

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE HOUSE BILL 1677

Chapter 10, Laws of 2017
(partial veto)

65th Legislature
2017 3rd Special Session

PUBLIC WORKS ASSISTANCE ACCOUNT AND PUBLIC WORKS BOARD--VARIOUS
CHANGES

EFFECTIVE DATE: October 19, 2017

Passed by the House June 29, 2017
Yeas 94 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate June 30, 2017
Yeas 46 Nays 3

CYRUS HABIB

President of the Senate

Approved July 6, 2017 1:54 PM with the
exception of Section 3, which is
vetoed.

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the
House of Representatives of the
State of Washington, do hereby
certify that the attached is
**ENGROSSED SUBSTITUTE HOUSE BILL
1677** as passed by House of
Representatives and the Senate on
the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

July 7, 2017

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 1677

Passed Legislature - 2017 3rd Special Session

State of Washington

65th Legislature

2017 Regular Session

By House Capital Budget (originally sponsored by Representatives Peterson, Pike, Senn, McBride, DeBolt, Macri, Stonier, Riccelli, and Fey)

READ FIRST TIME 03/23/17.

1 AN ACT Relating to local government infrastructure funding;
2 amending RCW 43.155.010, 43.155.020, 43.155.030, 43.155.040,
3 43.155.060, 43.155.065, 43.155.068, 43.155.070, 43.155.075,
4 82.45.060, 82.16.020, and 82.18.040; reenacting and amending RCW
5 43.155.050; creating new sections; and providing an expiration date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 43.155.010 and 1996 c 168 s 1 are each amended to
8 read as follows:

9 The legislature finds that there exists in the state of
10 Washington over four billion dollars worth of critical projects for
11 the planning, acquisition, construction, repair, replacement,
12 rehabilitation, or improvement of streets and roads, bridges, water
13 systems, and storm and sanitary sewage systems. The December, 1983
14 Washington state public works report prepared by the planning and
15 community affairs agency documented that local governments expect to
16 be capable of financing over two billion dollars worth of the costs
17 of those critical projects but will not be able to fund nearly half
18 of the documented needs.

19 The legislature further finds that Washington's local governments
20 have unmet financial needs for solid waste disposal, including

1 recycling, and encourages the board to make an equitable geographic
2 distribution of the funds.

3 It is the policy of the state of Washington to encourage self-
4 reliance by local governments in meeting their public works needs and
5 to assist in the financing of critical public works projects by
6 making loans, grants, financing guarantees, and technical assistance
7 available to local governments for these projects.

8 **Sec. 2.** RCW 43.155.020 and 2009 c 565 s 33 are each amended to
9 read as follows:

10 (~~Unless the context clearly requires otherwise,~~) The
11 definitions in this section (~~shall~~) apply throughout this chapter
12 unless the context clearly requires otherwise.

13 (1) "Board" means the public works board created in RCW
14 43.155.030.

15 (2) "Capital facility plan" means a capital facility plan
16 required by the growth management act under chapter 36.70A RCW or,
17 for local governments not fully planning under the growth management
18 act, a plan required by the public works board.

19 (3) "Department" means the department of commerce.

20 (4) "Financing guarantees" means the pledge of money in the
21 public works assistance account, or money to be received by the
22 public works assistance account, to the repayment of all or a portion
23 of the principal of or interest on obligations issued by local
24 governments to finance public works projects.

25 (5) "Local governments" means cities, towns, counties, special
26 purpose districts, and any other municipal corporations or quasi-
27 municipal corporations in the state excluding school districts and
28 port districts.

29 (6) "Public works project" means a project of a local government
30 for the planning, acquisition, construction, repair, reconstruction,
31 replacement, rehabilitation, or improvement of streets and roads,
32 bridges, water systems, or storm and sanitary sewage systems, lead
33 remediation of drinking water systems, and solid waste facilities,
34 including recycling facilities. A planning project may include the
35 compilation of biological, hydrological, or other data on a county,
36 drainage basin, or region necessary to develop a base of information
37 for a capital facility plan.

38 (7) "Solid waste or recycling project" means remedial actions
39 necessary to bring abandoned or closed landfills into compliance with

1 regulatory requirements and the repair, restoration, and replacement
2 of existing solid waste transfer, recycling facilities, and landfill
3 projects limited to the opening of landfill cells that are in
4 existing and permitted landfills.

5 (8) "Technical assistance" means training and other services
6 provided to local governments to: (a) Help such local governments
7 plan, apply, and qualify for loans, grants, and financing guarantees
8 from the board, and (b) help local governments improve their ability
9 to plan for, finance, acquire, construct, repair, replace,
10 rehabilitate, and maintain public facilities.

11 (9) "Value planning" means a uniform approach to assist in
12 decision making through systematic evaluation of potential
13 alternatives to solving an identified problem.

