 have qualified for exemption under RCW 82.12.02565.

20 NEW SECTION. Sec. 304. A new section is added to chapter 82.60  
21 RCW to read as follows:

22 (1) For the purposes of this section:

23 (a) "Eligible area" also means a designated community empowerment  
24 zone approved under RCW 43.63A.700 or a county containing a community  
25 empowerment zone.

26 (b) "Eligible investment project" also means an investment project  
27 in an eligible area as defined in this section.

28 (2) In addition to the provisions of RCW 82.60.040, the department  
29 shall issue a sales and use tax deferral certificate for state and  
30 local sales and use taxes due under chapters 82.08, 82.12, and 82.14  
31 RCW, on each eligible investment project that is located in an eligible  
32 area, if the applicant establishes that at the time the project is  
33 operationally complete:

34 (a) The applicant will hire at least one qualified employment  
35 position for each seven hundred fifty thousand dollars of investment on  
36 which a deferral is requested; and

37 (b) The positions will be filled by persons who at the time of hire  
38 are residents of the community empowerment zone in which the project is

1 located. As used in this subsection, "resident" means the person makes  
2 his or her home in the community empowerment zone. A mailing address  
3 alone is insufficient to establish that a person is a resident for the  
4 purposes of this section. The persons must be hired after the date the  
5 application is filed with the department.

6 (3) All other provisions and eligibility requirements of this  
7 chapter apply to applicants eligible under this section.

8 (4) If a person does not meet the requirements of this section by  
9 the end of the calendar year following the year in which the project is  
10 certified as operationally complete, all deferred taxes are immediately  
11 due.

## 12 **Distressed Area Business and Occupation Tax Job Credit**

13 **Sec. 305.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to  
14 read as follows:

15 Unless the context clearly requires otherwise, the definitions in  
16 this section apply throughout this chapter.

17 (1) "Applicant" means a person applying for a tax credit under this  
18 chapter.

19 (2) "Department" means the department of revenue.

20 (3) "Eligible area" means(~~(a) A county in which the average~~  
21 ~~level of unemployment for the three years before the year in which an~~  
22 ~~application is filed under this chapter exceeds the average state~~  
23 ~~unemployment for those years by twenty percent; (b) a county that has~~  
24 ~~a median household income that is less than seventy five percent of the~~  
25 ~~state median household income for the previous three years; (c) a~~  
26 ~~metropolitan statistical area, as defined by the office of federal~~  
27 ~~statistical policy and standards, United States department of commerce,~~  
28 ~~in which the average level of unemployment for the calendar year~~  
29 ~~immediately preceding the year in which an application is filed under~~  
30 ~~this chapter exceeds the average state unemployment for such calendar~~  
31 ~~year by twenty percent; (d) a designated community empowerment zone~~  
32 ~~approved under RCW 43.63A.700; or (e) subcounty areas in those counties~~  
33 ~~that are not covered under (a) of this subsection that are timber~~  
34 ~~impact areas as defined in RCW 43.31.601)) an area as defined in RCW  
35 82.60.020.~~

36 (4)(a) "Eligible business project" means manufacturing or research  
37 and development activities which are conducted by an applicant in an

1 eligible area at a specific facility, provided the applicant's average  
2 full-time qualified employment positions at the specific facility will  
3 be at least fifteen percent greater in the year for which the credit is  
4 being sought than the applicant's average full-time qualified  
5 employment positions at the same facility in the immediately preceding  
6 year.

7 (b) "Eligible business project" does not include any portion of a  
8 business project undertaken by a light and power business as defined in  
9 RCW 82.16.010(5) or that portion of a business project creating  
10 qualified full-time employment positions outside an eligible area or  
11 those recipients of a sales tax deferral under chapter 82.61 RCW.

12 (5) "Manufacturing" means all activities of a commercial or  
13 industrial nature wherein labor or skill is applied, by hand or  
14 machinery, to materials so that as a result thereof a new, different,  
15 or useful substance or article of tangible personal property is  
16 produced for sale or commercial or industrial use and shall include the  
17 production or fabrication of specially made or custom made articles.  
18 "Manufacturing" also includes computer programming, the production of  
19 computer software, and other computer-related services, and the  
20 activities performed by research and development laboratories and  
21 commercial testing laboratories.

