H-1837.1				

SUBSTITUTE HOUSE BILL 1484

2013 Regular Session State of Washington 63rd Legislature

By House Capital Budget (originally sponsored by Representatives Stanford and Warnick; by request of Washington State Department of Commerce)

READ FIRST TIME 02/05/14.

- 1 AN ACT Relating to the public works board; amending RCW 43.155.010,
- 43.155.020, 43.155.030, 43.155.050, and 43.155.070; adding new sections 2.
- to chapter 43.155 RCW; and repealing RCW 43.155.040, 43.155.060, 3
- 43.155.065, 43.155.068, 43.155.110, and 43.155.120. 4
- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- Sec. 1. RCW 43.155.010 and 1996 c 168 s 1 are each amended to read 6 7 as follows:
- 8 (1) The legislature finds that ((there exists in the state of 9 Washington over four billion dollars worth of critical projects for the
- planning, acquisition, construction, repair, replacement, 11 rehabilitation, or improvement of streets and roads, bridges, water
- 12 systems, and storm and sanitary sewage systems. The December, 1983
- 13 Washington state public works report prepared by the planning and
- 14 community affairs agency documented that local governments expect to be
- 15 capable of financing over two billion dollars worth of the costs of
- 16 those critical projects but will not be able to fund nearly half of the
- documented needs. 17

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- 18 The legislature further finds that Washington's local governments
- 19 have unmet financial needs for solid waste disposal, including

- 1 recycling, and encourages the board to make an equitable geographic
- 2 distribution of the funds)) while local governments are responsible for
- 3 creating, developing, managing, financing, operating, and maintaining
- 4 <u>local infrastructure systems, state priority policy objectives are</u>
- 5 served by investing financial and technical resources in these local
- 6 systems. A significant backlog of projects to build, repair, and
- 7 improve local public infrastructure systems exists. The state intends
- 8 to strategically invest resources to address this backlog and to
- 9 promote the following priority policy objectives:
 - (a) Efficient use of state resources;
 - (b) Preservation and enhancement of health and safety;
- 12 <u>(c) Abatement of pollution and protection of the environment;</u>
- (d) Creation of new, family wage jobs, and avoidance of shifting
- 14 <u>existing jobs from one community to another;</u>
- (e) Fostering economic development consistent with chapter 36.70A
- 16 <u>RCW;</u>

- 17 (f) Efficiency in delivery of goods and services, public transit,
- 18 <u>and transportation;</u>
- 19 (g) Avoidance of additional costs to state and local governments
- 20 <u>that adversely impact local residents and small businesses; and</u>
- 21 (h) Reduction of the overall cost of public infrastructure.
- 22 (2) It is the policy of the state of Washington to encourage self-
- 23 reliance by local governments in meeting their public works needs and
- 24 to assist in the financing of critical public works projects by
- 25 ((making loans, financing guarantees,)) providing financial and
- 26 technical assistance ((available)) to local governments for these
- 27 projects.
- 28 Sec. 2. RCW 43.155.020 and 2009 c 565 s 33 are each amended to
- 29 read as follows:
- 30 Unless the context clearly requires otherwise, the definitions in
- 31 this section shall apply throughout this chapter.
- 32 (1) "Board" means the public works board created in RCW 43.155.030.
- 33 (2) "Capital facility plan" means a capital facility plan required
- 34 by the growth management act under chapter 36.70A RCW or, for local
- 35 governments not fully planning under the growth management act, a plan
- 36 required by a regulating state agency or the public works board.

- 1 (3) "Construction" means construction of public works projects as defined within this chapter.
 - (4) "Department" means the department of commerce.

- ((4) "Financing guarantees" means the pledge of money in the public works assistance account, or money to be received by the public works assistance account, to the repayment of all or a portion of the principal of or interest on obligations issued by local governments to finance public works projects.))
 - (5) "Director" means the director of the department.
- (6) "Emergency" means a construction project made necessary by a natural disaster or an immediate and emergent threat to the public health and safety due to unforeseen or unavoidable circumstances as evidenced by a local government declaration.
- 14 (7) "Financial assistance" means loans unless otherwise specified 15 in this chapter or by the legislature.
 - (8) "Local government((s))" means ((cities)) a city, town((s)), ((counties)) county, special purpose district((s)), and any other municipal corporation((s)) or quasi-municipal corporation((s)) in the state, excluding school districts and port districts, authorized by law to fund public works.
 - ((\(\frac{(+6+)}{(+6+)}\)) (9) "Planning project" means the process through which a jurisdiction creates and adopts a capital facilities plan, a comprehensive system plan, or equivalent.
 - (10) "Policy objectives" means state priorities that guide the investment of public works assistance account funds as enumerated in this chapter.
 - (11) "Preconstruction" means activities including, but not limited to, project planning, design, engineering, bid document preparation, environmental studies, right-of-way acquisition, and other preliminary phases of construction projects as determined by the public works board.
- ((for)) listed in a capital facilities plan or equivalent that results
 in the planning, acquisition, construction, repair, reconstruction,
 replacement, rehabilitation, or improvement of streets and roads,
 bridges, water systems, or storm and sanitary sewage systems and solid
 waste facilities, including recycling facilities. A planning project

