
HOUSE BILL 1677

State of Washington 65th Legislature 2017 Regular Session

By Representatives Peterson, Pike, Senn, McBride, DeBolt, Macri, Stonier, Riccelli, and Fey

Read first time 01/26/17. Referred to Committee on Capital Budget.

1 AN ACT Relating to local government infrastructure funding;
2 amending RCW 43.155.010, 43.155.020, 43.155.030, 43.155.040,
3 43.155.060, 43.155.065, 43.155.068, 43.155.070, and 43.155.075;
4 reenacting and amending RCW 43.155.050; creating a new section; and
5 providing an expiration date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 43.155.010 and 1996 c 168 s 1 are each amended to
8 read as follows:

9 The legislature finds that there exists in the state of
10 Washington over four billion dollars worth of critical projects for
11 the planning, acquisition, construction, repair, replacement,
12 rehabilitation, or improvement of streets and roads, bridges, water
13 systems, and storm and sanitary sewage systems. The December, 1983
14 Washington state public works report prepared by the planning and
15 community affairs agency documented that local governments expect to
16 be capable of financing over two billion dollars worth of the costs
17 of those critical projects but will not be able to fund nearly half
18 of the documented needs.

19 The legislature further finds that Washington's local governments
20 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.

3 It is the policy of the state of Washington to encourage self-
4 reliance by local governments in meeting their public works needs and
5 to assist in the financing of critical public works projects by
6 making loans, grants, financing guarantees, and technical assistance
7 available to local governments for these projects.

8 **Sec. 2.** RCW 43.155.020 and 2009 c 565 s 33 are each amended to
9 read as follows:

10 (~~Unless the context clearly requires otherwise,~~) The
11 definitions in this section (~~shall~~) apply throughout this chapter
12 unless the context clearly requires otherwise.

13 (1) "Board" means the public works board created in RCW
14 43.155.030.

15 (2) "Capital facility plan" means a capital facility plan
16 required by the growth management act under chapter 36.70A RCW or,
17 for local governments not fully planning under the growth management
18 act, a plan required by the public works board.

19 (3) "Department" means the department of commerce.

20 (4) "Financing guarantees" means the pledge of money in the
21 public works assistance account, or money to be received by the
22 public works assistance account, to the repayment of all or a portion
23 of the principal of or interest on obligations issued by local
24 governments to finance public works projects.

25 (5) "Local governments" means cities, towns, counties, special
26 purpose districts, and any other municipal corporations or quasi-
27 municipal corporations in the state excluding school districts and
28 port districts.

29 (6) "Public works project" means a project of a local government
30 for the planning, acquisition, construction, repair, reconstruction,
31 replacement, rehabilitation, or improvement of streets and roads,
32 bridges, water systems, or storm and sanitary sewage systems and
33 solid waste facilities, including recycling facilities. A planning
34 project may include the compilation of biological, hydrological, or
35 other data on a county, drainage basin, or region necessary to
36 develop a base of information for a capital facility plan.

37 (7) "Solid waste or recycling project" means remedial actions
38 necessary to bring abandoned or closed landfills into compliance with
39 regulatory requirements and the repair, restoration, and replacement

1 of existing solid waste transfer, recycling facilities, and landfill
2 projects limited to the opening of landfill cells that are in
3 existing and permitted landfills.

4 (8) "Technical assistance" means training and other services
5 provided to local governments to: (a) Help such local governments
6 plan, apply, and qualify for loans, grants, and financing guarantees
7 from the board, and (b) help local governments improve their ability
8 to plan for, finance, acquire, construct, repair, replace,
9 rehabilitate, and maintain public facilities.

10 (9) "Value planning" means a uniform approach to assist in
11 decision making through systematic evaluation of potential
12 alternatives to solving an identified problem.

13 **Sec. 3.** RCW 43.155.030 and 1999 c 153 s 58 are each amended to
14 read as follows:

15 (1) The public works board is hereby created.