22 (6) "Person" has the meaning given in RCW 82.04.030.

23 (7) "Qualified employment position" means a permanent full-time  
24 employee employed in the eligible business project during the entire  
25 tax year.

26 (8) "Tax year" means the calendar year in which taxes are due.

27 (9) "Recipient" means a person receiving tax credits under this  
28 chapter.

29 (10) "Research and development" means the development, refinement,  
30 testing, marketing, and commercialization of a product, service, or  
31 process before commercial sales have begun. As used in this  
32 subsection, "commercial sales" excludes sales of prototypes or sales  
33 for market testing if the total gross receipts from such sales of the  
34 product, service, or process do not exceed one million dollars.

35 **Sec. 306.** RCW 82.62.030 and 1997 c 366 s 5 are each amended to  
36 read as follows:

37 (1) A person shall be allowed a credit against the tax due under  
38 chapter 82.04 RCW as provided in this section. (~~For an application~~

1 ~~approved before January 1, 1996, the credit shall equal one thousand~~  
2 ~~dollars for each qualified employment position directly created in an~~  
3 ~~eligible business project. For an application approved on or after~~  
4 ~~January 1, 1996, the credit shall equal two thousand dollars for each~~  
5 ~~qualified employment position directly created in an eligible business~~  
6 ~~project. For an application approved on or after July 1, 1997,)) The~~  
7 credit shall equal: (a) Four thousand dollars for each qualified  
8 employment position with wages and benefits greater than forty thousand  
9 dollars annually that is directly created in an eligible business(~~(-~~  
10 ~~For an application approved on or after July 1, 1997, the credit shall~~  
11 ~~equal)) and (b) two thousand dollars for each qualified employment~~  
12 position with wages and benefits less than or equal to forty thousand  
13 dollars annually that is directly created in an eligible business.

14 (2) The department shall keep a running total of all credits  
15 granted under this chapter during each fiscal year. The department  
16 shall not allow any credits which would cause the tabulation to exceed  
17 ~~((five million five hundred thousand dollars in fiscal year 1998 or~~  
18 ~~1999 or))~~ seven million five hundred thousand dollars in any fiscal  
19 year ~~((thereafter))~~. If all or part of an application for credit is  
20 disallowed under this subsection, the disallowed portion shall be  
21 carried over for approval the next fiscal year. However, the  
22 applicant's carryover into the next fiscal year is only permitted if  
23 the tabulation for the next fiscal year does not exceed the cap for  
24 that fiscal year as of the date on which the department has disallowed  
25 the application.

26 (3) No recipient may use the tax credits to decertify a union or to  
27 displace existing jobs in any community in the state.

28 (4) No recipient may receive a tax credit on taxes which have not  
29 been paid during the taxable year.

30 NEW SECTION. Sec. 307. A new section is added to chapter 82.62  
31 RCW to read as follows:

32 (1) For the purposes of this section "eligible area" also means a  
33 designated community empowerment zone approved under RCW 43.63A.700.

34 (2) An eligible business project located within an eligible area as  
35 defined in this section qualifies for a credit under this chapter for  
36 those employees who at the time of hire are residents of the community  
37 empowerment zone in which the project is located, if the fifteen  
38 percent threshold is met. As used in this subsection, "resident" means

1 the person makes his or her home in the community empowerment zone. A  
2 mailing address alone is insufficient to establish that a person is a  
3 resident for the purposes of this section.

4 (3) All other provisions and eligibility requirements of this  
5 chapter apply to applicants eligible under this section.

