

HOUSE BILL REPORT

HB 2425

As Passed Legislature

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

Brief Description: Funding the community economic revitalization board.

Sponsors: By Representatives Doumit, Dunn, Hatfield, Veloria, Conway, Ogden, Rockefeller, Linville, Lantz, Kagi, McIntire, Haigh, Wood, Kessler, Kenney, Simpson, Jackley and Fromhold; by request of Governor Locke.

Brief History:

Committee Activity:

Trade & Economic Development: 1/22/02, 1/24/02 [DP];
Capital Budget: 2/4/02, 2/8/02 [DP].

Floor Activity:

Passed House: 2/14/02, 94-4.
Senate Amended.
Passed Senate: 3/13/02, 47-0.
House Concurred.
Passed House: 3/14/02, 89-8.
Passed Legislature.

Brief Summary of Bill

- Directs the interest earnings generated on Community Economic Revitalization Board (CERB) Program account to be used to fund public facilities through the CERB Program starting July 1, 2004.
- Transfers up to \$4.5 million, on an annual basis, in interest earnings generated by the repayment of principal and interest of loans made to timber communities and rural natural resources impact areas under the PWTF Program into the CERB Program. The transfers end June 30, 2007.
- Requires at least 10 percent of all CERB financial assistance, in any biennium, be provided as grants.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 9 members: Representatives Veloria, Chair;

Eickmeyer, Vice Chair; Van Luven, Ranking Minority Member; Ahern, Chase, Dunn, Fromhold, Gombosky and Mulliken.

Staff: Kenny Pittman (786-7392).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 17 members: Representatives Murray, Chair; McIntire, Vice Chair; Alexander, Ranking Minority Member; Armstrong, Bush, Casada, Chase, Esser, Hankins, Hunt, Lantz, O'Brien, Ogden, Reardon, Schoesler, Veloria and Woods.

Staff: Susan Howson (786-7142).

Background:

The Community Economic Revitalization Board (CERB) Program was created in 1982 to provide direct loans and grants to counties, cities, and special purpose districts for economic development-related infrastructure improvements. The CERB financing is available for public improvements that include the acquisition, construction, or repair of: domestic and industrial water, sewer, and storm water infrastructure; bridge, railroad, electricity, telecommunication, and road improvements; buildings and structures; port facilities; and feasibility studies. The CERB financing must be necessary to either bring a new business into the community, or expand or retain an existing business that is already located in the community.

The Public Works Trust Fund (PWTF) Program was created in 1985 to provide loans to counties, cities, and certain special purpose districts, which does not include school and port districts, to improve existing public infrastructure. The PWTF loans are available for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation, or improvement of streets and roads, bridges, water systems, or storm and sanitary sewage systems, and solid waste facilities, including recycling facilities. In order to qualify for financial assistance under the PWTF, the county, city, and special purpose district must: (1) Impose an excise tax on the sale of real estate of at least one-quarter of 1 percent; (2) have developed a long-term plan for financing public works needs; and (3) be using all local revenue sources that are reasonably available for funding public works.

In 1991, the Legislature authorized the use of a limited amount of PWTF monies to be used for new public infrastructure improvements in timber-dependent communities. In 1995, the Legislature re-authorized the use of a limited amount of PWTF monies in timber-dependent communities and expanded its focus to include rural natural resource impact areas.

Currently, the state treasurer retains the interest earnings on all accounts, unless they are specifically exempted from this requirement or the account is allowed to retain a specified percentage of interest earnings. The repayments of loan principal and interest for both CERB and PWTF loans are placed into separate accounts in the state treasury (public facilities construction loan revolving account and the public works assistance account). The interest earned on these accounts, along with the interest earned from various other accounts, is deposited into the state general fund.

Summary of Bill:

An ongoing source of funding is provided for the Community Economic Revitalization Board (CERB) by making transfers of repayments of principal and interest on loans made by the Public Works Trust Fund (PWTF) program under the timber and rural natural resources impact area programs and on interest earnings generated by the public facilities construction loan revolving account.

The state treasurer is required to annually transfer an amount equal to 12 to 22 percent of the repayment of principal and interest on loans made by the PWTF program, under the timber and rural natural resources impact area programs, into the public facilities construction loan revolving account. The transfer cannot exceed \$4.5 million per year and ends June 30, 2007.

Beginning July 1, 2004, the CERB program is authorized to retain 100 percent of the interest earnings on loan principal and interest repayments used to finance public facilities.

The CERB program must make at least 10 percent of its financial assistance available as grants to political subdivisions in any biennium.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: (Trade & Economic Development) There is a large unmet demand for economic development-specific infrastructure financing. The Community Economic Revitalization Board (CERB) Program has been vital in the financing of infrastructure that is necessary to create and retain jobs in our communities. These jobs generate new revenues to state and local governments. While CERB has been very efficient in responding quickly to local economic development needs, it lacks a stable source of funding. This bill will provide that necessary source of stable funding.

Testimony For: (Capital Budget) HB 2425 responds to a charge the Legislature set out

for the Office of Financial Management last year to establish a long-term financing strategy for the CERB program. The CERB program needs a permanent funding source to achieve its objectives in our local communities; to spur private investment; to diversify the economy; and to keep and retain jobs.

Testimony Against: (Trade & Economic Development) None.

Testimony Against: (Capital Budget) None.

Testified: (Trade & Economic Development) (In support) Representative Doumit, prime sponsor; Representative Jackley; Representative Rockerfeller; Representative McIntire; Sung Yang, Office of Trade and Economic Development; Peter Antolin, Office of Financial Management; Scott Taylor, Washington Public Ports Association; Heidi Pehl, Port of Chehalis; Miland Walling, Community Economic Revitalization Board; Claudia Smith, Alliance 2005; George Raiter, Cowlitz County Commissioner; Ted Sprague, Cowlitz County Economic Development Council; Shelly Hodsecge, Port of Grays Harbor; Bob Beerbower, Grays Harbor County Commissioner; Rick Slunaker, Associated General Contractors; Ron Rosenbloom, Association of Washington Cities; and Bryan Wahl, Washington Association of Realtors.

Testified: (Capital Budget) Martha Choe, Office of Trade and Economic Development; Peter Antolin, Office of Financial Management; Miland Walling, Community Economic Revitalization Board; Heidi Pehl, Port of Chehalis; Scott Taylor, Washington Public Ports Association; John LaRocque, Public Works Board; Michael Tracy, Grays Harbor Economic Development Council; Rick Slunaker, Associated General Contractors; Ron Rosenbloom, Association of Washington Cities; and Bryan Wahl, Washington Association of Realtors.