

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

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

6 (4) "Distressed county" means any county in which the average level
7 of unemployment, for the three years before the year in which an
8 application for financial assistance is filed, exceeds the average
9 state unemployment for those years by twenty percent.

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

15 (~~(5)~~) (6) "Industrial development facilities" means "industrial
16 development facilities" as defined in RCW 39.84.020.

17 (~~(6)~~) (7) "Industrial development revenue bonds" means tax-exempt
18 revenue bonds used to fund industrial development facilities.

19 (~~(7)~~) (8) "Local government" or "political subdivision" means any
20 port district, county, city, town, special purpose district, and any
21 other municipal corporations or quasi-municipal corporations in the
22 state providing for public facilities under this chapter.

23 (~~(8)~~) (9) "Sponsor" means any of the following entities which
24 customarily provide service or otherwise aid in industrial or other
25 financing and are approved as a sponsor by the board: A bank, trust
26 company, savings bank, investment bank, national banking association,
27 savings and loan association, building and loan association, credit
28 union, insurance company, or any other financial institution,
29 governmental agency, or holding company of any entity specified in this
30 subsection.

31 (~~(9)~~) (10) "Umbrella bonds" means industrial development revenue
32 bonds from which the proceeds are loaned, transferred, or otherwise
33 made available to two or more users under this chapter.

34 (~~(10)~~) (11) "User" means one or more persons acting as lessee,
35 purchaser, mortgagor, or borrower under a financing document and
36 receiving or applying to receive revenues from bonds issued under this
37 chapter.

1 (~~(11)~~) (12) "Public facilities" means bridges, roads, domestic
2 and industrial water, sanitary sewer, storm sewer, railroad,
3 electricity, natural gas, buildings or structures, and port facilities.

4 (~~(12)~~) (13) "Rural natural resources impact area" means:

5 (a) A nonmetropolitan county, as defined by the 1990 decennial
6 census, that meets three of the five criteria set forth in subsection
7 (~~(13)~~) (14) of this section;

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

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

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

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

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

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

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

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

37 **Sec. 2.** RCW 43.160.060 and 1996 c 51 s 5 are each amended to read
38 as follows:

1 The board is authorized to make direct loans to political
2 subdivisions of the state for the purposes of assisting the political
3 subdivisions in financing the cost of public facilities, including
4 development of land and improvements for public facilities, as well as
5 the construction, rehabilitation, alteration, expansion, or improvement
6 of the facilities. A grant may also be authorized for purposes
7 designated in this chapter, but only when, and to the extent that, a
8 loan is not reasonably possible, given the limited resources of the
9 political subdivision and the finding by the board that unique
10 circumstances exist. The board shall not obligate more than twenty
11 percent of its biennial appropriation as grants.

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

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

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

18 (b) For any project that evidence exists would directly result in
19 a development or expansion that would displace existing jobs in any
20 other community in the state.

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

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

24 (a) For those projects which would result in specific private
25 developments or expansions (i) in manufacturing, production, food
26 processing, assembly, warehousing, and industrial distribution; (ii)
27 for processing recyclable materials or for facilities that support
28 recycling, including processes not currently provided in the state,
29 including but not limited to, de-inking facilities, mixed waste paper,
30 plastics, yard waste, and problem-waste processing; (iii) for
31 manufacturing facilities that rely significantly on recyclable
32 materials, including but not limited to waste tires and mixed waste
33 paper; (iv) which support the relocation of businesses from
34 nondistressed urban areas to distressed rural areas; or (v) which
35 substantially support the trading of goods or services outside of the
36 state's borders.

37 (b) For projects which it finds will improve the opportunities for
38 the successful maintenance, establishment, or expansion of industrial

1 or commercial plants or will otherwise assist in the creation or
2 retention of long-term economic opportunities.

3 (c)(i) Except as provided in (c)(ii) of this subsection, when the
4 application includes convincing evidence that a specific private
5 development or expansion is ready to occur and will occur only if the
6 public facility improvement is made.

