

HOUSE BILL REPORT

HB 1252

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

Title: An act relating to wage criteria used by the community economic revitalization board to determine project selection.

Brief Description: Concerning the community economic revitalization board's project selection criteria.

Sponsors: Representatives Kenney, Smith, Bailey, Seaquist, Haler, Kristiansen, Kelley and Herrera; by request of Department of Community, Trade and Economic Development.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/22/09, 2/19/09 [DPS].

Brief Summary of Substitute Bill

- Eliminates the Community Economic Revitalization Board (CERB) threshold requirement that an application show convincing evidence that the median hourly wage of private sector jobs created upon project completion will exceed the countywide median hourly wage.
- Requires the CERB to prioritize applications based on annual average wage levels or on provision of health or retirement benefits.
- Authorizes the CERB to apply one of three exceptions in order to consider a project that does not meet wage level or benefit standards.
- Requires additional CERB reporting and tracking of projects for which an exception is made.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Orcutt, Parker, Probst and Sullivan.

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.

Staff: Meg Van Schoorl (786-7105)

Background:

The Community Economic Revitalization Board (CERB) is a statutorily authorized state board charged with financing publicly-owned economic development infrastructure improvements that encourage new business development and expansion in areas where growth is desired. Staffing for the CERB is provided by the Department of Community, Trade and Economic Development (DCTED).

The CERB program provides local governments low-interest loans and, occasionally, grants to help finance public facility projects. Traditional assistance in the CERB program is primarily targeted to rural communities. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporations, 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 given the CERB responsibility for implementing the Job Development Fund (JDF) and Local Infrastructure Financing Tool (LIFT) programs.

In the 2008 legislative session the CERB statute was amended to require that, in addition to other threshold eligibility criteria, an application demonstrate convincing evidence that the median hourly wage of the private sector jobs created upon project completion will exceed the countywide median hourly wage. This requirement is to take effect July 1, 2009.

Summary of Substitute Bill:

An application to the CERB will not be required to demonstrate, as a threshold determinant of eligibility, convincing evidence that the median hourly wage of the private sector jobs created upon project completion will exceed the countywide median hourly wage.

Instead, when considering construction projects for financing, the CERB must first consider whether the annual average wage of the jobs created after the project is completed will meet or exceed the countywide annual average wage. If the wages requirement is not met, then the CERB must consider whether the jobs created after the project is completed will include health care benefits or retirement benefits or both. If the benefits requirement is not met, then the CERB is authorized to apply any one of three exceptions: (1) the project is located in a county whose average unemployment rate exceeds the statewide average by 25 percent over the past three years; or, (2) the project is located in an Innovation Partnership Zone; or, (3) the project has received funding from the Economic Development Strategic Reserve Account.

In a case where the CERB uses one of the exceptions to consider a project, the CERB must provide a written rationale to the public, the Governor, and the Legislature. In addition, the CERB is required to track wage and benefit progression and employment growth for each

excepted project for five years after completion, and provide a case study on each in the biennial report.

Several of the current CERB prioritization factors are eliminated: the relative benefits provided to the community by the jobs the project would create; the rate of return on the state's investment; accommodation of projected population and employment growth; and an applicant's adherence to development permitting guidelines recommended in Engrossed Senate Bill 5508 (2007).

Substitute Bill Compared to Original Bill:

When prioritizing a project application, the CERB must first consider annual average wage levels. The CERB must not exclude public sector or federal contract employment from its calculation of countywide average annual wages. If the wage level standard is not met, the CERB must consider whether health or retirement benefits or both are provided. If the benefits standard is not met, the CERB may apply one of three exceptions, but then must provide written, track wages, benefits, and employment growth for five years, and provide a case study in the biennial report, for each excepted project.

The CERB is no longer required to consider several existing prioritization factors.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2009.

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

Staff Summary of Public Testimony:

(In support) In anticipation of a July 1, 2009 implementation of the median hourly wage threshold requirement, the CERB analyzed projects approved for funding in the last five years. The CERB members and staff were concerned to find that 40 percent of the previously approved projects would not even have been considered, much less funded, had the requirement been in place. Very successful projects such as Rail-Ex, that have been notably beneficial to rural communities, would have been excluded from consideration, in some cases because their wages missed the mark by a few cents. The threshold nature of the requirement is a problem, and it should be eliminated. In addition, the calculation of median hourly wage includes public sector wages which skew the wage level considerably, especially in rural counties, as does Hanford's federal contract employment. To avoid these "apples-to-oranges" comparisons, the CERB and the DCTED propose that public sector wages overall and federal contract employment wages in Benton County be excluded from the countywide wage calculations. The private sector wages of jobs created by CERB-funded projects should be compared to private sector wages countywide.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Marie Sullivan, Department of Community, Economic Development and Trade; Michael Tracy, Grays Harbor Economic Development Council and Washington Economic Development Association; Ashley Probart, Association of Washington Cities; and Ginger Eagle, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: None.