

# Inventory and Evaluation of the State's Public Infrastructure Programs and Funds

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**Office of  
Financial Management**  
State of Washington

December 16, 2005



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## **ACKNOWLEDGEMENTS**

More than 150 people contributed their time, perspectives and insights in helping the study team understand Washington's infrastructure program and funding system. We thank all of those contributors, who generously shared their experiences, candid observations and ideas to help make the State's infrastructure system even stronger and more effective than it is today.



# **INVENTORY AND EVALUATION OF THE STATE'S PUBLIC INFRASTRUCTURE PROGRAMS AND FUNDS**

## **Executive Summary**

### **I. INTRODUCTION, PROJECT PURPOSE AND SCOPE**

Washington State funds and administers a number of infrastructure grant, loan and technical assistance programs for local and regional governments, special purpose districts, tribes, non-profit entities and other operating agencies. These programs grant and loan millions of dollars annually through competitive application processes and a mix of board, legislative and administrative review and approval processes. Each program is legislatively authorized, and over time the programs have evolved and shifted, with new legislative direction, priorities and funding sources and amounts. New programs have been created, some programs have lapsed, and new funding criteria and directives have been added to some programs.

In recent years, some program observers and stakeholders have noted the complexity of this network of programs, including various application processes and timelines, approval requirements and funding criteria. Reasonable observers have asked reasonable questions about the State's infrastructure programs, including: How efficiently are they operating? Is there collaboration across programs? Can they be consolidated? What is the customers' experience accessing these programs? How successfully are they functioning?

Given these questions, the 2005 Legislature commissioned a study of the State's infrastructure programs, and the Office of Financial Management (OFM) engaged the services of the policy and management consulting firm Berk & Associates to conduct an inventory and policy-oriented evaluation of the State's various infrastructure programs and funding sources. As directed by OFM, the study specifically excludes both transportation and information technology programs and funds.

## **II. PROGRAM OVERVIEW AND STRATEGIC MAPPING**

### **A. Infrastructure System Characterization**

More than 150 interviews were conducted for this project with stakeholders, clients and program staff. Through the interviews, program and funding inventory research and document review, a picture of the State's infrastructure programs emerged. The system can be characterized as:

- A diverse array of infrastructure investment programs offering both loans and grants serving a variety of needs, including economic development and the protection of public health and safety;
- A collection of programs, created and amended by the Legislature one at a time, to meet specific needs identified at that time and not designed to work together or recognized as an integrated system;
- An array of programs with some overlap, some of which benefits local jurisdictions and some of which create system inefficiencies;
- A complex network of programs that is not well understood, even by players involved in one or several aspects of the network – “an elephant that no one can see completely” and that is often misunderstood and under-understood; and
- A set of decentralized programs that, by their nature, lend themselves to suggestions for consolidation and restructuring, many of which have been identified and discussed over the years.

**Varying Programmatic Goals Drive Infrastructure Investment.** A key finding of this study is that the many State programs that make investments in local infrastructure do so to achieve a range of programmatic goals, with no overarching strategic direction.

Some programs, including **CERB's Traditional, Rural and Job Development Fund** programs make infrastructure investments to support an economic development outcome (with Washington's constitutional prohibition against public lending of credit to private enterprise, infrastructure investment is a particularly important element of the State's economic development toolkit). These programs are by designed by legislative intent, mission, operation, and outcome to function as business recruitment, expansion, and retention incentives, measuring their success in terms of the job and investment outcomes generated by business subsequent to the completion of the public sector project. **CDBG** programs may also have an economic development purpose to infrastructure investment.

Other programs make infrastructure investments to support programmatic goals of meeting regulations that protect public health and safety. Others may make infrastructure investments with the goal of enhancing a community's quality of life. It is important to understand these different programmatic goals, and it is also important to recognize areas of overlap. When seeking locations for expansion or relocation, industry and large business often consider the quality and operation of basic infrastructure such as water and wastewater systems. Those programs that are structured to protect a population's health and safety – or the cleanliness of a community's natural environment – are therefore playing an important role in economic development, providing an essential foundation for private enterprise to build upon.

A conclusion of this study is that despite the varying programmatic goals of programs that make infrastructure investments, there are fundamental commonalities inherent in how they operate and the systems required to support their efficient and effective management.

**Financial Context.** Exhibit ES - 1 shows the total array of State-to-local infrastructure funding categories in Washington, and the approximate funding levels within each category. For the 2003-05 biennium, the capital budgets for these categories totaled \$2,003,000,000. These budget numbers include both State and, where applicable, federal contributions to the programs. The total State budget (operations and capital) was \$53 billion for the biennium, so capital funding for local infrastructure received 3.8% of the budget. It comprised 34.5% of the total capital budget, \$5.8 billion.

As the Exhibit shows, the program areas encompass State and federal pass-through funding in eight major categories: basic infrastructure (defined as water, wastewater, stormwater and solid waste projects)<sup>1</sup>; transportation infrastructure, including public transportation; K-12 school construction; housing assistance; community economic development, including community facilities; outdoor recreation; historic preservation; and member- and governor-added local/community projects.