16 (2) The board shall be composed of seventeen members as provided
17 in this subsection:

18 (a) Thirteen members appointed by the governor for terms of four
19 years, except that five members initially shall be appointed for
20 terms of two years. (~~The board~~) These members shall include:
21 (~~(a)~~) (i) Three members, two of whom shall be elected officials and
22 one shall be a public works manager, appointed from a list of at
23 least six persons nominated by the association of Washington cities
24 or its successor; (~~(b)~~) (ii) three members, two of whom shall be
25 elected officials and one shall be a public works manager, appointed
26 from a list of at least six persons nominated by the Washington state
27 association of counties or its successor; (~~(c)~~) (iii) three members
28 appointed from a list of at least six persons nominated jointly by
29 the Washington public utility districts association and a state
30 association of water-sewer districts, or their successors; and
31 (~~(d)~~) (iv) four members appointed from the general public. In
32 appointing the four general public members, the governor shall
33 endeavor to balance the geographical composition of the board and to
34 include members with special expertise in relevant fields such as
35 public finance, architecture and civil engineering, and public works
36 construction. The governor shall appoint one of the general public
37 members of the board as chair. The term of the chair shall coincide
38 with the term of the governor.

1 (b) Four members from the legislature appointed for terms of four
2 years. The speaker of the house of representatives shall appoint one
3 member from each of the two major caucuses of the house of
4 representatives and the president of the senate shall appoint one
5 member from each of the two major caucuses of the senate: (i) Each
6 member of the house of representatives who is appointed to the public
7 works board under this chapter may designate another member from the
8 house of representatives to take his or her place on the board for
9 meetings at which the member will be absent, as long as the
10 designated member belongs to the same caucus, and the designee shall
11 have all powers to vote and participate in board deliberations as the
12 other board members; (ii) each member of the senate who is appointed
13 to the public works board under this chapter may designate another
14 member from the senate to take his or her place on the board for
15 meetings at which the member will be absent, as long as the
16 designated member belongs to the same caucus, and the designee shall
17 have all powers to vote and participate in board deliberations as the
18 other board members.

19 (3) Staff support to the board shall be provided by the
20 department.

21 (4) Members of the board shall receive no compensation but shall
22 be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.

23 (5) If a vacancy on the board occurs by death, resignation, or
24 otherwise, the governor shall fill the vacant position for the
25 unexpired term. Each vacancy in a position appointed from lists
26 provided by the associations under subsection (2) of this section
27 shall be filled from a list of at least three persons nominated by
28 the relevant association or associations. Any members of the board,
29 appointive or otherwise, may be removed by the governor for cause in
30 accordance with RCW 43.06.070 and 43.06.080.

31 **Sec. 4.** RCW 43.155.040 and 1985 c 446 s 10 are each amended to
32 read as follows:

33 The board may:

34 (1) Accept from any state or federal agency, loans or grants for
35 the planning or financing of any public works project and enter into
36 agreements with any such agency concerning the loans or grants;

37 (2) Provide technical assistance to local governments;

1 (3) Accept any gifts, grants, or loans of funds, property, or
2 financial or other aid in any form from any other source on any terms
3 and conditions which are not in conflict with this chapter;

4 (4) Develop a program that provides grants, forgivable loans,
5 interest rate buy-downs, additional assistance to leverage federal
6 programs, and other opportunities to target deeper financial
7 assistance to communities with economic distress or projects that
8 would result in rate increases to residential sewer rates that exceed
9 a determined percentage of median household income;

10 (5) Adopt rules under chapter 34.05 RCW as necessary to carry out
11 the purposes of this chapter;

12 ~~((+5))~~ (6) Do all acts and things necessary or convenient to
13 carry out the powers expressly granted or implied under this chapter.

14 **Sec. 5.** RCW 43.155.050 and 2015 3rd sp.s. c 4 s 959 and 2015 3rd
15 sp.s. c 3 s 7032 are each reenacted and amended to read as follows:

16 The public works assistance account is hereby established in the
17 state treasury. Money may be placed in the public works assistance
18 account from the proceeds of bonds when authorized by the legislature
19 or from any other lawful source. Money in the public works assistance
20 account shall be used to make loans and grants and to give financial
21 guarantees to local governments for public works projects. Moneys in
22 the account may also be appropriated to provide for state match
23 requirements under federal law for projects and activities conducted
24 and financed by the board under the drinking water assistance
25 account. Not more than ~~((fifteen))~~ twenty-five percent of the
26 biennial capital budget appropriation to the public works board from
27 this account may be expended or obligated for preconstruction loans
28 and grants, emergency loans and grants, or loans and grants for
29 capital facility planning under this chapter(~~(; of this amount, not~~
30 ~~more than ten percent of the biennial capital budget appropriation~~
31 ~~may be expended for emergency loans and not more than one percent of~~
32 ~~the biennial capital budget appropriation may be expended for capital~~
33 ~~facility planning loans)). During the 2015-2017 fiscal biennium, the
34 legislature may transfer from the public works assistance account to
35 the general fund, the water pollution control revolving account, and
36 the drinking water assistance account such amounts as reflect the
37 excess fund balance of the account. During the 2013-2015 fiscal
38 biennium, the legislature may transfer from the public works
39 assistance account to the education legacy trust account such amounts~~

