

2 **EHB 1313** - S COMM AMD

3 By Committee on Agriculture & Rural Economic Development

4 NOT ADOPTED 4/15/99

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds that while
8 Washington's economy is currently prospering, economic growth continues
9 to be uneven, particularly as between metropolitan and rural areas.
10 This has created in effect two Washingtons. One afflicted by
11 inadequate infrastructure to support and attract investment, another
12 suffering from congestion and soaring housing prices. In order to
13 address these problems, the legislature intends to use resources
14 strategically to build on our state's strengths while addressing
15 threats to our prosperity.

16 **PART I**
17 **RURAL ECONOMIC DEVELOPMENT**

18 **Enhanced Flexibility for Use of Community Economic**
19 **Revitalization Board Funds**

20 **Sec. 101.** RCW 43.160.010 and 1996 c 51 s 1 are each amended to
21 read as follows:

22 (1) The legislature finds that it is the public policy of the state
23 of Washington to direct financial resources toward the fostering of
24 economic development through the stimulation of investment and job
25 opportunities and the retention of sustainable existing employment for
26 the general welfare of the inhabitants of the state. Reducing
27 unemployment and reducing the time citizens remain jobless is important
28 for the economic welfare of the state. A valuable means of fostering
29 economic development is the construction of public facilities which
30 contribute to the stability and growth of the state's economic base.
31 Strengthening the economic base through issuance of industrial
32 development bonds, whether single or umbrella, further serves to reduce
33 unemployment. Consolidating issues of industrial development bonds

1 when feasible to reduce costs additionally advances the state's purpose
2 to improve economic vitality. Expenditures made for these purposes as
3 authorized in this chapter are declared to be in the public interest,
4 and constitute a proper use of public funds. A community economic
5 revitalization board is needed which shall aid the development of
6 economic opportunities. The general objectives of the board should
7 include:

8 (a) Strengthening the economies of areas of the state which have
9 experienced or are expected to experience chronically high unemployment
10 rates or below average growth in their economies;

11 (b) Encouraging the diversification of the economies of the state
12 and regions within the state in order to provide greater seasonal and
13 cyclical stability of income and employment;

14 (c) Encouraging wider access to financial resources for both large
15 and small industrial development projects;

16 (d) Encouraging new economic development or expansions to maximize
17 employment;

18 (e) Encouraging the retention of viable existing firms and
19 employment; and

20 (f) Providing incentives for expansion of employment opportunities
21 for groups of state residents that have been less successful relative
22 to other groups in efforts to gain permanent employment.

23 (2) The legislature also finds that the state's economic
24 development efforts can be enhanced by, in certain instances, providing
25 funds to improve state highways (~~in the vicinity of new~~), county
26 roads, or city streets for industries considering locating or expanding
27 in this state (~~or existing industries that are considering significant~~
28 ~~expansion~~)).

29 (a) The legislature finds it desirable to provide a process whereby
30 the need for diverse public works improvements necessitated by planned
31 economic development can be addressed in a timely fashion and with
32 coordination among all responsible governmental entities.

33 (b) (~~It is the intent of the legislature to create an economic~~
34 ~~development account within the motor vehicle fund from which~~
35 ~~expenditures can be made by the department of transportation for state~~
36 ~~highway improvements necessitated by planned economic development.~~)

37 All (~~such~~) transportation improvements on state highways must first
38 be approved by the state transportation commission and the community
39 economic revitalization board in accordance with the procedures

1 established by RCW 43.160.074 and 47.01.280. (~~It is further the~~
2 ~~intent of the legislature that such improvements not jeopardize any~~
3 ~~other planned highway construction projects. The improvements are~~
4 ~~intended to be of limited size and cost, and to include such items as~~
5 ~~additional turn lanes, signalization, illumination, and safety~~
6 ~~improvements.))~~

7 (3) The legislature also finds that the state's economic
8 development efforts can be enhanced by, in certain instances, providing
9 funds to assist development of telecommunications infrastructure that
10 supports business development, retention, and expansion in rural
11 natural resources impact areas and rural counties of the state.

12 (4) The legislature also finds that the state's economic
13 development efforts can be enhanced by providing funds to improve
14 markets for those recyclable materials representing a large fraction of
15 the waste stream. The legislature finds that public facilities which
16 result in private construction of processing or remanufacturing
17 facilities for recyclable materials are eligible for consideration from
18 the board.

19 (~~(4)~~) (5) The legislature finds that sharing economic growth
20 state-wide is important to the welfare of the state. Rural counties
21 and rural natural resources impact areas do not share in the economic
22 vitality of the Puget Sound region. The ability of these communities
23 to pursue business and job retention, expansion, and development
24 opportunities depends on their capacity to ready necessary economic
25 development project plans, sites, permits, and infrastructure for
26 private investments. Project-specific planning, predevelopment, and
27 infrastructure (~~is one of several~~) are critical ingredients (~~that~~
28 are critical) for economic development. Rural counties and rural
29 natural resources impact areas generally lack (~~the infrastructure~~)
30 these necessary tools and resources to diversify and revitalize their
31 economies. It is, therefore, the intent of the legislature to increase
32 the (~~availability of funds to help provide infrastructure to rural~~
33 natural resource impact areas) amount of funding available through the
34 community economic revitalization board for rural counties and rural
35 natural resources impact areas, and to authorize flexibility for
36 available resources in these areas to help fund planning,
37 predevelopment, and construction costs of infrastructure and facilities
38 and sites that foster economic vitality and diversification.

