

SENATE BILL REPORT

SB 5762

As Reported By Senate Committee On:
Economic Development, Trade & Management, January 30, 2008

Title: An act relating to dedicated funding for jobs, economic development, and local capital projects.

Brief Description: Concerning funding for jobs, economic development, and local capital projects.

Sponsors: Senators Kilmer, Kastama, Clements, Kauffman, Pridemore, Rasmussen, Shin and McAuliffe.

Brief History:

Committee Activity: Economic Development, Trade & Management: 2/07/07, 2/21/07 [DPS-WM]; 1/18/08, 1/30/08 [DP2S-WM].
Ways & Means: 1/16/08 [w/oRec-EDTM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: That Second Substitute Senate Bill No. 5762 be substituted therefor, and the second substitute bill do pass 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)

Background: The Community Economic Revitalization Board (CERB) was created in 1982 to provide funding for publicly-owned economic development infrastructure. Through CERB, direct loans and grants are available to counties, cities, and special purpose districts for feasibility studies and for public improvements such as the acquisition, construction, or repair of water and sewer systems, bridges, railroad spurs, telecommunication systems, roads, structures, and port facilities. CERB funds are generally made available only if a specific private development or expansion is ready to occur and will occur only if the public improvements are made.

Summary of Bill (Recommended Second Substitute): Applicants for CERB funds must demonstrate convincing evidence that a specific private development, consistent with the Economic Development Commission strategic plan and recommendations, is ready to occur. Applicants in rural areas do not need to show that a specific private development is ready to occur but must demonstrate project feasibility, and that the project is part of a local economic development plan. Tourism projects in rural counties are also eligible for CERB funding.

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.

Projects must result in the creation of significant private sector jobs or capital investment. Applicants must demonstrate approval from a local jurisdiction, support from a local associate Development Organization or local workforce development council, local participation, and local matching funds. Financial assistance may be provided for the acquisition of real property but not for projects located outside the jurisdiction of the applicant. Grants of up to \$50,000 are allowed for plans, studies, and analyses related to a project. No more than 25 percent of financial assistance approved by CERB may consist of grants. Applicants must show that jobs created will have hourly wages above the countywide average. In evaluating applications for funds, the board will consider the total number of jobs created relative to the total employment in the area, health plans associated with the project, and accommodations for infill and redevelopment. Financial assistance in Pierce, King, and Snohomish Counties may exceed 60 percent of disbursed funds. The board is to provide at least 50 percent of its available funds each biennium to projects in rural areas unless there are insufficient qualified projects in rural areas. The Economic Development Commission is to perform an outcome-based evaluation of CERB funding in consultation with the CERB board. If the Public Works Assistance Account receives additional funding, the use of the public works assistance account monies for CERB programs is authorized in the amount of fifty million dollars per year with an inflationary adjustment. Three and 3/10 percent of the state real estate excise tax is deposited in the public facilities construction loan revolving account used by CERB to fund infrastructure projects. Vacancies on the CERB board will not be counted for purposes of obtaining a quorum at board meetings. A variety of statutory provisions related to CERB are repealed. Obsolete references are removed. The job development fund act expires June 30, 2009, and the requirement that the Joint Legislative Audit Review Committee study the job development fund is repealed.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended Second Substitute): Technical changes are made. Rural areas include rural areas in urban counties. The outcome study by the Economic Development Commission is to be done in consultation with the CERB Board. If the Public Works Assistance Account receives additional funding, the use of the public works assistance account monies for CERB programs is authorized in the amount of fifty million dollars per year with an inflationary adjustment. A board quorum provision is added.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT COMMITTEE (Recommended First Substitute): Consistency with the Economic Development Commission's strategic plan is required. The use of public works assistance account monies to fund CERB is extended for two years. Provisions relating to housing and the local real estate excise tax are removed. Applicants must show that jobs created will have wages above the countywide median hourly wage. CERB assistance is for projects that will not contribute to sprawl and will support development in or near transportation rich areas. The Economic Development Commission is to perform an outcome-based evaluation of CERB funding.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: CERB related sections of the bill take effect July 1, 2009. Sections related to the job development fund and local real estate excise taxes take effect ninety days after adjournment of session in which the bill is passed.

Staff Summary of Public Testimony on First Substitute: PRO: The infrastructure task force of 2007 made recommendations that are largely consistent with this bill. The bill has great provisions. This fixes the CERB funding stream problems. There is a nexus between the revenue source and the program. The realtors believe dedicated funds from REET is appropriate. Having permanent funding stream makes a difference in the ability of communities to attract businesses.

OTHER: Using this to give CERB a permanent funding source may complicate the task of rationalizing the system. The program should be consistent with workforce study goals. County average annual wage should be used instead of median wage. Some eliminated provisions should be retained.

Persons Testifying: PRO: Senator Kilmer, prime sponsor; Terri Jeffreys, Washington Realtors; Joe Tortorelli, Washington Economic Development Association; Len McComb, Port of Everett; Gary Nelson, Port of Grays Harbor; Ashley Probart, Association of Washington Cities; Julie Murray, Washington State Association of Counties.

OTHER: Scott Merriman, Office of Financial Management; Wes Pruitt, Workforce Board; Marie Sullivan, CTED