6 **PART IV**

7 **ECONOMIC VITALITY COMMITTEE**

8 ***\*NEW SECTION.** Sec. 401. (1) The legislature shall establish an ad*  
9 *hoc economic development group to analyze potential economic*  
10 *development projects of state-wide significance and recommend*  
11 *appropriate administrative or legislative actions.*

12 (2) *The group shall include one representative each from the*  
13 *department of community, trade, and economic development, the*  
14 *department of agriculture, and the department of revenue as well as two*  
15 *representatives from rural economic development councils appointed by*  
16 *the legislature.*

17 (3) *The group shall promote economic development and business*  
18 *diversification throughout the state with special attention given to*  
19 *the economic difficulties of rural counties.*

20 (4) *In order to expedite coordinated responses, the governor may*  
21 *direct the group to meet on an emergency basis when projects of state-*  
22 *wide significance arise.*

23 (5) *The department of community, trade, and economic development*  
24 *shall establish criteria to determine whether a project meets the*  
25 *standards of a "project of state-wide significance." These criteria*  
26 *may include such economic indicators as local unemployment and personal*  
27 *income levels and project scope indicators such as the assessed value*  
28 *of the project in relation to the assessed value of the county.*

29 *\*Sec. 401 was vetoed. See message at end of chapter.*

30 **PART V**

31 **RURAL WASHINGTON LOAN FUND**

32 **Sec. 501.** RCW 43.168.010 and 1985 c 164 s 1 are each amended to  
33 read as follows:

34 The legislature finds that:

1 (1) The economic health and well-being of the state, particularly  
2 in areas of high unemployment, economic stagnation, and poverty, is of  
3 substantial public concern.

4 (2) The consequences of minimal economic activity and persistent  
5 unemployment and underemployment are serious threats to the safety,  
6 health, and welfare of residents of these areas, decreasing the value  
7 of private investments and jeopardizing the sources of public revenue.

8 (3) The economic and social interdependence of communities and the  
9 vitality of industrial and economic activity necessitates, and is in  
10 part dependent on preventing substantial dislocation of residents and  
11 rebuilding the diversification of the areas' economy.

12 (4) The ability to remedy problems in stagnant areas of the state  
13 is beyond the power and control of the regulatory process and influence  
14 of the state, and the ordinary operations of private enterprise without  
15 additional governmental assistance are insufficient to adequately  
16 remedy the problems of poverty and unemployment.

17 (5) The revitalization of depressed communities requires the  
18 stimulation of private investment, the development of new business  
19 ventures, the provision of capital to ventures sponsored by local  
20 organizations and capable of growth in the business markets, and  
21 assistance to viable, but under-financed, small businesses in order to  
22 create and preserve jobs that are sustainable in the local economy.

23 Therefore, the legislature declares there to be a substantial  
24 public purpose in providing capital to promote economic development and  
25 job creation in areas of economic stagnation, unemployment, and  
26 poverty. To accomplish this purpose, the legislature hereby creates  
27 the rural Washington (~~((state development))~~) loan fund (~~((committee))~~) and  
28 vests in the (~~((committee))~~) department of community, trade, and economic  
29 development the authority to spend federal funds to stimulate the  
30 economy of distressed areas.

31 **Sec. 502.** RCW 43.168.020 and 1996 c 290 s 3 are each amended to  
32 read as follows:

33 Unless the context clearly requires otherwise, the definitions in  
34 this section apply throughout this chapter.

35 (1) (~~("Committee" means the Washington state development loan fund~~  
36 ~~committee.~~

37 ~~(2))~~ "Department" means the department of community, trade, and  
38 economic development.



1       (~~(3)~~) (2) "Director" means the director of community, trade, and  
2 economic development.

3       (~~(4)~~) (3) "Distressed area" means: (a) A rural county; (b) a  
4 county which has an unemployment rate which is twenty percent above the  
5 state average for the immediately previous three years; (~~(b)~~) (c) a  
6 county that has a median household income that is less than seventy-  
7 five percent of the state median household income for the previous  
8 three years; (~~(e)~~) (d) a metropolitan statistical area, as defined by  
9 the office of federal statistical policy and standards, United States  
10 department of commerce, in which the average level of unemployment for  
11 the calendar year immediately preceding the year in which an  
12 application is filed under this chapter exceeds the average state  
13 unemployment for such calendar year by twenty percent; (~~(d)~~) (e) an  
14 area within a county, which area: (i) Is composed of contiguous census  
15 tracts; (ii) has a minimum population of five thousand persons; (iii)  
16 has at least seventy percent of its families and unrelated individuals  
17 with incomes below eighty percent of the county's median income for  
18 families and unrelated individuals; and (iv) has an unemployment rate  
19 which is at least forty percent higher than the county's unemployment  
20 rate; or (~~(e)~~) (f) a county designated as a rural natural resources  
21 impact area under RCW 43.31.601 if an application is filed by July 1,  
22 1997. For purposes of this definition, "families and unrelated  
23 individuals" has the same meaning that is ascribed to that term by the  
24 federal department of housing and urban development in its regulations  
25 authorizing action grants for economic development and neighborhood  
26 revitalization projects.