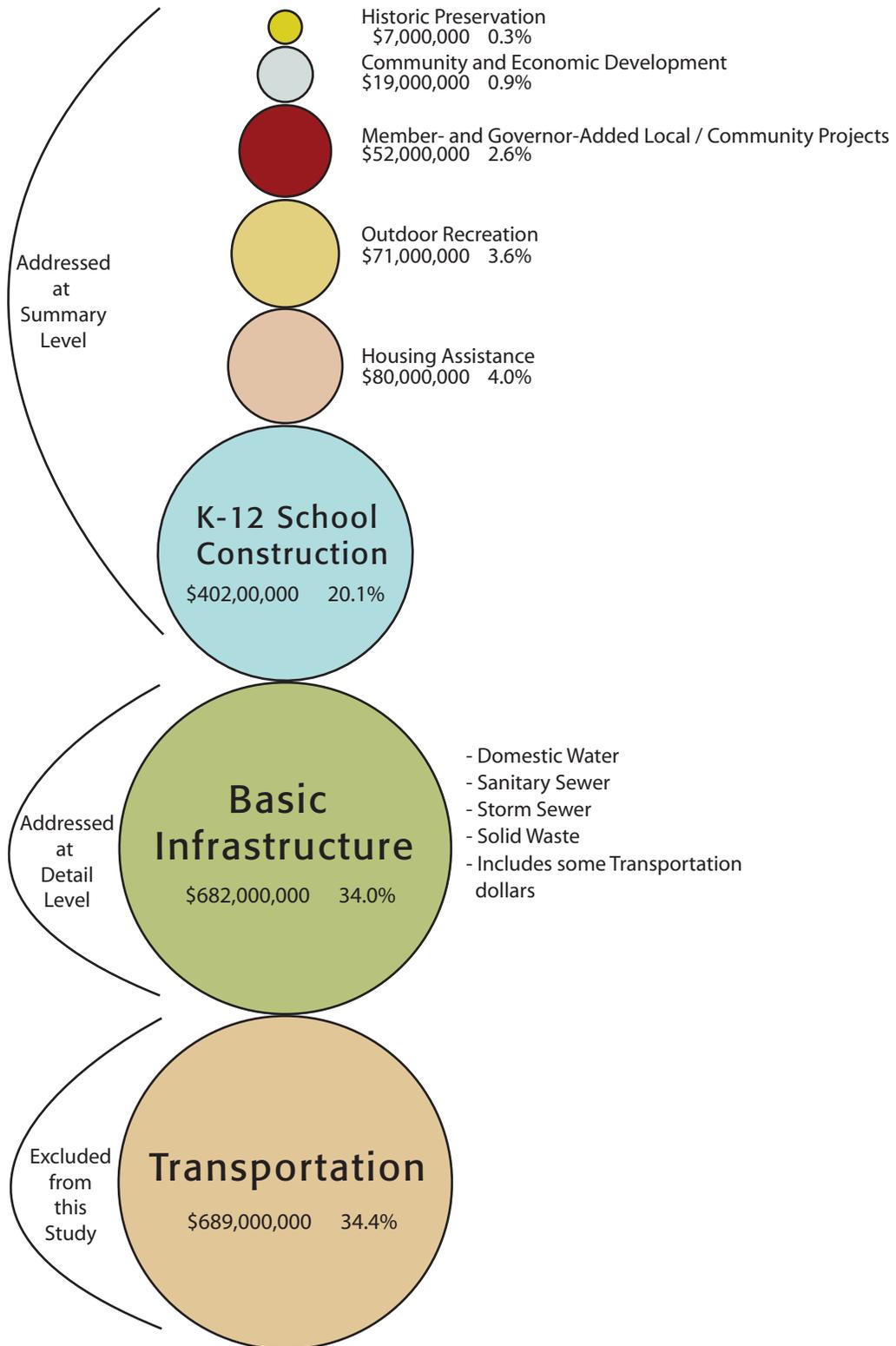
Related funding types not addressed in this study and not represented in the Exhibit include State-to-State funding programs, such as for State facilities and higher education funding, and natural resource-focused programs not addressing built infrastructure, including salmon recovery, marine restoration, wetlands enhancement and other environmental programs.

As Exhibit ES - 1 reflects, the basic infrastructure and transportation infrastructure categories each make up roughly a third of total local infrastructure funding. K-12 School Construction funding is the third largest single category, at about 20%, and the remaining five categories together make up about 12%. Because the amount budgeted for pass-through infrastructure funding in 2003-05 totaled more than \$2 billion, even the smallest category, Historic Preservation at 0.3%, received \$7 million in funding.

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<sup>1</sup> Some funding for transportation is also included in this category through the Public Works Trust Fund, as well as funding of Business and Economic Development Facilities through the CERB programs.

**Exhibit ES - 1**  
**State-to-Local Infrastructure Capital Funding in 2003-05:**  
**A \$2 Billion System**



Source: Berk & Associates, 2005

Note: Budgets are rounded to the nearest million dollars and include both State and Federal funds.

## **B. Strategic Mapping to Illuminate the State's Programs**

Given the complexity and challenge of understanding the State's programs, several strategic maps and schematic diagrams have been developed to graphically illustrate key aspects of the programs and how they relate to each other.

**Legislative History and Program Timeline.** Washington's complex network of infrastructure programs and funds is a consequence of State and federal directives and actions taken over time. Exhibit ES - 2 presents a timeline of creation for the State's infrastructure system. As shown in the Exhibit, programs are regularly added and amended by Congress, the Legislature, and the State's voters. Most recently, two new programs were added in the 2005 legislative session: the CERB Job Development Fund and the Economic Development Strategic Reserve account. Other programs were added in 2003 and 2004 – the **Water System Acquisition and Rehabilitation Program** and the **Water Infrastructure Program** – and in 1999 the **Small Communities Initiative** and **State Drought Preparedness Account** were added.

**Washington's Infrastructure System Has More Than 80 Programs.** Exhibit ES - 3 presents the array of State-to-local infrastructure funding programs currently operating in Washington. The Exhibit shows that there are more than 80 programs and sub-programs administered by 12 State agencies. Programs that are the focus of this report are shown in green, and shared authority among different agencies is represented by dotted lines. Programs for which award lists must be approved by the Legislature, often as part of an agency budget request, are marked with an "L." Those requiring approval by the Governor prior to being submitted to the Legislature, or which the Governor approves without the advice of the Legislature, are marked with a "G."

The Exhibit includes the State's transportation agencies and major transportation programs, since there are areas of intersection and sometimes overlap with transportation programs by the programs included in the study, in particular those administered by the PWB and CERB.

Exhibit ES - 3 focuses in on the basic infrastructure funding programs analyzed in this study. It shows the programs in their organizational location and highlights their funding sources – State funding only, or Federal funding matched with State funding. It also shows what types of assistance can be offered by each program – loans only, grants only, or both loans and grants.

**Basic Infrastructure Programs and Relationships.** Exhibit ES - 3 also shows where formal relationships exist between agencies to share responsibility for programs, as defined by the Legislature. The **Drinking Water State Revolving Loan Fund (DWSRF)** and the **Water System Acquisition and Rehabilitation Program (WSARP)** are both jointly administered by the State Department of Health (DOH) and the PWB. The **CERB Job Development Fund** is administered by CERB with PWB and legislative project approval, and the **Economic Development Strategic Reserve Account** is administered by the Economic Development Commission with project approval by the Governor's Office. Finally, **Safe Drinking Water Action Grants** are administered by the Solid Waste Program within the Department of Ecology, but the Department of Health identifies which sites are eligible for the program and provides technical oversight regarding water quality standards.