14 *Sec. 3. RCW 43.155.030 and 1999 c 153 s 58 are each amended to
15 read as follows:

16 (1) *The public works board is hereby created.*

17 (2) *The board shall be composed of seventeen members as provided*
18 *in this subsection:*

19 *(a) Thirteen members appointed by the governor for terms of four*
20 *years, except that five members initially shall be appointed for*
21 *terms of two years. ((The board)) These members shall include: ((a)*
22 *Three)) (i) Two members, ((two)) one of whom shall be an elected*
23 *official((s)) and one shall be a public works manager or a finance*
24 *director, appointed from a list of at least six persons nominated by*
25 *((the)) a state association of ((Washington)) cities or its*
26 *successor; ((b) three)) (ii) two members, ((two)) one of whom shall*
27 *be an elected official((s)) and one shall be a public works manager*
28 *or a finance director, appointed from a list of at least six persons*
29 *nominated by ((the Washington)) a state association of counties or*
30 *its successor; ((c) three)) (iii) one member((s)) appointed from a*
31 *list of at least ((six)) three persons nominated ((jointly)) by ((the*
32 *Washington)) a state association of public utility districts*
33 *((association and)) or its successor; (iv) one member appointed from*
34 *a list of at least three persons nominated by a state association of*
35 *water-sewer districts((7)) or ((their)) its successor((s)); and ((d)*
36 *four)) (v) seven members appointed from the general public with*
37 *expertise in relevant fields. In appointing the ((four)) seven*
38 *general public members, the governor shall ((endeavor to)) balance*
39 *the geographical composition of the board and ((to)) include members*

1 with special expertise in relevant fields such as public finance,
2 architecture and civil engineering, and public works construction.
3 The governor shall appoint one of the general public members of the
4 board as chair. The term of the chair shall coincide with the term of
5 the governor.

6 (b) Four members from the legislature appointed for terms of four
7 years. The speaker of the house of representatives shall appoint one
8 member from each of the two major caucuses of the house of
9 representatives and the president of the senate shall appoint one
10 member from each of the two major caucuses of the senate.
11 Additionally, the speaker of the house of representatives may
12 designate one member from each of the two major caucuses of the house
13 of representatives and the president of the senate may appoint one
14 member from each of the two major caucuses of the senate as alternate
15 members to take the place of the appointed member on the board for
16 meetings at which the member will be absent. The alternate member
17 shall have all powers to vote and participate in board deliberations
18 as the other board members.

19 (3) Staff support to the board shall be provided by the
20 department.

21 (4) Nonlegislative members of the board shall receive no
22 compensation but shall be reimbursed for travel expenses under RCW
23 43.03.050 and 43.03.060. Legislative members of the board shall be
24 reimbursed for travel in accordance with RCW 44.04.120.

25 (5) If a vacancy on the board occurs by death, resignation, or
26 otherwise, the governor shall fill the vacant position for the
27 unexpired term. Each vacancy in a position appointed from lists
28 provided by the associations under subsection (2) of this section
29 shall be filled from a list of at least three persons nominated by
30 the relevant association or associations. Any members of the board,
31 appointive or otherwise, may be removed by the governor for cause in
32 accordance with RCW 43.06.070 and 43.06.080.

*Sec. 3 was vetoed. See message at end of chapter.

33 **Sec. 4.** RCW 43.155.040 and 1985 c 446 s 10 are each amended to
34 read as follows:

35 The board may:

36 (1) Accept from any state or federal agency, loans or grants for
37 the planning or financing of any public works project and enter into
38 agreements with any such agency concerning the loans or grants;

1 (2) Provide technical assistance to local governments;

2 (3) Accept any gifts, grants, or loans of funds, property, or
3 financial or other aid in any form from any other source on any terms
4 and conditions which are not in conflict with this chapter;

5 (4) Develop a program that provides grants and additional
6 assistance to leverage federal programs, and other opportunities to
7 target deeper financial assistance to communities with economic
8 distress or projects that would result in rate increases to
9 residential utility rates that exceed a determined percentage of
10 median household income;

11 (5) Adopt rules under chapter 34.05 RCW as necessary to carry out
12 the purposes of this chapter;

13 ~~((+5))~~ (6) Do all acts and things necessary or convenient to
14 carry out the powers expressly granted or implied under this chapter.

15 **Sec. 5.** RCW 43.155.050 and 2015 3rd sp.s. c 4 s 959 and 2015 3rd
16 sp.s. c 3 s 7032 are each reenacted and amended to read as follows:

17 The public works assistance account is hereby established in the
18 state treasury. Money may be placed in the public works assistance
19 account from the proceeds of bonds when authorized by the legislature
20 or from any other lawful source. Money in the public works assistance
21 account shall be used to make loans and grants and to give financial
22 guarantees to local governments for public works projects. Moneys in
23 the account may also be appropriated or transferred to the water
24 pollution control revolving account and the drinking water assistance
25 account to provide for state match requirements under federal law
26 ~~((for projects and activities conducted and financed by the board~~
27 ~~under the drinking water assistance account)). Not more than~~
28 ~~((fifteen))~~ twenty percent of the biennial capital budget
29 appropriation to the public works board from this account may be
30 expended or obligated for preconstruction loans and grants, emergency
31 loans and grants, or loans and grants for capital facility planning
32 under this chapter~~((; of this amount, not more than ten percent of~~
33 ~~the biennial capital budget appropriation may be expended for~~
34 ~~emergency loans and not more than one percent of the biennial capital~~
35 ~~budget appropriation may be expended for capital facility planning~~
36 ~~loans)). Not more than ten percent of the biennial capital budget~~
37 appropriation to the public works board from this account may be
38 expended or obligated as grants for preconstruction, emergency,
39 capital facility planning, and construction projects. During the

1 2015-2017 fiscal biennium, the legislature may transfer from the
2 public works assistance account to the general fund, the water
3 pollution control revolving account, and the drinking water
4 assistance account such amounts as reflect the excess fund balance of
5 the account. (~~During the 2013-2015 fiscal biennium, the legislature~~
6 ~~may transfer from the public works assistance account to the~~
7 ~~education legacy trust account such amounts as specified by the~~
8 ~~legislature.~~) During the 2015-2017 fiscal biennium, the legislature
9 may appropriate moneys from the account for activities related to the
10 growth management act and the voluntary stewardship program. During
11 the 2015-2017 fiscal biennium, the legislature may transfer from the
12 public works assistance account to the state general fund such
13 amounts as specified by the legislature. (~~In the 2017-2019 fiscal~~
14 ~~biennium the legislature intends to allocate seventy three million~~
15 ~~dollars of future loan repayments paid into the public works~~
16 ~~assistance account to support basic education.~~)

17 **Sec. 6.** RCW 43.155.060 and 1988 c 93 s 2 are each amended to
18 read as follows:

19 (1) In order to aid the financing of public works projects, the
20 board may:

21 ~~((1))~~ (a) Make ~~((low interest or interest free))~~ loans or
22 grants to local governments from the public works assistance account
23 or other funds and accounts for the purpose of assisting local
24 governments in financing public works projects. (~~The board may~~
25 ~~require such terms and conditions and may charge such rates of~~
26 ~~interest on its loans as it deems necessary or convenient to carry~~
27 ~~out the purposes of this chapter.~~) Money received from local
28 governments in repayment of loans made under this section shall be
29 paid into the public works assistance account for uses consistent
30 with this chapter.

31 ~~((2))~~ (b) Pledge money in the public works assistance account,
32 or money to be received by the public works assistance account, to
33 the repayment of all or a portion of the principal of or interest on
34 obligations issued by local governments to finance public works
35 projects. The board shall not pledge any amount greater than the sum
36 of money in the public works assistance account plus money to be
37 received from the payment of the debt service on loans made from that
38 account, nor shall the board pledge the faith and credit or the

1 taxing power of the state or any agency or subdivision thereof to the
2 repayment of obligations issued by any local government.

3 ~~((3))~~ (c) Create such subaccounts in the public works
4 assistance account as the board deems necessary to carry out the
5 purposes of this chapter.

6 ~~((4))~~ (d) Provide a method for the allocation of loans, grants,
7 and financing guarantees and the provision of technical assistance
8 under this chapter.

9 (2) When establishing interest rates for loan programs authorized
10 in this chapter for projects which are supported by a rate base of at
11 least fifty thousand equivalent residential units, the board must
12 base interest rates on the average daily market interest rate for
13 tax-exempt municipal bonds as published in the bond buyer's index for
14 the period from sixty to thirty days before the start of the
15 application cycle.

16 (a) For projects with a repayment period between five and twenty
17 years, the rate must be fifty percent of the market rate.

18 (b) For projects with a repayment period under five years, the
19 rate must be twenty-five percent of the market rate.

20 (c) For any year in which the average daily market interest rate
21 for tax-exempt municipal bonds for the period from sixty to thirty
22 days before the start of an application cycle is nine percent or
23 greater, the board may cap interest rates at four percent for
24 projects with a repayment period between five and twenty years and at
25 two percent for projects with a repayment period under five years.

26 (d) The board may also provide reduced interest rates, extended
27 repayment periods, or grants for projects that meet financial
28 hardship criteria as measured by the affordability index or similar
29 standard measure of financial hardship. The board may provide reduced
30 interest rates, extended repayment periods, or grants for projects
31 that are supported by a rate base of less than fifty thousand
32 equivalent residential units.

33 (3) All local public works projects aided in whole or in part
34 under the provisions of this chapter shall be put out for competitive
35 bids, except for emergency public works under RCW 43.155.065 for
36 which the recipient jurisdiction shall comply with this requirement
37 to the extent feasible and practicable. The competitive bids called
38 for shall be administered in the same manner as all other public
39 works projects put out for competitive bidding by the local
40 governmental entity aided under this chapter.