27       (~~(5)~~) (4) "Fund" means the rural Washington (~~(state development)~~)  
28 loan fund.

29       (~~(6)~~) (5) "Local development organization" means a nonprofit  
30 organization which is organized to operate within an area, demonstrates  
31 a commitment to a long-standing effort for an economic development  
32 program, and makes a demonstrable effort to assist in the employment of  
33 unemployed or underemployed residents in an area.

34       (~~(7)~~) (6) "Project" means the establishment of a new or expanded  
35 business in an area which when completed will provide employment  
36 opportunities. "Project" also means the retention of an existing  
37 business in an area which when completed will provide employment  
38 opportunities.

1        (7) "Rural county" means a county with a population density of  
2 fewer than one hundred persons per square mile as determined by the  
3 office of financial management.

4        NEW SECTION. Sec. 503. A new section is added to chapter 43.168  
5 RCW to read as follows:

6        In addition to the requirements of RCW 43.168.050, the department  
7 shall, subject to applicable federal funding criteria, give priority to  
8 applications that capitalize or recapitalize an existing or new local  
9 revolving fund based on criteria established by the department.

10        **Sec. 504.** RCW 43.168.110 and 1992 c 235 s 11 are each amended to  
11 read as follows:

12        There is established the rural Washington (~~((state development))~~)  
13 loan fund which shall be an account in the state treasury. All loan  
14 payments of principal and interest which are transferred under RCW  
15 43.168.050 shall be deposited into the account. Moneys in the account  
16 may be spent only after legislative appropriation for loans under this  
17 chapter. Any expenditures of these moneys shall conform to federal  
18 law.

19        **Sec. 505.** RCW 43.168.120 and 1987 c 461 s 6 are each amended to  
20 read as follows:

21        (1) The (~~((committee))~~) department shall develop guidelines for  
22 (~~((development))~~) rural Washington loan funds to be used to fund existing  
23 economic development revolving loan funds. Consideration shall be  
24 given to the selection process for grantees, loan quality criteria,  
25 legal and regulatory issues, and ways to minimize duplication between  
26 (~~((development))~~) rural Washington loan funds and local economic  
27 development revolving loan funds.

28        (2) If it appears that all of the funds appropriated to the  
29 (~~((development loan))~~) fund for a biennium will not be fully granted to  
30 local governments within that biennium, the (~~((committee))~~) department  
31 may make available up to twenty percent of the eighty percent of the  
32 funds available to projects in distressed areas under RCW  
33 43.168.050(~~((+9))~~) (10) for grants to local governments to assist  
34 existing economic development revolving loan funds in distressed areas.  
35 The grants to local governments shall be utilized to make loans to  
36 businesses that meet the specifications for loans under this chapter.

1 The local governments shall, to the extent permitted under federal law,  
2 agree to convey to the (~~development loan~~) fund the principal and  
3 interest payments from existing loans that the local governments have  
4 made through their revolving loan funds. Under circumstances where the  
5 federal law does not permit the (~~committee~~) department to require  
6 such transfer, the (~~committee~~) department shall give priority to  
7 applications where the applicants on their own volition make  
8 commitments to provide for the transfer.

9 **PART VI**

10 **PUBLIC FACILITIES GRANTS AND LOANS**

11 **Sec. 601.** RCW 43.17.250 and 1991 sp.s. c 32 s 25 are each amended  
12 to read as follows:

13 (1) Whenever a state agency is considering awarding grants or loans  
14 for a county, city, or town planning under RCW 36.70A.040 to finance  
15 public facilities, it shall consider whether the county, city, or town  
16 (~~that is~~) requesting the grant or loan (~~is a party to a county wide~~  
17 ~~planning policy under RCW 36.70A.210 relating to the type of public~~  
18 ~~facility for which the grant or loan is sought, and shall accord~~  
19 ~~additional preference to the county, city, or town if such county wide~~  
20 ~~planning policy exists~~) has adopted a comprehensive plan and  
21 development regulations as required by RCW 36.70A.040.