Exhibit ES - 4 lists the basic infrastructure funding programs and shows which project types they fund. The Exhibit reflects the degree of funding overlap among the programs. Projects that address drinking water, for example, can be funded by ten different sub-programs within seven main programs that are

administered by three departments and two Boards within three agencies. In addition, two of these sub-programs require legislative approval for every project.

Six of the listed categories can be funded by five or more different programs. These six categories are: Drinking Water (10 eligible programs); wastewater (10); stormwater (10); flood/irrigation management (9); solid/hazardous waste (6); and transportation (7).

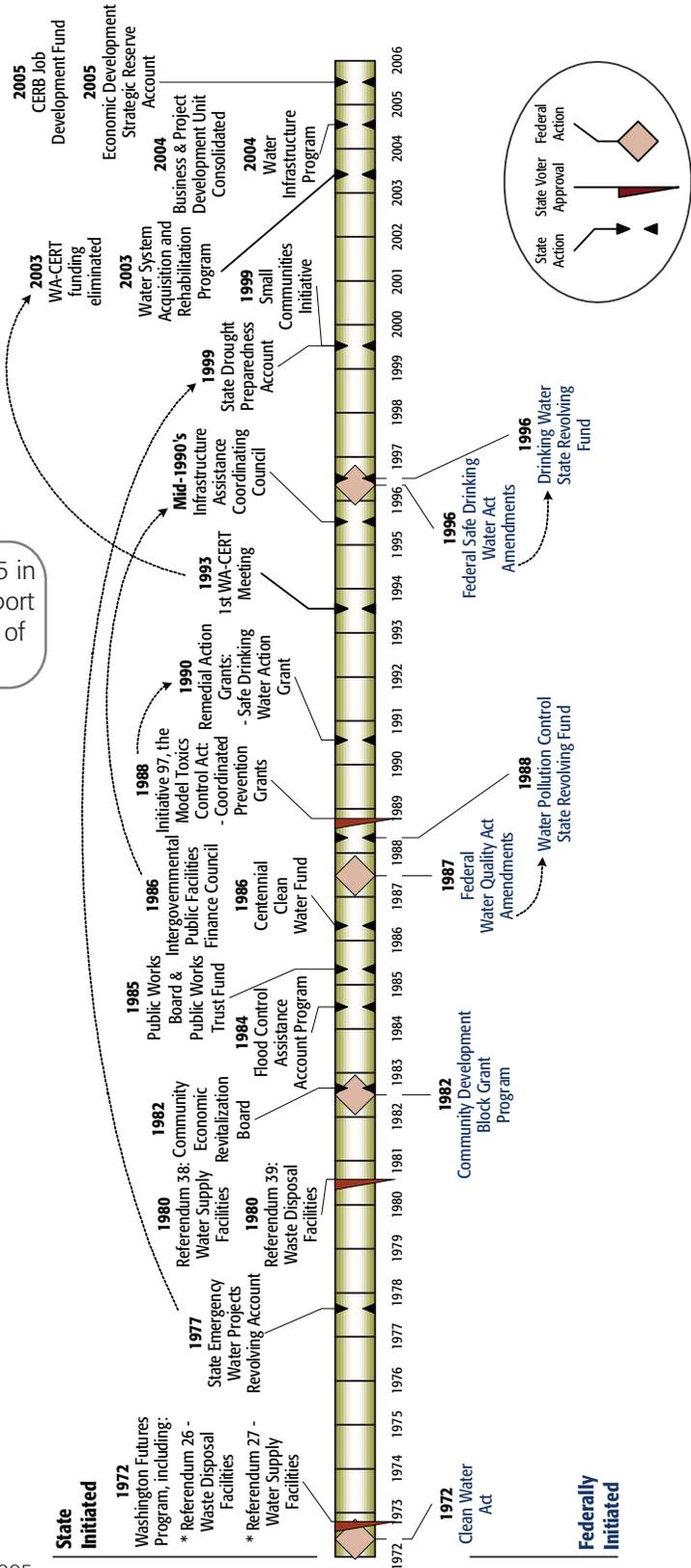
To some extent overlap is unavoidable because there is overlap among the federal programs in which the State participates. For example, some of the CDBG set-asides overlap with the Drinking Water State Revolving Fund and the Water Pollution Control Revolving Fund, even though the DWSRF and the WPCRF do not overlap. When the State has chosen to supplement federal programs with its own programs, which fund similar types of projects, there is also overlap driven by State law. Additionally, some of the overlap shown in the Exhibit is the result of sub-programs sharing part of their requirements with their sibling programs. The PWTF, for example, has two sub-programs shown here that fully overlap regarding the types of projects they can fund, but which differ regarding the situation in which each is used. PWTF Emergency Loans may support the same types of projects as the Construction Loans, but only within the scope of a declared emergency.

However, not all of the categories overlap. Both "Business and Economic Development Facilities" and "Other Utilities," here defined as power, telecommunications and natural gas, can only be funded by CERB programs, including the Job Development Fund. Two other categories, Housing and Health Facilities, are both funded only by set-asides within the CDBG program.

## Exhibit ES - 2

### Basic Infrastructure Programs: A System of Programs Assembled Incrementally Over 30 Years—Timeline of Program Creation: 1972 - 2006