7 (ii) Applications for projects located in distressed counties or
8 rural natural resources impact areas need not demonstrate evidence that
9 specific private development or expansion is ready to occur if funds
10 are provided.

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

12 (a) The relative benefits provided to the community by the jobs the
13 project would create, not just the total number of jobs it would create
14 after the project is completed and according to the unemployment rate
15 in the area in which the jobs would be located(~~(. As long as there is~~
16 ~~more demand for financial assistance than there are funds available,~~
17 ~~the board is instructed to fund projects in order of their priority))~~
18 and

19 (b) The rate of return on the state's investment, that includes the
20 expected increase in state and local tax revenues associated with the
21 project.

22 (4) A responsible official of the political subdivision shall be
23 present during board deliberations and provide information that the
24 board requests.

25 Before any financial assistance application is approved, the
26 political subdivision seeking the assistance must demonstrate to the
27 community economic revitalization board that no other timely source of
28 funding is available to it at costs reasonably similar to financing
29 available from the community economic revitalization board.

30 **Sec. 3.** RCW 43.160.070 and 1998 c 321 s 27 (Referendum Bill No.
31 49) are each amended to read as follows:

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

34 (1) The moneys in the public facilities construction loan revolving
35 account and the distressed county public facilities construction loan
36 account shall be used solely to fulfill commitments arising from
37 financial assistance authorized in this chapter or, during the 1989-91
38 fiscal biennium, for economic development purposes as appropriated by

1 the legislature. The total outstanding amount which the board shall
2 dispense at any time pursuant to this section shall not exceed the
3 moneys available from the accounts. The total amount of outstanding
4 financial assistance in Pierce, King, and Snohomish counties shall
5 never exceed sixty percent of the total amount of outstanding financial
6 assistance disbursed by the board under this chapter without reference
7 to financial assistance provided under RCW 43.160.220.

8 (2) On contracts made for public facilities loans the board shall
9 determine the interest rate which loans shall bear. The interest rate
10 shall not exceed ten percent per annum. The board may provide
11 reasonable terms and conditions for repayment for loans, including
12 partial forgiveness of loan principal and interest payments on projects
13 located in distressed counties or rural natural resources impact areas,
14 as the board determines. The loans shall not exceed twenty years in
15 duration.

16 (3) Repayments of loans made from the public facilities
17 construction loan revolving account under the contracts for public
18 facilities construction loans shall be paid into the public facilities
19 construction loan revolving account. Repayments of loans made from the
20 distressed county public facilities construction loan account under the
21 contracts for public facilities construction loans shall be paid into
22 the distressed county public facilities construction loan account.
23 Repayments of loans from moneys from the new appropriation from the
24 public works assistance account for the fiscal biennium ending June 30,
25 1999, shall be paid into the public works assistance account.

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

29 **Sec. 4.** RCW 43.160.080 and 1998 c 321 s 30 (Referendum Bill No.
30 49) are each amended to read as follows:

31 There shall be a fund in the state treasury known as the public
32 facilities construction loan revolving account, which shall consist of
33 all moneys collected under this chapter or deposited by the state
34 treasurer pursuant to any other legislative act, except moneys of the
35 board collected in connection with the issuance of industrial
36 development revenue bonds and moneys deposited in the distressed county
37 public facilities construction loan account under RCW 43.160.220, and
38 any moneys appropriated to it by law(~~(:—PROVIDED, That seventy five~~

1 percent of all principal and interest payments on loans made with the
2 proceeds deposited in the account under section 901, chapter 57, Laws
3 of 1983 1st ex. sess. shall be deposited in the general fund as
4 reimbursement for debt service payments on the bonds authorized in RCW
5 43.83.184)). Disbursements from the revolving account shall be on
6 authorization of the board. In order to maintain an effective
7 expenditure and revenue control, the public facilities construction
8 loan revolving account shall be subject in all respects to chapter
9 43.88 RCW.

