
SUBSTITUTE HOUSE BILL 1497

State of Washington

56th Legislature

1999 Regular Session

By House Committee on Economic Development, Housing & Trade (originally sponsored by Representatives Kessler, Mulliken, Grant, Hatfield, O'Brien, Conway, Kenney, Tokuda and Wolfe; by request of Governor Locke)

Read first time 03/02/1999.

1 AN ACT Relating to enhancing economic vitality; amending RCW
2 43.180.160, 43.86A.030, 43.86A.050, 43.86A.060, 43.86A.070, 43.168.020,
3 82.62.010, and 82.60.047; adding a new section to chapter 43.63A RCW;
4 adding a new section to chapter 47.60 RCW; creating a new section;
5 repealing RCW 43.131.381 and 43.131.382; providing an effective date;
6 and declaring an emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 **Sec. 1.** RCW 43.180.160 and 1996 c 310 s 2 are each amended to read
9 as follows:

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

1 **Sec. 2.** RCW 43.86A.030 and 1993 c 512 s 33 are each amended to
2 read as follows:

3 (1) ~~((Funds held in public depositaries not as demand deposits as
4 provided in RCW 43.86A.020 and 43.86A.030, shall be available for a
5 time certificate of deposit investment program according to the
6 following formula:—The state treasurer shall apportion to all
7 participating depositaries an amount equal to five percent of the three
8 year average mean of general state revenues as certified in accordance
9 with Article VIII, section 1(b) of the state Constitution, or fifty
10 percent of the total surplus treasury investment availability,
11 whichever is less. Within thirty days after certification, those funds
12 determined to be available according to this formula for the time
13 certificate of deposit investment program shall be deposited in
14 qualified public depositaries. These deposits shall be allocated among
15 the participating depositaries on a basis to be determined by the state
16 treasurer.~~

17 ~~(2))~~ The state treasurer may use up to ~~((fifty))~~ seventy-five
18 million dollars per year of ~~((all))~~ funds ~~((available under this
19 section))~~ for the purposes of RCW 43.86A.060. The amounts made
20 available to these public depositaries shall be equal to the amounts of
21 outstanding loans made under RCW 43.86A.060.

22 ~~((3) The formula so devised shall be a matter of public record
23 giving consideration to, but not limited to deposits, assets, loans,
24 capital structure, investments or some combination of these factors.
25 However,))~~ (2) If in the judgment of the state treasurer the amount of
26 allocation for certificates of deposit ~~((as determined by this
27 section))~~ for the purposes of RCW 43.86A.060 will impair the cash flow
28 needs of the state treasury, the state treasurer may adjust the amount
29 of the allocation accordingly.

30 **Sec. 3.** RCW 43.86A.050 and 1973 c 123 s 5 are each amended to read
31 as follows:

32 The state treasurer ~~((shall devise the necessary formulae and
33 methodology))~~ may adopt rules to implement the provisions of this
34 chapter. Periodically, ~~((but at least once every six months,))~~ the
35 state treasurer shall review all rules and ~~((shall))~~ may adopt, amend
36 or repeal them as may be necessary. ~~((These rules and a list of time
37 certificate of deposit allocations shall be published in the~~

1 ~~treasurer's monthly financial report as required under the provisions~~
2 ~~of RCW 43.08.150.)~~)

3 **Sec. 4.** RCW 43.86A.060 and 1993 c 512 s 30 are each amended to
4 read as follows:

5 (1) The state treasurer shall establish a linked deposit program
6 for investment of deposits in qualified public depositories. As a
7 condition of participating in the program, qualified public
8 depositories must make qualifying loans as provided in this section.
9 The state treasurer may purchase a certificate of deposit that is equal
10 to the amount of the qualifying loan made by the qualified public
11 depository or may purchase a certificate of deposit that is equal to
12 the aggregate amount of two or more qualifying loans made by one or
13 more qualified public depositories.

14 (2) Qualifying loans made under this section are those that:

15 (a) Are loans that have terms that do not exceed ten years;

16 (b) Are made to a minority or women's business enterprise that has
17 received state certification under chapter 39.19 RCW;

18 (c) Are made to minority or women's business enterprises that are
19 considered a small business as defined in RCW ((43.31.025)) 19.85.020;

20 (d) Are made where the interest rate on the loan to the minority or
21 women's business enterprise does not exceed an interest rate that is
22 two hundred basis points below the interest rate the qualified public
23 depository would charge for a loan for a similar purpose and a similar
24 term; and

25 (e) Are made where the points or fees charged at loan closing do
26 not exceed one percent of the loan amount.

27 (3) In setting interest rates of time certificate of deposits, the
28 state treasurer shall offer rates so that a two hundred basis point
29 preference will be given to the qualified public depository.

