

# HOUSE BILL REPORT

## ESHB 1903

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### As Amended by the Senate

**Title:** An act relating to creating a job development fund.

**Brief Description:** Creating a job development fund.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Ericks, Haler, Linville, Springer, Kilmer, Morrell, O'Brien, Schual-Berke, P. Sullivan, Simpson, Pettigrew, Jarrett, Wallace, Sells, Strow, Grant, Upthegrove, Kessler, Dunn, Fromhold, Appleton, Chase, Green, Moeller, Hasegawa and Takko).

### Brief History:

#### Committee Activity:

Economic Development, Agriculture & Trade: 2/16/05, 3/1/05 [DP];

Capital Budget: 3/4/05, 3/7/05 [DPS].

#### Floor Activity:

Passed House: 3/15/05, 54-41.

Senate Amended.

Passed Senate: 4/11/05, 40-9.

### Brief Summary of Engrossed Substitute Bill

- Creates the Job Development Fund to assist political subdivisions of the state and federally recognized Indian tribes in partnership with political subdivisions finance public infrastructure projects that create jobs, stimulate community development, and stimulate economic development.

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### HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

**Majority Report:** Do pass. Signed by 13 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Blake, Chase, Clibborn, Grant, Kenney, Kilmer, McCoy, Morrell, Quall, P. Sullivan and Wallace.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Buri, Condotta, Dunn, Haler, Holmquist, Kretz, Newhouse and Strow.

**Staff:** Tracey Taylor (786-7196).

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Hankins, Assistant Ranking Minority Member; Blake, Ericks, Flannigan, Green, Hasegawa, Lantz, Moeller, Morrell, O'Brien, Schual-Berke, Springer and Upthegrove.

**Minority Report:** Do not pass. Signed by 13 members: Representatives Jarrett, Ranking Minority Member; Cox, DeBolt, Eickmeyer, Ericksen, Holmquist, Kretz, Kristiansen, McCune, Newhouse, Roach, Serben and Strow.

**Staff:** Tracey Taylor (786-7196).

**Background:**

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.

The Public Works Board (PWB) is composed of 13 members, appointed by the Governor for terms of four years. The PWB must include: three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Association of Washington Cities; three members, two of whom must be elected officials and one must be a public works manager, appointed from a list of at least six persons nominated by the Washington State Association of Counties; three members appointed from a list of at least six persons nominated jointly by the Washington Public Utilities Districts Association and a state association of water-sewer districts; and four members appointed from the general public. When making the general public appointments, the Governor must try to balance the geographical composition of the PWB and include members with special expertise in relevant areas. The PWB is chaired by a representative of the general public who is appointed by the Governor.

The PWB administers six programs: the PWTF Construction Loan Program; the PWTF Pre-Construction Loan Program; the PWTF Emergency Loan Program; the PWTF Planning Loan Program; the Drinking Water State Revolving Fund Program; and the Water System Acquisition and Rehabilitation Program.

The PWTF is capitalized through dedicated taxes and loan repayments. A portion of the taxes on water and sewer rates as well as the real estate excise tax goes to the PWTF. In addition, the proceeds from a tax on refuse collection of 3.6 percent is allotted to the PWTF.

**Summary of Engrossed Substitute Bill:**

The Job Development Fund Grant Program is created and will be administered by the PWB. The PWB will establish a competitive process to request proposals for and prioritize public infrastructure projects from political subdivisions of the state and federally recognized Indian tribes in partnership with a political subdivision. The public infrastructure project must have a primary objective to stimulate community and economic development. For the purposes of the Job Development Fund Grant program, "public infrastructure projects" means a project of a local government or federally recognized Indian tribe for the planning, acquisition, construction, repair, reconstruction, replacement, rehabilitation or improvements of bridges, roads, domestic and industrial water, earth stabilization, sanitary sewer, storm sewer, railroad, electricity, telecommunications, transportation, natural gas, buildings or structures and port facilities.

The PWB will develop criteria to evaluate and rank applications. Among the priorities for project ranking the PWB must consider are the relative benefits provided to the community by the jobs the project would create. This includes, but should not be limited to, the total of number of jobs a project would create after it is completed. The PWB must also consider the rate of return of the state's investment in the project. This includes the expected increase in state and local tax revenues associated with the project. The community's present level of economic activity and the existing local financial capacity to increase economic activity must also be considered. Finally, the PWB must consider whether a project is a partnership of multiple jurisdictions.

An applicant must demonstrate that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs. An examination of the applicant's existing assets that may be applied to the project shall also be considered. An applicant must also demonstrate that no other timely source of funding is available for the project at a reasonably similar cost. A project may not receive funding from the Job Development Fund if the project would result in a development or expansion that would displace existing jobs in any other community in the state. The PWB must also develop performance and evaluation criteria to review how well successful applicants met the community and economic development objectives stated in their applications.

The maximum grant available from the Job Development Fund for any single project is \$10 million and may not exceed 33 percent of the total cost of the project. The nonstate portion of the total project costs may include cash, the value of real property when acquired solely for the purpose of the project, and in-kind contributions.

For the 2005-07 biennium, the PWB may solicit and rank applications; however to the extent funding is provided in the 2005-07 Capital Budget, the list of selected projects does not have to be submitted to the Legislature for approval unless otherwise required in the 2005-07 Capital Budget appropriation.

Beginning in the 2007-09 biennium, the PWB shall request an appropriation of \$50 million from the public works assistance account and submit to the Legislature and the Governor a prioritized list of recommended projects for 70 percent of the biennial appropriation. However, the PWB may not sign contracts or otherwise financially obligate funds until the

Legislature has approved a specific list of projects. The list must include a description of each project, the amount of recommended state funding, documentation of nonstate funds to be used for the project and a description of the expected community or economic development. The Legislature may remove projects from the PWB's recommended list, but may not change the order of priority for the projects. The PWB may provide an alternative list of projects for an additional \$10 million in funds.