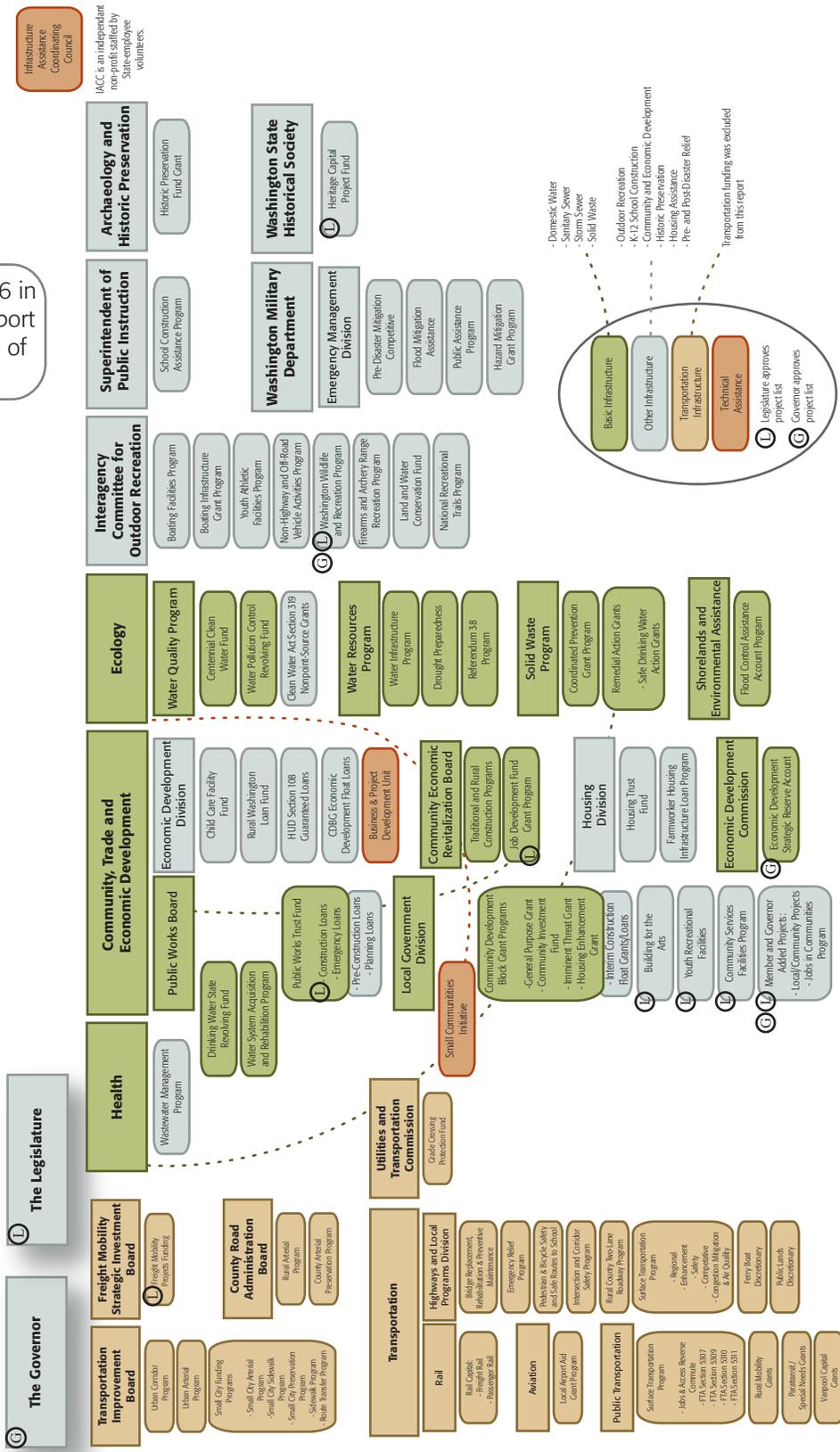
Please see Exhibit 5 in the body of the report for a larger version of this graphic.



Source: Berk & Associates, 2005

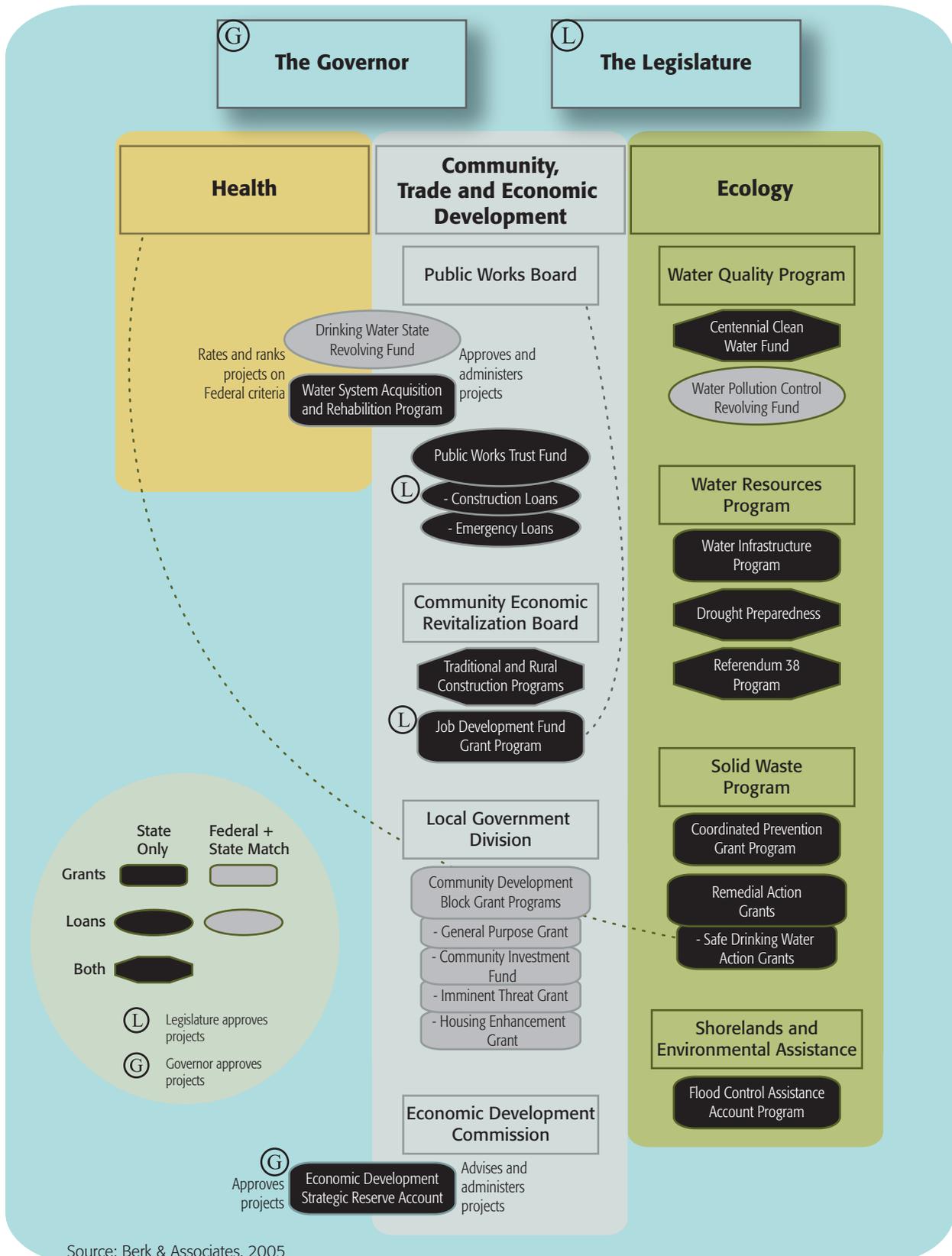
# Exhibit ES - 3 System Map for All Washington State-to-Local Infrastructure Funding, 2005

Please see Exhibit 6 in the body of the report for a larger version of this graphic.



