

HOUSE BILL REPORT

HB 1032

As Reported by House Committee On:
Trade & Economic Development

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

Brief Description: Providing an ongoing funding source for the community economic revitalization board's financial assistance programs.

Sponsors: Representatives Veloria, Eickmeyer, Linville, Chase, Hatfield, Fromhold, McCoy, Conway, Kessler, Cody, Jarrett, Murray, Kenney, Schual-Berke, Clibborn, Lovick, Upthegrove and McIntire; by request of Governor Locke.

Brief History:

Committee Activity:

Trade & Economic Development: 1/16/03, 1/24/03 [DP].

Brief Summary of Bill

- Directs all interest earnings generated by the Public Works Trust Fund (PWTF) to be transferred to the Community Economic Revitalization Board (CERB) program beginning July 1, 2005.

HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 11 members: Representatives Veloria, Chair; Eickmeyer, Vice Chair; Skinner, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Blake, Chase, Condotta, Kristiansen, McCoy, Pettigrew and Priest.

Staff: Tracey Taylor (786-7196).

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 a 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 do 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 .25 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 the PWTF monies to be used for new infrastructure improvements in timber-dependent communities. In 1995 the Legislature re-authorized the use of a limited amount of the PWTF monies in timber-dependent communities and expanded its focus to include rural natural resource impact areas.

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 the CERB and the PWTF loans are placed into separate accounts in the state treasury (public facilities construction loan revolving account and the public works assistance account).

Last session, the Legislature authorized some of the interest earnings generated by the PWTF and the CERB program accounts to be used to fund public facilities through the CERB program. The State Treasurer is required to transfer, on an annual basis, interest earnings generated by the repayment of principal and interest of loans made to timber communities and rural natural resource impact areas under the PWTF program into the CERB program. This transfer cannot exceed \$4.5 million per year and ends June 30, 2007. In addition 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.

Summary of Bill:

The State Treasurer is required to transfer an amount equal to the interest earnings on all the moneys in the PWTF to the CERB program; thus, providing a permanent funding source for the program. The interest earnings transferred to the CERB shall be the

proportionate share of the treasury income account earnings based on the average daily balance in the PWTF.

Appropriation: None.

Fiscal Note: Requested on January 13, 2003.

Effective Date: The bill takes effect on July 1, 2005.

Testimony For: The CERB program helps attract businesses to Washington and is one of the only economic development tools available in this state. Other states are able to dedicate a great deal more money to such efforts. In the past, there has been sporadic funding and unsuccessful attempts were made to obtain permanent funding for the CERB through the Motor Vehicle Excise Tax and Referendum 51. It is critical to finally have a stable and permanent funding source for the CERB. The PWTF does not have economic development as its core mission; however, the Public Works Board agrees that the programs complement each other and supports the transfer of the interest earnings to the CERB program. The CERB program leverages the public infrastructure dollars with that of the private sector to achieve the needed development. It is important to make the commitment now to the future economic development of Washington.

Testimony Against: None.

Testified: Martha Choe, Director, Department of Community, Trade & Economic Development; Sheila A. Martin, Executive Policy Advisor, Governor's Office; Eric Johnson, Lewis County; Jackie White, Association of Washington Cities; Ron Newbry, Washington Economic Development Association; Rick Slunaker, Association General Contractors; Scott Taylor, Washington Public Ports Association; Heidi Pehl, Port of Chehalis; Tami Garrow, Grays Harbor Public District Authority; and Mike Moren, Samish Tribe.