1 **Sec. 7.** RCW 43.155.065 and 2001 c 131 s 3 are each amended to
2 read as follows:

3 The board may make low-interest or interest-free loans or grants
4 to local governments for emergency public works projects. Emergency
5 public works projects shall include the construction, repair,
6 reconstruction, replacement, rehabilitation, or improvement of a
7 public water system that is in violation of health and safety
8 standards and is being operated by a local government on a temporary
9 basis. The loans or grants may be used to help fund all or part of an
10 emergency public works project less any reimbursement from any of the
11 following sources: (1) Federal disaster or emergency funds, including
12 funds from the federal emergency management agency; (2) state
13 disaster or emergency funds; (3) insurance settlements; or (4)
14 litigation.

15 **Sec. 8.** RCW 43.155.068 and 2001 c 131 s 4 are each amended to
16 read as follows:

17 (1) The board may make (~~(low-interest or interest-free)~~) loans or
18 grants to local governments for preconstruction activities on public
19 works projects before the legislature approves the construction phase
20 of the project. Preconstruction activities include design,
21 engineering, bid-document preparation, environmental studies, right-
22 of-way acquisition, value planning, and other preliminary phases of
23 public works projects as determined by the board. The purpose of the
24 loans and grants authorized in this section is to accelerate the
25 completion of public works projects by allowing preconstruction
26 activities to be performed before the (~~(approval of)~~) appropriation
27 for the construction phase of the project by the legislature.

28 (2) Projects receiving loans or grants for preconstruction
29 activities under this section must be evaluated using the priority
30 process and factors in RCW 43.155.070(~~((2))~~). The receipt of a loan
31 or grant for preconstruction activities does not ensure the receipt
32 of a construction loan or grant for the project under this chapter.
33 Construction loans or grants for projects receiving a loan or grant
34 for preconstruction activities under this section are subject to
35 legislative (~~(approval)~~) appropriation under RCW 43.155.070 (~~((4) and~~
36 ~~(5))~~) (7). The board shall adopt a single application process for
37 local governments seeking both a loan or grant for preconstruction
38 activities under this section and a construction loan for the
39 project.

1 **Sec. 9.** RCW 43.155.070 and 2015 3rd sp.s. c 3 s 7033 are each
2 amended to read as follows:

3 (1) To qualify for financial assistance under this chapter the
4 board must determine that a local government meets all of the
5 following conditions:

6 (a) The city or county must be imposing a tax under chapter 82.46
7 RCW at a rate of at least one-quarter of one percent;

8 (b) The local government must have developed a capital facility
9 plan; and

10 (c) The local government must be using all local revenue sources
11 which are reasonably available for funding public works, taking into
12 consideration local employment and economic factors.

13 (2) Except where necessary to address a public health need or
14 substantial environmental degradation, a county, city, or town
15 planning under RCW 36.70A.040 may not receive financial assistance
16 under this chapter unless it has adopted a comprehensive plan,
17 including a capital facilities plan element, and development
18 regulations as required by RCW 36.70A.040. This subsection does not
19 require any county, city, or town planning under RCW 36.70A.040 to
20 adopt a comprehensive plan or development regulations before
21 requesting or receiving financial assistance under this chapter if
22 such request is made before the expiration of the time periods
23 specified in RCW 36.70A.040. A county, city, or town planning under
24 RCW 36.70A.040 that has not adopted a comprehensive plan and
25 development regulations within the time periods specified in RCW
26 36.70A.040 may apply for and receive financial assistance under this
27 chapter if the comprehensive plan and development regulations are
28 adopted as required by RCW 36.70A.040 before executing a contractual
29 agreement for financial assistance with the board.

30 (3) In considering awarding financial assistance for public
31 facilities to special districts requesting funding for a proposed
32 facility located in a county, city, or town planning under RCW
33 36.70A.040, the board must consider whether the county, city, or town
34 planning under RCW 36.70A.040 in whose planning jurisdiction the
35 proposed facility is located has adopted a comprehensive plan and
36 development regulations as required by RCW 36.70A.040.

37 (4) ~~((The board must develop a priority process for public works
38 projects as provided in this section. The intent of the priority
39 process is to maximize the value of public works projects
40 accomplished with assistance under this chapter. The board must~~

1 attempt to assure a geographical balance in assigning priorities to
2 projects. The board must consider at least the following factors in
3 assigning a priority to a project:

4 (a) Whether the local government receiving assistance has
5 experienced severe fiscal distress resulting from natural disaster or
6 emergency public works needs;

7 (b) Except as otherwise conditioned by RCW 43.155.110, whether
8 the entity receiving assistance is a Puget Sound partner, as defined
9 in RCW 90.71.010;

10 (c) Whether the project is referenced in the action agenda
11 developed by the Puget Sound partnership under RCW 90.71.310;

12 (d) Whether the project is critical in nature and would affect
13 the health and safety of a great number of citizens;

14 (e) Whether the applicant's permitting process has been certified
15 as streamlined by the office of regulatory assistance;