Source: Berk & Associates, 2005

**Exhibit ES - 4**  
**System Map for Washington State-to-Local Basic Infrastructure, 2005**



**Exhibit ES - 5  
Basic Infrastructure Programs and Eligible Project Categories, 2005**

Please see Exhibit 8 in the body of the report for a larger version of this graphic.

	Awarded 2004	Capital Budget 2005-7	Drinking Water		Storm Water	Flood/Irrigation Management	Housing	Community Facilities		Outdoor Recreation	Other Utilities	Business & Economic Development Facilities						
			Grant	Loan				Health Facilities	Public Safety									
<b>Public Works Board</b>																		
Public Works Trust Fund Construction Loan	\$155,000,000	\$248,300,417	<input checked="" type="checkbox"/>															
Public Works Trust Fund Emergency Loan	\$2,154,890	\$3,000,000	<input checked="" type="checkbox"/>															
<b>Community Economic Revitalization Board</b>																		
Traditional and Rural Construction Programs	\$6,318,137	\$20,448,657	<input checked="" type="checkbox"/>															
Job Development Fund	\$0	\$0*	<input checked="" type="checkbox"/>															
* \$50 million in Legislature-selected projects will be administered by staff in 2005-7; \$50 million in grants will be awarded each biennium.																		
<b>Dept. of Health / Public Works Board</b>																		
Drinking Water State Revolving Fund	\$39,000,000	\$20,000,000	<input checked="" type="checkbox"/>															
Water System Acquisition and Rehabilitation	\$4,000,000	\$2,000,000	<input checked="" type="checkbox"/>															
<b>Community Development Block Grant</b>																		
CDBG Community Investment Fund Grant	\$5,137,187	\$4,107,728	<input checked="" type="checkbox"/>															
CDBG General Purpose Grant	\$10,201,164	\$21,668,448	<input checked="" type="checkbox"/>															
CDBG Housing Enhancement	\$624,578	\$800,000	<input checked="" type="checkbox"/>															
CDBG Imminent Threat Grant	\$0	\$166,000	<input checked="" type="checkbox"/>															
<b>Dept. of Ecology Water Quality</b>																		
Centennial Clean Water Fund	\$11,176,478	\$38,000,000	<input checked="" type="checkbox"/>															
Water Pollution Control Revolving Fund	\$85,161,045	\$239,616,286	<input checked="" type="checkbox"/>															
<b>Dept. of Ecology Water Resources</b>																		
Drought Preparedness	\$1,600,000	\$6,600,000	<input checked="" type="checkbox"/>															
Referendum 38 - Water Supply Facilities	\$7,000,000	\$0	<input checked="" type="checkbox"/>															
Water Infrastructure Program	\$5,800,000	\$12,000,000	<input checked="" type="checkbox"/>															
<b>Dept. of Ecology Shorelands &amp; Environmental Assistance</b>																		
Flood Control Assistance Account	\$1,214,000	\$2,100,000	<input checked="" type="checkbox"/>															
<b>Dept. of Ecology Solid Waste</b>																		
Coordinated Prevention Grant	\$18,100,000	\$14,200,000	<input checked="" type="checkbox"/>															
Safe Drinking Water Action Grants	\$75,750	\$3,000,000	<input checked="" type="checkbox"/>															
<b>Number of Programs Funding this Infrastructure Category</b>			14	8	10	10	10	10	6	9	3	3	2	2	3	1	7	2

Source: Berk & Associates, 2005

### III. STRATEGIC SYSTEM ASSESSMENT AND PROGRAM EVALUATION

The strengths, challenges and opportunities of the State's local infrastructure funding system are summarized below:

#### A. Strengths

- Client satisfaction with programs is high
- Washington is considered a national leader in performance measurement
- Washington's infrastructure programs are well respected and the State is considered a national model for infrastructure funding
- Washington offers more programs and funding opportunities to local governments than most states
- The mix of loan and grant funds helps local governments meet their needs, and both play important roles in the system
- Programs are operating as intended by the legislature
- Significant technical assistance is provided and inter-program collaboration happens informally

#### B. Challenges

- The State has a collection of programs not designed to operate as a system
- Overlap among programs exists and makes the system less efficient
- Not clear how to define program success
- The system of programs continues to grow and change, with new programs added and in some cases deleted
- The proliferation and complexity of programs has unintended consequences
- Increasing project earmarks complicate program operations
- Independent boards operating within administrative agencies pose management challenges
- The effectiveness of many programs is challenged by understaffing

#### C. Opportunities

- Many component parts are in place to create a workable system
- Statewide infrastructure policy direction is needed
- Client satisfaction is high, but programs are not well understood by observers and stakeholders

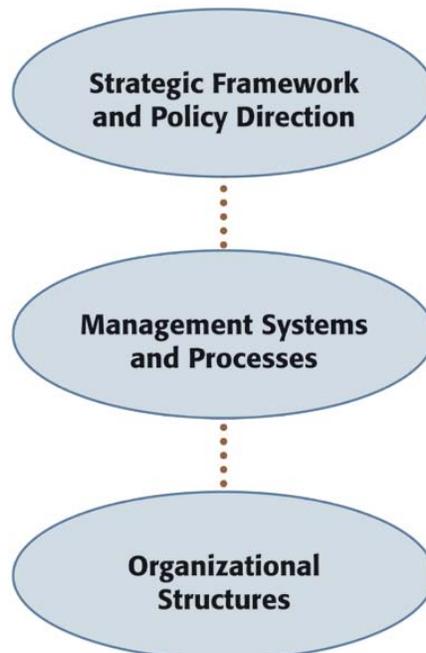
## IV. ELEMENTS OF AN OPTIMALLY DESIGNED, GOVERNED AND MANAGED SYSTEM

### ***Overview: Assessment Framework***

Recommendations in the following Section are founded on a strategic management framework that integrates and prioritizes three requirements for a well-managed organization or system of organizations: (1) clear strategic framework and policy direction; (2) robust management systems and processes; and (3) aligned organizational structures.