10 **Sec. 5.** RCW 43.160.900 and 1993 c 320 s 8 are each amended to read
11 as follows:

12 (1) The community economic revitalization board shall report to the
13 appropriate standing committees of the legislature biennially on the
14 implementation of this chapter. The report shall include information
15 on the number of applications for community economic revitalization
16 board assistance, the number and types of projects approved, the grant
17 or loan amount awarded each project, the projected number of jobs
18 created or retained by each project, the actual number of jobs created
19 or retained by each project, the amount of state and local tax revenue
20 generated by projects funded under this chapter, the number of
21 delinquent loans, and the number of project terminations. The report
22 may also include additional performance measures and recommendations
23 for programmatic changes. The first report shall be submitted by
24 December 1, 1994.

25 (2) The joint legislative audit and review committee shall contract
26 for services to conduct a performance review on the effectiveness of
27 the program administered by the board under this chapter. The costs
28 for the performance reviews shall be paid from repayments of principal
29 and interest on loans made under this chapter. The performance reviews
30 shall be submitted to the appropriate committees of the legislature by
31 December 1, 2000, December 1, 2004, and December 1, 2008.

32 **Sec. 6.** RCW 82.14.370 and 1998 c 55 s 6 are each amended to read
33 as follows:

34 (1)(a) The legislative authority of a distressed county may impose
35 a sales and use tax in accordance with the terms of this chapter. The
36 tax is in addition to other taxes authorized by law and shall be
37 collected from those persons who are taxable by the state under

1 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
2 within the county. The rate of tax shall not exceed 0.04 percent of
3 the selling price in the case of a sales tax or value of the article
4 used in the case of a use tax.

5 (b) The legislative authority of a distressed county may impose an
6 additional sales and use tax in accordance with the terms of this
7 chapter. The tax is in addition to other taxes authorized by law and
8 may be collected from those persons who are taxable by the state under
9 chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event
10 within the county. The rate of tax may not exceed 0.04 percent of the
11 selling price in the case of a sales tax or value of the article used
12 in the case of a use tax.

13 (2) The tax imposed under subsection (1) of this section shall be
14 deducted from the amount of tax otherwise required to be collected or
15 paid over to the department of revenue under chapter 82.08 or 82.12
16 RCW. The department of revenue shall perform the collection of such
17 taxes on behalf of the county at no cost to the county.

18 (3)(a) Moneys collected under this section shall only be used for
19 the purpose of financing qualifying public facilities all for the
20 purpose of job creation, job retention, or job expansion in ((rural))
21 distressed counties. The public facility must be listed as an item in
22 the officially adopted county overall economic development plan or the
23 economic development section of the county's comprehensive plan or the
24 comprehensive plan of a city located within the county for those
25 counties planning under RCW 36.70A.040, or, for those counties who do
26 not plan under the growth management act and do not have an adopted
27 overall economic development plan, the public facility must be listed
28 in the county's capital facilities plan or the capital facilities plan
29 of a city located within the county.

30 (b) The county must set aside an appropriate amount of money
31 collected under subsection (1)(b) of this section to be used for the
32 purpose of financing qualifying public facilities in cities and towns,
33 located within the county, that qualify for municipal sales and use tax
34 equalization under RCW 82.14.210(3).

35 (4) No tax may be collected under subsection (1)(b) of this section
36 before ((July 1, 1998)) October 1, 1999. No tax may be collected under
37 this section by a county more than twenty-five years after the date
38 that a tax is first imposed under this section.