1 **Sec. 102.** RCW 43.160.020 and 1997 c 367 s 8 are each amended to
2 read as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section apply throughout this chapter.

5 (1) "Board" means the community economic revitalization board.

6 (2) "Bond" means any bond, note, debenture, interim certificate, or
7 other evidence of financial indebtedness issued by the board pursuant
8 to this chapter.

9 (3) "Department" means the department of community, trade, and
10 economic development.

11 (4) "Financial institution" means any bank, savings and loan
12 association, credit union, development credit corporation, insurance
13 company, investment company, trust company, savings institution, or
14 other financial institution approved by the board and maintaining an
15 office in the state.

16 (5) "Industrial development facilities" means "industrial
17 development facilities" as defined in RCW 39.84.020.

18 (6) "Industrial development revenue bonds" means tax-exempt revenue
19 bonds used to fund industrial development facilities.

20 (7) "Local government" or "political subdivision" means any port
21 district, county, city, town, special purpose district, and any other
22 municipal corporations or quasi-municipal corporations in the state
23 providing for public facilities under this chapter.

24 (8) "Sponsor" means any of the following entities which customarily
25 provide service or otherwise aid in industrial or other financing and
26 are approved as a sponsor by the board: A bank, trust company, savings
27 bank, investment bank, national banking association, savings and loan
28 association, building and loan association, credit union, insurance
29 company, or any other financial institution, governmental agency, or
30 holding company of any entity specified in this subsection.

31 (9) "Umbrella bonds" means industrial development revenue bonds
32 from which the proceeds are loaned, transferred, or otherwise made
33 available to two or more users under this chapter.

34 (10) "User" means one or more persons acting as lessee, purchaser,
35 mortgagor, or borrower under a financing document and receiving or
36 applying to receive revenues from bonds issued under this chapter.

37 (11) "Public facilities" means a project of a local government for
38 the planning, acquisition, construction, repair, reconstruction,
39 replacement, rehabilitation, or improvement of bridges, roads, domestic

1 and industrial water, flood control, earth stabilization, sanitary
2 sewer, storm sewer, railroad, electricity, telecommunications,
3 transportation, natural gas, buildings or structures, and port
4 facilities, all for the purpose of job creation, job retention, or job
5 expansion.

6 (12) "Rural county" means a county with a population density of
7 less than one hundred persons per square mile as determined by the
8 office of financial management.

9 (13) "Rural natural resources impact area" means:

10 (a) A nonmetropolitan county, as defined by the 1990 decennial
11 census, that meets three of the five criteria set forth in subsection
12 (~~((13))~~) (14) of this section;

13 (b) A nonmetropolitan county with a population of less than forty
14 thousand in the 1990 decennial census, that meets two of the five
15 criteria as set forth in subsection (~~((13))~~) (14) of this section; or

16 (c) A nonurbanized area, as defined by the 1990 decennial census,
17 that is located in a metropolitan county that meets three of the five
18 criteria set forth in subsection (~~((13))~~) (14) of this section.

19 (~~((13))~~) (14) For the purposes of designating rural natural
20 resources impact areas, the following criteria shall be considered:

21 (a) A lumber and wood products employment location quotient at or
22 above the state average;

23 (b) A commercial salmon fishing employment location quotient at or
24 above the state average;

25 (c) Projected or actual direct lumber and wood products job losses
26 of one hundred positions or more;

27 (d) Projected or actual direct commercial salmon fishing job losses
28 of one hundred positions or more; and

29 (e) An unemployment rate twenty percent or more above the state
30 average. The counties that meet these criteria shall be determined by
31 the employment security department for the most recent year for which
32 data is available. For the purposes of administration of programs
33 under this chapter, the United States post office five-digit zip code
34 delivery areas will be used to determine residence status for
35 eligibility purposes. For the purpose of this definition, a zip code
36 delivery area of which any part is ten miles or more from an urbanized
37 area is considered nonurbanized. A zip code totally surrounded by zip
38 codes qualifying as nonurbanized under this definition is also
39 considered nonurbanized. The office of financial management shall make

1 available a zip code listing of the areas to all agencies and
2 organizations providing services under this chapter.

3 **Sec. 103.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to
4 read as follows:

5 The board is authorized to make direct loans to political
6 subdivisions of the state for the purposes of assisting the political
7 subdivisions in financing the cost of public facilities, including
8 development of land and improvements for public facilities, project-
9 specific environmental, capital facilities, land use, permitting,
10 feasibility and marketing studies and plans; project design, site
11 planning, and analysis; project debt and revenue impact analysis; as
12 well as the construction, rehabilitation, alteration, expansion, or
13 improvement of the facilities. A grant may also be authorized for
14 purposes designated in this chapter, but only when, and to the extent
15 that, a loan is not reasonably possible, given the limited resources of
16 the political subdivision and the finding by the board that ((unique))
17 financial circumstances ((exist. The board shall not obligate more
18 than twenty percent of its biennial appropriation as grants)) require
19 grant assistance to enable the project to move forward.

20 Application for funds shall be made in the form and manner as the
21 board may prescribe. In making grants or loans the board shall conform
22 to the following requirements:

23 (1) The board shall not provide financial assistance:

24 (a) For a project the primary purpose of which is to facilitate or
25 promote a retail shopping development or expansion.

26 (b) For any project that evidence exists would result in a
27 development or expansion that would displace existing jobs in any other
28 community in the state, except a project that would relocate a business
29 from a nondistressed urban area to a rural county or rural natural
30 resources impact area.