Exhibit ES - 6 shows the linear relationship among these three system attributes, reflecting the concept that an overarching strategic framework, policy direction and priorities should drive implementation of management systems and processes, which in turn help define appropriate organizational structures. Following this construct means that organizations should focus first and most broadly on defining a clear strategy and policy direction, from which meaningful performance and outcome measures can be developed. Operationalizing the strategy and policy direction is the responsibility of agency managers, through design and implementation of effective systems and processes, including information technology, human resources, financial management, and communication and reporting systems. The question of how this can most effectively and efficiently be accomplished, by itself and in alignment with the broader policy objectives, is answered through thoughtfully designed organizational structures and relationships.

### **Exhibit ES - 6 Strategic Management Framework Aligning Strategy, Systems and Structures**



Source: Berk & Associates, 2005

## **A. Strategic Framework and Policy Direction**

An optimal system of infrastructure programs would have:

- Strategic Policy Direction on State Investment Goals and Priorities
- Strategic Plans and Planning Processes for Each Program
- Performance Measures That Effectively Communicate Program Impacts and Outcomes

## **B. Management Systems and Processes**

Desired management systems include:

- Excellent Service Provision
- Responsiveness to Customer Needs and Stakeholder Feedback
- An Efficient Award Process
- Financial Management, Including Fiscal Policies and Tools
- Communication and Reporting
- Information Technology Systems
- Organizational Learning and Growth

## **C. Aligned Organizational Structures**

In an optimal system, organizational structures in place would be aligned with organizational missions and operating requirements. Programs with similar missions would be organized together. Where programmatic requirements and features dictate different operating approaches and/or different constituencies, separate organizations should be considered. The goal is to have mission-focused organizations, with efficient internal systems and relatively clear constituent bases. Developing such an organizational structure is more art than science, and represents one of the most challenging leadership tasks. There is often pressure to reorganize structures to solve underlying strategic or systemic problems – this is a pressure to be resisted as it will not solve the root problems.

Organizational structure questions have been posed in this study: should there be consolidation or reorganization of existing programs and agencies? The best approach for the State would be to centralize program administration to provide “just enough” program management and oversight, and no more. Where programs do similar or related activities, their work would be centralized in as few organizations as possible. A particular question for Washington’s dispersed network of programs is how integrated and coordinated the key internal management systems should be – particularly the fiscal management of loan and grant funds, and data collection, analysis and reporting systems – two areas where system standards and integration are appropriate. At a minimum, effective coordination across programs is needed to provide for data integration and common outcome reporting measures, information sharing and best practices discussions, and organizational learning.

## **V. RECOMMENDATIONS**

Nine major recommendations are organized into three related categories: strategic framework and policy direction; management systems and processes; and organizational structure.

### **A. Strategic Framework and Policy Direction**

**Overview.** Four recommendations are presented below to increase the strategic focus and direction of the State's infrastructure programs, and to recognize the systemic effects of program relationships. The recommendations are intended to enable the State's programs to work together, across agencies, as an interactive system, with alignment between policy, management and performance outcomes.

#### ***1. Govern and Manage the Programs as a System***

The programs are a de facto system of investing and distributing millions of dollars annually across the State. The programs need to be recognized as a system, in which action in one part of the organism triggers impacts and reactions elsewhere. Strategic policy direction and management approaches that enable the whole system to function more effectively are needed.

#### ***2. Strategic Direction on State Investment Goals and Priorities is Needed***

Given biennial spending of around \$650 million on the State-to-local infrastructure programs included in this report (plus nearly \$700 million in State-to-local transportation funding), the State has a responsibility to assume a more strategic investment approach to the distribution of this funding. A more focused approach to program creation is recommended, one that makes best use of the existing program network, and that discourages the creation both of new programs to address specific new needs, and member- or Governor-added projects that duplicate areas of focus by one of the existing competitive programs. Instead, development of a strategic investment framework that provides overarching policy direction to the programs is recommended, resulting in more focused operational management and priority-setting. This policy direction should be broader than those programs identified in this report as having to do with "basic" infrastructure. Funding for a broader range of infrastructure, including transportation infrastructure, should be included under this strategic investment framework.

A particular area to be addressed in this framework is the dynamic tension that exists on the one hand between the State's responsibilities for infrastructure safety, public health and system preservation, and on the other hand, the need for the State to participate effectively in economic development initiatives. These two areas of focus are important and interlinked, and the State strategic direction on infrastructure investments should articulate a commitment to both while establishing overarching goals and priorities for investments made across programs. Until this year, the economic development component of infrastructure investment had been an underemphasized element of the State's system; this has been redressed through the two new economic development funds created by the Legislature. However, with the **CERB Job Development Fund** sunsetting in 2011, this mechanism to address economic development needs is temporary.

### ***3. Strategic Plans and Planning Processes are Needed for Each Program***

Each program should develop a strategic plan that is in alignment with the State's overall strategic direction and priorities, and that articulates goals and action steps in key areas, including: program improvements and customer service; financial and cost management; internal systems development and improvement; communication and reporting; and organizational growth and learning. These plans should also include outcome-based performance measures. Performance measures and metrics should flow from and be aligned with overall strategic direction, goals and activities. The strategic plans are the place to link the GMAP outcome measures to agency activities. This is necessarily an iterative process – the agency's planned activities need to be congruent with the outcome measures they wish to report. If the activities can't support the measures, management should look critically at both ends – at the internal systems in place and at the reasonableness of the performance measure.

### ***4. Create an Infrastructure Policy Forum to Coordinate Across Agencies and Programs***

In addition to supporting better coordination and collaboration, establishing an Infrastructure Policy Forum would facilitate organizational learning and growth. Even with existing programmatic objectives which range from ensuring public health and safety to environmental protection to economic development, these programs share a common tool – infrastructure investment – and many common functions. They have much to learn from one another, including best practices related to providing technical assistance; soliciting and evaluating applications; grant and loan management; and overall financial management.

The Infrastructure Policy Forum may serve as the best mechanism to advance this study's recommendations, particularly in the short-term. The study's first three recommendations listed above call for more coordinated management of the State's infrastructure investing programs. Until overarching strategic direction is formally established by the State's policy makers, the Forum can serve to articulate increasingly broad strategic direction and priorities, can advance cross-program coordination and help the programs align around shared strategies. Given this role, we recommend that the Forum be established as an early step in improving management of the State's infrastructure investment programs.

