

# HOUSE BILL REPORT

## HB 1226

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to the community economic revitalization board.

**Brief Description:** Funding public facilities.

**Sponsors:** Representatives Sheldon, Van Luven and Dunn.

### Brief History:

#### Committee Activity:

Trade & Economic Development: 2/3/97, 2/13/97, 2/17/97 [DPS].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Voloria, Ranking Minority Member; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason; McDonald and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** The Community Economic Revitalization Board (CERB) was created by the Legislature in 1982, to provide low-interest loans and grants to political subdivisions of the state (cities, towns, counties, port districts and special purpose utility districts) to help finance public infrastructure required for business and industry expansion or retention. Typical projects financed through the CERB include sewer, water, roads and industrial buildings.

The CERB is funded through legislative appropriations from the capital budget as well as a portion of the revenue stream from the repayment of principal and interest on the CERB loans. The CERB loan repayments are distributed as follows: (1) 75 percent is deposited into the state general fund to retire the debt on a 1983 state general obligation bond issuance; and (2) 25 percent is deposited into the public facilities construction loan revolving account to make additional CERB loans and grants. The repayments deposited into the public facilities construction loan revolving account must be re-appropriated by the Legislature.

The public utility tax is a tax on the gross income derived from the operation of public and private utilities. The public utility tax consists of five different rates depending upon the specific utility activity, that includes the general categories of transportation, communications and the supply of energy and water. The public utility tax is in lieu of the state's Business and Occupation (B&O) tax. Other utility company income generated from non-utility sources is subject to the B&O tax.

Most of the public utility tax goes to the state general fund (approximately 96 percent). Certain receipts of the public utility tax are earmarked for the public works trust fund which provides financial assistance to local government for maintenance of public works facilities: (1) 20 percent of the 5.29 percent tax on water distribution; and (2) 60 percent of the 3.852 percent tax on sewerage collection.

**Summary of Substitute Bill:** The public facilities construction loan revolving account is amended to accept 100 percent of the revenue stream from the repayment of principal and interest on loans made under the Community Economic Revitalization Board (CERB) program.

The distribution of public utility tax monies is expanded to include deposits into the public facilities construction loan revolving account. Ten percent of the tax revenue collected on both water distribution and sewer collection businesses can be used to make the CERB loans and grants. The public utility tax deposits are allowed until July 1, 2003.

**Substitute Bill Compared to Original Bill:** The substitute bill makes a technical change that allows monies collected from the public utility tax to be deposited into the public facilities construction loan revolving account.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on October 1, 1997.

**Testimony For:** We need a permanent funding source for a program that works. The CERB encourages a public and private partnership for infrastructure funding that is used to create new jobs or retain existing jobs. The CERB funding also creates jobs during the construction of the infrastructure project. A permanent funding source for the CERB is sound public policy.

**Testimony Against:** None.

**Testified:** Representative Sheldon, prime sponsor (pro); Rick Slunaker, Associated General Contractors of Washington (pro); Jim McIntire, Chairman, Community

Economic Revitalization Board (pro); Scott Taylor, Washington Public Ports Association (pro); Stan Finkelstein, Association of Washington Cities (pro); Don Wick, Skagit County Economic Development Council (pro); and Ian Muntz, city of Anacortes (pro).