

# SENATE BILL REPORT

## SB 5844

---

---

As of February 21, 2011

**Title:** An act relating to financing local government infrastructure.

**Brief Description:** Concerning financing local government infrastructure.

**Sponsors:** Senators Kilmer, Parlette, Murray, Kastama, Fraser, Hobbs, Hatfield, Regala, Sheldon and Hewitt.

**Brief History:**

**Committee Activity:** Ways & Means: 2/21/11.

---

### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Brian Sims (786-7431)

**Background:** The Public Works Board and the Public Works Assistance Account were created in 1985 to help local government build, repair, and improve local infrastructure. Since its inception the program has provided over \$2.2 billion in low-interest construction loans to local governments. Seventy-eight percent of these loans have supported sewer and drinking water systems. Seventeen percent has been used for roads and bridges, 3 percent for storm water, and 1 percent for solid waste and recycling. Local governments owe about \$900 million in outstanding principal for loans already used. About \$100 million in previously authorized loans are expected to be used over the next several years as construction projects get underway. The account receives repayments from prior loans, and a portion of the real estate excise tax and public utility tax, and the solid waste tax.

The financial value of a low interest loan through the Public Works Assistance Account is the difference in debt service costs of the low interest loan compared to the debt service costs of financing through the private bond market. There are several factors that influence the private market costs, including the credit worthiness of the jurisdiction, the existence and reliability of credit enhancements, and the size of issuance.

Since 2005 three major studies of programs providing state assistance for local infrastructure have been completed. The studies have recommended clearer policy directions to prioritize resources, and reduce fragmentation and duplication to improve transparency and accountability.

---

*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.*

**Summary of Bill:** State assistance is restructured for local infrastructure from the existing system organized around pots of money to a system organized around state policy objectives. Five major policy objectives are defined: clean water, safe drinking water, storm water, economic development, and improving local government's access to low-cost private market financing. Agency responsibilities for prioritizing projects within these five policy objectives are clarified – projects for clean water and storm water are prioritized by the Department of Ecology, safe drinking water projects are prioritized by the Department of Health, economic development projects are prioritized by the Community Economic Revitalization Board (CERB), and the State Treasurer's Office underwrites contingent loan agreements to reduce the cost of private market financing.

The Public Works Board must to develop an implementation plan with draft legislation and budget structure changes to ensure the new system has the following characteristics: (1) transparency regarding total state and federal investment in any one project; (2) accountability in meeting the restated policy that local governments are responsible for funding, planning, building, repairing and replacing local infrastructure; and (3) efficiency in administering the system of infrastructure assistance and minimizing duplication and redundancy. The plan is due November 1, 2011.

The Public Works Board is responsible for reviewing all applications for infrastructure assistance to identify where technical assistance and conditions placed on offers of assistance are needed to improve long-range progress in meeting the policy of local responsibility for funding and maintaining local infrastructure.

Ports are eligible for economic development assistance funded with Public Works Assistance Account money, and economic development projects may include funding of facilities that support Innovation Partnership Zones.

A credit enhancement program is created for local infrastructure in the form of contingent loan agreements. The Office of the State Treasurer is allowed to enter into contingent loan agreements to provide local governments with loans for debt service payments if they cannot make the payment. The Office of the State Treasurer may underwrite contingent loan agreements for local governments with which limited tax general obligations or senior revenue obligations, as applicable to the obligations concerned, are rated not higher than A1 or A+ by at least one of the nationally recognized rating agencies. An appropriation is required to provide local government credit support in the form of contingent loan agreements, and does not affect the state's debt limit.

Solid waste and recycling projects are not eligible for assistance under the Public Works Assistance Account. Road and bridge projects are not eligible unless they meet the policy objectives for economic development. The account may also be used for state matching funds for federal clean water funding.

**Appropriation:** None.

**Fiscal Note:** Requested on February 20, 2011.

**Committee/Commission/Task Force Created:** No.

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