

HOUSE BILL REPORT

SHB 1063

As Passed Legislature

Title: An act relating to authorization for projects recommended by the public works board.

Brief Description: Concerning projects to be funded by loans from the public works assistance account.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Morrell, Alexander, Dunshee, Lovick, Veloria, Upthegrove, Chase, McDermott, Morris, Schual-Berke, Kenney, Cody and Moeller).

Brief History:

Committee Activity:

Capital Budget: 1/20/03, 1/22/03 [DPS].

Floor Activity:

Passed House: 2/10/03, 94-0.

Passed Senate: 3/18/03, 48-1.

Passed Legislature.

Brief Summary of Substitute Bill

- The bill authorizes the Public Works Board to provide an additional \$72 million in loans for specific local public works projects for the 2001-03 biennium.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Dunshee, Chair; Hunt, Vice Chair; Alexander, Ranking Minority Member; Priest, Assistant Ranking Minority Member; Armstrong, Benson, Blake, Bush, Chase, Flannigan, Hankins, Hinkle, Kirby, Lantz, Mastin, McIntire, Morrell, Murray, Newhouse, O'Brien, Orcutt, Schoesler, Simpson, Veloria and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

The Public Works Assistance Account, commonly known as the Public Works Trust Fund, was created by the Legislature in 1985 to provide a source of loan funds to assist local governments and special purpose districts with infrastructure projects. The Public Works Board, within the Department of Community, Trade and Economic Development (CTED), is authorized to make low-interest or interest-free loans from the account to finance the repair, replacement, or improvement of the following public works systems: bridges; roads; water and sewage systems; and solid waste and recycling facilities. All local governments except port districts and school districts are eligible to receive loans.

The account receives dedicated revenue from: utility and sales taxes on water; sewer service; and garbage collection; a portion of the real estate excise tax; and loan repayments. Approximately \$250 million is expected to be generated by these sources during the 2001-03 biennium.

Each year the Public Works Board is required to submit a list of public works projects to the Legislature for approval. The Legislature may remove projects from the list, but it may not add any projects or change the order of project priorities.

The Public Works Assistance Account appropriation is made in the Capital Budget, but the project list is submitted annually in separate legislation. The CTED received an appropriation of approximately \$230 million from the account in the 2001-03 Capital Budget (an additional \$20 million appropriation authority was provided for possible federal funds that have not materialized). The funding is available for public works project loans in the 2002 and 2003 loan cycles. In 2002 the Legislature authorized a project list totaling \$206 million.

In addition to construction projects, the Public Works Assistance Account can also be used for emergency loans, preconstruction loans, and capital facility planning loans. The percentage of the Public Works Assistance Account that can be used for emergency loans, preconstruction loans, and loans for capital facility planning is capped at 15 percent of the biennial capital appropriation for the program. These loans do not need specific legislative approval. Funds from the Public Works Assistance Account are also used for the federal match for the Drinking Water Assistance Program and occasionally for other purposes.

The Public Works Board does not issue all the funds for a particular project at one time; typically, the funds are released periodically as the project proceeds over time. Consequently, a cash balance in the account built up due to this delay between project loans authorized and actual construction draws on those projects. In 2001 the board changed its approach that basically matched the project list with revenues, deciding to leverage the funds in the account and use up a significant portion of the cash balance by asking the Legislature for authorization for additional projects that exceeded the expected revenue by roughly the amount of the cash balance.

Summary of Substitute Bill:

As recommended by the Public Works Board, 27 additional public works project loans totaling \$71.7 million are authorized for the 2003 loan cycle under the appropriation provided for the 2003-05 biennium.

The 27 authorized projects fall into the following categories:

- (1) Seven water projects totaling \$15.6 million;
- (2) Fifteen sewer projects totaling \$33.7 million;
- (3) Four road projects totaling \$12.4 million; and
- (4) One bridge project totaling \$10 million.

This makes the total project loans authorized by the Legislature for the 2001-2003 biennium \$277 million.

In addition, the appropriation to the Public Works Assistance Account in the 2001-2003 Capital Budget is increased by \$58.1 million.

Appropriation: \$58,072,911 from the Public Works Assistance Account.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The Public Works Trust Fund program is a successful program that supports local communities and creates jobs. The project loans will be a great economic stimulus that will benefit both the economy and the citizens of Washington, especially in our smaller communities. The program has an excellent track record. The approach of the Public Works Board to maximize the number of loans supported by the Public Works Trust Fund is manageable.

Testimony Against: None.

Testified: Representative Dawn Morrell, prime sponsor; Eric Johnson, Public Works Board; John LaRocque, Public Works Board; Rick Slunaker, Associated General Contractors of Washington; Joe Daniels, Washington Association of Sewer and Water Districts; and Brian Wahl, Washington Association of Realtors.