1 as specified by the legislature. During the 2015-2017 fiscal
2 biennium, the legislature may appropriate moneys from the account for
3 activities related to the growth management act and the voluntary
4 stewardship program. During the 2015-2017 fiscal biennium, the
5 legislature may transfer from the public works assistance account to
6 the state general fund such amounts as specified by the legislature.
7 In the 2017-2019 fiscal biennium the legislature intends to allocate
8 seventy-three million dollars of future loan repayments paid into the
9 public works assistance account to support basic education.

10 **Sec. 6.** RCW 43.155.060 and 1988 c 93 s 2 are each amended to
11 read as follows:

12 (1) In order to aid the financing of public works projects, the
13 board may:

14 ~~((1))~~ (a) Make ~~((low interest or interest free))~~ loans or
15 grants to local governments from the public works assistance account
16 or other funds and accounts for the purpose of assisting local
17 governments in financing public works projects. ~~((The board may~~
18 ~~require such terms and conditions and may charge such rates of~~
19 ~~interest on its loans as it deems necessary or convenient to carry~~
20 ~~out the purposes of this chapter.))~~ Money received from local
21 governments in repayment of loans made under this section shall be
22 paid into the public works assistance account for uses consistent
23 with this chapter.

24 ~~((2))~~ (b) Pledge money in the public works assistance account,
25 or money to be received by the public works assistance account, to
26 the repayment of all or a portion of the principal of or interest on
27 obligations issued by local governments to finance public works
28 projects. The board shall not pledge any amount greater than the sum
29 of money in the public works assistance account plus money to be
30 received from the payment of the debt service on loans made from that
31 account, nor shall the board pledge the faith and credit or the
32 taxing power of the state or any agency or subdivision thereof to the
33 repayment of obligations issued by any local government.

34 ~~((3))~~ (c) Create such subaccounts in the public works
35 assistance account as the board deems necessary to carry out the
36 purposes of this chapter.

37 ~~((4))~~ (d) Provide a method for the allocation of loans, grants,
38 and financing guarantees and the provision of technical assistance
39 under this chapter.

1 (2)(a) When establishing interest rates for loan programs
2 authorized in this chapter for projects which are supported by a rate
3 base of at least fifty thousand rate payers, the board must base
4 interest rates on the average daily market interest rate for tax-
5 exempt municipal bonds as published in the bond buyer's index for the
6 period from sixty to thirty days before the start of the application
7 cycle.

8 (b) For projects with a repayment period between five and twenty
9 years, the rate must be fifty percent of the market rate.

10 (c) For projects with a repayment period under five years, the
11 rate must be twenty-five percent of the market rate.

12 (d) For any year in which the average daily market interest rate
13 for tax-exempt municipal bonds for the period from sixty to thirty
14 days before the start of an application cycle is nine percent or
15 greater, the board may cap interest rates at four percent for
16 projects with a repayment period between five and twenty years and at
17 two percent for projects with a repayment period under five years.

18 (e) The board may also provide reduced interest rates, extended
19 repayment periods, or forgivable principal loans for projects that
20 meet financial hardship criteria as measured by the affordability
21 index or similar standard measure of financial hardship. The board
22 may provide reduced interest rates, extended repayment periods, or
23 forgivable principal loans for projects that are supported by a rate
24 base of less than fifty thousand rate payers.

25 (3) All local public works projects aided in whole or in part
26 under the provisions of this chapter shall be put out for competitive
27 bids, except for emergency public works under RCW 43.155.065 for
28 which the recipient jurisdiction shall comply with this requirement
29 to the extent feasible and practicable. The competitive bids called
30 for shall be administered in the same manner as all other public
31 works projects put out for competitive bidding by the local
32 governmental entity aided under this chapter.