22 (2) When reviewing competing requests from counties, cities, or  
23 towns planning under RCW 36.70A.040, a state agency considering  
24 awarding grants or loans for public facilities shall accord additional  
25 preference to those counties, cities, or towns that have adopted a  
26 comprehensive plan and development regulations as required by RCW  
27 36.70A.040. For the purposes of the preference accorded in this  
28 section, a county, city, or town planning under RCW 36.70A.040 is  
29 deemed to have satisfied the requirements for adopting a comprehensive  
30 plan and development regulations specified in RCW 36.70A.040 if the  
31 county, city, or town:

32 (a) Adopts or has adopted a comprehensive plan and development  
33 regulations within the time periods specified in RCW 36.70A.040;

34 (b) Adopts or has adopted a comprehensive plan and development  
35 regulations before submitting a request for a grant or loan if the  
36 county, city, or town failed to adopt a comprehensive plan and/or

1 development regulations within the time periods specified in RCW  
2 36.70A.040; or

3 (c) Demonstrates substantial progress toward adopting a  
4 comprehensive plan or development regulations within the time periods  
5 specified in RCW 36.70A.040. A county, city, or town that is more than  
6 six months out of compliance with the time periods specified in RCW  
7 36.70A.040 shall not be deemed to demonstrate substantial progress for  
8 purposes of this section.

9 (3) The preference specified in subsection (2) of this section  
10 applies only to competing requests for grants or loans from counties,  
11 cities, or towns planning under RCW 36.70A.040. A request from a  
12 county, city, or town planning under RCW 36.70A.040 shall be accorded  
13 no additional preference based on subsection (2) of this section over  
14 a request from a county, city, or town not planning under RCW  
15 36.70A.040.

16 (4) Whenever a state agency is considering awarding grants or loans  
17 ((to a special district)) for public facilities to a special district  
18 requesting funding for a proposed facility located in a county, city,  
19 or town planning under RCW 36.70A.040, it shall consider whether the  
20 county, city, or town in whose planning jurisdiction the proposed  
21 facility is located ((is a party to a county-wide planning policy under  
22 RCW 36.70A.210 relating to the type of public facility for which the  
23 grant or loan is sought)) has adopted a comprehensive plan and  
24 development regulations as required by RCW 36.70A.040 and shall apply  
25 the preference specified in subsection (2) of this section and  
26 restricted in subsection (3) of this section.

27 **Sec. 602.** RCW 43.155.070 and 1997 c 429 s 29 are each amended to  
28 read as follows:

29 (1) To qualify for loans or pledges under this chapter the board  
30 must determine that a local government meets all of the following  
31 conditions:

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

34 (b) The local government must have developed a long-term plan for  
35 financing public works needs; and

36 (c) The local government must be using all local revenue sources  
37 which are reasonably available for funding public works, taking into  
38 consideration local employment and economic factors(~~(; and)~~).

1       ~~((d))~~ (2) Except where necessary to address a public health need  
2 or substantial environmental degradation, a county, city, or town  
3 ~~((that is required or chooses to plan))~~ planning under RCW 36.70A.040  
4 must have adopted a comprehensive plan ~~((in conformance with the~~  
5 ~~requirements of chapter 36.70A RCW, after it is required that the~~  
6 ~~comprehensive plan be adopted, and must have adopted development~~  
7 ~~regulations in conformance with the requirements of chapter 36.70A RCW,~~  
8 ~~after it is required that development regulations be adopted))~~,  
9 including a capital facilities plan element, and development  
10 regulations as required by RCW 36.70A.040. This subsection does not  
11 require any county, city, or town planning under RCW 36.70A.040 to  
12 adopt a comprehensive plan or development regulations before requesting  
13 or receiving a loan or loan guarantee under this chapter if such  
14 request is made before the expiration of the time periods specified in  
15 RCW 36.70A.040. A county, city, or town planning under RCW 36.70A.040  
16 which has not adopted a comprehensive plan and development regulations  
17 within the time periods specified in RCW 36.70A.040 is not prohibited  
18 from receiving a loan or loan guarantee under this chapter if the  
19 comprehensive plan and development regulations are adopted as required  
20 by RCW 36.70A.040 before submitting a request for a loan or loan  
21 guarantee.