31 (c) For the acquisition of real property, including buildings and
32 other fixtures which are a part of real property.

33 (d) For a construction project to any local government applicant
34 that is not, at the time of application for financial assistance, in
35 compliance with the provisions of chapter 36.70A RCW.

36 (2) The board shall only provide financial assistance:

37 (a) For those projects which would result in specific private
38 developments or expansions (i) in manufacturing, production, food

1 processing, assembly, warehousing, advanced technology, research and
2 development, and industrial distribution; (ii) for processing
3 recyclable materials or for facilities that support recycling,
4 including processes not currently provided in the state, including but
5 not limited to, de-inking facilities, mixed waste paper, plastics, yard
6 waste, and problem-waste processing; (iii) for manufacturing facilities
7 that rely significantly on recyclable materials, including but not
8 limited to waste tires and mixed waste paper; (iv) which support the
9 relocation of businesses from nondistressed urban areas to
10 ~~((distressed))~~ rural counties or rural natural resources impact areas;
11 or (v) which substantially support the trading of goods or services
12 outside of the state's borders.

13 (b) For projects which it finds will improve the opportunities for
14 the successful maintenance, establishment, or expansion of industrial
15 or commercial plants or will otherwise assist in the creation or
16 retention of long-term economic opportunities.

17 (c) When the application includes convincing evidence that a
18 specific private development or expansion is ready to occur and will
19 occur only if the public facility improvement is made.

20 (3) The board shall prioritize each proposed project according to:

21 (a) The relative benefits provided to the community by the jobs the
22 project would create, not just the total number of jobs it would create
23 after the project is completed and according to the unemployment rate
24 in the area in which the jobs would be located~~((. As long as there is~~
25 ~~more demand for financial assistance than there are funds available,~~
26 ~~the board is instructed to fund projects in order of their priority))i~~
27 and

28 (b) The rate of return of the state's investment, that includes the
29 expected increase in state and local tax revenues associated with the
30 project.

31 (4) A responsible official of the political subdivision shall be
32 present during board deliberations and provide information that the
33 board requests.

34 Before any financial assistance application is approved, the
35 political subdivision seeking the assistance must demonstrate to the
36 community economic revitalization board that no other timely source of
37 funding is available to it at costs reasonably similar to financing
38 available from the community economic revitalization board.

1 **Sec. 104.** RCW 43.160.070 and 1998 c 321 s 27 (Referendum Bill No.
2 49) are each amended to read as follows:

3 Public facilities financial assistance, when authorized by the
4 board, is subject to the following conditions:

5 (1) The moneys in the public facilities construction loan revolving
6 account and the distressed county public facilities construction loan
7 account shall be used solely to fulfill commitments arising from
8 financial assistance authorized in this chapter or, during the 1989-91
9 fiscal biennium, for economic development purposes as appropriated by
10 the legislature. The total outstanding amount which the board shall
11 dispense at any time pursuant to this section shall not exceed the
12 moneys available from the accounts. The total amount of outstanding
13 financial assistance in Pierce, King, and Snohomish counties shall
14 never exceed sixty percent of the total amount of outstanding financial
15 assistance disbursed by the board under this chapter without reference
16 to financial assistance provided under RCW 43.160.220.

17 (2) On contracts made for public facilities loans the board shall
18 determine the interest rate which loans shall bear. The interest rate
19 shall not exceed ten percent per annum. The board may provide
20 reasonable terms and conditions for repayment for loans, including
21 partial forgiveness of loan principal and interest payments on projects
22 located in rural counties or rural natural resources impact areas, as
23 the board determines. The loans shall not exceed twenty years in
24 duration.

25 (3) Repayments of loans made from the public facilities
26 construction loan revolving account under the contracts for public
27 facilities construction loans shall be paid into the public facilities
28 construction loan revolving account. Repayments of loans made from the
29 distressed county public facilities construction loan account under the
30 contracts for public facilities construction loans shall be paid into
31 the distressed county public facilities construction loan account.
32 Repayments of loans from moneys from the new appropriation from the
33 public works assistance account for the fiscal biennium ending June 30,
34 1999, shall be paid into the public works assistance account.

35 (4) When every feasible effort has been made to provide loans and
36 loans are not possible, the board may provide grants upon finding that
37 unique circumstances exist.

1 **Sec. 105.** RCW 43.160.076 and 1998 c 321 s 28 (Referendum Bill No.
2 49) and 1998 c 55 s 4 are each reenacted and amended to read as
3 follows:

4 (1) Except as authorized to the contrary under subsection (2) of
5 this section, from all funds available to the board for financial
6 assistance in a biennium under this chapter without reference to
7 financial assistance provided under RCW 43.160.220, the board shall
8 spend at least seventy-five percent for financial assistance for
9 projects in (~~(distressed)~~) rural counties or rural natural resources
10 impact areas. (~~(For purposes of this section, the term "distressed~~
11 ~~counties" includes any county, in which the average level of~~
12 ~~unemployment for the three years before the year in which an~~
13 ~~application for financial assistance is filed, exceeds the average~~
14 ~~state unemployment for those years by twenty percent.)~~)

15 (2) If at any time during the last six months of a biennium the
16 board finds that the actual and anticipated applications for qualified
17 projects in (~~(distressed)~~) rural counties or rural natural resources
18 impact areas are clearly insufficient to use up the seventy-five
19 percent allocation under subsection (1) of this section, then the board
20 shall estimate the amount of the insufficiency and during the remainder
21 of the biennium may use that amount of the allocation for financial
22 assistance to projects not located in (~~(distressed)~~) rural counties or
23 rural natural resources impact areas.

