

SENATE BILL REPORT

ESHB 1903

As Reported By Senate Committee On:
International Trade & Economic Development, March 31, 2005
Ways & Means, April 4, 2005

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

Brief Description: Providing funds to stimulate community and economic development.

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

Committee Activity: International Trade & Economic Development: 3/29/05, 3/31/05
[DPA-WM, DNP, w/oRec].

Ways & Means: 4/4/05 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Shin, Chair; Sheldon, Vice Chair; Doumit, Eide and Zarelli.

Minority Report: Do not pass. Signed by Senator Pflug, Ranking Minority Member.

Minority Report: That it be referred without recommendation.
Signed by Senator Roach.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Brandland, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller and Thibaudeau.

Minority Report: Do not pass.
Signed by Senators Pflug and Schoesler.

Minority Report: That it be referred without recommendation.
Signed by Senator Roach.

Staff: Kirstan Arestad (786-7708)

Background: The Public Works Trust Fund (PWTF) Program was created in 1985 to provide low-interest or interest-free loans to counties, cities, and certain special purpose districts, not including schools and port districts, to improve bridges, roads, water and sewage systems, and solid waste and recycling facilities. In order to qualify for financial assistance, the county, city, and special purpose district must: (1) impose an excise tax on the sale of real estate of at least 0.25 of 1 percent; (2) have developed a long-term plan for financing public works needs; and (3) fully use all local revenue sources that are reasonably available for funding public works.

The Public Works Assistance Account (PWAA) receives revenue from 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 PWAA. In addition, the proceeds from a tax on refuse collection of 3.6 percent is allotted to the PWAA.

Each year, the Public Works Board, comprised of thirteen members, is required to submit a list of public works projects to the Legislature for approval. The Legislature may delete a project from the list, but it may not add projects or change the order of project priorities.

The Community Economic Revitalization Board (CERB) was created in 1982 to provide low-interest loans and grants to counties, cities, and special purpose districts for economic development-related infrastructure improvements. The CERB financing is available for public improvements such as the acquisition, construction, or repair of water and sewer systems, bridges, railroad spurs, telecommunication systems, roads, structures, and port facilities.

The CERB financing can only be used to either bring a new business into a community, or expand or retain an existing business that is already located in the community. Grants may only be authorized when a loan is not reasonably possible for the local government and the finding by the board is such that financial circumstances require grant assistance to enable the project to move forward.

Since 1995, the CERB Account (Public Facilities Construction Loan Revolving Account) revenue has come from a variety of sources, including the general fund. The CERB Account receives revenue from the repayment of CERB loans, interest earnings on cash balances in the CERB Account, and annual transfers of loan principal and interest from timber and rural natural resources program loans (authorized in 2002) from the Public Works Assistance Account. This last source of revenue expires on June 30, 2007.

Summary of Amended Bill: The Job Development Fund Program is created to provide loans and grants for public infrastructure projects that will retain or create jobs. A public infrastructure project must have a primary objective to stimulate community and economic development. For the purposes of the Job Development Fund 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 Community Economic Revitalization Board (CERB) will conduct a statewide request for project applications from political subdivisions. Among the priorities for project ranking, the CERB must consider:

- the relative benefits provided to the community by the jobs the project would create;
- the present level of economic activity in the community; the rate of return of the state's investment;
- the lack of another timely source of funding for local government;
- the ability of the project to improve the viability of existing business entities;
- whether the project is a partnership of multiple jurisdiction;
- whether the requested assistance will directly stimulate community and economic development;
- whether assistance will directly create new jobs or retain jobs; and
- the availability of existing assets that applicants may apply to projects.

Job Development Fund loans and grants may only be awarded to those applicants that have entered into or expect to enter into a contract with a private developer relating to private investment. In addition, the CERB must develop a list of proposed projects for the 2007-09 budget request that totals \$50 million.

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 non-state 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 Job Development Fund is established in the State Treasury. Money from the Public Works Assistance Account (PWAA) may be placed in the fund after appropriation. Expenditures from the fund may be made only after appropriation and are limited to Job Development Fund Program loans, grants, and administrative expenses.

The Joint Legislative Audit and Review Committee (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, 2005. By September 1, 2010, the JLARC is to submit a report to the appropriate legislative committees evaluating the effectiveness of the Job Development Fund Program and including a project by project review.

The Job Development Fund Program expires June 30, 2011.

Amended Bill Compared to Original Bill: The amended bill:

- moves the Job Development Fund Program responsibilities from the Public Works Board (PWB) to the Community Economic Revitalization Board;
- allows for loans (not grants only) to be made and prioritizes loans over grants by restricting grants to those projects where a loan is not reasonably possible;
- requires private developer involvement before receiving a loan or grant;
- removes provision for appropriating \$50 million a biennium beginning July 1, 2007;

- removes provisions requiring the PWB to request an appropriation and submit prioritized projects to the legislature, as are provisions relating to the Governor making decisions on projects; and
- requires the CERB to submit a list of proposed projects for the 2007-09 biennium.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For (International Trade & Economic Development): This bill is a tool to help economic development. Many communities lack infrastructure and this will help. The grants will help projects happen. Plants have located in Oregon because they have tools like this and Washington doesn't. Ports could benefit from this fund because it provides enough funds to make a difference. The grants require a significant match. This will create jobs. It leverages private sector investment.

Testimony Against (International Trade & Economic Development): Why not give this to CERB? This will take away the money used to maintain infrastructure. Any dipping into the fund for a grant program minimizes the self-sustaining nature of the fund. This will diminish the capacity to meet the \$3 to \$5 billion in infrastructure needs. The Public Works fund creates jobs now.

Who Testified (International Trade & Economic Development): PRO: Representative Mark Ericks; Representative Larry Haler; Noel Bibb, City of Burien; Marb Brown, City of Vancouver, City of Ridgefield, Columbia River Economic Development Council, Port of Vancouver, and Clark County; Scott Taylor, WA Public Ports Assoc.; Tim Thomson, Port of Bremerton; Lincoln Ferris, WA Association of Small Business Incubators; Jim Justin, Association of Washington Cities; Ron Newbry, WA Economic Development Association.; Jeff Marcell, Enterprise Seattle.

CON: Joe Daniels, Hal Schlomann, and Gary Cline, WA Association of Sewer and Water Districts; Bill Stauffacher, WA PUD Association; Rick Slunaker, Associated General Contractors.

Testimony For (Ways & Means): No more than 33 percent of a project can come from state funds. It is a competitive program beyond this biennium and there are specific criteria on how CERB will distribute the money. This bill sunsets in 2011. If assistance in the form of a grant is not provided, projects are considerably more expensive because of regional and environmental costs. This bill will help small cities and towns where a loan process does not necessarily work. Ports do economic development, in large part, by providing infrastructure to induce new private investment.

Testimony Against (Ways & Means): PUDs are more than electrical providers. PUDs are active in working with the public works assistance program. There are triple the number of requests than what the public works trust fund can allocate. There is a need to fund at a very low cost these critical water programs which help build up water systems - which are also job creating activities. This legislation minimizes money available for water system projects.

Other: We are primarily concerned with the taking of funds from the public works trust fund. However, a number of changes have been made. We would be more comfortable if the public works trust fund appropriation reference was re-instated.

Who Testified (Ways & Means): PRO: Jim Justin, Association of Washington Cities; Doug Levy, Cities of Everett, Federal Way, Renton and Puyallup; Mike Ryherd, City of Bremerton and City of Carnation; Scott Taylor, Washington Public Ports Association. OTHER: Rick Slunaker, Associated General Contractors.

CON: Bill Stauffacher, WA PUD Association.