1 (c) Two members of the senate, one each from two of the largest
2 caucuses, appointed by the president of the senate;

3 (d) The director of the department of revenue or the director's
4 designee;

5 (e) The director of the office of financial management or the
6 director's designee;

7 (f) Four representatives of the business community appointed by the
8 director of community, trade, and economic development, those four
9 representatives consisting of one representative from a business with
10 less than fifty employees that is located in a distressed area, one
11 representative from a business with more than fifty employees that is
12 located in a distressed area, one representative from a business with
13 less than fifty employees that is located outside a distressed area,
14 and one representative from a business with more than fifty employees
15 that is located outside a distressed area;

16 (g) Two representatives of state-wide labor organizations,
17 appointed by the director of community, trade, and economic
18 development;

19 (h) Two representatives of local economic development
20 organizations, appointed by the director of community, trade, and
21 economic development; and

22 (i) Two representatives at large, appointed by the director of
23 community, trade, and economic development.

24 (2) The vice-chair of the task force is selected by majority vote
25 of the task force members. The members of the task force serve without
26 compensation, but shall be reimbursed for travel expenses as provided
27 in RCW 43.03.050 and 43.03.060.

28 (3) The department of community, trade, and economic development
29 and the department of revenue shall provide administrative and clerical
30 assistance to the task force.

31 (4) As used in this section and section 8 of this act, "distressed
32 area" means a rural natural resources impact area as defined in RCW
33 43.31.601 and an eligible area as defined in RCW 82.60.020.

34 NEW SECTION. **Sec. 8.** The task force on distressed area economic
35 development incentives shall:

36 (1) Review existing federal and state programs and incentives
37 designed to assist economic development efforts in distressed areas;

1 (2) Review programs, incentives, and techniques designed to assist
2 economic development efforts in rural and distressed areas in other
3 states;

4 (3) Make recommendations regarding a common definition of distress
5 and options to consolidate, streamline, or strengthen existing programs
6 or incentives designed to assist economic development efforts in
7 distressed areas;

8 (4) Make recommendations regarding the establishment of performance
9 measures and standards, and program evaluation standards for the
10 various state incentive programs designed to encourage economic
11 development;

12 (5) By November 30, 1999, prepare and submit to the governor and
13 legislature, a report detailing its findings and recommendations
14 regarding economic development efforts in distressed areas.

15 NEW SECTION. **Sec. 9.** Sections 7 and 8 of this act expire February
16 1, 2000.

17 **PART III**

18 **RURAL WASHINGTON LOAN FUND**

19 NEW SECTION. **Sec. 10.** The legislature finds that:

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

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

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

32 (4) The ability to remedy problems in stagnant areas of the state
33 is beyond the power and control of the regulatory process and influence
34 of the state; and the ordinary operations of private enterprise,
35 without additional governmental assistance, are insufficient to
36 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. 11.** 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) "Distressed area" means: (a) A county which has an
22 unemployment rate which is twenty percent above the state average for
23 the immediately previous three years; (b) a county that has a median
24 household income that is less than seventy-five percent of the state
25 median household income for the previous three years; (c) a
26 metropolitan statistical area, as defined by the office of federal
27 statistical policy and standards, United States department of commerce,
28 in which the average level of unemployment for the calendar year
29 immediately preceding the year in which an application is filed under
30 this chapter exceeds the average state unemployment for such calendar
31 year by twenty percent; (d) an area within a county, which area: (i)
32 Is composed of contiguous census tracts; (ii) has a minimum population
33 of five thousand persons; (iii) has at least seventy percent of its
34 families and unrelated individuals with incomes below eighty percent of
35 the county's median income for families and unrelated individuals; and
36 (iv) has an unemployment rate which is at least forty percent higher
37 than the county's unemployment rate; or (e) a county designated as a
38 rural natural resources impact area under RCW 43.31.601. For purposes

1 of this subsection, "families and unrelated individuals" has the same
2 meaning that is ascribed to that term by the federal department of
3 housing and urban development in its regulations authorizing action
4 grants for economic development and neighborhood revitalization
5 projects.

6 (4) "Fund" means the rural Washington loan fund.

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

12 (6) "Project" means the establishment of a new or expanded business
13 in an area, which business, when completed, will provide employment
14 opportunities. "Project" also means the retention of an existing
15 business in an area, which business, when completed, will provide
16 employment opportunities.

