

SENATE BILL REPORT

EHB 1313

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, March 31, 1999
Ways & Means, April 5, 1999

Title: An act relating to rural development.

Brief Description: Revising rural development law.

Sponsors: Representatives Schoesler, DeBolt, Doumit, Hatfield, Kessler, Pennington, Grant and Eickmeyer.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 3/29/99, 3/31/99 [DPA-WM].
Ways & Means: 4/5/99 [DPA (ARED)].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Rasmussen, Chair; T. Sheldon, Vice Chair; Gardner, Honeyford, Morton, Stevens and Swecker.

Staff: David Schumacher (786-7474)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Agriculture & Rural Economic Environment.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Fraser, Honeyford, Kline, Kohl-Welles, Long, McDonald, Rasmussen, Rossi, B. Sheldon, Snyder, Spanel, West, Winsley, Wojahn and Zarelli.

Staff: David Schumacher (786-7474)

Background: The Department of Community, Trade, and Economic Development (CTED) is responsible for assisting in community and economic development in the state; providing technical and financial assistance to local governments, businesses, and community based organizations; soliciting private and federal grants for economic and community development programs; and conducting the necessary research and analysis to support economic and community development efforts.

The key service areas of the department are: (1) local development assistance; (2) trade and economic sectors, that include tourism, film and video, business development and forest products; (3) community services that support local efforts to develop self-reliant individuals

and families through prevention, intervention, technical assistance and advocacy programs; (4) housing and housing-related services; (5) growth management; (6) archaeology and historic preservation; and (7) energy.

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, special purpose utility districts). The financial assistance is used to finance public infrastructure required for business and industry expansion or retention. Typical projects financed through CERB include sewer, water, roads, and industrial buildings.

The Development Loan Fund (DLF) program utilizes federal Community Development Block Grant funds to make grants to local governments for loans to businesses in economically distressed areas of the state. The DLF program was designed to allow the state to provide financial assistance to businesses, without violating the constitutional lending-of-credit prohibition. Financial assistance is provided to businesses in the form of low-interest loans "gap financing" for that portion of a project that a business is unable to obtain from a conventional lender. The DLF program is administered by the Department of Community, Trade, and Economic Development.

The Housing Finance Commission lends money for the construction of new, affordable housing.

Summary of Amended Bill: The types of projects that the Community Economic Revitalization Board (CERB) may invest in are broadened to include transportation and telecommunications infrastructure and preconstruction costs in rural counties.

CERB priorities for lending funds are revised by requiring project ranking that is also based on the project's rate of return that includes expected increases in state and local taxes. CERB is authorized to make loans with favorable terms for projects located in distressed counties. These terms include lower interest rates, longer repayment terms, and some forgiveness of loan principal.

The Joint Legislative Audit and Review Committee (JLARC) must conduct a performance review on the effectiveness of the CERB program. Beginning December 1, 2000, the results of the performance reviews must be submitted to the appropriate committees of the Legislature every four years until December 2008.

Housing Finance Commission. The HFC statutory debt limit is increased from \$2 billion to \$3 billion.

Temporary Housing. CTED establishes a "one-stop clearinghouse" to coordinate state assistance to growers and nonprofit organizations to develop housing for agricultural employees.

Rural Development Council. The council executive committee is authorized to establish a successor organization to the council. The successor organization is a private nonprofit corporation qualified as tax exempt under section 501(C) of the federal Internal Revenue Code.

Economic Vitality Committee. A new working group comprised of CTED, DOR, Agriculture and Economic Development Council representatives is established to prepare for "projects of statewide significance."

The Rural Washington Loan Fund is created and replaces the Development Loan Fund. The account may receive legislative appropriations, funds from other public sources, private contributions, and all other sources. The account is subject to appropriation by the Legislature. All expenditures of federal funds must conform to applicable federal law. The fund is administered by the Department of Community, Trade, and Economic Development (CTED). The priority of the Rural Washington Loan Fund is to fund locally based revolving loan funds that make direct loans to businesses using federal funds. CTED must provide technical assistance to local revolving loan funds to help them adopt lending practices that establish them as sustainable operations.

Amended Bill Compared to Original Bill: The original bill contained only the language to convert the rural development council to a nonprofit.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Allowing the Rural Development Council to move out of CTED and become a nonprofit should allow them to be more successful and therefore be more helpful to rural counties. The RDC and CTED agree to this "amicable divorce."

Testimony Against: None.

Testified: PRO: Representative Mark Schoesler, prime sponsor; John Savich, CTED; Jim Potts, Rural Counties.