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may include the compilation of biological, hydrological, or other data on a county, drainage basin, or region necessary to develop a base of information for a capital facility plan.

- (((7) "Solid waste or recycling project" means remedial actions necessary to bring abandoned or closed landfills into compliance with regulatory requirements and the repair, restoration, and replacement of existing solid waste transfer, recycling facilities, and landfill projects limited to the opening of landfill cells that are in existing and permitted landfills.
- (8))) (13) "Technical assistance" means training and other services provided to local governments to:
- (a) ((Help such local governments plan, apply, and qualify for loans and financing guarantees from the board, and (b) help local governments improve their ability to plan for, finance, acquire, construct, repair, replace, rehabilitate, and maintain public facilities)) Improve their ability to plan for, finance, acquire, construct, reconstruct, and maintain infrastructure systems; and/or
- 18 <u>(b) Improve their technical, financial, and/or managerial capacity</u>
 19 <u>to operate their infrastructure systems in a manner consistent with</u>
 20 <u>federal and state requirements and ensure long-term sustainability of</u>
 21 the systems.
- **Sec. 3.** RCW 43.155.030 and 1999 c 153 s 58 are each amended to 23 read as follows:
 - (1) The public works board is hereby created.
 - (2) The board shall be composed of thirteen members appointed by the governor for terms of four years((, except that five members initially shall be appointed for terms of two years)). The board shall include: (a) Three members, including two ((of whom shall be)) elected officials and one ((shall be a public works manager)) official working in public works or a related field, appointed from a list of ((at least six)) persons nominated by the association of Washington cities or its successor; (b) three members, including two ((of whom shall be)) elected officials and one ((shall be a public works manager)) official working in public works or a related field, appointed from a list of ((at least six)) persons nominated by the Washington state association of counties or its successor; (c) ((three members appointed from a list of at least six persons nominated jointly by the Washington public

utility districts association and a state association of water-sewer 1 2 districts, or their successors)) one member appointed from a list of persons nominated by the Washington public utility districts 3 association or its successor; (d) two members appointed from a list of 4 persons nominated by the Washington association of sewer and water 5 6 <u>districts or its successor</u>; and (((d))) <u>(e)</u> four members appointed from 7 the general public. In appointing the four general public members, the 8 governor shall endeavor to balance the geographical composition of the board and to include members with special expertise in relevant fields 9 10 ((such as public finance, architecture and civil engineering, and public works construction)). The governor shall appoint one of the 11 12 general public members of the board as chair. The term of the chair 13 shall coincide with the term of the governor.

- (3) ((Staff support to the board shall be provided by the department.
- (4)) Members of the board shall receive no compensation but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.
 - (((5))) (4) If a vacancy on the board occurs by death, resignation, or otherwise, the governor shall fill the vacant position for the unexpired term. Each vacancy in a position appointed from lists provided by the associations under subsection (2) of this section shall be filled from a list of ((at least three)) persons nominated by the relevant association or associations. Any members of the board((7) appointive or otherwise,)) may be removed by the governor for cause in accordance with RCW 43.06.070 and 43.06.080.
- NEW SECTION. Sec. 4. A new section is added to chapter 43.155 RCW to read as follows:
 - (1) In order to assist local governments, the board:
- 29 (a) Must manage the public works assistance account in such a way 30 as to ensure its sustainability;
 - (b) Must execute contracts or otherwise financially obligate funds from the public works assistance account for projects approved for funding by the board;
- 34 (c) May approve public works projects for financial assistance 35 under the following programs:
 - (i) Construction;

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(ii) Preconstruction;

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- 1 (iii) Capital facilities planning;
- 2 (iv) Emergency;