17 NEW SECTION. **Sec. 12.** Subject to the restrictions contained in
18 this chapter, the department is authorized to approve applications of
19 local governments for federal community development block grant funds
20 or other federal funds which the local governments would use to make
21 loans to finance business projects within their jurisdictions.
22 Applications approved by the department under this chapter must conform
23 to applicable federal requirements.

24 NEW SECTION. **Sec. 13.** (1) The department may approve an
25 application providing a loan for a project only if the department
26 finds that the project:

27 (a) Will result in creation of employment opportunities,
28 maintenance of threatened employment, or development or expansion of
29 business ownership by minorities and women;

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

33 (c) Will be of public benefit and for a public purpose, and that
34 the benefits, including increased or maintained employment, improved
35 standard of living, employment of disadvantaged workers, and
36 development or expansion of business ownership by minorities and women,
37 will primarily accrue to residents of the area;

1 (d) Will probably be successful;

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

5 (2)(a) The department shall, subject to applicable federal funding
6 criteria, give priority to applications that capitalize or recapitalize
7 an existing or new local revolving loan fund.

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

11 (3) The department may not approve an application that fails to
12 provide for adequate reporting or disclosure of financial data to the
13 department. The department may require an annual or other periodic
14 audit of the project books.

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

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

21 (6) If there is more demand for loans than funds available for
22 lending, the department shall provide loans for those projects which
23 will lead to the greatest amount of employment or benefit to a
24 community. In determining the "greatest amount of employment or
25 benefit," the department shall also consider the employment which would
26 be saved by its loan and the benefit relative to the community, not
27 just the total number of new jobs or jobs saved.

28 (7) To the extent permitted under federal law, the department shall
29 require applicants to provide for the transfer of all payments of
30 principal and interest on loans to the rural Washington loan fund
31 created under this chapter. Under circumstances where federal law does
32 not permit the department to require the transfer, the department shall
33 give priority to applicants who on their own volition make commitments
34 to provide for the transfer.

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

37 (9) For loans not made to minority and women-owned businesses, the
38 department shall make at least eighty percent of the appropriated funds
39 available to projects located in distressed areas, and may make up to

1 twenty percent available to projects located in areas not designated as
2 distressed.

3 (10) If an objection is raised to a project on the basis of unfair
4 business competition, the department shall evaluate the potential
5 impact of a project on similar businesses located in the local market
6 area. The department may deny a grant if the department determines the
7 proposed project is not likely to result in a net increase in
8 employment within a local market area.

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

21 NEW SECTION. **Sec. 14.** The department is encouraged to work with
22 local development organizations to promote applications for loans by
23 the fund. The department shall also provide assistance to local
24 development organizations and local governments to identify viable
25 projects for consideration by the department. The department shall
26 provide technical assistance to organizations that administer local
27 revolving loan funds regarding practices to establish sustainable
28 operations. The department shall adopt such rules and regulations as
29 are appropriate to carry out its authority under this chapter.

30 NEW SECTION. **Sec. 15.** The department may receive and approve
31 applications on a monthly basis but shall receive and approve
32 applications on at least a quarterly basis for each fiscal year. The
33 department shall make every effort to simplify the loan process for
34 applicants. Department staff shall process and assist in the
35 preparation of applications. Each application shall show in detail the
36 nature of the project, the types and numbers of jobs to be created,
37 wages to be paid to new employees, and methods of hiring unemployed

1 persons from the local market area. Each application must contain a
2 credit analysis of the business to receive the loan.

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

7 NEW SECTION. **Sec. 17.** The department may make grants of state
8 funds to local governments that qualify as "entitlement communities"
9 under the federal law authorizing community development block grants.
10 These grants may be made only on condition that the entitlement
11 community provide the department with assurances that the entitlement
12 community will: (1) Spend the grant moneys for purposes and in a
13 manner satisfying state constitutional requirements; (2) spend the
14 grant moneys for purposes and in a manner satisfying federal
15 requirements; and (3) spend at least the same amount of the grant for
16 loans to businesses from the federal funds received by the entitlement
17 community.