24 (~~(3) This section expires June 30, 2000.~~)

25 **Sec. 106.** RCW 43.160.900 and 1993 c 320 s 8 are each amended to
26 read as follows:

27 (1) The community economic revitalization board shall report to the
28 appropriate standing committees of the legislature biennially on the
29 implementation of this chapter. The report shall include information
30 on the number of applications for community economic revitalization
31 board assistance, the number and types of projects approved, the grant
32 or loan amount awarded each project, the projected number of jobs
33 created or retained by each project, the actual number of jobs created
34 or retained by each project, the amount of state and local tax revenue
35 generated by projects funded under this chapter, the number of
36 delinquent loans, and the number of project terminations. The report
37 may also include additional performance measures and recommendations

1 for programmatic changes. The first report shall be submitted by
2 December 1, 1994.

3 (2) The joint legislative audit and review committee shall conduct
4 performance reviews on the effectiveness of the program administered by
5 the board under this chapter. The committee may contract for services
6 to conduct the performance reviews. The costs for the performance
7 reviews shall be paid from repayments of principal and interest on
8 loans made under this chapter. The performance reviews shall be
9 submitted to the appropriate committees of the legislature by December
10 1, 2000, December 1, 2004, and December 1, 2008.

11 **Sec. 107.** RCW 43.160.200 and 1996 c 51 s 9 are each amended to
12 read as follows:

13 (1) The economic development account is created within the public
14 facilities construction loan revolving fund under RCW 43.160.080.
15 Moneys in the account may be spent only after appropriation.
16 Expenditures from the account may be used only for the purposes of RCW
17 43.160.010(~~((+3))~~) (5) and this section. The account is subject to
18 allotment procedures under chapter 43.88 RCW.

19 (2) Applications under this section for assistance from the
20 economic development account are subject to all of the applicable
21 criteria set forth under this chapter, as well as procedures and
22 criteria established by the board, except as otherwise provided.

23 (3) Eligible applicants under this section are limited to political
24 subdivisions of the state in rural natural resources impact areas
25 (~~((that demonstrate, to the satisfaction of the board, the local~~
26 ~~economy's dependence on the forest products and salmon fishing~~
27 ~~industries))~~) and rural counties.

28 (4) Applicants must demonstrate that their request is part of an
29 economic development plan consistent with applicable state planning
30 requirements. Applicants must demonstrate that tourism projects have
31 been approved by the local government. Industrial projects must be
32 approved by the local government and the associate development
33 organization.

34 (5) Publicly owned projects may be financed under this section upon
35 proof by the applicant that the public project is a necessary component
36 of, or constitutes in whole, a tourism project.

1 (6) Applications must demonstrate local match and participation.
2 Such match may include: Land donation, other public or private funds
3 or both, or other means of local commitment to the project.

4 (7) Board financing for project-specific environmental, capital
5 facilities, land use, permitting, feasibility and marketing studies and
6 plans; project engineering, design, and site planning and analysis; and
7 project debt and revenue impact analysis shall not exceed ~~((twenty-~~
8 ~~five))~~ fifty thousand dollars per study. Board funds for ~~((feasibility~~
9 ~~studies))~~ these purposes may be provided as a grant and require a
10 ~~((dollar for dollar))~~ match ~~((with up to one half in-kind match~~
11 ~~allowed))~~.

12 (8) Board financing for tourism projects shall not exceed two
13 hundred fifty thousand dollars. Other public facility construction
14 projects under this section shall not exceed ~~((five hundred thousand))~~
15 one million dollars. Loans with flexible terms and conditions to meet
16 the needs of the applicants shall be provided. Grants may also be
17 authorized, but only when, and to the extent that, a loan is not
18 reasonably possible, given the limited resources of the political
19 subdivision.

20 (9) The board shall develop guidelines for allowable local match
21 and ~~((feasibility studies))~~ planning and predevelopment activities.

22 (10) The board may allow de minimis general system improvements to
23 be funded if they are critically linked to the viability of the
24 economic development project assisted under this section.

25 (11) Applications under this section need not demonstrate evidence
26 that specific private development or expansion is ready to occur or
27 will occur if funds are provided.

28 ~~((11))~~ (12) The board shall establish guidelines for providing
29 financial assistance under this section to ensure that the requirements
30 of this chapter are complied with. The guidelines shall include:

31 (a) A process to equitably compare and evaluate applications from
32 competing communities.

33 (b) Criteria to ensure that approved projects will have a high
34 probability of success and are likely to provide long-term economic
35 benefits to the community. The criteria shall include: (i) A minimum
36 amount of local participation, determined by the board per application,
37 to verify community support for the project; (ii) an analysis that
38 establishes the project is feasible using standard economic principles;

1 and (iii) an explanation from the applicant regarding how the project
2 is consistent with the communities' economic strategy and goals.

3 (c) A method of evaluating the impact of the financial assistance
4 on the economy of the community and whether the financial assistance
5 achieved its purpose.