22       (3) In considering awarding loans for public facilities to special  
23 districts requesting funding for a proposed facility located in a  
24 county, city, or town planning under RCW 36.70A.040, the board shall  
25 consider whether the county, city, or town planning under RCW  
26 36.70A.040 in whose planning jurisdiction the proposed facility is  
27 located has adopted a comprehensive plan and development regulations as  
28 required by RCW 36.70A.040.

29       ~~((2))~~ (4) The board shall develop a priority process for public  
30 works projects as provided in this section. The intent of the priority  
31 process is to maximize the value of public works projects accomplished  
32 with assistance under this chapter. The board shall attempt to assure  
33 a geographical balance in assigning priorities to projects. The board  
34 shall consider at least the following factors in assigning a priority  
35 to a project:

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

1 (b) Whether the project is critical in nature and would affect the  
2 health and safety of a great number of citizens;

3 (c) The cost of the project compared to the size of the local  
4 government and amount of loan money available;

5 (d) The number of communities served by or funding the project;

6 (e) Whether the project is located in an area of high unemployment,  
7 compared to the average state unemployment;

8 (f) Whether the project is the acquisition, expansion, improvement,  
9 or renovation by a local government of a public water system that is in  
10 violation of health and safety standards, including the cost of  
11 extending existing service to such a system;

12 (g) The relative benefit of the project to the community,  
13 considering the present level of economic activity in the community and  
14 the existing local capacity to increase local economic activity in  
15 communities that have low economic growth; and

16 (h) Other criteria that the board considers advisable.

17 (~~(3)~~) (5) Existing debt or financial obligations of local  
18 governments shall not be refinanced under this chapter. Each local  
19 government applicant shall provide documentation of attempts to secure  
20 additional local or other sources of funding for each public works  
21 project for which financial assistance is sought under this chapter.

22 (~~(4)~~) (6) Before November 1 of each year, the board shall develop  
23 and submit to the appropriate fiscal committees of the senate and house  
24 of representatives a description of the loans made under RCW  
25 43.155.065, 43.155.068, and subsection (~~(7)~~) (9) of this section  
26 during the preceding fiscal year and a prioritized list of projects  
27 which are recommended for funding by the legislature, including one  
28 copy to the staff of each of the committees. The list shall include,  
29 but not be limited to, a description of each project and recommended  
30 financing, the terms and conditions of the loan or financial guarantee,  
31 the local government jurisdiction and unemployment rate, demonstration  
32 of the jurisdiction's critical need for the project and documentation  
33 of local funds being used to finance the public works project. The  
34 list shall also include measures of fiscal capacity for each  
35 jurisdiction recommended for financial assistance, compared to  
36 authorized limits and state averages, including local government sales  
37 taxes; real estate excise taxes; property taxes; and charges for or  
38 taxes on sewerage, water, garbage, and other utilities.

1       (~~(5)~~) (7) The board shall not sign contracts or otherwise  
2 financially obligate funds from the public works assistance account  
3 before the legislature has appropriated funds for a specific list of  
4 public works projects. The legislature may remove projects from the  
5 list recommended by the board. The legislature shall not change the  
6 order of the priorities recommended for funding by the board.

7       (~~(6)~~) (8) Subsection (~~(5)~~) (7) of this section does not apply  
8 to loans made under RCW 43.155.065, 43.155.068, and subsection (~~(7)~~)  
9 (9) of this section.

10       (~~(7)~~) (9)(a) Loans made for the purpose of capital facilities  
11 plans shall be exempted from subsection (~~(5)~~) (7) of this section.  
12 In no case shall the total amount of funds utilized for capital  
13 facilities plans and emergency loans exceed the limitation in RCW  
14 43.155.065.

15       (b) For the purposes of this section "capital facilities plans"  
16 means those plans required by the growth management act, chapter 36.70A  
17 RCW, and plans required by the public works board for local governments  
18 not subject to the growth management act.