16 (f) Whether the applicant has developed and adhered to guidelines
17 regarding its permitting process for those applying for development
18 permits consistent with section 1(2), chapter 231, Laws of 2007;

19 (g) The cost of the project compared to the size of the local
20 government and amount of loan money available;

21 (h) The number of communities served by or funding the project;

22 (i) Whether the project is located in an area of high
23 unemployment, compared to the average state unemployment;

24 (j) Whether the project is the acquisition, expansion,
25 improvement, or renovation by a local government of a public water
26 system that is in violation of health and safety standards, including
27 the cost of extending existing service to such a system;

28 (k) Except as otherwise conditioned by RCW 43.155.120, and
29 effective one calendar year following the development of model
30 evergreen community management plans and ordinances under RCW
31 35.105.050, whether the entity receiving assistance has been
32 recognized, and what gradation of recognition was received, in the
33 evergreen community recognition program created in RCW 35.105.030;

34 (l) The relative benefit of the project to the community,
35 considering the present level of economic activity in the community
36 and the existing local capacity to increase local economic activity
37 in communities that have low economic growth; and

38 (m) Other criteria that the board considers advisable.

1 ~~(5) For the 2015-2017 fiscal biennium, in place of the criteria,~~
2 ~~ranking, and submission processes for construction loan lists~~
3 ~~provided in subsections (4) and (7) of this section:)~~

4 (a) The board must develop a process ((~~for numerically ranking~~))
5 to prioritize applications ((~~for construction~~)) and funding of loans
6 and grants for public works projects submitted by local governments.
7 The board must consider, at a minimum and in any order, the following
8 factors in ((~~assigning a numerical ranking to a~~)) prioritizing
9 projects:

10 (i) Whether the project is critical in nature and would affect
11 the health and safety of many people;

12 (ii) The extent to which the project leverages ((~~nonstate~~)) other
13 funds;

14 (iii) The extent to which the project is ready to proceed to
15 construction;

16 (iv) Whether the project is located in an area of high
17 unemployment, compared to the average state unemployment;

18 (v) Whether the project promotes the sustainable use of resources
19 and environmental quality, as applicable;

20 (vi) Whether the project consolidates or regionalizes systems;

21 (vii) Whether the project encourages economic development through
22 mixed-use and mixed income development consistent with chapter 36.70A
23 RCW;

24 (viii) Whether the system is being well-managed in the present
25 and for long-term sustainability;

26 (ix) Achieving equitable distribution of funds by geography and
27 population;

28 (x) The extent to which the project meets the following state
29 policy objectives:

30 (A) Efficient use of state resources;

31 (B) Preservation and enhancement of health and safety;

32 (C) Abatement of pollution and protection of the environment;

33 (D) Creation of new, family-wage jobs, and avoidance of shifting
34 existing jobs from one Washington state community to another;

35 (E) Fostering economic development consistent with chapter 36.70A
36 RCW;

37 (F) Efficiency in delivery of goods and services((~~, public~~
38 ~~transit,~~)) and transportation; and

1 (G) ~~((Avoidance of additional costs to state and local~~
2 ~~governments that adversely impact local residents and small~~
3 ~~businesses; and~~

4 ~~(H))~~ Reduction of the overall cost of public infrastructure;
5 ~~((and))~~

6 (xi) Whether the applicant sought or is seeking funding for the
7 project from other sources; and

8 (xii) Other criteria that the board considers necessary to
9 achieve the purposes of this chapter.

10 (b) Before ~~((November))~~ September 1, ((2016)) 2018, and each year
11 thereafter, the board must develop and submit a report regarding the
12 construction loans and grants to the office of financial management
13 and appropriate fiscal committees of the senate and house of
14 representatives ~~((a ranked list of qualified public works projects~~
15 ~~which have been evaluated by the board and are recommended for~~
16 ~~funding by the legislature)). The report must include:~~

17 (i) The total number of applications and amount of funding
18 requested for public works projects;

19 (ii) A list and description of projects approved in the preceding
20 fiscal year with project scores against the board's prioritization
21 criteria;

22 (iii) The total amount of loan and grants disbursements made from
23 the public works assistance account in the preceding fiscal year;

24 (iv) The total amount of loan repayments in the preceding fiscal
25 year for outstanding loans from the public works assistance account;

26 (v) The total amount of loan repayments due for outstanding loans
27 for each fiscal year over the following ten-year period; and

28 (vi) The total amount of funds obligated and timing of when the
29 funds were obligated in the preceding fiscal year.

30 (c) The maximum amount of funding that the board may
31 ~~((recommend))~~ provide for any jurisdiction is ten million dollars per
32 biennium. ~~((For each project on the ranked list, as well as for~~
33 ~~eligible projects not recommended for funding, the board must~~
34 ~~document the numerical ranking that was assigned.~~

35 ~~(6))~~ (5) Existing debt or financial obligations of local
36 governments may not be refinanced under this chapter. Each local
37 government applicant must provide documentation of attempts to secure
38 additional local or other sources of funding for each public works
39 project for which financial assistance is sought under this chapter.