30 **Sec. 5.** RCW 43.86A.070 and 1993 c 512 s 34 are each amended to
31 read as follows:

32 The state and ((those acting as)) its agents are not liable in any
33 manner for payment of the principal or interest on qualifying loans
34 made under RCW 43.86A.060. Any delay in payments or defaults on the
35 part of the borrower does not in any manner affect the deposit
36 agreement between the qualified public depository and the state
37 treasurer.

1 NEW SECTION. **Sec. 6.** The following acts or parts of acts are each
2 repealed:

3 (1) RCW 43.131.381 (Linked deposit program--Termination) and 1994
4 c 126 s 2 & 1993 c 512 s 35; and

5 (2) RCW 43.131.382 (Linked deposit program--Repeal) and 1994 c 126
6 s 3 & 1993 c 512 s 36.

7 **Sec. 7.** RCW 43.168.020 and 1996 c 290 s 3 are each amended to read
8 as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "Committee" means the Washington state development loan fund
12 committee.

13 (2) "Department" means the department of community, trade, and
14 economic development.

15 (3) "Director" means the director of community, trade, and economic
16 development.

17 (4) "Distressed area" means: (a) A county which has an
18 unemployment rate which is twenty percent above the state average for
19 the immediately previous three years; (b) a county that has a median
20 household income that is less than seventy-five percent of the state
21 median household income for the previous three years; (c) a
22 metropolitan statistical area, as defined by the office of federal
23 statistical policy and standards, United States department of commerce,
24 in which the average level of unemployment for the calendar year
25 immediately preceding the year in which an application is filed under
26 this chapter exceeds the average state unemployment for such calendar
27 year by twenty percent; (d) an area within a county, which area: (i)
28 Is composed of contiguous census tracts; (ii) has a minimum population
29 of five thousand persons; (iii) has at least seventy percent of its
30 families and unrelated individuals with incomes below eighty percent of
31 the county's median income for families and unrelated individuals; and
32 (iv) has an unemployment rate which is at least forty percent higher
33 than the county's unemployment rate; ~~((or))~~ (e) a county designated by
34 the governor as a distressed area or an eligible area under RCW
35 82.60.047; or (f) a county designated as a rural natural resources
36 impact area under RCW 43.31.601 if an application is filed by July 1,
37 1997. For purposes of this definition, "families and unrelated
38 individuals" has the same meaning that is ascribed to that term by the

1 federal department of housing and urban development in its regulations
2 authorizing action grants for economic development and neighborhood
3 revitalization projects.

4 (5) "Fund" means the Washington state development loan fund.

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

10 (7) "Project" means the establishment of a new or expanded business
11 in an area which when completed will provide employment opportunities.
12 "Project" also means the retention of an existing business in an area
13 which when completed will provide employment opportunities.

14 **Sec. 8.** RCW 82.62.010 and 1996 c 290 s 5 are each amended to read
15 as follows:

16 Unless the context clearly requires otherwise, the definitions in
17 this section apply throughout this chapter.

18 (1) "Applicant" means a person applying for a tax credit under this
19 chapter.

20 (2) "Department" means the department of revenue.

21 (3) "Eligible area" means: (a) A county in which the average level
22 of unemployment for the three years before the year in which an
23 application is filed under this chapter exceeds the average state
24 unemployment for those years by twenty percent; (b) a county that has
25 a median household income that is less than seventy-five percent of the
26 state median household income for the previous three years; (c) a
27 metropolitan statistical area, as defined by the office of federal
28 statistical policy and standards, United States department of commerce,
29 in which the average level of unemployment for the calendar year
30 immediately preceding the year in which an application is filed under
31 this chapter exceeds the average state unemployment for such calendar
32 year by twenty percent; (d) a designated community empowerment zone
33 approved under RCW 43.63A.700; ~~((or))~~ (e) a county designated by the
34 governor as a distressed area or an eligible area under RCW 82.60.047;
35 or (f) subcounty areas in those counties that are not covered under (a)
36 of this subsection that are timber impact areas as defined in RCW
37 43.31.601.

1 (4)(a) "Eligible business project" means manufacturing or research
2 and development activities which are conducted by an applicant in an
3 eligible area at a specific facility, provided the applicant's average
4 full-time qualified employment positions at the specific facility will
5 be at least fifteen percent greater in the year for which the credit is
6 being sought than the applicant's average full-time qualified
7 employment positions at the same facility in the immediately preceding
8 year.

9 (b) "Eligible business project" does not include any portion of a
10 business project undertaken by a light and power business as defined in
11 RCW 82.16.010(5) or that portion of a business project creating
12 qualified full-time employment positions outside an eligible area or
13 those recipients of a sales tax deferral under chapter 82.61 RCW.