19       (~~(8)~~) (10) To qualify for loans or pledges for solid waste or  
20 recycling facilities under this chapter, a city or county must  
21 demonstrate that the solid waste or recycling facility is consistent  
22 with and necessary to implement the comprehensive solid waste  
23 management plan adopted by the city or county under chapter 70.95 RCW.

24       **Sec. 603.** RCW 70.146.070 and 1997 c 429 s 30 are each amended to  
25 read as follows:

26       (1) When making grants or loans for water pollution control  
27 facilities, the department shall consider the following:

28       (~~(1)~~) (a) The protection of water quality and public health;

29       (~~(2)~~) (b) The cost to residential ratepayers if they had to  
30 finance water pollution control facilities without state assistance;

31       (~~(3)~~) (c) Actions required under federal and state permits and  
32 compliance orders;

33       (~~(4)~~) (d) The level of local fiscal effort by residential  
34 ratepayers since 1972 in financing water pollution control facilities;

35       (~~(5)~~) (e) The extent to which the applicant county or city, or if  
36 the applicant is another public body, the extent to which the county or  
37 city in which the applicant public body is located, has established  
38 programs to mitigate nonpoint pollution of the surface or subterranean

1 water sought to be protected by the water pollution control facility  
2 named in the application for state assistance; and

3 ~~((6))~~ (f) The recommendations of the Puget Sound action team and  
4 any other board, council, commission, or group established by the  
5 legislature or a state agency to study water pollution control issues  
6 in the state.

7 (2) Except where necessary to address a public health need or  
8 substantial environmental degradation, a county, city, or town ~~((that  
9 is required or chooses to plan))~~ planning under RCW 36.70A.040 may not  
10 receive a grant or loan for water pollution control facilities unless  
11 it has adopted a comprehensive plan ~~((in conformance with the  
12 requirements of chapter 36.70A RCW, after it is required that the  
13 comprehensive plan be adopted, or unless it has adopted development  
14 regulations in conformance with the requirements of chapter 36.70A RCW,  
15 after it is required that development regulations be adopted))~~,  
16 including a capital facilities plan element, and development  
17 regulations as required by RCW 36.70A.040. This subsection does not  
18 require any county, city, or town planning under RCW 36.70A.040 to  
19 adopt a comprehensive plan or development regulations before requesting  
20 or receiving a grant or loan under this chapter if such request is made  
21 before the expiration of the time periods specified in RCW 36.70A.040.  
22 A county, city, or town planning under RCW 36.70A.040 which has not  
23 adopted a comprehensive plan and development regulations within the  
24 time periods specified in RCW 36.70A.040 is not prohibited from  
25 receiving a grant or loan under this chapter if the comprehensive plan  
26 and development regulations are adopted as required by RCW 36.70A.040  
27 before submitting a request for a grant or loan.

28 (3) Whenever the department is considering awarding grants or loans  
29 for public facilities to special districts requesting funding for a  
30 proposed facility located in a county, city, or town planning under RCW  
31 36.70A.040, it shall consider whether the county, city, or town  
32 planning under RCW 36.70A.040 in whose planning jurisdiction the  
33 proposed facility is located has adopted a comprehensive plan and  
34 development regulations as required by RCW 36.70A.040.

35 **PART VII**

36 **REPEALED SECTIONS**



1       **Sec. 701.** RCW 43.131.386 and 1997 c 367 s 19 are each amended to  
2 read as follows:

3       The following acts or parts of acts, as now existing or hereafter  
4 amended, are each repealed, effective June 30, 2001:

5       (1) RCW 43.31.601 and 1997 c 367 s 1, 1995 c 226 s 1, 1992 c 21 s  
6 2, & 1991 c 314 s 2;

7       (2) RCW 43.31.641 and 1997 c 367 s 6, 1995 c 226 s 4, 1993 c 280 s  
8 50, & 1991 c 314 s 7;

9       (3) RCW 50.22.090 and (~~(1995 c 226 s 5, 1993 c 316 s 10, 1992 c 47~~  
10 ~~s 2, & 1991 c 315 s 4)~~) 1997 c 367 s 4;

11       (4) (~~(RCW 43.160.212 and 1996 c 168 s 4, 1995 c 226 s 6, & 1993 c~~  
12 ~~316 s 5;~~

