
Capital Budget Committee

HJR 4215

Brief Description: Requiring all revenues from any state taxes levied for the purpose of funding local government public infrastructure to be paid into the state treasury, deposited into the public works assistance account, and used exclusively for funding local government public works projects.

Sponsors: Representatives Warnick, Dunshee, DeBolt, MacEwen, Manweller, Stanford, Condotta, Reykdal, Fagan, Buys and Freeman.

Brief Summary of Bill

- Proposes a Constitutional amendment requiring revenues from any state taxes levied to fund local government public infrastructure to be deposited into the Public Works Assistance Account and used only to fund local public works projects.
- Authorizes legislative appropriations from the Public Works Assistance Account only to fund local government public works projects, unless the monies are appropriated for another purpose by a two-thirds vote of each house.

Hearing Date: 1/30/14

Staff: Meg VanSchoorl (786-7105).

Background:

Public Works Assistance Account (PWAA).

The PWAA, also known as the Public Works Trust Fund, was created in 1985 to encourage local government self-reliance in meeting public works needs and to assist in financing critical infrastructure projects.

Local governments and special purpose districts, except port and school districts, are eligible to apply to the Public Works Board (PWB) for low-interest loans made from the PWAA to finance the acquisition, construction, repair, replacement, or improvement of bridges, streets, and roads; water systems; storm and sanitary sewage systems; and solid waste facilities, including

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recycling. The PWA may also make loans from the PWA for pre-construction activities, emergencies, and capital facilities planning. Monies in the PWA may also be appropriated to provide state matching funds for the federal Safe Drinking Water and Clean Water state revolving funds.

Between 1985 and 2013, the PWA was used to make loans totaling \$2.84 billion for approximately 1,975 local government public works projects. Sewer and drinking water system projects have accounted for 79 percent of the total loan value and 75 percent of the number. Cities have sponsored nearly two-thirds of the projects in terms of both loan value and number.

PWA Revenue Deposits, Redirections and Transfers.

Historically, the PWA has received deposits of loan repayments and revenues from the following three taxes: (1) 6.1 percent of the Real Estate Excise Tax (REET) imposed on the sale of real property; (2) 20 percent of Public Utility Tax (PUT) revenues from water utilities and 60 percent of the PUT revenues from sewer utilities, and (3) 100 percent of the Solid Waste Collection Tax (SWCT) imposed on garbage utilities.

In recent years, the Legislature has transferred cash and redirected tax revenues from the PWA to the State General Fund and the Education Legacy Trust Account (ELTA). For the 2013-15 biennium, the Legislature (1) transferred \$277 million in PWA loan repayments to the ELTA; (2) redirected 4.1 percent of the REET revenues into the ELTA, leaving 2 percent in the PWA; (3) redirected the PUT revenues into the ELTA; and, (4) redirected the SWCT revenues into the State General Fund. The taxes will be redirected statutorily from the PWA through June 30, 2019.

These transfers and redirections total an estimated \$439 million in decreased revenue to the PWA for 2013-15. As a result, the Legislature did not approve any new PWA loan projects for this biennium. To meet projected local government draw downs on existing PWA loan contracts during the 2013-15 biennium, the Legislature backfilled \$158 million of the cash transfer with state general obligation bonds.

Summary of Bill:

The Secretary of State must publish notice of and submit to voters at the state's next general election a proposed amendment to Article VII of the Washington state Constitution.

The proposed amendment requires that all revenues from any state taxes levied to fund local government public infrastructure be paid into the State Treasury, deposited into the PWA, and used only to fund local government public works projects.

Included are state revenues from the SWCT, the portion of the REET deposited in the PWA, and the portion of the PUT dedicated to funding local public works projects. Also included are loan repayments made from the PWA as well as any other revenues dedicated in law to the PWA.

The Legislature is authorized to appropriate money from the PWA only for the purpose of funding local government public works projects. However, the Legislature may appropriate the revenues for other purposes if passed by a two-thirds vote of each house.

If approved by the voters, the amendment takes effect on the date that the returns of the general election are certified by the Secretary of State.

Appropriation: None.

Fiscal Note: Available.