SENATE BILL REPORT
SB 5901

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 16, 2009

Title: An act relating to modifying provisions of the local infrastructure financing tool program.

Brief Description: Modifying provisions of the local infrastructure financing tool program.

Sponsors: Senator Kastama.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 2/11/09, 2/16/09 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5901 be substituted therefor, and the substitute bill do pass.
Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Jack Brummel (786-7428)

Background: Tax increment financing is a method of redistributing increased tax revenues within a geographic area resulting from a public investment in order to pay for the bonds to construct the project.

In 2006 the Legislature created a new form of tax increment financing, the Local Infrastructure Financing Tool (LIFT) program, to encourage private investment in community revitalization areas. The LIFT program assists local governments in making public improvements, such as streets, sidewalks, traffic controls, and parking. Public improvement projects in revenue development areas (RDA) are financed through a local sales and use tax that is credited against the state sales and use tax and matched with local resources, such as excess receipts from local sales/use and property taxes.

The local government that creates an RDA may use annually any excess excise taxes received by it from taxable activity within the RDA to finance the public improvement costs financed in whole or in part by local infrastructure financing.

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.

The local excise tax allocation revenue is the amount of excise taxes received by a local government during the measurement year within the RDA over and above the amount of excise taxes received there during the base year from taxable income within the RDA. The base year is the first calendar year following the creation of the RDA and the measurement year is a calendar year, beginning with the calendar year following the base year, that is used annually to measure the amount of excess excise taxes required to be used to finance the public improvement costs.

Summary of Bill (Recommended Substitute): The local government sponsoring a LIFT project will estimate the state and local excise tax allocation revenues to be received. The “base year” and “measurement year” definitions and requirements are removed from the LIFT statute.

Sponsoring local governments must submit additional information in their annual reports. At least every three years, the sponsoring local government will include in its annual report updated estimates of how the state has benefited through increases in sales/use and property taxes since the sponsoring local government has been approved for LIFT.

Sponsoring local governments that have adopted an RDA must, if they intend to incur indebtedness and issue bonds, adopt either an ordinance or a resolution that indicates such intent.

Technical changes are made related to the local sales and use tax that is credited against the state sales and use tax and related to repayment of indebtedness and the expiration of the local sales and use tax.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): Provisions relating to calculating base year receipts and excluding local excise tax revenues within an RDA due to public improvements or construction of a major facility were removed. Provisions relating to delaying or advancing LIFT funding for approved projects subject to a written agreement between sponsoring local governments were removed.

Removes the “base year” and “measurement year” definitions and requirements from the LIFT statute. Instead, the sponsoring local government estimates the state and local excise tax allocation revenues. At least every three years, the sponsoring local government includes in its annual report updated estimates of how the state has benefited through increases in sales/use and property taxes since the sponsoring local government has been approved for LIFT.

Technical changes are made.

Appropriation: None.

Fiscal Note: Requested on February 10, 2009.

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 Original Bill: PRO: This bill is about streamlining and simplifying the LIFT statute; it does not extend LIFT. The way the statute works now, projects that get selected can be disadvantaged if non-LIFT investment is made in the RDA during the base year.

OTHER: There is no wait list.

Persons Testifying: PRO: Gary McLean, City of Puyallup.

OTHER: Miki Gearhart, Department of Revenue.