

HOUSE BILL REPORT

HB 2468

As Reported By House Committee On:
Economic Development, Housing & Trade

Title: An act relating to distressed area designation.

Brief Description: Modifying eligible and distressed area designation.

Sponsors: Representatives Eickmeyer, Huff, Lantz, Woods, Rockefeller and Haigh.

Brief History:

Committee Activity:

Economic Development, Housing & Trade: 1/25/00 [DP].

Brief Summary of Bill

- Adds to the definition of distressed area– or eligible area,– a county that has experienced a loss of more than 3,000 jobs over the previous five-year period due to military base restructuring and where military employment exceeds 15 percent of the total employment in the county.
- Makes these counties eligible to access specific financial assistance programs designed to create or retain jobs.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, HOUSING & TRADE

Majority Report: Do pass. Signed by 12 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic Vice Chair; Ballasiotes; Gombosky; Miloscia; Morris; Radcliff; Skinner; D. Sommers and Wolfe.

Staff: Kenny Pittman (786-7392).

Background:

Washington has developed various incentives designed to assist geographic areas that are experiencing economic distress, due to high unemployment levels or low median household incomes, create or retain jobs, and to diversify the local economy. These

incentives are provided as financial or technical assistance to the local government or an individual firm.

An economically distressed area may be either an entire county or specific area within a county. An entire county may be eligible if: (1) it is a rural county with a population density of less than 100 people per square mile; (2) it has an unemployment rate 20 percent higher than the state unemployment rate for a three-year period; (3) it has a median household income that is less than 75 percent of the state median household income; (4) it is a metropolitan area with an average unemployment rate that exceeds the average state unemployment rate by 20 percent; or (5) it is designated as a rural natural resources impact area.

An area within a county may be eligible if: (1) it has experienced a sudden and severe or long-term loss of employment; (2) it has a minimum population of 5,000 and at least 70 percent of its households have incomes below 80 percent of the county median income; or (3) it is a state designated community empowerment zone.

Rural Washington Loan Fund

The Rural Washington Loan Fund (RWLF) program was created in 1985 and uses federal Community Development Block Grant funds to make grants to local governments for loans to businesses in economically distressed areas. The RWLF program was designed to allow the state to provide financial assistance to businesses, without violating the constitutional lending-of-credit prohibition. Financial assistance is provided to businesses in the form of low-interest gap financing— loans for that portion of a project that a business is unable to obtain from a conventional lender. The maximum loan to a business is \$700,000. The RWLF program is administered by the Department of Community, Trade, and Economic Development.

Distressed Area Sales/Use Tax Deferral

The Distressed Area Sales/Use Tax Deferral Program was created in 1985 and provides a three-year deferral and eventual exemption from the sales and use tax liability on new or remodeled buildings and/or equipment used in manufacturing or research and development activities in economically distressed areas. The Distressed Area Sales/Use Tax Deferral is administered by the Department of Revenue.

Business and Occupation Tax Credit for Job Training Services

The Business and Occupation Tax Credit for Job Training Program was created in 1996 and provides a credit against a firms' business and occupation (B&O) tax liability equal to 20 percent of the amount spent on job training. The amount of credit for a particular firm is limited to \$5,000 annually. The training must be designed to enhance employee job performance in a state-approved program that is

sponsored or provided by the employer. The tax credit can be taken by those firms eligible for the Distressed Area Sales/Use Tax Deferral Program (manufacturing or research and development activities in economically distressed areas). The Business and Occupation tax Credit for Job Training Services program is administered by the Department of Revenue.

Summary of Bill:

The definition of distressed area– or eligible area– is expanded to include a county that has experienced a loss of more than 3,000 jobs during the previous five-year period due to military base restructuring and where military employment in the county exceeds 15 percent of the total employment in the county. A county that meets this criteria, and businesses located within the county, may access: (1) the Rural Washington Loan Fund; (2) the Distressed Area Sales/Use Tax Deferral Program; and (3) the Business and Occupation Tax Credit for Job Training Services Program.

Appropriation: None.

Fiscal Note: Requested on January 17, 2000.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This legislation would help Kitsap County address its need for economic growth. The existing distressed and rural counties are growing faster than Kitsap County, but we don't qualify for the programs that are based on economic distress. The current indicators don't show the large hidden unemployment– that is a result of military spouses and people who take advantage of federal government early retirement options. These incentives would provide the county another tool to help in its job creation and retention efforts.

Testimony Against: None.

Testified: Representative Eickmeyer, prime sponsor; and Warren Olson, Economic Development Council of Kitsap County.