18 NEW SECTION. **Sec. 18.** There is established the rural Washington
19 loan fund, which shall be an account in the state treasury. The rural
20 Washington loan fund shall include revenue from the sources established
21 by this chapter, appropriations by the legislature, federal funds,
22 private contributions, all loan payments of principal and interest that
23 are transferred under section 13 of this act, and all other sources.
24 Moneys in the account may be spent only after legislative appropriation
25 for loans or grants under this chapter. Any expenditures of federal
26 moneys must conform to applicable federal law.

27 NEW SECTION. **Sec. 19.** (1) The department shall develop guidelines
28 for rural Washington loan funds to be used to fund local economic
29 development revolving loan funds. The department shall consider the
30 selection process for grantees, loan quality criteria, legal and
31 regulatory issues, and ways to minimize duplication between development
32 loan funds and local economic development revolving loan funds.

33 (2) The department may make loans or grants from the rural
34 Washington loan fund to local governments to capitalize new, or to

1 recapitalize existing, economic development revolving loan funds in
2 distressed areas.

3 NEW SECTION. **Sec. 20.** The department shall develop performance
4 standards for judging the effectiveness of the program including, to
5 the extent possible, examining the effectiveness of loans or grants
6 with regard to:

7 (1) Creation of jobs for individuals of low and moderate income;

8 (2) Retention of existing employment;

9 (3) Creation of new employment opportunities;

10 (4) Diversification of the economic base of local communities;

11 (5) Establishment of employee cooperatives;

12 (6) Providing assistance in cases of employee buyouts of firms to
13 prevent the loss of existing employment;

14 (7) The degree of risk assumed by the rural Washington loan fund,
15 with emphasis on loans which did not receive financing from commercial
16 lenders, but which are considered financially sound.

17 NEW SECTION. **Sec. 21.** Any funds appropriated by the legislature
18 to the rural Washington loan fund for purposes of the timber recovery
19 act shall be used for development loans in rural natural resources
20 impact areas as defined in RCW 43.31.601.

21 NEW SECTION. **Sec. 22.** Subject to the restrictions contained in
22 this chapter, the department is authorized to approve applications of
23 minority and women-owned businesses for loans or loan guarantees from
24 the fund. Applications approved by the department under this chapter
25 must conform to applicable federal requirements. The department shall
26 prioritize available funds for loan guarantees rather than loans when
27 possible. The department may enter into agreements with other public
28 or private lending institutions to develop a joint loan guarantee
29 program for minority and women-owned businesses. If such a program is
30 developed, the department may provide funds, in conjunction with the
31 other organizations, to operate the program. This section does not
32 preclude the department from making individual loan guarantees.

33 To the maximum extent practicable, the department shall make
34 available to minority and women-owned businesses, on an equal basis,
35 funds available under this section. The department shall submit to the
36 appropriate committees of the senate and house of representatives

1 quarterly reports that detail the number of loans approved and the
2 characteristics of the recipients by ethnic and gender groups.

3 NEW SECTION. **Sec. 23.** The department may receive gifts, grants,
4 or endowments from public or private sources that are made from time to
5 time, in trust or otherwise, for the use and benefit of the purposes of
6 this chapter, and the department may spend gifts, grants, or endowments
7 or income from the public or private sources according to their terms,
8 unless the receipt of the gifts, grants, or endowments violates RCW
9 42.17.710.

10 NEW SECTION. **Sec. 24.** If any provision of this act or its
11 application to any person or circumstance is held invalid, the
12 remainder of the act or the application of the provision to other
13 persons or circumstances is not affected.

14 **PART IV**
15 **PERFORMANCE REVIEW**

16 NEW SECTION. **Sec. 25.** A new section is added to chapter 44.28 RCW
17 to read as follows:

18 (1) The joint legislative audit and review committee shall work
19 with the department of community, trade, and economic development and
20 the department of revenue to establish performance-based measurements
21 for programs and incentives designed specifically to assist in job
22 creation and retention or job expansion.