- (v) Energy or water efficiency;
- 4 (vi) Water system acquisition and rehabilitation as created by RCW 70.119A.190; and
 - (vii) Any other program authorized by the legislature;
 - (d) Must, before November 1st of each year, develop and submit to the appropriate fiscal committees of the senate and house of representatives a ranked list of qualified public works projects which have been evaluated by the board and are recommended for funding by the legislature. The board must establish the ranked list based, at a minimum, on the factors provided in section 10 of this act. The maximum amount of funding that the board may recommend for any one project is ten million dollars. For each project on the ranked list, as well as for eligible projects not recommended for funding, the board must document the numerical ranking that was assigned;
 - (e) May not sign contracts or otherwise financially obligate funds from the public works assistance account before the legislature has appropriated funds for a specific list of public works projects. The legislature may remove projects from the ranked list recommended by the board. The legislature may not change the ranked order of the projects recommended for funding by the board;
- 23 (f) May provide grants for water system acquisition and 24 rehabilitation projects;
 - (g) May require such terms and conditions and may charge such rates of interest on its loans as it deems necessary or convenient to carry out the purposes of this chapter. Money received from local governments in repayment of loans made under this section must be paid into the public works assistance account for uses consistent with this chapter;
 - (h) May not refinance existing debt or financial obligations of local governments, except for short-term debt associated with construction projects approved by the board or other cases as defined in rule by the board;
 - (i) Must provide technical assistance as defined in RCW 43.155.020.
- 36 (2) Subsection (1)(d) and (e) of this section does not apply to 37 financial assistance provided through the preconstruction, capital

- 1 facilities planning, emergency, energy or water efficiency programs,
- 2 water system acquisition and rehabilitation, or any other programs
- 3 authorized by the legislature.

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- 4 <u>NEW SECTION.</u> **Sec. 5.** A new section is added to chapter 43.155 RCW 5 to read as follows:
 - (1) Beginning November 1, 2014, and November 1st every evennumbered year thereafter, the board must report to the governor and appropriate fiscal committees of the legislature on: (a) How the board is using the state's priority policy objectives identified in RCW 43.155.010 to guide its investment of public works assistance account funds; and (b) the outcomes produced by these investment choices.
 - (2) The board must:
 - (a) Establish and maintain direct collaborative relations with governmental, private, and other financing organizations, advocate groups, and other stakeholders associated with infrastructure financing;
 - (b) Provide direct information and advice to the governor and appropriate committees of the legislature on matters related to local government infrastructure financing; and
- 20 (c) At the direction of the governor, provide information and 21 advocacy at the national level on matters related to local government 22 infrastructure financing.
- NEW SECTION. Sec. 6. A new section is added to chapter 43.155 RCW to read as follows:

The board must:

- (1) Consistent with the guidelines issued by the office of financial management and in consultation with the department, prepare biennial operating and capital budgets and, as needed, update these budgets during the biennium;
- (2) Accept or reject any gifts, grants, or loans of funds, property, or financial or other aid in any form from any other source on any terms and conditions that are not in conflict with this chapter;
- 33 (3) Adopt rules under chapter 34.05 RCW as necessary to carry out 34 the purposes of this chapter; and
- 35 (4) Do and perform all acts and things necessary or convenient to 36 carry out the powers expressly granted or implied under this chapter.

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NEW SECTION. Sec. 7. A new section is added to chapter 43.155 RCW to read as follows:

(1) The department must:

- (a) In collaboration with the board, and in accordance with the board's operating budget, provide staff to the board necessary to efficiently and effectively carry out the duties of this chapter; and
- (b) Submit the board's operating and capital budgets in accordance with guidelines set by the office of financial management.
 - (2) The director must:
- (a) Be accountable to the board for operating and capital expenditures from the account; and
- 12 (b) Represent the interests and concerns of the board as a member 13 of the governor's executive cabinet.
- **Sec. 8.** RCW 43.155.050 and 2012 2nd sp.s. c 2 s 6004 are each amended to read as follows:
 - (1) The public works assistance account is hereby established in the state treasury. Money may be placed in the public works assistance account from the proceeds of bonds when authorized by the legislature or from any other lawful source. Money in the public works assistance account shall be used ((to make loans and to give financial guarantees to local governments for public works projects. Moneys in the account may also be appropriated to provide for state match requirements under federal law for projects and activities conducted and financed by the board under the drinking water assistance account)) for purposes as authorized by this chapter.
 - (2) A minimum of eighty-five percent of the biennial capital budget appropriation to the public works board from this account shall be obligated for construction loans. Not more than fifteen percent of the biennial capital budget appropriation to the public works board from this account may be ((expended or)) obligated for ((preconstruction loans, emergency loans, or loans for capital facility planning under this chapter; of this amount, not more than ten percent of the biennial capital budget appropriation may be expended for emergency loans and not more than one percent of the biennial capital budget appropriation may be expended for capital facility planning loans)) programs other than construction loans. Within this fifteen percent, state match for federal programs or funds for other state programs may be obligated.

