Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Community Development, Housing & Tribal Affairs Committee

E2SSB 5109

Brief Description: Concerning infrastructure financing for local governments.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator Brown).

Brief Summary of Engrossed Second Substitute Bill

- Changes the criteria for determining a state contribution award for a local revitalization program and eliminates the first-come-first-served priority.
- Requires local governments to forfeit the state contribution award if they have not started using the state contribution award by the end of 2016.
- Transfers administration of the state contribution application and approval process from the Department of Revenue to the Department of Commerce.

Hearing Date: 2/22/16

Staff: Sean Flynn (786-7124).

Background:

Local Revitalization Financing.
The Local Revitalization Financing program (LRF) was created in 2009 as a mechanism for local governments to use certain sales and property tax revenues within a designated revitalization area to finance public improvement projects to encourage private development in that area. The financing is based on the incremental increase in revenues within the revitalization area that are generated by the public improvement. The incremental tax revenues, as well as other local public funding sources, are used to finance general obligation or revenue bonds to pay for the improvement.

State Contribution.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The state may provide a contribution up to $500,000 of state sales and use taxes for financing a public improvement project in a LRF program. Local governments apply to the Department of Revenue (DOR) for a state contribution award. The DOR awards a state contribution as determined on a first come-first-served basis. In determining whether to grant an award, the DOR must determine whether the local government is able to match the award amount generated through local sales and use tax revenues.

The total state contribution limit for project awards is set at $2.5 million. In 2010 the Legislature also authorized an additional $4.2 million state contribution for 13 LRF demonstration projects designated in statute.

Summary of Bill:

The administration for accepting applications and approving state contribution project awards is transferred from the DOR to the Department of Commerce (DOC). The DOC must consult with the DOR in determining the amount of a project award and must notify the DOR of all project awards approved.

Awards are no longer determined on a first-come-first-served basis. The criteria for awarding a state contribution to finance a LRF project is determined on:

- the availability of a state contribution;
- whether the sales and use incremental tax generated would match the state contribution;
- the number of jobs created by the project;
- the fit of the expected business creation or expansion within the region's preferred economic growth strategy;
- the speed with which project construction may begin;
- the extent to which the project leverages non-state funding; and
- the geographic location of the project with at least 50 percent of the annual state contribution awarded to projects east of the Cascade Mountains.

Any city or county that has received approval for a project award before 2011, must forfeit their project award if it has not begun to levy the state contribution by the end of 2016. The project award is not forfeited if before the end of 2016, the city or county may declare its intention to begin to use the state contribution by July 1, 2022. Any state contributions forfeited must be made available for new applications.

Appropriation: None.

Fiscal Note: Requested on February 15, 2016.

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