23 (2) The joint legislative audit and review committee shall conduct
24 performance evaluations on programs and incentives designed
25 specifically to assist in job creation and retention or job expansion.
26 The joint legislative audit and review committee may contract for
27 services to conduct the performance evaluations. The following
28 programs and incentives are subject to performance evaluations under
29 this section:

30 (a) The community development finance program under RCW 43.63A.075;

31 (b) The public works trust fund - rural natural resources loan
32 program under RCW 43.160.212;

33 (c) The rural Washington loan fund program under sections 10
34 through 23 of this act;

1 (d) The Washington state rural development council under RCW
2 43.31.855;

3 (e) The community economic revitalization board program under
4 chapter 43.160 RCW;

5 (f) The distressed area sales tax deferral/exemption program under
6 chapter 82.60 RCW;

7 (g) The distressed area business and occupation tax credit for job
8 creation program under chapter 82.62 RCW;

9 (h) The distressed area business and occupation tax credit for job
10 training program under RCW 82.04.433;

11 (i) The distressed county sales tax credit program under RCW
12 82.14.370;

13 (j) The tax credit for international service jobs in community
14 empowerment zones program in RCW 82.04.44525; and

15 (k) The tax remittance for warehouse and grain elevators program
16 under RCW 82.08.820.

17 (3) The costs of the performance reviews shall be paid from funds
18 appropriated by the legislature to the specific program or, if no
19 funding is provided, by the administering agency's funds. The findings
20 and recommendations shall be submitted to the appropriate committees of
21 the legislature by December 1, 2000, December 1, 2004, and December 1,
22 2008.

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24

PART V
TECHNICAL PROVISIONS

25 NEW SECTION. **Sec. 26.** Sections 10 through 24 of this act
26 constitute a new chapter in Title 43 RCW.

27 NEW SECTION. **Sec. 27.** The following acts or parts of acts are
28 each repealed:

29 (1) RCW 43.168.010 and 1985 c 164 s 1;

30 (2) RCW 43.168.020 and 1996 c 290 s 3, 1995 c 226 s 27, 1993 c 280
31 s 56, 1991 c 314 s 19, 1988 c 42 s 18, 1987 c 461 s 2, & 1985 c 164 s
32 2;

33 (3) RCW 43.168.031 and 1995 c 399 s 92 & 1988 c 186 s 7;

34 (4) RCW 43.168.040 and 1987 c 461 s 3 & 1985 c 164 s 4;

35 (5) RCW 43.168.050 and 1993 c 512 s 12, 1990 1st ex.s. c 17 s 74,
36 1989 c 430 s 9, 1987 c 461 s 4, 1986 c 204 s 2, & 1985 c 164 s 5;

- 1 (6) RCW 43.168.060 and 1985 c 164 s 6;
- 2 (7) RCW 43.168.070 and 1993 c 512 s 14, 1987 c 461 s 5, & 1985 c
- 3 164 s 7;
- 4 (8) RCW 43.168.090 and 1985 c 164 s 9;
- 5 (9) RCW 43.168.100 and 1993 c 512 s 15, 1986 c 204 s 1, & 1985 c
- 6 164 s 10;
- 7 (10) RCW 43.168.110 and 1992 c 235 s 11 & 1985 c 164 s 11;
- 8 (11) RCW 43.168.120 and 1987 c 461 s 6;
- 9 (12) RCW 43.168.130 and 1998 c 245 s 52 & 1987 c 461 s 7;
- 10 (13) RCW 43.168.140 and 1995 c 226 s 28 & 1991 c 314 s 20;
- 11 (14) RCW 43.168.150 and 1993 c 512 s 13; and
- 12 (15) RCW 43.168.900 and 1985 c 164 s 15.

13 NEW SECTION. **Sec. 28.** Part headings used in this act are not any
14 part of the law.

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