- ((During the 2011-2013 fiscal biennium, the legislature may transfer 1 2 from the public works assistance account to the general fund, the water pollution control revolving account, and the drinking water assistance 3 4 account such amounts as reflect the excess fund balance of the account. During the 2011-2013 fiscal biennium, the legislature may appropriate 5 6 moneys from the account for economic development, innovation, and 7 export grants, including brownfields; main street improvement grants; 8 and the loan program consolidation board.))
 - **Sec. 9.** RCW 43.155.070 and 2012 c 196 s 9 are each amended to read as follows:

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- 11 (1) To qualify for ((loans or pledges)) <u>financial assistance</u> under 12 this chapter the board must determine that a local government meets all 13 of the following conditions:
- 14 (a) The city or county must be imposing a tax under chapter 82.46 15 RCW at a rate of at least one-quarter of one percent;
- 16 (b) The local government must have developed a capital facility 17 plan; ((and))
 - (c) The local government must be using all local revenue sources which are reasonably available for funding public works, taking into consideration local employment and economic factors; and
- 21 <u>(d) The local government can demonstrate the financial capacity to</u> 22 <u>repay the loan</u>.
 - (2) Except where necessary to address a public health need or substantial environmental degradation, a county, city, or town planning under RCW 36.70A.040 ((must have)) may not receive financial assistance under this chapter unless it has adopted a comprehensive plan, including a capital facilities plan element, and development regulations as required by RCW 36.70A.040. This subsection does not require any county, city, or town planning under RCW 36.70A.040 to adopt a comprehensive plan or development regulations before requesting or receiving ((a loan or loan quarantee)) financial assistance under this chapter if such request is made before the expiration of the time periods specified in RCW 36.70A.040. A county, city, or town planning under RCW 36.70A.040 which has not adopted a comprehensive plan and development regulations within the time periods specified in RCW 36.70A.040 is not prohibited from receiving ((a loan or loan guarantee)) <u>financial assistance</u> under this chapter if the

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comprehensive plan and development regulations are adopted as required by RCW 36.70A.040 before ((submitting a request for a loan or loan guarantee)) executing a contractual agreement for financial assistance with the board.

- (3) In considering awarding ((loans)) financial assistance for public facilities to special districts requesting funding for a proposed facility located in a county, city, or town planning under RCW 36.70A.040, the board must consider whether the county, city, or town planning under RCW 36.70A.040 in whose planning jurisdiction the proposed facility is located has adopted a comprehensive plan and development regulations as required by RCW 36.70A.040.
- (4) ((The board must develop a priority process for public works projects as provided in this section. The intent of the priority process is to maximize the value of public works projects accomplished with assistance under this chapter. The board must attempt to assure a geographical balance in assigning priorities to projects. The board must consider at least the following factors in assigning a priority to a project:
- (a) Whether the local government receiving assistance has experienced severe fiscal distress resulting from natural disaster or emergency public works needs;
- (b) Except as otherwise conditioned by RCW 43.155.110, whether the entity receiving assistance is a Puget Sound partner, as defined in RCW 90.71.010;
- (c) Whether the project is referenced in the action agenda developed by the Puget Sound partnership under RCW 90.71.310;
- (d) Whether the project is critical in nature and would affect the health and safety of a great number of citizens;
- (e) Whether the applicant's permitting process has been certified as streamlined by the office of regulatory assistance;
- (f) Whether the applicant has developed and adhered to guidelines regarding its permitting process for those applying for development permits consistent with section 1(2), chapter 231, Laws of 2007;
- (g) The cost of the project compared to the size of the local government and amount of loan money available;
 - (h) The number of communities served by or funding the project;
- 37 (i) Whether the project is located in an area of high unemployment,
 38 compared to the average state unemployment;

(j) Whether the project is the acquisition, expansion, improvement, or renovation by a local government of a public water system that is in violation of health and safety standards, including the cost of extending existing service to such a system;

(k) Except as otherwise conditioned by RCW 43.155.120, and effective one calendar year following the development of model evergreen community management plans and ordinances under RCW 35.105.050, whether the entity receiving assistance has been recognized, and what gradation of recognition was received, in the evergreen community recognition program created in RCW 35.105.030;

(1) The relative benefit of the project to the community, considering the present level of economic activity in the community and the existing local capacity to increase local economic activity in communities that have low economic growth; and

(m) Other criteria that the board considers advisable.

