FINAL BILL REPORT
E2SSB 5109

C 207 L 16
Synopsis as Enacted

Brief Description: Concerning infrastructure financing for local governments.

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

Senate Committee on Trade & Economic Development
Senate Committee on Ways & Means
House Committee on Community Development, Housing & Tribal Affairs
House Committee on Finance

Background: The Local Revitalization Financing program (LRF) was created in 2009 to encourage public infrastructure investments to stimulate private development and create jobs. To increase public investments, the LRF provides a mechanism for local governments to use sales and property tax revenues within a designated revitalization area to finance public improvement projects. The taxes are assessed 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.

The state also may provide a contribution up to $500,000 for financing per public improvement project in the LRF program. Local governments may apply to the Department of Revenue (Department) for a state contribution award. The Department awards a state contribution as determined on a first-come, first-served basis. The Department will credit the state sales and use tax against the local sales and use incremental tax that is applied within the revitalization areas. In determining whether to grant an award, the Department 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. The LRF program is currently not open for new applicants because state funding has been awarded. In 2010 the Legislature also authorized an additional $4.2 million state contribution for 13 LRF demonstration projects designated in statute.

Summary: The Department of Commerce is tasked with selecting which projects are awarded state contributions to finance LRF projects. The criteria for awarding a state contribution for these projects is determined by the following:
- the availability of a state contribution;
- the availability of a local match;
- the number of jobs created by the project;

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- 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; and
- the extent to which the project leverages non-state funding.

Local governments that have been approved for a project award prior to January 1, 2011 but have not imposed a sales or use tax by December 31, 2016 must forfeit their project award, unless they send a letter to the department by July 1, 2016, indicating that they intend to impose a sales and use tax by July 1, 2022. Funds that become available under these circumstances may be reallocated to other applicants.

Votes on Final Passage:

Senate	40	9	
House	94	3	(House amended)
Senate	44	3	(Senate concurred)

Effective: June 9, 2016