33 **Sec. 7.** RCW 43.155.065 and 2001 c 131 s 3 are each amended to
34 read as follows:

35 The board may make low-interest or interest-free loans or grants
36 to local governments for emergency public works projects. Emergency
37 public works projects shall include the construction, repair,
38 reconstruction, replacement, rehabilitation, or improvement of a
39 public water system that is in violation of health and safety

1 standards and is being operated by a local government on a temporary
2 basis. The loans or grants may be used to help fund all or part of an
3 emergency public works project less any reimbursement from any of the
4 following sources: (1) Federal disaster or emergency funds, including
5 funds from the federal emergency management agency; (2) state
6 disaster or emergency funds; (3) insurance settlements; or (4)
7 litigation.

8 **Sec. 8.** RCW 43.155.068 and 2001 c 131 s 4 are each amended to
9 read as follows:

10 (1) The board may make (~~(low interest or interest free)~~) loans or
11 grants to local governments for preconstruction activities on public
12 works projects before the legislature approves the construction phase
13 of the project. Preconstruction activities include design,
14 engineering, bid-document preparation, environmental studies, right-
15 of-way acquisition, and other preliminary phases of public works
16 projects as determined by the board. The purpose of the loans and
17 grants authorized in this section is to accelerate the completion of
18 public works projects by allowing preconstruction activities to be
19 performed before the approval of the construction phase of the
20 project by the legislature.

21 (2) Projects receiving loans or grants for preconstruction
22 activities under this section must be evaluated using the priority
23 process and factors in RCW 43.155.070(~~((+2))~~). The receipt of a loan
24 or grant for preconstruction activities does not ensure the receipt
25 of a construction loan or grant for the project under this chapter.
26 Construction loans or grants for projects receiving a loan or grant
27 for preconstruction activities under this section are subject to
28 legislative approval under RCW 43.155.070 (~~((+4) and (+5))~~). The board
29 shall adopt a single application process for local governments
30 seeking both a loan or grant for preconstruction activities under
31 this section and a construction loan for the project.

32 **Sec. 9.** RCW 43.155.070 and 2015 3rd sp.s. c 3 s 7033 are each
33 amended to read as follows:

34 (1) To qualify for financial assistance under this chapter the
35 board must determine that a local government meets all of the
36 following conditions:

37 (a) The city or county must be imposing a tax under chapter 82.46
38 RCW at a rate of at least one-quarter of one percent;

1 (b) The local government must have developed a capital facility
2 plan; and

3 (c) The local government must be using all local revenue sources
4 which are reasonably available for funding public works, taking into
5 consideration local employment and economic factors.

6 (2) Except where necessary to address a public health need or
7 substantial environmental degradation, a county, city, or town
8 planning under RCW 36.70A.040 may not receive financial assistance
9 under this chapter unless it has adopted a comprehensive plan,
10 including a capital facilities plan element, and development
11 regulations as required by RCW 36.70A.040. This subsection does not
12 require any county, city, or town planning under RCW 36.70A.040 to
13 adopt a comprehensive plan or development regulations before
14 requesting or receiving financial assistance under this chapter if
15 such request is made before the expiration of the time periods
16 specified in RCW 36.70A.040. A county, city, or town planning under
17 RCW 36.70A.040 that has not adopted a comprehensive plan and
18 development regulations within the time periods specified in RCW
19 36.70A.040 may apply for and receive financial assistance under this
20 chapter if the comprehensive plan and development regulations are
21 adopted as required by RCW 36.70A.040 before executing a contractual
22 agreement for financial assistance with the board.

23 (3) In considering awarding financial assistance for public
24 facilities to special districts requesting funding for a proposed
25 facility located in a county, city, or town planning under RCW
26 36.70A.040, the board must consider whether the county, city, or town
27 planning under RCW 36.70A.040 in whose planning jurisdiction the
28 proposed facility is located has adopted a comprehensive plan and
29 development regulations as required by RCW 36.70A.040.

