SENATE BILL REPORT
E2SHB 1306

As of April 25, 2013

Title: An act relating to extending the expiration dates of the local infrastructure financing tool program.

Brief Description: Extending the expiration dates of the local infrastructure financing tool program.

Sponsors: House Committee on Finance (originally sponsored by Representatives Wylie, Moeller, Harris, Pike, Johnson, Chandler, Sells, Pollet, Upthegrove and Moscoso).

Brief History: Passed House: 3/09/13, 81-16.
Committee Activity: Ways & Means: 4/09/13, 4/25/13.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: 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 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 revenue development area and are also used to match a state contribution.

State funding for the LIFT program is provided through a credit against the state sales and use tax. The sponsoring local government is allowed to retain a certain amount of state sales and use tax revenue that would otherwise be deposited in the state General Fund. The maximum state contribution that a sponsoring local government can receive each year is limited to the lesser of:
- $1 million;
- the amount of the project award;
- the amount of local matching funds dedicated to the payment of the public improvements or bonds in the previous calendar year; or

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- the highest amount of incremental state sales and use and state property tax revenues for any one calendar year.

The local funds and state contribution are used for the payment of bonds issued for financing local public improvements within the revenue development area. The public improvements may be financed on a pay-as-you-go basis but only for the first five years of the state contribution. Sponsoring local governments must issue bonds by the end of the fifth fiscal year that the state sales tax revenue is retained. State sales taxes cannot be retained by a sponsoring local government for the LIFT program for more than 25 years.

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, 2039.

Summary of Bill: The expiration date of the LIFT program is extended from June 30, 2039, to June 30, 2044.

The requirement that a sponsoring or cosponsoring local government issue indebtedness to finance the costs of public improvements is removed. The sponsoring or cosponsoring local government must commence construction of a public improvement project by June 30, 2017, to impose the state shared local sales and use tax.

The Department of Revenue's (Department) determination of the amount of the state contribution is final and conclusive, and can only be changed if the Department later finds that local revenue information reported by a local government differs from the actual amount of dedicated local revenue. If a discrepancy is found, the Department must adjust its determination accordingly.

The sponsoring local government's annual report to the Community Economic Revitalization Board and Department must additionally include local revenues received by cosponsoring local governments and any participating local governments for the LIFT-related public improvements.

Dedicated is defined to mean pledged, set aside, allocated, received, budgeted, or otherwise identified.

Appropriation: None.

Fiscal Note: Available.

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 SB 5293: PRO: The Legislature decided to provide $7.5 million for these projects. The project in Vancouver is part of a 15-year project to revitalize the downtown. Without this bill, we would need to trigger the state sales tax credit before we were ready to use it. The slow economy delayed the start of the Yakima project. We already committed $4 million. This project will go on. There are a lot of protections in the legislation for the state. You do not get the match until local government is up and running and generating business.

Persons Testifying: PRO: Mark Brown, City of Vancouver; Jim Justin, City of Yakima; Doug Levy, City of Everett.