6 **PART II**
7 **HOUSING**

8 **Increasing the Housing Finance Commission's Debt Limit**

9 **Sec. 201.** RCW 43.180.160 and 1996 c 310 s 2 are each amended to
10 read as follows:

11 The total amount of outstanding indebtedness of the commission may
12 not exceed (~~two~~) three billion dollars at any time. The calculation
13 of outstanding indebtedness shall include the initial principal amount
14 of an issue and shall not include interest that is either currently
15 payable or that accrues as a part of the face amount of an issue
16 payable at maturity or earlier redemption. Outstanding indebtedness
17 shall not include notes or bonds as to which the obligation of the
18 commission has been satisfied and discharged by refunding or for which
19 payment has been provided by reserves or otherwise.

20 NEW SECTION. **Sec. 202.** A new section is added to chapter 43.63A
21 RCW to read as follows:

22 The department shall establish and administer a "one-stop
23 clearinghouse" to coordinate state assistance for growers and nonprofit
24 organizations in developing housing for agricultural employees.
25 Growers, housing authorities, and nonprofit organizations shall have
26 direct access to the one-stop clearinghouse. The department one-stop
27 clearinghouse shall provide assistance on planning and design, building
28 codes, temporary worker housing regulations, financing options, and
29 management to growers and nonprofit organizations interested in
30 farmworker construction. The department one-stop clearinghouse shall
31 also provide educational materials and services to local government
32 authorities on Washington state law concerning farmworker housing.

33 **PART III**
34 **RURAL DEVELOPMENT COUNCIL**

1 NEW SECTION. **Sec. 301.** A new section is added to chapter 43.31
2 RCW to read as follows:

3 (1) The rural development council executive committee and the
4 department are authorized to establish a successor organization to the
5 rural development council executive committee created under RCW
6 43.31.855. The purpose of the successor organization is, at least in
7 part, to improve the delivery and accessibility of public and private
8 resources for meeting the needs of rural communities in Washington.

9 (2) For purposes of this section, "successor organization" means a
10 private nonprofit corporation created specifically to assume
11 responsibility for administering funds provided by the federal
12 government and other sources to carry out the purpose state in
13 subsection (1) of this section. A successor organization must qualify
14 as a tax-exempt nonprofit corporation under section 501(c) of the
15 federal internal revenue code.

16 (3) This section expires June 30, 2002.

17 NEW SECTION. **Sec. 302.** A new section is added to chapter 43.31
18 RCW to read as follows:

19 (1) The executive committee and the department are authorized to
20 take all steps reasonably necessary and proper to effect the orderly
21 transition of the rural development council executive committee to the
22 successor organization. This authorization includes, but is not
23 necessarily limited to, the authority to:

24 (a) Transfer any equipment, records, other assets, or contracts for
25 services to the successor organization under appropriate terms and
26 conditions, including reasonable compensation for assets acquired with
27 state funds;

28 (b) Assist in the establishment of a successor organization,
29 including entering into contracts preparatory to the establishment of
30 the organization; and

31 (c) Unless otherwise provided by agreement, assign to the successor
32 organization any membership agreements, contracts, license, and other
33 duties and obligations related to the rural development council.

34 (2) This section expires June 30, 2002.

35 **Sec. 303.** RCW 42.52.080 and 1994 c 154 s 108 are each amended to
36 read as follows:

1 (1) No former state officer or state employee may, within a period
2 of one year from the date of termination of state employment, accept
3 employment or receive compensation from an employer if:

4 (a) The officer or employee, during the two years immediately
5 preceding termination of state employment, was engaged in the
6 negotiation or administration on behalf of the state or agency of one
7 or more contracts with that employer and was in a position to make
8 discretionary decisions affecting the outcome of such negotiation or
9 the nature of such administration;

10 (b) Such a contract or contracts have a total value of more than
11 ten thousand dollars; and

12 (c) The duties of the employment with the employer or the
13 activities for which the compensation would be received include
14 fulfilling or implementing, in whole or in part, the provisions of such
15 a contract or contracts or include the supervision or control of
16 actions taken to fulfill or implement, in whole or in part, the
17 provisions of such a contract or contracts. This subsection shall not
18 be construed to prohibit a state officer or state employee from
19 accepting employment with a state employee organization.

20 (2) No person who has served as a state officer or state employee
21 may, within a period of two years following the termination of state
22 employment, have a direct or indirect beneficial interest in a contract
23 or grant that was expressly authorized or funded by specific
24 legislative or executive action in which the former state officer or
25 state employee participated.

26 (3) No former state officer or state employee may accept an offer
27 of employment or receive compensation from an employer if the officer
28 or employee knows or has reason to believe that the offer of employment
29 or compensation was intended, in whole or in part, directly or
30 indirectly, to influence the officer or employee or as compensation or
31 reward for the performance or nonperformance of a duty by the officer
32 or employee during the course of state employment.

33 (4) No former state officer or state employee may accept an offer
34 of employment or receive compensation from an employer if the
35 circumstances would lead a reasonable person to believe the offer has
36 been made, or compensation given, for the purpose of influencing the
37 performance or nonperformance of duties by the officer or employee
38 during the course of state employment.

1 (5) No former state officer or state employee may at any time
2 subsequent to his or her state employment assist another person,
3 whether or not for compensation, in any transaction involving the state
4 in which the former state officer or state employee at any time
5 participated during state employment. This subsection shall not be
6 construed to prohibit any employee or officer of a state employee
7 organization from rendering assistance to state officers or state
8 employees in the course of employee organization business.

9 (6) As used in this section, "employer" means a person as defined
10 in RCW 42.52.010 or any other entity or business that the person owns
11 or in which the person has a controlling interest. For purposes of
12 subsection (1) of this section, the term "employer" does not include a
13 successor organization to the rural development council under chapter
14 43.31 RCW.

