

HOUSE BILL REPORT

HB 3266

As Reported by House Committee On:
Community & Economic Development & Trade
Capital Budget

Title: An act relating to revisions to existing state economic development programs.

Brief Description: Regarding state economic development programs.

Sponsors: Representatives Lias, Ormsby and Wood.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/4/08, 2/5/08 [DP];

Capital Budget: 2/6/08, 2/12/08 [DP].

Brief Summary of Bill

- Requires that the Community Economic Revitalization Board provide financial assistance only to projects consistent with Economic Development Commission goals and objectives, when adopted, and with the Workforce Training and Education Coordinating Board's Strategic Plan for Workforce Development.
- Eliminates the Job Development Fund Program and the transfer of up to \$50 million from the Public Works Assistance Account into the Job Development Fund.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 8 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and Sullivan.

Minority Report: Do not pass. Signed by 1 member: Representative Bailey, Ranking Minority Member.

Staff: Meg Van Schoorl (786-7105).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

Community Economic Revitalization Board Program

The Community Economic Revitalization Board (CERB) is a statutorily authorized state board charged with financing publicly-owned economic development infrastructure improvements to encourage new business development and expansion in areas where growth is desired. Staffing for CERB is provided by the Department of Community, Trade and Economic Development (DCTED). The CERB program provides local governments low-interest loans and, from time to time, grants, to help finance public facility projects. Assistance in the traditional CERB program is primarily targeted to rural communities. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporation and quasi-municipal corporations with economic development purposes are eligible to apply. The CERB financing can be used for public facilities including, but not limited to, bridges, roads, domestic and industrial water, sanitary and storm sewers, and railroad spurs. In recent years, the Legislature has also given CERB responsibility for implementing the Job Development Fund and Local Infrastructure Financing Tool programs.

Job Development Fund

The Job Development Fund (JDF) program was created in 2005 to provide grants for public infrastructure projects that directly stimulate community and economic development by supporting the creation of new jobs or the retention of existing jobs. The JDF program is administered by the CERB. The maximum grant available from the JDF for any single project is \$10 million and may not exceed 33 percent of the total cost of the project. The statute allows for a transfer of up to \$50 million each biennium from the Public Works Assistance Account into the Job Development Fund through June 30, 2011, when the act expires. A list of 18 projects totaling \$50 million was included in the 2005-07 Capital Budget. As required by statute, the CERB submitted a prioritized list of recommended projects totaling \$49.93 million for the 2007-09 biennium. The CERB also provided an alternate prioritized list of projects for an additional \$10 million in funds.

Public Infrastructure Study Committee

A proviso in the 2007-09 Capital Budget established the Study Committee on Public Infrastructure Programs and Funding Structures (Committee). The joint House-Senate bipartisan Committee was charged with making "recommendations for a comprehensive funding structure and a systematic approach to support the integration, consolidation and standardization of processes and procedures for community and economic development infrastructure programs." Among the recommendations contained in its January 1, 2008 Final Report, the Committee proposed that the JDF statute and the planned 2009-11, \$50 million Public Works Assistance Account fund transfer be eliminated. The Committee also recommended: that the Legislature identify a permanent funding source for CERB and re-evaluate the rural/urban mix of projects and maximum dollar amount allowed for each project; that CERB funding criteria prioritize projects compatible with statewide policy goals and that performance measures should be required that indicate whether the projects are

meeting the policy goals; that, if CERB is expanded, adequate funding would be necessary for diligent application review and monitoring.

Summary of Bill:

The CERB must only provide financial assistance to projects that are consistent with goals and objectives adopted by the Economic Development Commission (Commission), when adopted, and with the Workforce Training and Education Coordinating Board Strategic Plan for Workforce Development. The CERB must prioritize each proposed project according to statewide priorities identified by the Commission and countywide priorities identified in plans consistent with elements required by the Commission.

The requirement that the CERB prioritize each project according to the rate of return of the state's investment, including the expected increase in state and local tax revenues, is eliminated.

The JDF Program is eliminated as is the authorized transfer of up to \$50 million from the Public Works Assistance Account each biennium into the JDF.

The required reports by the Joint Legislative Audit and Review Committee on State Public Infrastructure Programs and Funds (completed) and on the JDF (due 2010) are eliminated.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2009.

Staff Summary of Public Testimony:

(In support) We need to focus the CERB funding process more sharply on our state's highest priority goals, objectives and strategic plans. The Job Development Fund (JDF) had some good results, but was not helping us meet overall important state goals. We should retain the funds in the Public Works Assistance Account rather than transfer them to the JDF.

(With concerns) Infrastructure is a catalyst for economic development, but cities large and small struggle more with infrastructure than with anything else. It is clear that finding revenues to support infrastructure is a problem and that 2008 is not a session for new revenues. When it became clear that tax increment financing was not going to be advanced through the Legislature, local governments were told to look towards the Capital Budget for infrastructure assistance. Cities were very pleased when the JDF was created. There were \$5 in requests for every \$1 available. The admittedly significant controversy over the initial JDF project list should not retain sufficient baggage to bring the JDF down. There is no need to do anything precipitous with JDF now. Keep it on the books. If there are problems with JDF, fix them rather than retreating from the aggressive work that the Legislature has been doing.

With respect to consistency with state goals, objectives and strategic plans, CERB projects proposed in areas of the state not covered by the Strategic Plan for Workforce Development should not be unduly penalized. The ports want to ensure that CERB is fair and equitable when it comes to funding rural community projects.

(Opposed) None.

Persons Testifying: (In Support) Representative Liias, prime sponsor.

(With Concerns) Ashley Probart, Association of Washington Cities; Mark Brown, representing the cities of Vancouver, Lacey, Longview, Ridgefield and Battleground; Doug Levy, representing the cities of Everett, Kent, Federal Way, Renton, and Puyallup; and Ginger Eagle, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 14 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; Appleton, Blake, Chase, Dunshee, Eickmeyer, Flannigan, Hasegawa, Kelley, Pedersen, Sells and Upthegrove.

Minority Report: Do not pass. Signed by 6 members: Representatives McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Hankins, McCune, Pearson and Smith.

Staff: Nona Snell (786-7153).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community & Economic Development & Trade:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2009.

Staff Summary of Public Testimony:

(With concerns) Infrastructure is a catalyst for economic development, but large and small cities struggle more with infrastructure than with anything else. When it became clear that tax increment financing was not going to be advanced through the Legislature, local governments were told to look towards the Capital Budget for infrastructure assistance. Cities were very pleased when the Job Development Fund (JDF) was created. The admittedly significant controversy over the initial JDF project list should not lead to the elimination of the program. The problems with the JDF should be fixed rather than retreating from the aggressive work that the Legislature has been doing. With respect to consistency with state

goals, objectives, and strategic plans, the Community Economic Revitalization Board projects proposed in areas of the state not covered by the Strategic Plan for Workforce Development should not be unduly penalized. If the JDF is going to go away, it is important for the Legislature to work with cities on economic development infrastructure to go in its place.

(Opposed) None.

Persons Testifying: Doug Levy, Cities of Everett, Kent, Federal Way, Renton, and Puyallup.

Persons Signed In To Testify But Not Testifying: None.