14 (5) "Manufacturing" means all activities of a commercial or
15 industrial nature wherein labor or skill is applied, by hand or
16 machinery, to materials so that as a result thereof a new, different,
17 or useful substance or article of tangible personal property is
18 produced for sale or commercial or industrial use and shall include the
19 production or fabrication of specially made or custom made articles.
20 "Manufacturing" also includes computer programming, the production of
21 computer software, and other computer-related services, and the
22 activities performed by research and development laboratories and
23 commercial testing laboratories.

24 (6) "Person" has the meaning given in RCW 82.04.030.

25 (7) "Qualified employment position" means a permanent full-time
26 employee employed in the eligible business project during the entire
27 tax year.

28 (8) "Tax year" means the calendar year in which taxes are due.

29 (9) "Recipient" means a person receiving tax credits under this
30 chapter.

31 (10) "Research and development" means the development, refinement,
32 testing, marketing, and commercialization of a product, service, or
33 process before commercial sales have begun. As used in this
34 subsection, "commercial sales" excludes sales of prototypes or sales
35 for market testing if the total gross receipts from such sales of the
36 product, service, or process do not exceed one million dollars.

37 **Sec. 9.** RCW 82.60.047 and 1994 sp.s. c 1 s 9 are each amended to
38 read as follows:

1 The governor is authorized to designate a county as an eligible
2 area for purposes of chapter 43.168 RCW, chapter 82.62 RCW, and this
3 chapter if, as a result of: (1) A natural disaster or business or
4 military base closure or mass layoff, the twelve-month average
5 unemployment rate using the projected level of new unemployment in the
6 county over the ensuing twelve months added to the base unemployment
7 level in the county for the preceding twelve months will exceed the
8 previous twelve-month average state unemployment rate by forty percent,
9 or (2) a military base restructuring, the county has a loss of more
10 than five thousand jobs over the previous seven-year period. The
11 designation shall be effective for a period of (~~twelve~~) twenty-four
12 months.

13 NEW SECTION. Sec. 10. A new section is added to chapter 43.63A
14 RCW to read as follows:

15 (1) The department shall establish the Washington jobs initiative
16 program. The department shall provide grants to local governments for
17 the purpose of creating local programs designed to achieve livable wage
18 jobs and promote retention and upward mobility for low-income job
19 seekers by supplying regional employers with qualified workers and by
20 working on job and job-related system improvements.

21 (2) Grants awarded under this section shall be used to develop
22 strategies that:

23 (a) Assist unemployed and underemployed residents to obtain livable
24 wage jobs in targeted sectors in the regional economy;

25 (b) Help low-income residents access job opportunities with
26 businesses that benefit local government-led economic development
27 efforts by establishing first-source and voluntary hiring agreements
28 with those businesses;

29 (c) Create pathways to employment that are longer term and more
30 intensive for residents that are harder to serve due to chronic
31 unemployment or lack of work experience; and

32 (d) Coordinate services of the public and private sector and
33 community organizations to provide outreach, recruitment, and job
34 readiness services to low-income job seekers.

35 (3) The department shall develop, by rule, guidelines regarding the
36 amount of funds awarded to local governments, performance evaluation
37 standards, and other guidelines the department deems necessary for the
38 administration of this section.

1 NEW SECTION. **Sec. 11.** (1) The legislature finds that:

2 (a) Tourism is an important component of the state's economy and
3 spending by out-of-state visitors and Washington residents traveling
4 within the state totaled over seven and one-half billion dollars in
5 1994;

6 (b) In 1994, spending by travelers provided employment for over
7 ninety-six thousand people and that travel-generated payroll was one
8 billion fifty-one million dollars;

9 (c) In 1994, state tax revenue generated by travel spending totaled
10 four hundred eleven million dollars and local governments collected one
11 hundred four million nine hundred thousand dollars in travel-generated
12 taxes;

13 (d) In 1994, approximately twelve and one-half million
14 international travelers visited Washington state and Canadian visitors
15 accounted for approximately twelve million of the total visitors to
16 Washington state;

17 (e) In 1995, approximately twenty-two and nine-tenths percent of
18 all Canadian visitors, both overnight and same day, to the United
19 States came to Washington state; and

20 (f) In 1994, spending by Canadian visitors added four hundred four
21 million eight hundred thousand dollars to the Washington state economy.

22 (2) The legislature declares that tourism is a vital component of
23 the state's economy and that the Puget Sound ferry system is vital to
24 the state's tourism efforts.

25 NEW SECTION. **Sec. 12.** A new section is added to chapter 47.60 RCW
26 to read as follows:

27 In addition to the requirements of RCW 47.60.330(1), before a
28 substantial curtailment in the level of service provided to ferry users
29 between the state and British Columbia, Canada, the department of
30 transportation shall consider the impact of the loss of tourism on the
31 state and the local community.

32 NEW SECTION. **Sec. 13.** This act is necessary for the immediate
33 preservation of the public peace, health, or safety, or support of the
34 state government and its existing public institutions, and takes effect
35 July 1, 1999.

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