15 NEW SECTION. Sec. 304. A new section is added to chapter 43.31
16 RCW to read as follows:

17 Notwithstanding anything to the contrary in chapter 41.06 RCW or
18 any other provision of law, the department may contract to provide
19 funding to a successor organization under section 301 of this act to
20 carry out activities of the organization that are consistent with the
21 department's powers and duties. All moneys for contracts entered into
22 under this section are subject to appropriation.

23 NEW SECTION. Sec. 305. The following acts or parts of acts, as
24 now existing or hereafter amended, are each repealed, effective June
25 30, 2000:

- 26 (1) RCW 43.31.855 (Rural development council) and 1997 c 377 s 1;
27 (2) RCW 43.31.857 (Rural development council--Financial
28 contributions encouraged) and 1997 c 377 s 2; and
29 (3) 1997 c 377 s 3 (uncodified).

30 **PART IV**
31 **ECONOMIC VITALITY COMMITTEE**

32 NEW SECTION. Sec. 401. (1) The legislature shall establish an ad
33 hoc economic development group to analyze potential economic
34 development projects of state-wide significance and recommend
35 appropriate administrative or legislative actions.

1 (2) The group shall include one representative each from the
2 department of community, trade, and economic development, the
3 department of agriculture, and the department of revenue as well as two
4 representatives from rural economic development councils appointed by
5 the legislature.

6 (3) The group shall promote economic development and business
7 diversification throughout the state with special attention given to
8 the economic difficulties of rural counties.

9 (4) In order to expedite coordinated responses, the governor may
10 direct the group to meet on an emergency basis when projects of state-
11 wide significance arise.

12 (5) The department of community, trade, and economic development
13 shall establish criteria to determine whether a project meets the
14 standards of a "project of state-wide significance." These criteria
15 may include such economic indicators as local unemployment and personal
16 income levels and project scope indicators such as the assessed value
17 of the project in relation to the assessed value of the county.

18 **PART V**

19 **RURAL WASHINGTON LOAN FUND**

20 NEW SECTION. **Sec. 501.** The legislature finds that:

21 (1) The economic health and well-being of the state is of
22 substantial public concern, particularly in geographic areas of high
23 unemployment, economic stagnation, and poverty.

24 (2) The consequences of minimal economic activity and persistent
25 unemployment and underemployment are serious threats to the safety,
26 health, and welfare of residents of these geographic areas, decreasing
27 the value of private investments and jeopardizing the sources of public
28 revenue.

29 (3) The economic and social interdependence of communities and the
30 vitality of industrial and economic activity necessitates and partially
31 depends upon preventing substantial dislocation of residents and
32 rebuilding the diversification of the areas' economy.

33 (4) The ability to remedy problems in stagnant areas of the state
34 is beyond the power and control of the regulatory process and influence
35 of the state; and the ordinary operations of private enterprise,
36 without additional governmental assistance, are insufficient to
37 adequately remedy the problems of poverty and unemployment.

1 (5) Revitalization of depressed communities requires stimulation of
2 private investment, development of new business ventures, provision of
3 capital to ventures sponsored by local organizations and capable of
4 growth in the business markets, and assistance to viable, but
5 underfinanced, small businesses in order to create and preserve jobs
6 that are sustainable in the local economy.

7 Therefore, the legislature declares there to be a substantial
8 public purpose in providing capital to promote economic development and
9 job creation in areas of economic stagnation, unemployment, and
10 poverty. To accomplish this purpose, the legislature hereby creates
11 the rural Washington loan fund and vests in the department of
12 community, trade, and economic development the authority to spend
13 federal funds to stimulate the economy of distressed areas.

14 NEW SECTION. **Sec. 502.** Unless the context clearly requires
15 otherwise, the definitions in this section apply throughout this
16 chapter.

17 (1) "Department" means the department of community, trade, and
18 economic development.

19 (2) "Director" means the director of community, trade, and economic
20 development.

21 (3) "Disabled person" means a person with a physical or mental
22 impairment that substantially limits a major life activity. The
23 impairment must be material and medically cognizable or diagnosable.
24 The impairment must also be permanent in that it is seldom
25 significantly corrected by medical replacement, therapy, or surgical
26 means. Impairment does not include drug or alcohol addiction or any
27 negative effects brought on by the use of drugs or alcohol.

28 (4) "Distressed area" means: (a) A rural county; (b) a
29 metropolitan statistical area, as defined by the office of federal
30 statistical policy and standards, United States department of commerce,
31 in which the average level of unemployment for the calendar year
32 immediately preceding the year in which an application is filed under
33 this chapter exceeds the average state unemployment for such calendar
34 year by twenty percent; (c) an area within a county, which area: (i)
35 Is composed of contiguous census tracts; (ii) has a minimum population
36 of five thousand persons; (iii) has at least seventy percent of its
37 families and unrelated individuals with incomes below eighty percent of
38 the county's median income for families and unrelated individuals; and

1 (iv) has an unemployment rate which is at least forty percent higher
2 than the county's unemployment rate; or (d) a county designated as a
3 rural natural resources impact area under RCW 43.31.601. For purposes
4 of this subsection, "families and unrelated individuals" has the same
5 meaning that is ascribed to that term by the federal department of
6 housing and urban development in its regulations authorizing action
7 grants for economic development and neighborhood revitalization
8 projects.