(5) Existing debt or financial obligations of local governments may not be refinanced under this chapter. Each local government applicant must provide documentation of attempts to secure additional local or other sources of funding for each public works project for which financial assistance is sought under this chapter.

(6) Before November 1st of each even-numbered year, the board must develop and submit to the appropriate fiscal committees of the senate and house of representatives a description of the loans made under RCW 43.155.065, 43.155.068, and subsection (9) of this section during the preceding fiscal year and a prioritized list of projects which are recommended for funding by the legislature, including one copy to the staff of each of the committees. The list must include, but not be limited to, a description of each project and recommended financing, the terms and conditions of the loan or financial guarantee, the local government jurisdiction and unemployment rate, demonstration of the jurisdiction's critical need for the project and documentation of local funds being used to finance the public works project. The list must also include measures of fiscal capacity for each jurisdiction recommended for financial assistance, compared to authorized limits and state averages, including local government sales taxes; real estate excise taxes; property taxes; and charges for or taxes on sewerage, water, garbage, and other utilities.

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(7) The board may not sign contracts or otherwise financially obligate funds from the public works assistance account before the legislature has appropriated funds for a specific list of public works projects. The legislature may remove projects from the list recommended by the board. The legislature may not change the order of the priorities recommended for funding by the board.

- (8) Subsection (7) of this section does not apply to loans made under RCW 43.155.065, 43.155.068, and subsection (9) of this section.
- (9) Loans made for the purpose of capital facilities plans are exempted from subsection (7) of this section.
- (10) To qualify for loans or pledges for solid waste or recycling facilities under this chapter, a city or county must demonstrate that the solid waste or recycling facility is consistent with and necessary to implement the comprehensive solid waste management plan adopted by the city or county under chapter 70.95 RCW.
- (11) After January 1, 2010, any project designed to address the effects of storm water or wastewater on Puget Sound may be funded under this section only if the project is not in conflict with the action agenda developed by the Puget Sound partnership under RCW 90.71.310.)) When awarding financial assistance, the board must consider:
- (a) Whether the entity receiving assistance is a Puget Sound partner, as defined in RCW 90.71.010. Entities that are not eligible to be a Puget Sound partner due to geographic location, composition, exclusion from the scope of the action agenda developed by the Puget Sound partnership under RCW 90.71.310, or for any other reason, may not be given less preferential treatment than Puget Sound partners; and
- 27 <u>(b) Whether the project is referenced in the action agenda</u>
 28 developed by the Puget Sound partnership under RCW 90.71.310.
- NEW SECTION. Sec. 10. A new section is added to chapter 43.155 30 RCW to read as follows:

The intent of the project selection process is to promote state policy objectives as identified in this chapter and to maximize the value of projects financed under this chapter. The board must develop a process for numerically ranking the applications submitted by local governments. The board must consider, at a minimum and in any order, the following factors in assigning a numerical ranking to a project:

1 (1) Whether the project is critical in nature and would affect the 2 health and safety of many people;

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- (2) The extent to which the project leverages nonstate funds;
- (3) The extent to which the project is ready to proceed to construction;
- (4) Whether the project is located in an area of high unemployment, compared to the average state unemployment;
- 8 (5) Whether the project promotes the sustainable use of resources 9 and environmental quality;
 - (6) Whether the project consolidates or regionalizes systems;
- 11 (7) Whether the project encourages economic development through 12 mixed-use and mixed income development consistent with chapter 36.70A 13 RCW;
- 14 (8) Whether the system is being well-managed in the present and for long-term sustainability;
- 16 (9) Achieving equitable distribution of funds by geography and 17 population;
- 18 (10) The extent to which the project meets state policy objectives 19 identified in this chapter; and
- 20 (11) Other criteria that the board considers necessary to achieve 21 the purposes of this chapter.
- NEW SECTION. Sec. 11. The following acts or parts of acts are each repealed:
- 24 (1) RCW 43.155.040 (General powers of the board) and 1985 c 446 s 25 10;
- 26 (2) RCW 43.155.060 (Public works financing powers--Competitive bids on projects) and 1988 c 93 s 2 & 1985 c 446 s 11;
- 28 (3) RCW 43.155.065 (Emergency public works projects) and 2001 c 131 29 s 3, 1990 c 133 s 7, & 1988 c 93 s 1;
- 30 (4) RCW 43.155.068 (Loans for preconstruction activities) and 2001 31 c 131 s 4 & 1995 c 363 s 2;
- 32 (5) RCW 43.155.110 (Puget Sound partners) and 2007 c 341 s 25; and
- 33 (6) RCW 43.155.120 (Administering funds--Preference to an evergreen community) and 2008 c 299 s 30.

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