

HOUSE BILL REPORT

SB 5442

As Reported by House Committee On:
Technology & Economic Development
Capital Budget

Title: An act relating to eligibility criteria for the community economic revitalization board programs.

Brief Description: Concerning eligibility criteria for the community economic revitalization board programs.

Sponsors: Senators Warnick and Hatfield; by request of Washington State Department of Commerce.

Brief History:

Committee Activity:

Technology & Economic Development: 3/18/15, 3/24/15 [DP];
Capital Budget: 4/2/15, 5/14/15 [DPA].

Brief Summary of Bill
(As Amended by Committee)

- Changes median hourly wage application requirements for Community Economic Revitalization Board project funding.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 10 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Harmsworth, Magendanz, Nealey, Ryu, Santos and Wylie.

Minority Report: Do not pass. Signed by 1 member: Representative Hudgins.

Minority Report: Without recommendation. Signed by 1 member: Representative Fey.

Staff: Kirsten Lee (786-7133).

Background:

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.

Community Economic Revitalization Board.

The Community Economic Revitalization Board (CERB) is a 20-member statutory state board charged with funding public infrastructure improvements that encourage new business development and expansion in areas seeking economic growth. The CERB receives administrative support from the Department of Commerce.

Through the CERB, local governments may apply for and obtain low-interest loans and grants to help finance public facility projects. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. Public facilities eligible for CERB financing include the following: bridges, roads, domestic and industrial water, earth stabilization, sanitary sewer, storm sewer, railroad, telecommunications, electricity, transportation, natural gas, buildings or structures, and port facilities.

The traditional CERB program offers three financing programs: (1) Committed Private Partner Construction, which requires evidence that a private development or expansion is ready to occur, contingent on approval of CERB funds; (2) Prospective Development Construction, which requires evidence that a private development or expansion is likely to occur as a result of the public improvements; and (3) planning projects, which evaluate high-priority economic development projects.

One of the threshold application requirements for CERB funding is demonstrating with convincing evidence that the median hourly wage of the private sector jobs created after the project is completed will exceed the countywide median hourly wage. All projects approved must meet this requirement.

Funding for CERB projects is appropriated in the capital budget primarily from the Public Facilities Construction Loan Revolving Account. The CERB must make at least 75 percent of the first \$20 million of funds available and at least 50 percent of additional funds available to financial assistance for projects in rural counties.

Summary of Bill:

The CERB must award at least 75 percent of moneys appropriated from the capital budget to projects that can demonstrate by convincing evidence that the median hourly wage of the private sector jobs created after the project is completed will exceed the countywide median hourly wage for private sector jobs. Up to 25 percent of the moneys appropriated from the capital budget may be awarded by the CERB to projects that cannot demonstrate with convincing evidence that they will meet the median hourly wage requirement.

Priority must be given to eligible projects applying under the Committed Private Partner Construction Program.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill will ensure that the majority of CERB funds are awarded to applicants that meet a county median hourly wage requirement. It also grants the CERB the flexibility it once had to choose projects that can have a significant impact on creating jobs, but fall just under meeting the median hourly wage requirement. Allowing projects to be considered that do not meet the median hourly wage requirement is just one step in the process to continue to try and make positive changes with the CERB program.

(Opposed) None.

(Other) By reducing wage requirements, this bill may take economic development away from other areas and may make it more difficult to ensure that CERB funding is making it to communities that have projects that are right on the cusp of meeting median hourly wage requirements, and not to projects that will create low wage jobs.

Persons Testifying: (In support) Senator Hatfield, prime sponsor; Steve Anderson, Community Economic Revitalization Board; and Janca Eddy, Community Economic Revitalization Board.

(Other) Joe Kendo, Washington State Labor Council.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 9 members: Representatives Dunshee, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kilduff, Kochmar, Peterson, Riccelli and Walsh.

Staff: Meg VanSchoorl (786-7105).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Technology & Economic Development:

The amended bill increases opportunities for private sector employment in the state's most distressed counties by allowing the CERB to award up to 25 percent of the moneys to projects that: (1) cannot demonstrate with convincing evidence that they will meet the median hourly wage requirement; and (2) are located in the 25 percent of counties that have the state's highest average unemployment rates over the previous three years.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on May 12, 2015

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

Public testimony of Senate Bill 5442 on April 2, 2015.

(In support) The CERB applications have declined significantly since the median wage requirement was instituted. The CERB takes its responsibility seriously and understands the importance of high wages and helping economically distressed areas. The CERB needs flexibility to make awards based on all facets and benefits of a project. The Governor vetoed last session's legislation that allowed 50 percent of CERB funds to be awarded for projects that do not meet the median hourly wage requirement, but the Governor supports this bill. It is difficult for projects to meet the median wage requirement in places like Grant County, where there are higher paying jobs in the north and midsection. A project proposing to site in the south county where jobs pay less, has to meet the county-wide median wage requirement. The CERB infrastructure projects are built by companies that pay prevailing wage. The proposed striking amendment will prevent quality projects in rural pockets from accessing CERB funds and there is no guarantee that distressed counties will have projects to propose.

(Opposed) None.

Public testimony of Senate Bill 5442 on May 14, 2015.

(In support) The rationale behind the proposed striking amendment is understood. However, there would be merit in also providing the CERB flexibility to consider projects located in pockets of high unemployment within counties that are otherwise economically healthy. Snohomish and Grant are examples of counties that have sub-county areas that need help. Lack of granular data on sub-county pockets is a problem, but the Department of Commerce is open to finding a solution.

(Opposed) None.

Persons Testifying: *Persons testifying in Capital Budget Committee on April 2, 2015.*

Senator Warnick, prime sponsor; and Steve Anderson, Nick Demerice and Janea Eddy, Community Economic Revitalization Board.

Persons testifying in Capital Budget Committee on May 14, 2015.

Senator Warnick, prime sponsor; and Nick Demerice, Community Economic Revitalization Board.

Persons Signed In To Testify But Not Testifying: None.