9 (5) "Fund" means the rural Washington loan fund.

10 (6) "Local development organization" means a nonprofit organization
11 which is organized to operate within an area, demonstrates a commitment
12 to a long-standing effort for an economic development program, and
13 makes a demonstrable effort to assist in the employment of unemployed
14 or underemployed residents in an area.

15 (7) "Project" means the establishment of a new or expanded business
16 in an area, which business, when completed, will provide employment
17 opportunities. "Project" also means the retention of an existing
18 business in an area, which business, when completed, will provide
19 employment opportunities.

20 (8) "Rural county" means a county with a population density of
21 fewer than one hundred persons per square mile, as determined by the
22 office of financial management.

23 NEW SECTION. **Sec. 503.** Subject to the restrictions contained in
24 this chapter, the department is authorized to approve applications of
25 local governments for federal community development block grant funds
26 or other federal funds which the local governments would use to make
27 loans to finance business projects within their jurisdictions.
28 Applications approved by the department under this chapter must conform
29 to applicable federal requirements.

30 NEW SECTION. **Sec. 504.** (1) The department may approve an
31 application providing a loan for a project only if the department finds
32 that the project:

33 (a) Will result in creation of employment opportunities,
34 maintenance of threatened employment, or development or expansion of
35 business ownership by disabled persons, minorities, and women;

1 (b) Has been approved by the director as conforming to federal
2 rules and regulations governing the spending of federal community
3 development block grant funds or other applicable federal funds;

4 (c) Will be of public benefit and for a public purpose, and that
5 the benefits, including increased or maintained employment, improved
6 standard of living, employment of disadvantaged workers, and
7 development or expansion of business ownership by disabled persons,
8 minorities, and women, will primarily accrue to residents of the area;

9 (d) Will probably be successful;

10 (e) Would probably not be completed without the loan because other
11 capital or financing at feasible terms is unavailable, or because the
12 return on investment is inadequate.

13 (2)(a) The department shall, subject to applicable federal funding
14 criteria, give priority to applications that capitalize or recapitalize
15 an existing or new local revolving loan fund based on criteria
16 established by the department.

17 (b) The department shall, subject to applicable federal funding
18 criteria, give higher priority to economic development projects that
19 contain provisions for child care.

20 (3) The department may not approve an application that fails to
21 provide for adequate reporting or disclosure of financial data to the
22 department. The department may require an annual or other periodic
23 audit of the project books.

24 (4) The department may require that the project be managed in whole
25 or in part by a local development organization and may prescribe a
26 management fee to be paid to that organization by the recipient of the
27 loan or grant.

28 (5) The department shall fix the terms and rates pertaining to its
29 loans.

30 (6) If there is more demand for loans than funds available for
31 lending, the department shall provide loans for those projects which
32 will lead to the greatest amount of employment or benefit to a
33 community. In determining the "greatest amount of employment or
34 benefit," the department shall also consider the employment which would
35 be saved by its loan and the benefit relative to the community, not
36 just the total number of new jobs or jobs saved.

37 (7) To the extent permitted under federal law, the department shall
38 require applicants to provide for the transfer of all payments of
39 principal and interest on loans to the rural Washington loan fund

1 created under this chapter. Under circumstances where federal law does
2 not permit the department to require the transfer, the department shall
3 give priority to applicants who on their own volition make commitments
4 to provide for the transfer.

5 (8) The department shall not approve any application to finance or
6 help finance a shopping mall.

7 (9) For loans not made to minority and women-owned businesses and
8 businesses owned by disabled persons, the department shall make at
9 least eighty percent of the appropriated funds available to projects
10 located in distressed areas, and may make up to twenty percent
11 available to projects located in areas not designated as distressed.

12 (10) If an objection is raised to a project on the basis of unfair
13 business competition, the department shall evaluate the potential
14 impact of a project on similar businesses located in the local market
15 area. The department may deny a grant if the department determines the
16 proposed project is not likely to result in a net increase in
17 employment within a local market area.

18 (11) For loans to minority and women-owned businesses and
19 businesses owned by disabled persons that do not meet the credit
20 criteria, the department may consider nontraditional credit standards
21 to offset past discrimination that has precluded full participation of
22 minority or women-owned businesses or businesses owned by disabled
23 persons in the economy. For applicants with high potential who do not
24 meet the credit criteria, the department shall consider developing
25 alternative borrowing methods. For applicants denied loans due to
26 credit problems, the department shall provide financial counseling
27 within available resources and provide referrals to credit
28 rehabilitation services. In circumstances of competing applications,
29 the department shall give priority to members of eligible groups which
30 previously have been least served by this fund.

31 NEW SECTION. **Sec. 505.** The department is encouraged to work with
32 local development organizations to promote applications for loans by
33 the fund. The department shall also provide assistance to local
34 development organizations and local governments to identify viable
35 projects for consideration by the department. The department shall
36 provide technical assistance to organizations that administer local
37 revolving loan funds regarding practices to establish sustainable

1 operations. The department shall adopt such rules and regulations as
2 are appropriate to carry out its authority under this chapter.

3 NEW SECTION. **Sec. 506.** The department may receive and approve
4 applications on a monthly basis but shall receive and approve
5 applications on at least a quarterly basis for each fiscal year. The
6 department shall make every effort to simplify the loan process for
7 applicants. Department staff shall process and assist in the
8 preparation of applications. Each application shall show in detail the
9 nature of the project, the types and numbers of jobs to be created,
10 wages to be paid to new employees, and methods of hiring unemployed
11 persons from the local market area. Each application must contain a
12 credit analysis of the business to receive the loan.