1 ~~((7))~~ (6) Before ~~((November))~~ September 1st of each ~~((even-~~
2 ~~numbered))~~ year, the board must develop and submit to the appropriate
3 fiscal committees of the senate and house of representatives a
4 description of the loans and grants made under RCW 43.155.065~~((7))~~
5 and 43.155.068~~((, and subsection (10) of this section during the~~
6 ~~preceding fiscal year and a prioritized list of projects which are~~
7 ~~recommended for funding by the legislature, including one copy to the~~
8 ~~staff of each of the committees. The list must include, but not be~~
9 ~~limited to, a description of each project and recommended financing,~~
10 ~~the terms and conditions of the loan or financial guarantee, the~~
11 ~~local government jurisdiction and unemployment rate, demonstration of~~
12 ~~the jurisdiction's critical need for the project and documentation of~~
13 ~~local funds being used to finance the public works project. The list~~
14 ~~must also include measures of fiscal capacity for each jurisdiction~~
15 ~~recommended for financial assistance, compared to authorized limits~~
16 ~~and state averages, including local government sales taxes; real~~
17 ~~estate excise taxes; property taxes; and charges for or taxes on~~
18 ~~sewerage, water, garbage, and other utilities)).~~

19 ~~((8))~~ (7) The board may not sign contracts or otherwise
20 financially obligate funds from the public works assistance account
21 before the legislature has appropriated funds to the board for ~~((a~~
22 ~~specific list of))~~ the purpose of funding public works projects under
23 this chapter. ~~((The legislature may remove projects from the list~~
24 ~~recommended by the board. The legislature may not change the order of~~
25 ~~the priorities recommended for funding by the board.~~

26 ~~(9) Subsection (8) of this section does not apply to loans made~~
27 ~~under RCW 43.155.065, 43.155.068, and subsection (10) of this~~
28 ~~section.~~

29 ~~(10) Loans made for the purpose of capital facilities plans are~~
30 ~~exempted from subsection (8) of this section.~~

31 ~~((11))~~ (8) To qualify for loans, grants, or pledges for solid
32 waste or recycling facilities under this chapter, a city or county
33 must demonstrate that the solid waste or recycling facility is
34 consistent with and necessary to implement the comprehensive solid
35 waste management plan adopted by the city or county under chapter
36 70.95 RCW.

37 ~~((12))~~ (9) After January 1, 2010, any project designed to
38 address the effects of storm water or wastewater on Puget Sound may
39 be funded under this section only if the project is not in conflict

1 with the action agenda developed by the Puget Sound partnership under
2 RCW 90.71.310.

3 ~~((13) During the 2015-2017 fiscal biennium,))~~ (10) For projects
4 involving repair, replacement, or improvement of a wastewater
5 treatment plant or other public works facility for which an
6 investment grade efficiency audit is reasonably obtainable, the
7 public works board must require as a contract condition that the
8 project sponsor undertake an investment grade efficiency audit. The
9 project sponsor may finance the costs of the audit as part of its
10 public works assistance account program loan or grant.

11 ~~((14)(a) For public works assistance account application rounds
12 conducted during the 2015-2017 fiscal biennium,))~~ (11) The board must
13 implement policies and procedures designed to maximize local
14 government ~~((use))~~ consideration of ~~((federal))~~ other funds to
15 finance local infrastructure ~~((including, but not limited to,
16 drinking water and clean water state revolving funds operated by the
17 state departments of health and ecology. Projects that are eligible
18 for the drinking water and clean water state revolving funds may
19 receive public works board preconstruction loans. Projects that are
20 eligible for the drinking water and clean water state revolving funds
21 are not eligible for public works board construction loans. For
22 purposes of this subsection "eligible for drinking water and clean
23 water state revolving funds" means:~~

24 ~~(i) Projects that have applied to the state revolving funds and
25 are awaiting a funding decision;~~

26 ~~(ii) Projects that have been rejected for funding solely due to
27 not meeting readiness requirements; and~~

28 ~~(iii) Projects that have not applied, but would likely be
29 eligible if the project applied and met the project readiness
30 requirements.~~

31 ~~(b) For all construction loan projects proposed to the
32 legislature for funding during the 2015-2017 fiscal biennium, the
33 board must base interest rates on the average daily market interest
34 rate for tax-exempt municipal bonds as published in the bond buyer's
35 index for the period from sixty to thirty days before the start of
36 the application cycle. For projects with a repayment period between
37 five and twenty years, the rate must be sixty percent of the market
38 rate. For projects with a repayment period under five years, the rate
39 must be thirty percent of the market rate. The board must also
40 provide reduced interest rates, extended repayment periods, or~~

1 ~~forgivable principal loans for projects that meet financial hardship~~
2 ~~criteria as measured by the affordability index or similar standard~~
3 ~~measure of financial hardship)).~~

