

HOUSE BILL REPORT

HB 1032

As Reported by House Committee On:
Trade & Economic Development
Appropriations

Title: An act relating to funding for the community economic revitalization board.

Brief Description: Providing an ongoing funding source for the community economic revitalization board's financial assistance programs.

Sponsors: Representatives Veloria, Eickmeyer, Linville, Chase, Hatfield, Fromhold, McCoy, Conway, Kessler, Cody, Jarrett, Murray, Kenney, Schual-Berke, Clibborn, Lovick, Upthegrove and McIntire; by request of Governor Locke.

Brief History:

Committee Activity:

Trade & Economic Development: 1/16/03, 1/24/03 [DP];
Appropriations: 2/5/03, 2/13/03 [DP].

Brief Summary of Bill

- Directs all interest earnings generated by the Public Works Trust Fund to be transferred to the Community Economic Revitalization Board program beginning July 1, 2005.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 11 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Skinner, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Blake, Chase, Condotta, Kristiansen, McCoy, Pettigrew and Priest.

Staff: Tracey Taylor (786-7196).

Background:

The Community Economic Revitalization Board (CERB) program was created in 1982 to provide direct loans and grants to counties, cities, and special purpose districts for economic development-related infrastructure improvements. The CERB financing is

available for public improvements that include the acquisition, construction, or repair of: domestic and industrial water, sewer and storm water infrastructure; bridge, railroad, electricity, telecommunication, and road improvements; buildings and structures; port facilities; and feasibility studies. The CERB financing must be necessary to either bring a new business into a community or expand or retain an existing business that is already located in the community.

The Public Works Trust Fund (PWTF) program was created in 1985 to provide loans to counties, cities, and certain special purpose districts, which do not include school and port districts, to improve existing public infrastructure. The PWTF loans are available for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of streets and roads, bridges, water systems, or storm and sanitary sewage systems, and solid waste facilities, including recycling facilities. In order to qualify for financial assistance under the PWTF, the county, city, and special purpose district must: (1) impose an excise tax on the sale of real estate of at least .25 of 1 percent; (2) have developed a long-term plan for financing public works needs; and (3) be using all local revenue sources that are reasonably available for funding public works.

In 1991 the Legislature authorized the use of a limited amount of the PWTF monies to be used for new infrastructure improvements in timber-dependent communities. In 1995 the Legislature re-authorized the use of a limited amount of the PWTF monies in timber-dependent communities and expanded its focus to include rural natural resource impact areas.

The State Treasurer retains the interest earnings on all accounts, unless they are specifically exempted from this requirement or the account is allowed to retain a specified percentage of interest earnings. The repayments of loan principal and interest for both the CERB and the PWTF loans are placed into separate accounts in the state treasury (public facilities construction loan revolving account and the public works assistance account).

Last session, the Legislature authorized some of the interest earnings generated by the PWTF and the CERB program accounts to be used to fund public facilities through the CERB program. The State Treasurer is required to transfer, on an annual basis, interest earnings generated by the repayment of principal and interest of loans made to timber communities and rural natural resource impact areas under the PWTF program into the CERB program. This transfer cannot exceed \$4.5 million per year and ends June 30, 2007. In addition beginning July 1, 2004, the CERB program is authorized to retain 100 percent of the interest earnings on loan principal and interest repayments used to finance public facilities.

Summary of Bill:

The State Treasurer is required to transfer an amount equal to the interest earnings on all

the moneys in the PWTF to the CERB program; thus, providing a permanent funding source for the program. The interest earnings transferred to the CERB shall be the proportionate share of the treasury income account earnings based on the average daily balance in the PWTF.

Appropriation: None.

Fiscal Note: Requested on January 13, 2003.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 2 and 3 which take effect July 1, 2005.

Testimony For: The CERB program helps attract businesses to Washington and is one of the only economic development tools available in this state. Other states are able to dedicate a great deal more money to such efforts. In the past, there has been sporadic funding and unsuccessful attempts were made to obtain permanent funding for the CERB through the Motor Vehicle Excise Tax and Referendum 51. It is critical to finally have a stable and permanent funding source for the CERB. The PWTF does not have economic development as its core mission; however, the Public Works Board agrees that the programs complement each other and supports the transfer of the interest earnings to the CERB program. The CERB program leverages the public infrastructure dollars with that of the private sector to achieve the needed development. It is important to make the commitment now to the future economic development of Washington.

Testimony Against: None.

Testified: Martha Choe, Director, Department of Community, Trade & Economic Development; Sheila A. Martin, Executive Policy Advisor, Governor's Office; Eric Johnson, Lewis County; Jackie White, Association of Washington Cities; Ron Newbry, Washington Economic Development Association; Rick Slunaker, Association General Contractors; Scott Taylor, Washington Public Ports Association; Heidi Pehl, Port of Chehalis; Tami Garrow, Grays Harbor Public District Authority; and Mike Moren, Samish Tribe.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 26 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cody, Conway, Cox, DeBolt, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke, Sump and Talcott.

Staff: Holly Lynde (786-7153).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Trade & Economic Development:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 2 and 3 which take effect July 1, 2005.

Testimony For: Since 1982 the CERB program has provided critical infrastructure funding associated with industrial development and expansion. We have awarded \$88 million for projects all over the state, leveraged \$1.6 billion of private capital, and have created or retained 18,000 jobs. Through 2000 the total estimate of local and state revenue that CERB created was \$63 million. This is one of the only economic development tools that we have and we think that it is critical to provide a permanent source of funding. The CERB program has had a very sporadic funding history and it has been very inconsistent. We know that the need is much greater than what this funding will provide. This bill will help move us forward to a more sustainable CERB fund. When we looked at investing in infrastructure, permanent funding for CERB stood out as a priority. The program has tremendous leveraging effect. A University of Washington study showed that over the 20 years the program has been in effect, the investment in CERB projects has generated over \$1.6 billion in economic activity for the state, creating almost 7,000 construction jobs and retaining or creating an additional 20,000 private sector jobs.

Testimony Against: None.

Testified: Representative Veloria, prime sponsor; Sheila Martin, Office of the Governor; Rick Slunaker, Association of Washington Contractors; John LaRocque, Public Works Board; and Martha Choe, Director, Department of Community, Trade and Economic Development.