30 (4) The board must develop a priority process for public works
31 projects as provided in this section. The intent of the priority
32 process is to maximize the value of public works projects
33 accomplished with assistance under this chapter. The board must
34 attempt to (~~assure~~) ensure a geographical balance in assigning
35 priorities to projects. The board must consider at least the
36 following factors in assigning a priority to a project:

37 (a) Whether the local government receiving assistance has
38 experienced severe fiscal distress resulting from natural disaster or
39 emergency public works needs;

1 (b) Except as otherwise conditioned by RCW 43.155.110, whether
2 the entity receiving assistance is a Puget Sound partner, as defined
3 in RCW 90.71.010;

4 (c) Whether the project is referenced in the action agenda
5 developed by the Puget Sound partnership under RCW 90.71.310;

6 (d) Whether the project is critical in nature and would affect
7 the health and safety of a great number of citizens;

8 (e) Whether the applicant's permitting process has been certified
9 as streamlined by the office of regulatory assistance;

10 (f) Whether the applicant has developed and adhered to guidelines
11 regarding its permitting process for those applying for development
12 permits consistent with section 1(2), chapter 231, Laws of 2007;

13 (g) The cost of the project compared to the size of the local
14 government and amount of loan or grant money available;

15 (h) The number of communities served by or funding the project;

16 (i) Whether the project is located in an area of high
17 unemployment, compared to the average state unemployment;

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

22 (k) Except as otherwise conditioned by RCW 43.155.120, and
23 effective one calendar year following the development of model
24 evergreen community management plans and ordinances under RCW
25 35.105.050, whether the entity receiving assistance has been
26 recognized, and what gradation of recognition was received, in the
27 evergreen community recognition program created in RCW 35.105.030;

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

32 (m) Other criteria that the board considers advisable.

33 (5) For the 2015-2017 fiscal biennium, in place of the criteria,
34 ranking, and submission processes for construction loan lists
35 provided in subsection(~~s~~) (4) (~~and (7)~~) of this section:

36 (a) The board must develop a process for numerically ranking
37 applications for construction loans submitted by local governments.
38 The board must consider, at a minimum and in any order, the following
39 factors in assigning a numerical ranking to a project:

1 (i) Whether the project is critical in nature and would affect
2 the health and safety of many people;
3 (ii) The extent to which the project leverages nonstate funds;
4 (iii) The extent to which the project is ready to proceed to
5 construction;
6 (iv) Whether the project is located in an area of high
7 unemployment, compared to the average state unemployment;
8 (v) Whether the project promotes the sustainable use of resources
9 and environmental quality;
10 (vi) Whether the project consolidates or regionalizes systems;
11 (vii) Whether the project encourages economic development through
12 mixed-use and mixed income development consistent with chapter 36.70A
13 RCW;
14 (viii) Whether the system is being well-managed in the present
15 and for long-term sustainability;
16 (ix) Achieving equitable distribution of funds by geography and
17 population;
18 (x) The extent to which the project meets the following state
19 policy objectives:
20 (A) Efficient use of state resources;
21 (B) Preservation and enhancement of health and safety;
22 (C) Abatement of pollution and protection of the environment;
23 (D) Creation of new, family-wage jobs, and avoidance of shifting
24 existing jobs from one Washington state community to another;
25 (E) Fostering economic development consistent with chapter 36.70A
26 RCW;
27 (F) Efficiency in delivery of goods and services, public transit,
28 and transportation;
29 (G) Avoidance of additional costs to state and local governments
30 that adversely impact local residents and small businesses; and
31 (H) Reduction of the overall cost of public infrastructure; and
32 (xi) Other criteria that the board considers necessary to achieve
33 the purposes of this chapter.
34 (b) Before November (~~(1, 2016)~~) 1st of each year, the board must
35 develop and submit to the appropriate fiscal committees of the senate
36 and house of representatives a numerically ranked list of qualified
37 public works projects which have been evaluated by the board and are
38 recommended for funding by the legislature. The maximum amount of
39 funding that the board may recommend for any jurisdiction is ten
40 million dollars per biennium. For each project on the numerically

1 ranked list, as well as for eligible projects not recommended for
2 funding, the board must document the numerical ranking that was
3 assigned.

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

9 ~~(7) ((Before November 1st of each even-numbered year, the board
10 must develop and submit to the appropriate fiscal committees of the
11 senate and house of representatives a description of the loans made
12 under RCW 43.155.065, 43.155.068, and subsection (10) of this section
13 during the preceding fiscal year and a prioritized list of projects
14 which are recommended for funding by the legislature, including one
15 copy to the staff of each of the committees. The list must include,
16 but not be limited to, a description of each project and recommended
17 financing, the terms and conditions of the loan or financial
18 guarantee, the local government jurisdiction and unemployment rate,
19 demonstration of the jurisdiction's critical need for the project and
20 documentation of local funds being used to finance the public works
21 project. The list must also include measures of fiscal capacity for
22 each jurisdiction recommended for financial assistance, compared to
23 authorized limits and state averages, including local government
24 sales taxes; real estate excise taxes; property taxes; and charges
25 for or taxes on sewerage, water, garbage, and other utilities.~~

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

32 ~~((9))~~ (8) Subsection ~~((8))~~ (7) of this section does not apply
33 to loans or grants made under RCW 43.155.065, 43.155.068, and
34 subsection ~~((10))~~ (9) of this section.