4 **Sec. 10.** RCW 43.155.075 and 2001 c 227 s 10 are each amended to
5 read as follows:

6 In providing loans and grants for public works projects, the
7 board shall require recipients to incorporate the environmental
8 benefits of the project into their applications, and the board shall
9 utilize the statement of environmental benefits in its prioritization
10 and selection process, when applicable. For projects funded under
11 this chapter, the board may require a local government to have
12 sustainable asset management best practices in place; provide a long-
13 term financial plan to demonstrate a sound maintenance program; have
14 a long-term financial plan for loan repayments in place; and undergo
15 value planning at the predesign project stage, where the greatest
16 productivity gains and cost savings can be found. The board shall
17 also develop appropriate outcome-focused performance measures to be
18 used both for management and performance assessment of the loan and
19 grant program. To the extent possible, the department should
20 coordinate its performance measure system with other natural
21 resource-related agencies as defined in RCW 43.41.270. The board
22 shall consult with affected interest groups in implementing this
23 section.

24 NEW SECTION. **Sec. 11.** (1) An interagency, multijurisdictional
25 system improvement team must identify, implement, and report on
26 system improvements that achieve the designated outcomes, including:

27 (a) Projects that maximize value, minimize overall costs and
28 disturbance to the community, and ensure long-term durability and
29 resilience;

30 (b) Projects that are designed to meet the unique needs of each
31 community, rather than the needs of particular funding programs;

32 (c) Project designs that maximize long-term value by fully
33 considering and responding to anticipated long-term environmental,
34 technological, economic and population changes;

35 (d) The flexibility to innovate, including utilizing natural
36 systems, addressing multiple regulatory drivers, and forming regional
37 partnerships;

1 (e) The ability to plan and collaborate across programs and
2 jurisdictions so that different investments are packaged to be
3 complementary, timely, and responsive to economic and community
4 opportunities;

5 (f) The needed capacity for communities, appropriate to their
6 unique financial, planning, and management capacities, so they can
7 design, finance, and build projects that best meet their long-term
8 needs and minimize costs;

9 (g) Optimal use and leveraging of federal and private
10 infrastructure dollars; and

11 (h) Mechanisms to ensure periodic, system-wide review and ongoing
12 achievement of the designated outcomes.

13 (2) The system improvement team must consist of representatives
14 of state infrastructure programs that provide funding for drinking
15 water, wastewater, and storm water programs, including but not
16 limited to representatives from the public works board, department of
17 ecology, department of health, and the department of commerce. The
18 system improvement team may invite representatives of other
19 infrastructure programs, such as transportation and energy, as needed
20 in order to achieve efficiency, minimize costs, and maximize value
21 across infrastructure programs. The system improvement team shall
22 also consist of representatives of users of those programs,
23 representatives of infrastructure project builders, and other parties
24 the system improvement team determines would contribute to achieving
25 the desired outcomes, including but not limited to representatives
26 from a state association of cities, a state association of counties,
27 a state association of public utility districts, a state association
28 of water and sewer districts, a state association of general
29 contractors, and a state organization representing building trades.
30 The public works board, a representative from the department of
31 ecology, department of health, and department of commerce shall
32 facilitate the work of the system improvement team.

33 (3) The system improvement team must focus on achieving the
34 designated outcomes within existing program structures and
35 authorities. The system improvement team shall use lean practices to
36 achieve the designated outcomes.

37 (4) The system improvement team shall provide briefings as
38 requested to the public works board on the current state of
39 infrastructure programs to build an understanding of the

1 infrastructure investment program landscape and the interplay of its
2 component parts.

3 (5) If the system improvement team encounters statutory or
4 regulatory barriers to system improvements, the system improvement
5 team must inform the public works board and consult on possible
6 solutions. When achieving the designated outcomes would be best
7 served through changes in program structures or authorities, the
8 system improvement team must report those findings to the public
9 works board.

10 (6) This section expires June 30, 2021.

11 NEW SECTION. **Sec. 12.** The public works board, in consultation
12 with stakeholders, including the system improvement team and
13 financing experts, must evaluate and report on other financing
14 approaches that could be established to provide access to financing
15 for local governments who have trouble accessing the existing private
16 credit market at reasonable rates for infrastructure. The public
17 works board must submit the report to the appropriate fiscal
18 committees of the senate and house of representatives and the office
19 of financial management by December 1, 2018.

20 **Sec. 13.** RCW 82.45.060 and 2013 2nd sp.s. c 9 s 6 are each
21 amended to read as follows:

22 There is imposed an excise tax upon each sale of real property at
23 the rate of one and twenty-eight one-hundredths percent of the
24 selling price. Beginning July 1, 2013, and ending June 30, ((2019))
25 2023, an amount equal to two percent of the proceeds of this tax must
26 be deposited in the public works assistance account created in RCW
27 43.155.050, and an amount equal to four and one-tenth percent must be
28 deposited in the education legacy trust account created in RCW
29 83.100.230. Thereafter, an amount equal to six and one-tenth percent
30 of the proceeds of this tax to the state treasurer must be deposited
31 in the public works assistance account created in RCW 43.155.050.
32 Except as otherwise provided in this section, an amount equal to one
33 and six-tenths percent of the proceeds of this tax to the state
34 treasurer must be deposited in the city-county assistance account
35 created in RCW 43.08.290.

