

HOUSE BILL REPORT

ESHB 1903

As Passed Legislature

Title: An act relating to creating a job development fund.

Brief Description: Creating a job development fund.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Ericks, Haler, Linville, Springer, Kilmer, Morrell, O'Brien, Schual-Berke, P. Sullivan, Simpson, Pettigrew, Jarrett, Wallace, Sells, Strow, Grant, Upthegrove, Kessler, Dunn, Fromhold, Appleton, Chase, Green, Moeller, Hasegawa and Takko).

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 2/16/05, 3/1/05 [DP];

Capital Budget: 3/4/05, 3/7/05 [DPS].

Floor Activity:

Passed House: 3/15/05, 54-41.

Senate Amended.

Passed Senate: 4/11/05, 40-9.

House Refuses to Concur.

Conference Committee.

Passed Senate: 4/22/05, 39-7.

Passed House: 4/22/05, 59-39.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Creates the Job Development Fund to assist in the financing of public infrastructure projects that create jobs, stimulate community development, and stimulate economic development.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

Majority Report: Do pass. Signed by 13 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Blake, Chase, Clibborn, Grant, Kenney, Kilmer, McCoy, Morrell, Quall, P. Sullivan and Wallace.

Minority Report: Do not pass. Signed by 10 members: Representatives Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Buri, Condotta, Dunn, Haler, Holmquist, Kretz, Newhouse and Strow.

Staff: Tracey Taylor (786-7196).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Hankins, Assistant Ranking Minority Member; Blake, Ericks, Flannigan, Green, Hasegawa, Lantz, Moeller, Morrell, O'Brien, Schual-Berke, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 13 members: Representatives Jarrett, Ranking Minority Member; Cox, DeBolt, Eickmeyer, Ericksen, Holmquist, Kretz, Kristiansen, McCune, Newhouse, Roach, Serben and Strow.

Staff: Tracey Taylor (786-7196).

Background:

Community Economic Revitalization Board (CERB)

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 CERB has 15 voting members. There are two members from the House of Representatives appointed by the Speaker of the House, and chosen from each of the two major caucuses. There are two members from the Senate, appointed by the President of the Senate, and chosen from each of the two major caucuses. The Governor appoints a recognized private or public sector economist, a port district official, one county official, one city official, one representative of a federally recognized Indian tribe and one representative of small business from each of the following geographic areas: (a) the area west of Puget Sound; (b) the area east of Puget Sound and west of the Cascade range; (c) the area east of the Cascade range and west of the Columbia River; and (d) the area east of the Columbia River. In addition, the Governor shall appoint one executive from large businesses on each side of the Cascades. The Director of the Department of Community, Trade & Economic Development, the Director of the Department of Revenue, the Commissioner of the Employment Security Department and the Secretary of Transportation all serve as nonvoting advisory members.

Public Works Trust Fund

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.

The Public Works Board (PWB) is composed of 13 members, appointed by the Governor for terms of four years. The PWB must include: three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Association of Washington Cities; three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Washington State Association of Counties; three members appointed from a list of at least six persons nominated jointly by the Washington Public Utilities Districts Association and a state association of water-sewer districts; and four members appointed from the general public. When making the general public appointments, the Governor must try to balance the geographical composition of the PWB and include members with special expertise in relevant areas. The PWB is chaired by a representative of the general public who is appointed by the Governor.

The PWB administers six programs: the PWTF Construction Loan Program; the PWTF Pre-Construction Loan Program; the PWTF Emergency Loan Program; the PWTF Planning Loan Program; the Drinking Water State Revolving Fund Program; and the Water System Acquisition and Rehabilitation Program.

The PWTF is capitalized through dedicated taxes and loan repayments. A portion of the taxes on water and sewer rates as well as the real estate excise tax goes to the PWTF. In addition, the proceeds from a tax on refuse collection of 3.6 percent is allotted to the PWTF.

Summary of Engrossed Substitute Bill:

The Job Development Fund Grant Program is created and will be administered by the CERB. The CERB will establish a competitive process to request proposals for and prioritize public infrastructure projects. The public infrastructure project must have a primary objective to stimulate community and economic development. For the purposes of the Job Development Fund Grant program, "public infrastructure projects" means a project of a local government or federally recognized Indian tribe for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation or improvements of bridges, roads, domestic and industrial water, earth stabilization, sanitary sewer, storm sewer, railroad, electricity, telecommunications, transportation, natural gas, buildings or structures and port facilities.

The CERB will develop criteria to evaluate and rank applications. Among the priorities for project ranking the CERB must consider are the relative benefits provided to the community by the jobs the project would create. This includes, but should not be limited to, the total of number of jobs a project would create after it is completed. The CERB must also consider the rate of return of the state's investment in the project. This includes the expected increase in

state and local tax revenues associated with the project. The community's present level of economic activity and the existing local financial capacity to increase economic activity must also be considered. Finally, the CERB must consider whether a project is a partnership of multiple jurisdictions.