13 ~~(5))~~) RCW 43.63A.021 and 1997 c 367 s 5 & 1995 c 226 s 11;

14       (~~(6))~~) (5) RCW 43.63A.600 and 1995 c 226 s 12, 1994 c 114 s 1,  
15 1993 c 280 s 77, & 1991 c 315 s 23;

16       (~~(7))~~) (6) RCW 43.63A.440 and 1997 c 367 s 7, 1995 c 226 s 13,  
17 1993 c 280 s 74, & 1989 c 424 s 7;

18       (~~(8) RCW 43.160.200 and 1995 c 226 s 16, 1993 c 320 s 7, 1993 c~~  
19 ~~316 s 4, & 1991 c 314 s 23;~~

20 ~~(9))~~) (7) RCW 28B.50.258 and 1995 c 226 s 18 & 1991 c 315 s 16;

21       (~~(10))~~) (8) RCW 28B.50.262 and 1995 c 226 s 19 & 1994 c 282 s 3;

22       (~~(11))~~) (9) RCW 28B.80.570 and 1997 c 367 s 14, 1995 c 226 s 20,  
23 1992 c 21 s 6, & 1991 c 315 s 18;

24       (~~(12))~~) (10) RCW 28B.80.575 and 1995 c 269 s 1001, 1995 c 226 s  
25 21, & 1991 c 315 s 19;

26       (~~(13))~~) (11) RCW 28B.80.580 and 1997 c 367 s 15, 1995 c 226 s 22,  
27 1993 sp.s. c 18 s 34, 1992 c 231 s 31, & 1991 c 315 s 20;

28       (~~(14))~~) (12) RCW 28B.80.585 and 1995 c 226 s 23 & 1991 c 315 s 21;

29       (~~(15))~~) (13) RCW 43.17.065 and 1995 c 226 s 24, 1993 c 280 s 37,  
30 1991 c 314 s 28, & 1990 1st ex.s. c 17 s 77;

31       (~~(16))~~) (14) RCW 43.20A.750 and (~~(1995 c 226 s 25, 1993 c 280 s~~  
32 ~~38, 1992 c 21 s 4, & 1991 c 153 s 28)~~) 1997 c 367 s 16;

33       (~~(17))~~) (15) RCW 43.168.140 and 1995 c 226 s 28 & 1991 c 314 s 20;

34       (~~(18))~~) (16) RCW 50.12.270 and 1997 c 367 s 17, 1995 c 226 s 30,  
35 & 1991 c 315 s 3;

36       (~~(19))~~) (17) RCW 50.70.010 and 1995 c 226 s 31, 1992 c 21 s 1, &  
37 1991 c 315 s 5; and

38       (~~(20))~~) (18) RCW 50.70.020 and 1995 c 226 s 32 & 1991 c 315 s 6.



1 Section 106 of the bill would require the joint legislative audit  
2 and review committee to conduct performance reviews of the program  
3 administered by CERB. JLARC is an entity controlled by the  
4 legislature, so it is unnecessary and unwise to dictate the work  
5 schedule of JLARC in statute. The legislature can authorize funding  
6 for such performance reviews any time it believes they are warranted.

7 Section 201 of the bill is identical to section 2 of Engrossed  
8 Senate Bill No. 5843 which I signed on April 28, 1999, and is  
9 unnecessary.

10 Section 401 of the bill would establish an ad hoc economic  
11 development group to analyze projects, make recommendations, and to  
12 promote economic development and business diversification. The  
13 membership of the group is unclear, and I have concerns about violation  
14 of the separation of powers doctrine. The group would be organized by  
15 the legislature, but have control over executive agencies. A process  
16 already exists in CTED for using a similar ad hoc groups.  
17 Additionally, I will be organizing an economic development sub-cabinet,  
18 chaired by my Chief of Staff, to provide greater input on projects of  
19 statewide significance.

20 For these reasons, I have vetoed sections 106, 201 and 401 of  
21 Engrossed Second Substitute Senate Bill No. 5594.

22 With the exception of sections 106, 201 and 401, Engrossed Second  
23 Substitute Senate Bill No. 5594 is approved."