The remaining 30 percent of the appropriation may be expended or obligated by the Governor, with the approval of the PWB, for projects that meet the Job Development Fund project criteria that are not on the legislatively approved list if the circumstances have subsequently changed making a project more urgent or more highly ranked. An application that meets the Job Development Fund project criteria but was submitted after the deadline through no fault of the applicant that cannot wait until the next biennial application period due to emergency or exigent circumstances may also qualify for funding from the Job Development Fund 30 percent reserve, however, the PWB must approve the expenditure or obligation. A project proposed after the application deadline, through no fault of the applicant, that otherwise meets the Job Development Fund criteria and cannot wait for the next biennial application cycle due to exigent or emergency circumstances may also qualify for funding from the Job Development Fund reserve of 30 percent if the PWB approves. Within 10 days of extending or obligating moneys from the Job Development Fund 30 percent reserve, the Governor must notify, in writing, to the Speaker and Minority Leader of the Speaker of the House of Representatives and the President, Majority Leader and Minority Leader of the Senate.

Grant contracts must include a provision that if a grantee is found to be out of compliance with the provisions of the contract, including the agreed-to performance criteria, the grantee must repay to the State General Fund the principal amount of the grant, plus interest or an amount otherwise agreed to by the Department of Community, Trade and Economic Development.

Beginning July 1, 2007, \$50 million from the Public Works Assistance Account will be appropriated in each biennium for the Job Development Fund Program grants and administrative expenses.

By September 1, 2010, the Joint Legislative Audit and Review Committee (JLARC) shall submit a report to the appropriate legislative committees. At a minimum, the report must evaluate the effectiveness of the Job Development Fund Grant Program and include a project by project review.

The JLARC is directed to conduct an inventory of all state public infrastructure state programs and funds. Where appropriate, the inventory must evaluate the return on investment for economic development infrastructure projects. The inventory is due to the appropriate legislative committees by December 1, 2005.

The Job Development Fund Program expires June 30, 2011.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment moves the Job Development Fund Program (Program) from the Public Works Board (PWB) to the Community Economic Revitalization Board (CERB). The Senate amendment authorizes loans as well as grants and restricts grant awards to specified circumstances. The Senate amendment replaces "local governments" with "political subdivisions" in Program eligibility provisions and removes eligibility for tribal governments partnering with political subdivisions. The Senate amendment restricts funding to applicants who have included private developer involvement in the project. The Senate amendment also removes direction for the CERB to develop application evaluation and ranking criteria and adds to the list of statutory criteria. In addition, the Senate amendment removes provisions regarding legislative approval of project funding lists, appropriation requests, and gubernatorial expenditure or obligation of remaining funds. Further, the Senate amendment establishes the Job Development Fund (Fund) in the state treasury and specifies funds may be deposited in the Fund and may be spent only after appropriation. The Senate amendment removes provisions requiring the CERB to request \$50 million per biennium and submit an alternate job development fund project list but requires the CERB to prepare a list of proposed projects totaling \$50 million for the 2007-2009 biennium. The Senate amendment revises requirements for the Joint Legislative Audit and Review Committee's Program review and report and revises and reorganizes other provisions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (Economic Development, Agriculture & Trade) (In support) Municipal governments and other political subdivisions provide development that spurs on the creation of jobs and the growth of the economy. This bill provides a new mechanism to provide a quick infusion of cash for infrastructure needed for an economic development opportunity. The reality is that most cities and counties are small and their means and abilities to provide infrastructure development are hampered.

In addition, this is a new tool that will assist in making Washington competitive in business retention and recruitment. The 30 percent set aside is an excellent way to be responsive to economic development opportunities. The state really lacks a great grant tool such as this to compete against Oregon, a state that has many more economic development tools than Washington.

(With concerns) Although this proposal has merit, the potential funding sources cause concern. In addition, the fact that this program would be a grant program, unlike CERB and Public Works Trust Fund, the CERB would be spending down the principal with no commitment to maintain it. Also, the CERB is a great program and a great board, but there is concern about impacting its core program by adding to its duties.

**Testimony For:** (Capital Budget) Local government need tools to create jobs and help stimulate the economy. Right now, local governments need assistance with public

infrastructure to promote development. By providing needed relief in grant form, this bill would create a trickle up effect on the economy. It would also help local jurisdictions compete with locations in other states in retaining or attracting businesses. This bill would create a quick response program that would not have to wait to get a project moving until the Legislature returned to Olympia.

**Testimony Against:** (Economic Development, Agriculture & Trade) None.

**Testimony Against:** (Capital Budget) None.

**Persons Testifying:** (Economic Development, Agriculture & Trade) (In support) Representative Ericks, prime sponsor; Noel Gibb, City of Burien; Jeff Marcell, Enterprise Seattle; Scott Taylor, Washington Public Ports Association; Bryan Wall, Washington Association of Realtors; Steve Mullet, City of Tukwila; Mark Brown, City of Vancouver and Columbia River Economic Development Council; Kathy Keolker-Wheeler, City of Renton; Ron Newbry, Washington Economic Development Association; and Greg Hanon, National Association of Industrial and Office Properties.

(With concerns) Rick Slunaker, Associated General Contractors.

**Persons Testifying:** (Capital Budget) Scott Taylor, Washington Public Ports Association; Jim Justin, Association of Washington Cities, Ron Newbry, Washington Economic Development Association; and Paul Parker, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** (Economic Development, Agriculture & Trade) None.

**Persons Signed In To Testify But Not Testifying:** (Capital Budget) None.