Composition of the Forum's membership is critical, both to ensure adequate representation of diverse views, including those of local government, and to ensure that Forum participation is an agency priority. It will also be necessary to provide adequate staff and other resources to support the Forum's success.

The Forum could be modeled on the **Governor's Forum on Monitoring Salmon Recovery and Watershed Health**, comprised of agency heads who meet quarterly to coordinate technical and policy issues and actions. The Forum was created by Executive Order, is staffed by the IAC, and is required to report biennially to the Governor, the Legislature and the Salmon Recovery Funding Board. Another model is the **Governor's Economic Revitalization Team (GERT)** in Oregon, in which eight agency heads meet monthly to bring their combined resources to bear on priority projects. GERT was also formed by Executive Order, and issues an annual report describing progress on the group's activities and programs. The Team also issues an Annual Performance Progress report, with key metrics.

## **B. Management Systems and Processes**

**Overview.** The State’s infrastructure funding programs are working relatively well in terms of day-to-day service provision and customer service. Funds are disbursed to local entities based on delineated procedures and following clear selection criteria, guidelines and processes. Program staff are focused on providing technical assistance to the jurisdictions to develop good project applications, and efforts are ongoing to provide good customer service through outreach with communities and on-call assistance in completing project applications.

Organizational efficiency and effectiveness is very much dependent on having good internal systems and processes in place. While the importance of internal systems is often underappreciated, functional and integrated systems enable an organization to deliver quality services in a timely and cost-effective manner. This evaluation finds that the most significant improvements needed within the State’s network of programs are system improvements in three related areas: financial management; communication and reporting; and information technology systems.

### ***5. Recognize and Effectively Manage the Infrastructure Programs as Banks***

Staff with specific expertise in fund management and banking, as well as staff with expertise in public fund management and local financing alternatives for local infrastructure investments, should be engaged to review and manage program funds and portfolios. This expertise will augment existing staff expertise in program-specific issues such as economic development, environmental management and basic infrastructure planning. Fund management practices for each program should be analyzed, and a baseline assessment should be prepared of the practices, principles and tools in place for each program. Best practices and common financial policies for the programs should be developed to ensure that programs are putting their resources to work as effectively as possible. Issues to be addressed should include loan rate strategies, terms and conditions offered; risk-modeling; fund balance levels and reserve requirements; cash management approaches and other aspects of fund management.

The maintenance of funding sources in perpetuity is highly desirable, with interest rate strategies established to support this outcome. These interest rate strategies should not be developed for individual programs in isolation, however, as it is important to maintain a mix of funding sources, including sustainably managed loan programs – and lower cost loans or grants for jurisdictions which cannot afford loans priced to offset inflation over the lifespan of the program. The tension between providing low-cost funding to communities that need it, while at the same time practicing sound financial management, will continue to be a challenge.

Interest rate strategies for individual programs should be established and updated not only with reference to other programs in the system, but also with regard to conditions in the municipal bond market. For credit-worthy clients, prevailing market rates have significant impact on the relative attractiveness of State programs. To make most efficient use of public funds, the State should explore ways to support and facilitate local government access to the bond market, including mechanisms to pool debt to achieve more desirable terms. Other states provide examples of how this may be done.

To support programs operating effectively as banks by efficiently distributing available funds, options should be explored to streamline award-making processes. Options include pre-appropriation of

funds, non-appropriation for State Revolving Funds and a reduction in the number of oversight bodies that must approve awards.

The relationship among overlapping programs – particularly the **Public Works Trust Fund** and Ecology's **Water Quality Program** – should be specifically analyzed, including an assessment of appropriate interest rates, loan terms and award conditions to enable the programs to function effectively and efficiently as a system.

### ***6. Invest in Financial Management Systems that Increase Efficiency and Reduce Duplicated Efforts***

Currently, each program and agency has its own accounting and financial reporting system, which is not integrated with the State's central accounting and financial reporting system (AFRS). For some programs, accounting information is entered two or three times, once in the program's accounting system, again at the agency level, and again into AFRS.

### ***7. Invest in Modern Enterprise Information Systems to Support Integrated Program Decision-Making and Reporting***

The State needs effective information systems tools that can efficiently track program operations and funding awards, and that can integrate across programs, activities and departments. The State is currently operating with legacy systems that are 10, 12, 13 or more years old. While some programs and agencies have better systems than others (IAC's PRISM system is especially notable for effectively integrating all aspects of program management from on-line applications to grant tracking to performance monitoring), in general the State has historically underinvested in information systems that can make programs function more efficiently, by themselves and as a system. The programs assessed each have different information systems and different levels of expertise about information technology and systems management. With renewed emphasis on accountability, performance measures and results – by the Governor, the Legislature and the public – good program data and data reporting tools are critically needed. Cross-agency efforts to design and acquire a new enterprise data management system are currently underway between CTED and DOE. This effort should be approved and supported with financial and staff resources.

### ***8. Use Information Technology to Create a Single Portal of Electronic Entry into the State's System for Improved Information Processing, Collection and Reporting***

A single portal would serve multiple purposes and have multiple benefits. It would:

- Enable the State to capture comprehensive information on program applications and jurisdictions' needs
- On-line applications could be updated as needed by jurisdictions and from year-to-year
- Serve as a host for a needs database – local governments could enter their capital facility projects and needs into the system on an annual basis, enabling the State to assemble a relatively low-cost Statewide infrastructure database (while such a database would be useful for cataloging

communities' known basic infrastructure needs, it would be less relevant for programs such as CERB which respond to opportunities to support the siting or expansion of specific businesses)

- Performance measures by program could be posted to the home page, providing easy access to this important information

The IACC's website could be a starting point for the portal. The Council could play a role in creating or participating in creating a single portal into the State system of infrastructure programs. The IACC is not a State agency or program, but a non-profit organization staffed by volunteers, so appropriate roles and the source of additional support resources would need to be determined. Staff are already working on a local infrastructure needs assessment database (LINAS) which would enable local governments to centrally report their infrastructure needs.

### **C. Organizational Structure**

**Overview.** Many organizational issues and options were assessed in this study. These include: joining administration of the two environmental state revolving loan funds – the Water Pollution Control SRF and the Drinking Water SRF; adding the WPCRF to the DWSRF/PWTF joint administration arrangement; supporting programmatic and financial administration of program; grouping CTED's infrastructure programs together into one Division in the agency; spinning CTED's infrastructure programs off into a separate agency; and others. For each option, the potential benefit of the change was assessed against the costs: administrative, financial, legal, political and programmatic.

