

HOUSE BILL REPORT

HB 1860

As Reported by House Committee On:
Technology, Economic Development, & Veterans

Title: An act relating to creating a Washington state supply chain competitiveness infrastructure program.

Brief Description: Creating a Washington state supply chain competitiveness infrastructure program.

Sponsors: Representatives Reed, Parshley, Leavitt, Waters, Paul, Zahn, Nance and Cortes.

Brief History:

Committee Activity:

Technology, Economic Development, & Veterans: 2/14/25, 2/19/25 [DP].

Brief Summary of Bill

- Creates the Supply Chain Competitiveness Infrastructure Program (Program) to provide grants and loans to ensure successful and efficient operation of the supply chain to and from public and tribal ports.
- Requires the Department of Transportation to set Program priorities, determine eligibility, and develop criteria to prioritize projects through collaboration with critical supply chain stakeholders.

HOUSE COMMITTEE ON TECHNOLOGY, ECONOMIC DEVELOPMENT, & VETERANS

Majority Report: Do pass. Signed by 12 members: Representatives Ryu, Chair; Kloba, Vice Chair; Barnard, Ranking Minority Member; Cortes, Donaghy, Keaton, Paul, Penner, Shavers, Thomas, Volz and Waters.

Staff: Martha Wehling (786-7067).

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

Background:

Port Districts.

Port districts are authorized for the purpose of acquisition, construction, maintenance, operation, development, and regulation within the district of harbor improvements, rail or motor vehicle transfer and terminal facilities, water and air transfer and terminal facilities, or any combination of these facilities. A port district may also, through its commission, spend money and conduct promotions of resources and facilities within the district or general area through advertising, publicizing, or marketing.

Any port district may adopt or amend a freight development plan as an amendment to the port's comprehensive scheme of harbor improvements. The freight development plan is submitted to several entities, including the Department of Transportation, to coordinate the development and funding of freight mobility projects. After a port adopts or approves a harbor improvement plan, any improvements must be in accordance with the plan until the plan is amended.

The Washington Constitution, Article VIII, Section 8, states that the use of public funds by port districts for industrial development or trade promotion is deemed a public use for a public purpose.

State Accounts.

In addition to the State General Fund, which may be expended for any lawful purpose, the state maintains several hundred accounts that are dedicated to particular statutory purposes. These accounts generally fall into one of three categories: (1) accounts located in the State Treasury, which always require appropriation by the Legislature; (2) accounts held in the custody of the State Treasurer, which may or may not require legislative appropriation; and (3) accounts located in state agencies and institutions of higher education, known as local accounts.

Summary of Bill:

The Department of Transportation (Transportation) is required to set priorities for efficient operation of a Supply Chain Competitiveness Infrastructure Program (Program). The Program will provide grants and loans to public ports and federally recognized tribal governments with public port operations. Transportation may adopt rules under the Administrative Procedures Act to implement the Program. "Public ports" are the ports authorized through the statutory process.

To set the Program priorities, Transportation will collaborate with critical supply chain stakeholders to develop performance metrics designed to strengthen the criteria used to prioritize projects for funding. The parties to the collaborative process will also develop a list of project types eligible for the Program. The stakeholders include, but are not limited

to:

- the Department of Commerce;
- the Freight Mobility Strategic Investment Board;
- the Washington Public Ports Association;
- federally recognized tribal governments with port operations;
- trucking representation;
- rail representation;
- marine representation;
- warehouse representation;
- agricultural representation;
- manufacturing representation; and
- clean energy representation.

Eligible projects for the Program are required to align with six goals addressing: operation of the supply chain to and from public and tribal ports, advantages of efficient freight movement, sustenance of the international trade economy, access to market transportation for agricultural and industrial products, integration and cooperation of freight distribution systems, and mitigation of the impacts of increased freight traffic on communities. The projects must be included in a port's freight development plan.

The Supply Chain Competitiveness Infrastructure Program Account (Account) is created as an account in the State Treasury. Receipts from the Legislature, proceeds of bonds, and principal and interest payments from Account loans are deposited in the Account. Money from federal, state, local, and private sources may be deposited in the Account by public and private entities. Use of the Account is limited to projects that focus on enhancing supply chain competitiveness for public and tribal ports and the capacity of ground and maritime transportation and facilities. Transportation will receive grant funds through appropriation using existing accounts.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) The trade-driven economy is important to Washington because it is the most trade-dependent state in the nation. Ports have a local and regional obligation to derive economic benefits for their communities. The supply chain for the state is like a circulatory system. Movement bottlenecks and barriers increase costs and reduce the state's overall competitiveness. When the supply chain flow is reduced, like during the pandemic, it can cause inflation, reduce groceries, cause missing components for manufacturers, and limit

access to international markets. The causes are usually complex, involving multiple owners and disagreement over who will pay for the improvements, as well as repairing infrastructure that can be over a century old. Cities may not prioritize the infrastructure investments due to other priorities. Funding port and port-adjacent infrastructure for multi-modal projects will help overcome those challenges. State funding also helps the ports leverage federal funds. Projects may include an inland rail hub to minimize truck traffic over I-90, repair work at Joint Base Lewis-McChord, the green fuel chain between the state and Korea, implementing climate action strategies, and getting fuels to ports where they can be safely stored and used by tenants. These projects will help create and maintain family wage jobs in the communities, and diversify and train the workforce. It is important to have flexibility to respond to changes and create supply chain resiliency.

(Opposed) None.

Persons Testifying: Representative Julia Reed, prime sponsor; Timothy Greene, Sr., Makah Tribal Council; Cassie Hammond, Port of Benton; Paul Jarkiewicz, Port of Port Angeles; Chris Herman, Washington Public Ports Association; Sean Eagan, Northwest Seaport Alliance; John Flanagan, Port of Seattle; Mike Hogan, Port of Bellingham; and Adam LeMieux, Port of Everett.

Persons Signed In To Testify But Not Testifying: None.