

SENATE BILL REPORT

SB 5442

As Passed Senate, June 26, 2015

Title: An act relating to eligibility criteria for the community economic revitalization board programs.

Brief Description: Concerning eligibility criteria for the community economic revitalization board programs.

Sponsors: Senators Warnick and Hatfield; by request of Washington State Department of Commerce.

Brief History:

Committee Activity: Agriculture, Water & Rural Economic Development: 2/05/15, 2/10/15 [DP].

Passed Senate: 3/05/15, 41-7.

First Special Session: Passed Senate: 4/29/15, 43-2.

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Warnick, Chair; Dinsel, Vice Chair; Hatfield, Ranking Minority Member; Hobbs and Honeyford.

Staff: Diane Smith (786-7410)

Background: The Community Economic Revitalization Board (CERB) is governed by a 20-member statutory state board that is charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. CERB receives administrative support from the Department of Commerce.

CERB's focus is on creating and retaining jobs in partnership with local governments. To be eligible, a project must demonstrate by convincing evidence that the private sector jobs it will create, after the construction phase, will exceed the countywide median wage.

Through CERB, local governments can apply for low-interest loans, and grants to help finance public facility projects. Counties, cities, towns, port districts, federally recognized

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Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply.

Public facilities eligible for CERB financing include the following: bridges; roads; domestic and industrial water; earth stabilization; sanitary sewer; storm sewer; railroad; telecommunications; electricity; transportation; natural gas; buildings or structures; and port facilities.

The traditional CERB program offers three financing programs: (1) Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; (2) Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and (3) planning projects, which evaluate high-priority economic development projects.

Funding for CERB projects is appropriated in the capital budget primarily from the Public Facilities Construction Loan Revolving Account.

CERB must approve at least 75 percent of the first \$20 million of funds available and at least 50 percent of additional funds, for financial assistance for projects in rural counties. Rural counties average less than 100 people living in each square mile or are counties smaller than 225 square miles.

Summary of Bill: Biennially, up to 25 percent of the awards CERB makes from its capital budget appropriation may be made to projects that cannot demonstrate convincingly that the median hourly wage of private sector jobs created after completion of the project will exceed the countywide median wage for private sector jobs.

At least 75 percent of the awards must be made to projects that are able to demonstrate convincingly that they will create private sector jobs that pay in excess of the countywide median wage for private sector jobs.

CERB must give funding priority to projects applying under the Committed Private Partner Construction Program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: CERB is an important part of rural economic development. As one example of the need to change the CERB requirement on median wages, Pacific County wanted to apply for \$2 million to leverage \$9 million which would not only keep 259 existing jobs but create 73 more and contribute \$2 million more to the local economy. The new jobs would have paid \$15 per hour with benefits in a county with a 9.9

percent unemployment rate. The project was not considered because the median wage is \$17.39.

OTHER: Only distressed areas should be eligible for the 25 percent of CERB money to projects paying less than the countywide median wage.

Persons Testifying: PRO: Senator Warnick, prime sponsor; Senator Hatfield, Mike Karnofski, Janae Eddy, CERB.

OTHER: Teresa Mosqueda, WA State Labor Council; Neil Hartman, WA State Building and Construction Trades Council.

Persons Signed in to Testify But Not Testifying: No one.