36 **Sec. 14.** RCW 82.16.020 and 2015 3rd sp.s. c 6 s 703 are each
37 amended to read as follows:

1 (1) There is levied and collected from every person a tax for the
2 act or privilege of engaging within this state in any one or more of
3 the businesses herein mentioned. The tax is equal to the gross income
4 of the business, multiplied by the rate set out after the business,
5 as follows:

6 (a) Express, sewerage collection, and telegraph businesses: Three
7 and six-tenths percent;

8 (b) Light and power business: Three and sixty-two one-hundredths
9 percent;

10 (c) Gas distribution business: Three and six-tenths percent;

11 (d) Urban transportation business: Six-tenths of one percent;

12 (e) Vessels under sixty-five feet in length, except tugboats,
13 operating upon the waters within the state: Six-tenths of one
14 percent;

15 (f) Motor transportation, railroad, railroad car, and tugboat
16 businesses, and all public service businesses other than ones
17 mentioned above: One and eight-tenths of one percent;

18 (g) Water distribution business: Four and seven-tenths percent;

19 (h) Log transportation business: One and twenty-eight one-
20 hundredths percent. The reduced rate established in this subsection
21 (1)(h) is not subject to the ten-year expiration provision in RCW
22 82.32.805(1)(a).

23 (2) An additional tax is imposed equal to the rate specified in
24 RCW 82.02.030 multiplied by the tax payable under subsection (1) of
25 this section.

26 (3) Twenty percent of the moneys collected under subsection (1)
27 of this section on water distribution businesses and sixty percent of
28 the moneys collected under subsection (1) of this section on sewerage
29 collection businesses must be deposited in the education legacy trust
30 account created in RCW 83.100.230 from July 1, 2013, through June 30,
31 ((2019)) 2023, and thereafter in the public works assistance account
32 created in RCW 43.155.050.

33 **Sec. 15.** RCW 82.18.040 and 2013 2nd sp.s. c 9 s 8 are each
34 amended to read as follows:

35 (1) Taxes collected under this chapter must be held in trust
36 until paid to the state. Except as otherwise provided in this
37 subsection (1), taxes received by the state must be deposited in the
38 public works assistance account created in RCW 43.155.050. For the
39 period beginning July 1, 2011, and ending June 30, 2015, taxes

1 received by the state under this chapter must be deposited in the
2 general fund for general purpose expenditures. For fiscal years 2016,
3 2017, and 2018, one-half of the taxes received by the state under
4 this chapter must be deposited in the general fund for general
5 purpose expenditures and the remainder deposited in the education
6 legacy trust account created in RCW 83.100.230. For fiscal years 2019
7 through 2023, taxes received by the state under this chapter must be
8 deposited in the education legacy trust account created in RCW
9 83.100.230. Any person collecting the tax who appropriates or
10 converts the tax collected is guilty of a gross misdemeanor if the
11 money required to be collected is not available for payment on the
12 date payment is due. If a taxpayer fails to pay the tax imposed by
13 this chapter to the person charged with collection of the tax and the
14 person charged with collection fails to pay the tax to the
15 department, the department may, in its discretion, proceed directly
16 against the taxpayer for collection of the tax.

17 (2) The tax is due from the taxpayer within twenty-five days from
18 the date the taxpayer is billed by the person collecting the tax.

19 (3) The tax is due from the person collecting the tax at the end
20 of the tax period in which the tax is received from the taxpayer. If
21 the taxpayer remits only a portion of the total amount billed for
22 taxes, consideration, and related charges, the amount remitted must
23 be applied first to payment of the solid waste collection tax and
24 this tax has priority over all other claims to the amount remitted.

Passed by the House June 29, 2017.

Passed by the Senate June 30, 2017.

Approved by the Governor July 6, 2017, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State July 7, 2017.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Section 3,
Engrossed Substitute House Bill No. 1677 entitled:

"AN ACT Relating to local government infrastructure funding."

This bill provides targeted reforms to the Public Works Assistance
Account and directs the Public Works Board (Board) to study new and
innovative financing tools. This bill will help local governments in
need of financial support and provide additional tools to pay for
basic infrastructure needs.

I am, however, vetoing Section 3, which modifies the composition of
the Board. Section 3 adds four legislators. Changes to the Board's
composition should be based on a member's skill set, rather than
organizational representation. I would support the addition of
legislators to the Board as ex-officio and non-voting members.

For these reasons I have vetoed Section 3 of Engrossed Substitute House Bill No. 1677.

With the exception of Section 3, Engrossed Substitute House Bill No. 1677 is approved."

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