An applicant must demonstrate that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs. An examination of the applicant's existing assets that may be applied to the project shall also be considered. An applicant must also demonstrate that no other timely source of funding is available for the project at a reasonably similar cost. A project may not receive funding from the Job Development Fund if the project would result in a development or expansion that would displace existing jobs in any other community in the state. The CERB must also develop performance and evaluation criteria to review how well successful applicants met the community and economic development objectives stated in their applications. Job Development Fund Program grants may only be awarded to those applicants that have entered into or expect to enter into a contract with a private developer that will result in the creation or retention of jobs when the project is completed.

The maximum grant available from the Job Development Fund for any single project is \$10 million and may not exceed 33 percent of the total cost of the project. The nonstate portion of the total project costs may include cash, the value of real property when acquired solely for the purpose of the project, and in-kind contributions.

The CERB and the Joint Legislative Audit and Review Committee (JLARC) shall develop performance criteria for each grant and evaluation criteria to be used to evaluate both how well successful applicants met the community and economic development objectives stated in their applications, and how well the Job Development Fund program performed in creating and retaining jobs.

For the 2005-07 biennium, the CERB may solicit and rank applications; however to the extent funding is provided in the 2005-07 Capital Budget, the list of selected projects does not have to be submitted to the Legislature for approval unless otherwise required in the 2005-07 Capital Budget appropriation.

For the 2007-09 biennium, the CERB shall request an appropriation of \$50 million from the public works assistance account and submit to the Legislature and the Governor a prioritized list of recommended projects for biennial appropriation. The CERB may provide an alternate prioritized list of projects for an additional \$10 million in funds. The Legislature may remove projects from the CERB's recommended list, but may not change the order of priority for the projects and may add projects from the alternate list in order of priority.

By September 1, 2010, the Joint Legislative Audit and Review Committee (JLARC) shall submit a report to the appropriate legislative committees. At a minimum, the report must evaluate the effectiveness of the Job Development Fund Grant Program and include a project by project review. In addition, JLARC must also include in the report the impacts to the

availability of low-interest and interest-free loans to local governments under the Public Works Trust Fund resulting from appropriations to the Job Development Fund.

The JLARC is directed to conduct an inventory of all state public infrastructure state programs and funds. Where appropriate, the inventory must evaluate the return on investment for economic development infrastructure projects. The inventory is due to the appropriate legislative committees by December 1, 2006.

The Job Development Fund Program expires June 30, 2011.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Economic Development, Agriculture & Trade) (In support) Municipal governments and other political subdivisions provide development that spurs on the creation of jobs and the growth of the economy. This bill provides a new mechanism to provide a quick infusion of cash for infrastructure needed for an economic development opportunity. The reality is that most cities and counties are small and their means and abilities to provide infrastructure development are hampered.

In addition, this is a new tool that will assist in making Washington competitive in business retention and recruitment. The 30 percent set aside is an excellent way to be responsive to economic development opportunities. The state really lacks a great grant tool such as this to compete against Oregon, a state that has many more economic development tools than Washington.

(With concerns) Although this proposal has merit, the potential funding sources cause concern. In addition, the fact that this program would be a grant program, unlike CERB and Public Works Trust Fund, the CERB would be spending down the principal with no commitment to maintain it. Also, the CERB is a great program and a great board, but there is concern about impacting its core program by adding to its duties.

Testimony For: (Capital Budget) Local government need tools to create jobs and help stimulate the economy. Right now, local governments need assistance with public infrastructure to promote development. By providing needed relief in grant form, this bill would create a trickle up effect on the economy. It would also help local jurisdictions compete with locations in other states in retaining or attracting businesses. This bill would create a quick response program that would not have to wait to get a project moving until the Legislature returned to Olympia.

Testimony Against: (Economic Development, Agriculture & Trade) None.

Testimony Against: (Capital Budget) None.

Persons Testifying: (Economic Development, Agriculture & Trade) (In support) Representative Ericks, prime sponsor; Noel Gibb, City of Burien; Jeff Marcell, Enterprise Seattle; Scott Taylor, Washington Public Ports Association; Bryan Wall, Washington Association of Realtors; Steve Mullet, City of Tukwila; Mark Brown, City of Vancouver and Columbia River Economic Development Council; Kathy Keolker-Wheeler, City of Renton; Ron Newbry, Washington Economic Development Association; and Greg Hanon, National Association of Industrial and Office Properties.

(With concerns) Rick Slunaker, Associated General Contractors.

Persons Testifying: (Capital Budget) Scott Taylor, Washington Public Ports Association; Jim Justin, Association of Washington Cities, Ron Newbry, Washington Economic Development Association; and Paul Parker, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: (Economic Development, Agriculture & Trade) None.

Persons Signed In To Testify But Not Testifying: (Capital Budget) None.