13 NEW SECTION. **Sec. 507.** The department shall make available an
14 amount of federal community development block grant funds equal to the
15 amount of state funds transferred or appropriated to the department for
16 purposes of supplementing the department's block grant funds.

17 NEW SECTION. **Sec. 508.** The department may make grants of state
18 funds to local governments that qualify as "entitlement communities"
19 under the federal law authorizing community development block grants.
20 These grants may be made only on condition that the entitlement
21 community provide the department with assurances that the entitlement
22 community will: (1) Spend the grant moneys for purposes and in a
23 manner satisfying state constitutional requirements; (2) spend the
24 grant moneys for purposes and in a manner satisfying federal
25 requirements; and (3) spend at least the same amount of the grant for
26 loans to businesses from the federal funds received by the entitlement
27 community.

28 NEW SECTION. **Sec. 509.** There is established the rural Washington
29 loan fund, which shall be an account in the state treasury. The rural
30 Washington loan fund shall include revenue from the sources established
31 by this chapter, appropriations by the legislature, federal funds,
32 private contributions, all loan payments of principal and interest that
33 are transferred under section 504 of this act, and all other sources.
34 Moneys in the account may be spent only after legislative appropriation

1 for loans or grants under this chapter. Any expenditures of federal
2 moneys must conform to applicable federal law.

3 NEW SECTION. **Sec. 510.** (1) The department shall develop
4 guidelines for rural Washington loan funds to be used to fund local
5 economic development revolving loan funds. The department shall
6 consider the selection process for grantees, loan quality criteria,
7 legal and regulatory issues, and ways to minimize duplication between
8 development loan funds and local economic development revolving loan
9 funds.

10 (2) The department may make loans or grants from the rural
11 Washington loan fund to local governments to capitalize new, or to
12 recapitalize existing, economic development revolving loan funds in
13 distressed areas.

14 NEW SECTION. **Sec. 511.** The department shall develop performance
15 standards for judging the effectiveness of the program including, to
16 the extent possible, examining the effectiveness of loans or grants
17 with regard to:

- 18 (1) Creation of jobs for individuals of low and moderate income;
19 (2) Retention of existing employment;
20 (3) Creation of new employment opportunities;
21 (4) Diversification of the economic base of local communities;
22 (5) Establishment of employee cooperatives;
23 (6) Providing assistance in cases of employee buyouts of firms to
24 prevent the loss of existing employment;
25 (7) The degree of risk assumed by the rural Washington loan fund,
26 with emphasis on loans which did not receive financing from commercial
27 lenders, but which are considered financially sound.

28 NEW SECTION. **Sec. 512.** Any funds appropriated by the legislature
29 to the rural Washington loan fund for purposes of the timber recovery
30 act shall be used for development loans in rural natural resources
31 impact areas as defined in RCW 43.31.601.

32 NEW SECTION. **Sec. 513.** Subject to the restrictions contained in
33 this chapter, the department is authorized to approve applications of
34 minority and women-owned businesses for loans or loan guarantees from
35 the fund. Applications approved by the department under this chapter

1 must conform to applicable federal requirements. The department shall
2 prioritize available funds for loan guarantees rather than loans when
3 possible. The department may enter into agreements with other public
4 or private lending institutions to develop a joint loan guarantee
5 program for minority and women-owned businesses. If such a program is
6 developed, the department may provide funds, in conjunction with the
7 other organizations, to operate the program. This section does not
8 preclude the department from making individual loan guarantees.

9 To the maximum extent practicable, the department shall make
10 available to minority and women-owned businesses, on an equal basis,
11 funds available under this section. The department shall submit to the
12 appropriate committees of the senate and house of representatives
13 quarterly reports that detail the number of loans approved and the
14 characteristics of the recipients by ethnic and gender groups.

15 NEW SECTION. **Sec. 514.** The department may receive gifts, grants,
16 or endowments from public or private sources that are made from time to
17 time, in trust or otherwise, for the use and benefit of the purposes of
18 this chapter, and the department may spend gifts, grants, or endowments
19 or income from the public or private sources according to their terms,
20 unless the receipt of the gifts, grants, or endowments violates RCW
21 42.17.710.

22 **PART VI**
23 **REPEALED SECTIONS**

24 **Sec. 601.** RCW 43.131.386 and 1997 c 367 s 19 are each amended to
25 read as follows:

26 The following acts or parts of acts, as now existing or hereafter
27 amended, are each repealed, effective June 30, 2001:

28 (1) RCW 43.31.601 and 1997 c 367 s 1, 1995 c 226 s 1, 1992 c 21 s
29 2, & 1991 c 314 s 2;

30 (2) RCW 43.31.641 and 1997 c 367 s 6, 1995 c 226 s 4, 1993 c 280 s
31 50, & 1991 c 314 s 7;

32 (3) RCW 50.22.090 and (~~1995 c 226 s 5, 1993 c 316 s 10, 1992 c 47~~
33 ~~s 2, & 1991 c 315 s 4~~) 1997 c 367 s 4;

34 (4) (~~RCW 43.160.212 and 1996 c 168 s 4, 1995 c 226 s 6, & 1993 c~~
35 ~~316 s 5~~;

36 ~~(5)~~) RCW 43.63A.021 and 1997 c 367 s 5 & 1995 c 226 s 11;

