

HOUSE BILL REPORT

HB 1068

As Reported by House Committee On: Capital Budget

Title: An act relating to increasing the nonconstruction loan limit for projects using financing through the public works board.

Brief Description: Increasing nonconstruction loan limits for projects using financing through the public works board.

Sponsors: Representatives Hunt, Newhouse, Fromhold, Armstrong, Dunshee, McDonald and Morrell; by request of Department of Community, Trade, and Economic Development and Public Works Board.

Brief History:

Committee Activity:

Capital Budget: 1/25/07, 2/6/07 [DP].

Brief Summary of Bill

- Increases the maximum amount that the Public Works Board (Board) may loan for pre-construction, emergency, or capital facility planning activities from 15 percent to 25 percent of the Board's capital budget appropriation.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 22 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Blake, Chase, Dunshee, Eickmeyer, Flannigan, Goodman, Hankins, Hasegawa, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner, Strow and Upthegrove.

Staff: Nona Snell (786-7153).

Background:

The Public Works Assistance Account (PWAA), 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

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governments and special purpose districts with infrastructure projects. The Public Works Board (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 source of the loans is the PWAA, which 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. Appropriations from the PWAA are made in the Capital Budget, but the project list for construction loans is submitted annually in separate legislation.

The Board also makes loans, not subject to legislative approval, for pre-construction, emergency, and capital facility planning purposes.

Pre-Construction Loan Program

In 1995, the Legislature authorized the Board to make low-interest loans to local governments for pre-construction activities on public works projects. The following types of activities are eligible for funding under the Pre-Construction Loan Program: design and engineering, bid document preparation, environmental studies, and right-of-way acquisition. To date, the Board has approved 189 pre-construction loans, totaling \$114.3 million.

Emergency Loan Program

The Emergency Loan Program was approved by the Legislature in 1988, to provide timely financial assistance to local governments for public works emergencies. The Board has defined an emergency as "a public works project made necessary by a natural disaster, or an immediate and emergent threat to the public health or safety due to unforeseen or unavoidable circumstances." The loans may be used to fund all or part of an emergency public works project, less any reimbursement from federal and state disaster funds, insurance settlements, or litigation. To date, 64 emergency loans, totaling \$14.8 million, have been executed.

Public Works Planning Loan Program

The Board requires that each applying jurisdiction have a capital facility plan for all trust fund eligible systems. To help clients meet this requirement, the Board developed the Public Works Planning Loan Program to finance the development of capital facility plans. During the 1993 session, legislation authorized the Board to make these loans available year round, without annual legislative approval. Since 1989, the Public Works Trust Fund has authorized 116 planning loans, totaling \$5.5 million.

Summary of Bill:

The maximum amount the Board can loan for pre-construction, emergency, and capital facility planning loans is increased from 15 percent to 25 percent of the biennial Capital Budget appropriation.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 3, relating to the maximum amount that may be lent for pre-construction loans, which takes effect June 30, 2011.

Staff Summary of Public Testimony:

(In support) The bill supports efficiency by directing the infrastructure investments of the Public Works Board to pre-construction activities, so that projects can be ready for construction. The bill also supports efficiency by helping other projects get started faster. Additional funds are needed for non-construction activities, such as design and public involvement, so that construction dollars are used more efficiently. The average cost of non-construction activities has increased from 15 percent to an average of 24 percent.

(Opposed) None.

Persons Testifying: Representative Hunt, prime sponsor; and Kelly Snyder, Public Works Board.

Persons Signed In To Testify But Not Testifying: None.