
Technology & Economic Development Committee

HB 2382

Brief Description: Improving the methods for evaluation of the local infrastructure financing tool program.

Sponsors: Representatives Dahlquist, Smith, Hurst and Pollet.

Brief Summary of Bill

- Requires the Department of Commerce to evaluate the data and information collection methodologies used by local governments to comply with the reporting requirements of the Local Infrastructure Financing Tool (LIFT) Program.
- Modifies the evaluation and reporting requirements of the Joint Legislative Audit Review Committee's review of the LIFT program.

Hearing Date: 1/28/14

Staff: Kelly Leonard (786-7147).

Background:

Local Infrastructure Financing Tool (LIFT) Program.

In 2006 the Local Infrastructure Financing Tool (LIFT) program was created and made available to certain local governments for financing local public improvement projects intended to encourage economic development or redevelopment. As part of the LIFT program, a sponsoring local government (a city, town, county, or federally recognized Indian tribe) creates a "revenue development area" (RDA) from which annual increases in revenues from local sales and use taxes and local property taxes are measured. Such increases in revenues and any additional funds from other local public sources are then used to pay for public improvements in the RDA and are also used to match a state contribution.

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 maximum statewide contribution for all of the LIFT projects is capped at \$7.5 million per year. Nine projects have been awarded state contributions under the LIFT program. The projects are located in Bellingham, Bothell, Everett, Federal Way, Mount Vernon, Puyallup, Vancouver, Yakima, and Spokane County. The application process for the LIFT program is closed. The expiration date for the LIFT program is June 30, 2044.

Annual Local Government Reporting Requirements.

Local governments participating in the LIFT program must provide an annual report to the Department of Revenue (DOR) and the Community Economic Revitalization Board (Board) by March 1 of each year. If a sponsoring local government fails to comply, no tax may be imposed in subsequent fiscal years until such time as the local government complies and the DOR calculates the state contribution rate. The report must include:

1. The amount of tax allocation revenues, sales and use tax and local public sources received by the local government during the preceding calendar year, and how these revenues were expended;
2. The names, and previous business locations, of any business located within the RDA as a result of the public improvements undertaken by the local government and financed in whole or in part by this program;
3. The total number of permanent jobs created as a result of the public improvements undertaken by the local government and financed in whole or in part by this program;
4. The average wages and benefits received by the employees of all businesses locating within the RDA as a result of the public improvements;
5. The local government is complying with the requirement that the local infrastructure financing proceeds are being used exclusively in the area within the jurisdiction deemed in need of economic development and/or redevelopment;
6. A list of public improvements financed on a pay-as-you-go basis and by issued bonds;
7. The date when any bonds are expected to be retired;
8. At least once every three years, updated estimates of state excise tax allocation revenues, state property tax allocation revenues, and local excise tax increments, as determined by the sponsoring local government, that are estimated to have been received by the state, any participating local government, sponsoring local government, and cosponsoring local government; and
9. Any other information required by DOR or the Board.

The DOR is required to report to the Legislature by June 1 of each year. The report must include a list of the public improvements undertaken by the local governments and financed in whole or in part by community revitalization financing and a summary of the information provided by sponsoring local governments.

Joint Legislative Audit and Review Committee (JLARC) Studies of the LIFT Program.

The Joint Legislative Audit and Review Committee (JLARC) conducts performance audits, program evaluations, sunset reviews, and other analyses as directed by the Legislature. Work by JLARC staff is conducted using "Government Auditing Standards" published by the comptroller general of the United States.

Every 5 years, JLARC must submit a report to the Legislature evaluating the effectiveness of the LIFT program, including a project-by-project review. The report must measure employment changes, property tax changes, sales and use tax changes, property value changes in the RDA, and changes in housing and existing commercial activities. In 2028 JLARC must also include any recommendations regarding whether or not the LIFT program should be expanded statewide and what impact the expansion would have on Washington's economic development.

The JLARC's most recent report on the LIFT program was submitted to the Legislature in December of 2013. In that report, JLARC found that the data necessary to accurately assess the required metrics or to conduct an economic analysis of the projects either does not exist or may not be feasible to collect without significant additional resources. The JLARC made the following recommendations:

1. The DOR and the Board should identify and recommend to the Legislature whether any statutory changes should be instituted that could improve: a) Oversight of the LIFT program; b) state guidance to the local jurisdictions; and c) the function of the state benefit cap on the state's contributions to local governments in order to better serve the LIFT program's purpose of encouraging economic development; and
2. The Legislature should suspend future JLARC studies of the LIFT program because JLARC staff is unable to provide a meaningful evaluation of LIFT projects without substantial changes to data reporting, collection, and management practices by private businesses, local jurisdictions, and state agencies.

Summary of Bill:

Review of Annual Local Government Reporting Requirements.

The Department of Commerce (Commerce) must evaluate the data and information collection methodologies used by sponsoring local governments to comply with the annual reporting requirements.

The report must include: a) An evaluation of the methodologies used by sponsoring local governments to collect data and information; b) an evaluation of the reliability of the data and information reported by sponsoring local governments; c) and recommendations for changes to the reporting requirements, the data and information collection methodologies, or other features of the LIFT program in order to ensure that the information reported by sponsoring local governments is suitable for evaluating the effectiveness of the LIFT program.

Sponsoring local governments must provide Commerce with the information necessary to complete the report.

The report is due to the Legislature by November 1, 2014.

Joint Legislative Audit and Review Committee (JLARC) Studies of the LIFT Program.

The reporting requirements of JLARC are modified. The requirement that JLARC evaluate the effectiveness of the LIFT program is removed. The JLARC is required to evaluate the economic activity in RDAs. The report must include:

1. A description of the information used to evaluate the economic activity within each RDA;

2. An assessment of whether economic activity has increased, decreased, or remained stagnant within each RDA, which may include an analysis of employment changes, property tax changes, sales and use tax changes, property value changes, or any other appropriate measures of economic activity; and
3. An assessment of whether a change in economic activity in each RDA can be attributed to the local infrastructure financing tool program, unless completion of the assessment is not possible with the information available to JLARC.

The JLARC is exempted from complying with "Government Auditing Standards" in completing reports on the LIFT program if the legislative auditor finds that compliance with those standards is not possible as a result of incomplete or inaccurate information.

The DOR, the Board, Commerce, the Employment Security Department, and sponsoring local governments must provide JLARC with assistance in collecting the data and information necessary for JLARC's completion of the reports.

Appropriation: None.

Fiscal Note: Available.

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