35 ~~((10))~~ (9) Loans or grants made for the purpose of capital
36 facilities plans are exempted from subsection ~~((8))~~ (7) of this
37 section.

38 ~~((11))~~ (10) To qualify for loans, grants, or pledges for solid
39 waste or recycling facilities under this chapter, a city or county
40 must demonstrate that the solid waste or recycling facility is

1 consistent with and necessary to implement the comprehensive solid
2 waste management plan adopted by the city or county under chapter
3 70.95 RCW.

4 ~~((12))~~ (11) After January 1, 2010, any project designed to
5 address the effects of storm water or wastewater on Puget Sound may
6 be funded under this section only if the project is not in conflict
7 with the action agenda developed by the Puget Sound partnership under
8 RCW 90.71.310.

9 ~~((13) During the 2015-2017 fiscal biennium,)~~ (12) For projects
10 involving repair, replacement, or improvement of a wastewater
11 treatment plant or other public works facility for which an
12 investment grade efficiency audit is obtainable, the public works
13 board must require as a contract condition that the project sponsor
14 undertake an investment grade efficiency audit. The project sponsor
15 may finance the costs of the audit as part of its public works
16 assistance account program loan or grant.

17 ~~((14)(a) For public works assistance account application rounds
18 conducted during the 2015-2017 fiscal biennium,)~~ (13) The board must
19 implement policies and procedures designed to maximize local
20 government use of federal funds to finance local infrastructure
21 including, but not limited to, drinking water and clean water state
22 revolving funds operated by the state departments of health and
23 ecology. ~~((Projects that are eligible for the drinking water and
24 clean water state revolving funds may receive public works board
25 preconstruction loans. Projects that are eligible for the drinking
26 water and clean water state revolving funds are not eligible for
27 public works board construction loans. For purposes of this
28 subsection "eligible for drinking water and clean water state
29 revolving funds" means:~~

30 ~~(i) Projects that have applied to the state revolving funds and
31 are awaiting a funding decision;~~

32 ~~(ii) Projects that have been rejected for funding solely due to
33 not meeting readiness requirements; and~~

34 ~~(iii) Projects that have not applied, but would likely be
35 eligible if the project applied and met the project readiness
36 requirements.~~

37 ~~(b) For all construction loan projects proposed to the
38 legislature for funding during the 2015-2017 fiscal biennium, the
39 board must base interest rates on the average daily market interest
40 rate for tax-exempt municipal bonds as published in the bond buyer's~~

1 ~~index for the period from sixty to thirty days before the start of~~
2 ~~the application cycle. For projects with a repayment period between~~
3 ~~five and twenty years, the rate must be sixty percent of the market~~
4 ~~rate. For projects with a repayment period under five years, the rate~~
5 ~~must be thirty percent of the market rate. The board must also~~
6 ~~provide reduced interest rates, extended repayment periods, or~~
7 ~~forgivable principal loans for projects that meet financial hardship~~
8 ~~criteria as measured by the affordability index or similar standard~~
9 ~~measure of financial hardship.))~~

10 **Sec. 10.** RCW 43.155.075 and 2001 c 227 s 10 are each amended to
11 read as follows:

12 In providing loans and grants for public works projects, the
13 board shall require recipients to incorporate the environmental
14 benefits of the project into their applications, and the board shall
15 utilize the statement of environmental benefits in its prioritization
16 and selection process. In providing loans for public works projects,
17 the board may require a local government to have sustainable asset
18 management best practices in place; provide a long-term financial
19 plan to demonstrate a sound maintenance and repayment program is in
20 place; and undergo value planning at the predesign project stage,
21 where the greatest productivity gains and cost savings can be found.
22 The board shall also develop appropriate outcome-focused performance
23 measures to be used both for management and performance assessment of
24 the loan and grant program. To the extent possible, the department
25 should coordinate its performance measure system with other natural
26 resource-related agencies as defined in RCW 43.41.270. The board
27 shall consult with affected interest groups in implementing this
28 section.

