

SENATE BILL REPORT

E2SHB 3125

As Reported By Senate Committee On:
Economic Development, Trade & Management, February 27, 2008

Title: An act relating to creating the building communities fund program.

Brief Description: Creating the building communities fund program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Kenney, Haler, Sullivan, Simpson, Barlow, Quall, Kagi, Flannigan, Cody, Nelson, Ormsby, Darneille and Hasegawa).

Brief History: Passed House: 2/15/08, 65-29.

Committee Activity: Economic Development, Trade & Management: 2/22/08, 2/27/08 [DPA-WM].

Ways & Means: 3/03/08 [DPF].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Kauffman, King and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Brian Sims (786-7431)

Background: The Department of Community, Trade and Economic Development (CTED) administers the Community Services Facilities Program which offers grants on a competitive basis to non-profit organizations and other entities for the acquisition, construction, or rehabilitation of facilities used for the delivery of nonresidential social services. Grants cannot exceed 25 percent of the total project cost. The non-state portion of the total project cost may include cash, the value of real property when acquired solely for the project purpose, and in-kind contributions. CTED must submit a prioritized list of recommended projects to the Governor and Legislature in its biennial capital budget submission. The total state cost cannot exceed \$10 million.

Summary of Bill (Recommended Amendments): The Building Communities Fund Program (BCF Program) is established in CTED to make capital and technical assistance grants to

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nonprofit organizations in low-income areas or counties with high unemployment. The BCF Program grants may be used for acquiring, constructing, or rehabilitating facilities used to deliver nonresidential community services.

The Building Communities Fund Account (Account) is created in the State Treasury. Monies may be spent only after appropriation. Account expenditures may be used only for capital and technical assistance grants under the Building Communities Fund Program.

CTED is to evaluate and rank applications for grants in consultation with a citizen advisory committee. Applicants must demonstrate that the facilities will either: provide social services; help start or retain small businesses; provide employment readiness training; increase job skills; or offer educational and recreational opportunities separate from the public education system.

Applicants must also demonstrate that the proposed project:

- will increase range, efficiency, or quality of services;
- will be located in and serve an eligible project area;
- reflects a long-term shared vision for the community's development;
- requires state funding to accomplish a discrete project phase;
- is ready to proceed and will make timely use of funds;
- is sponsored by entities with organizational and financial capacity to fulfill the terms of the grant agreement and maintain the project in the future;
- fills an unmet need;
- will achieve its stated objectives; and
- is a community priority as shown through tangible commitments of existing or future assets to the project by residents, leaders, businesses, and government partners.

Grant assistance may not exceed 25 percent of total project costs. CTED must submit an annual ranked list of recommended projects to the Governor and Legislature in its capital budget requests beginning with the 2009-11 biennium. If funds not obtained through the issuance of bonds are appropriated, up to \$3 million may be used for technical assistance grants to nonprofit organizations.

CTED must develop both performance measures and accountability and reporting standards for grant recipients and annually evaluate grantee progress. CTED must submit annual reports on the program beginning January 1, 2011.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended Amendments): Provision in the Engrossed Second Substitute bill relating to: amending the Community Services Facilities Program; requiring grant assistance to cover at least 75 percent of project costs; and limiting the funding for the annual ranked project list to 40 percent of funds appropriated are removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Engrossed Second Substitute: (Economic Development, Trade & Management) PRO: Capital investments can create prosperity and improve the lives of underserved members of the community. A facility does not have to be in a distressed area if it is targeted at disadvantaged people. Accountability is built in. Partnerships are required. The bill provides for technical assistance.

CON: This flips things around. Currently the process ranks 100 percent of the applicants. Flipping the match piece from 25 percent to 75 percent is not something the Legislature wants to do. If these projects are worthy they can find the funds. The state dollars work harder when they are the last dollars into the project. When you add small business incubators to this you are comparing apples and oranges. This would decimate the work we have done in the last decade to be of value to our communities.

OTHER: This bill mutates the Community Services Facilities Program which is a good program. This would create a strange mixture of projects. The switch from a 75 percent required match to a 25 percent required match is of concern. When locals bring more money to the table it requires a more substantial business plan. The ranking and non-ranking is a concern. This opens floodgates to the unknown. With its annual schedule and ranked and non-ranked requirements, this creates four processes rather than one.

Persons Testifying (Economic Development, Trade & Management): PRO: Representative Kenney, prime sponsor.

CON: Dean Hanks, Tacoma Goodwill.

OTHER: Seth Dawson, Little Red School House; Laurie Lippold, Children's Home Society; Amy Bell, YMCA's Council of Youth Agencies; Marie Sullivan, CTED.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.