29 NEW SECTION. **Sec. 11.** (1) An interagency, multijurisdictional
30 system improvement team must identify, implement, and report on
31 system improvements that achieve the designated outcomes, including:

32 (a) Projects that maximize value, minimize overall costs and
33 disturbance to the community, and ensure long-term durability and
34 resilience;

35 (b) Projects that are designed to meet the unique needs of each
36 community, rather than the needs of particular funding programs;

1 (c) Project designs that maximize long-term value by fully
2 considering and responding to anticipated long-term environmental,
3 technological, economic and population changes;

4 (d) The flexibility to innovate, including utilizing natural
5 systems, addressing multiple regulatory drivers, and forming regional
6 partnerships;

7 (e) The ability to plan and collaborate across programs and
8 jurisdictions so that different investments are packaged to be
9 complementary, timely, and responsive to economic and community
10 opportunities;

11 (f) The needed capacity for communities, appropriate to their
12 unique financial, planning, and management capacities, so they can
13 design, finance, and build projects that best meet their long-term
14 needs and minimize costs;

15 (g) Optimal use and leveraging of federal and private
16 infrastructure dollars; and

17 (h) Mechanisms to ensure periodic, system-wide review and ongoing
18 achievement of the designated outcomes.

19 (2) The system improvement team must consist of representatives
20 of state infrastructure programs that provide funding for drinking
21 water, wastewater, and stormwater programs, including but not limited
22 to representatives from the department of ecology, department of
23 health, and the department of commerce. The system improvement team
24 may invite representatives of other infrastructure programs, such as
25 transportation and energy, as needed in order to achieve efficiency,
26 minimize costs, and maximize value across infrastructure programs.
27 The system improvement team shall also consist of representatives of
28 users of those programs, representatives of infrastructure project
29 builders, and other parties the system improvement team determines
30 would contribute to achieving the desired outcomes, including but not
31 limited to representatives from the association of Washington cities,
32 the Washington state association of counties, the Washington public
33 utility district association, the Washington water and sewer district
34 association, the associated general contractors of Washington, and
35 Washington building trades council. A representative from the
36 department of ecology, department of health, and department of
37 commerce shall facilitate the work of the system improvement team.

38 (3) The system improvement team must focus on achieving the
39 designated outcomes within existing program structures and

1 authorities. The system improvement team shall use lean practices to
2 achieve the designated outcomes.

3 (4) The system improvement team shall provide briefings as
4 requested to the infrastructure policy advisory team on the current
5 state of infrastructure programs to build an understanding of the
6 infrastructure investment program landscape and the interplay of its
7 component parts. The infrastructure policy advisory group must
8 receive briefings at least three times each year from, and offer
9 advice and guidance to, the system improvement team pertaining to the
10 team's progress in meeting the designated outcomes.

11 (5)(a) The infrastructure policy advisory group shall consist of
12 not more than five members, as follows:

13 (i) One member from each of the two largest caucuses of the
14 senate appointed by the president of the senate;

15 (ii) One member from each of the two largest caucuses in the
16 house of representatives appointed by the speaker of the house of
17 representatives; and

18 (iii) The director of the office of financial management or his
19 or her designee.

20 (b) The director of the office of financial management or his or
21 her designee will be the chair of infrastructure policy advisory
22 group.

23 (c) Legislative members of the infrastructure policy advisory
24 group are reimbursed for travel expenses in accordance with RCW
25 44.04.120. Nonlegislative members are not entitled to be reimbursed
26 for travel expenses if they are elected officials or are
27 participating on behalf of an employer, governmental entity, or other
28 organization. Any reimbursement for other nonlegislative members is
29 subject to chapter 43.03 RCW.

30 (6) If the system improvement team encounters statutory or
31 regulatory barriers to system improvements, the system improvement
32 team must inform the infrastructure policy advisory group and consult
33 on possible solutions. When achieving the designated outcomes would
34 be best served through changes in program structures or authorities,
35 the system improvement team must report those findings to the
36 infrastructure policy advisory group.

37 (7) The infrastructure policy advisory group must report to their
38 respective caucuses and the governor on the status of the system
39 improvement effort, any remaining needs for reform, and remaining
40 barriers to reform.

1 (8) This section expires June 30, 2019.

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