#### ***9. Group CTED's Infrastructure Programs in One Division within the Agency***

Co-locating CTED programs that make investments in local infrastructure will facilitate information sharing and collaboration around program needs and opportunities, and even more importantly, will provide an organizational platform for integrated system improvements in the most needed areas: financial management, communication and reporting, and information technology systems.

While program goals may range from the protection of public health and safety to economic development, these programs share much in common, including their use of infrastructure investment as a means to achieve their programmatic goals, the financial management challenges of operating effectively as banks, and some portion of their typical client base. In today's decentralized system, program staff do a commendable job collaborating with other programs, through formal and informal mechanisms including the IACC, the SCI and simply by knowing one another's programs and assisting communities in locating the most appropriate funding source.

Co-locating programs in one division represents the best opportunity to establish broad, unifying strategic direction, together with common practices, common systems and common reporting. The desired result is not merely a change to the Department's organization chart, but a group of related programs that truly operate as a division.

It is important to continue to recognize the differences among these programs, acknowledging that while local infrastructure investments are a common focus, this tool may be employed to differing ends. Our proposed name for this new division – the Economic and Infrastructure Investment Division – reflects this complexity.

A concern articulated by some stakeholders is that grouping the programs – and their funding – together will make them more of a fund-raiding target, or will otherwise reduce funds flowing to the programs. While this would not be a desirable outcome, the systemic and organizational benefits of grouping entities that share much in common outweighs the potential risks associated with their grouping.

Exhibit ES - 7 shows those CTED programs recommended for co-location within the Economic and Infrastructure Investment Division. Other programs noted are not recommended for co-location, though they may share some of the same commonalities. Therefore, it is recommended that these other programs participate in the Infrastructure Policy Forum and be held to common financial management practices. The Exhibit reflects the rationale guiding each recommendation.

The option of separating the infrastructure programs, particularly the Public Works Board, into a new agency is one that likewise has had its proponents, and CTED has recently created the Public Works Board Division. However, separating the Boards, and/or programs from CTED and creating a new agency is not recommended at this time. Such a reorganization is likely to further silo these programs, and consequently work against addressing the common challenges they face. Addressing the key challenges – improving and integrating application processes; developing financial management principles and standards – improving data collection and reporting systems; and developing appropriate performance measures will go a long way toward integrating the individual programs into a more efficient and cohesive system of programs.

**Exhibit ES - 7  
Recommended Co-Location of CTED  
Economic and Infrastructure Investment Programs**

<b>Economic Development Division</b>	<b>Local Government Division</b>	<b>Housing Division</b>	<b>Comments</b>
<b>Programs Recommended for Co-Location</b>			
<b>Community Economic Revitalization Board</b> Traditional Program Rural Program Job Development Program	<b>Public Works Trust Board</b> Public Works Trust Fund Programs Drinking Water State Revolving Fund Water System Acquisition and Rehabilitation Program		These programs share a focus on “basic” infrastructure development, though they do so for different programmatic missions.
	<b>Community Development Block Grant Programs – Local Government Division</b> General Purpose Grant Community Investment Fund Imminent Threat Grant Housing Enhancement Grant Planning-Only Grant Public Service Grant Housing Rehabilitation Grant Interim Construction Float Grant/Loan		Many CDBG programs share a focus on basic infrastructure development. While other programs do not, it would be undesirable to locate CDBG staff in separate divisions, particularly given the common federal requirements under which the programs operate.
<b>Child Care Facility Fund</b>	<b>Capital Programs</b> Building for the Arts Community Services Facilities Program Youth Recreational Facilities Program <b>Local/Community Projects; Jobs in Communities Program</b> <b>Small Communities Initiative</b>		While not focused on “basic” infrastructure, these programs share the practice of supporting capital development in local communities.  SCI is an important element in the State’s basic infrastructure funding system.
<b>Programs Not Recommended for Co-Location</b>			
<b>Business and Project Development Unit</b> <b>Community Development Block Grant Programs – Business Finance Unit</b> CDBG Economic Development Float Loan Rural Washington Loan Fund Section 108 Loan Guarantee		<b>Housing Trust Fund</b> <b>Farmworker Housing Infrastructure</b>	Given their focus on support for private enterprises, these programs should remain apart from the proposed new division. The CDBG programs listed here are currently administered separately from the State’s other CDBG programs.  A focus on affordable housing separates these programs from others recommended for co-location in the proposed new division.





# INVENTORY AND EVALUATION OF THE STATE'S PUBLIC INFRASTRUCTURE PROGRAMS AND FUNDS

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## **ATTACHMENTS**

- Attachment A. PROGRAM INVENTORY: SUMMARY TABLES
- Attachment B. PROGRAM INVENTORY: DETAILED TABLES
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- Attachment F. PROFILES OF LOCAL INFRASTRUCTURE FUNDING IN OTHER STATES
- Attachment G. STAKEHOLDER INTERVIEW SUMMARIES
- Attachment H. CLIENT AGENCY INTERVIEW SUMMARIES
- Attachment I. SOURCES: INTERVIEWS CONDUCTED AND BIBLIOGRAPHY

## ***Acronyms Used in this Report***

AFRS	Accounting and Financial Reporting System	JDF	CERB Job Development Fund Program
BPD	Business and Project Development Unit	JLARC	Joint Legislative Audit and Review Committee
CCWF	Centennial Clean Water Fund	KPM	Key Performance Measures (Oregon)
CDBG	Community Development Block Grant	LINAS	Local Infrastructure Needs Assessment
CERB	Community Economic Revitalization Board	MMBA	Michigan Municipal Bond Authority (Michigan)
CFHMP	Comprehensive Flood Hazard Management Plans	MVET	Motor Vehicle Excise Tax
CIF	Community Investment Fund Grant (CDBG)	OFM	Office of Financial Management
CLP	Construction Loan Program (PWTF)	OSPI	Office of Superintendent of Public Instruction
CPG	Coordinated Prevention Grant	PA	Public Assistance Program
CSBG	Community Services Block Grant	PFCLRA	Public Facilities Construction Loan Revolving Account
CSFP	Community Services Facilities Program	POG	Priorities of Government
CTED	Department of Community, Trade & Economic Development	PRISM	Project Information System
CWA	Clean Water Act	PUD	Pubic Utility District
DAHP	Department of Archaeology and Historic Preservation	PWAA	Public Works Assistance Account
DOE	Department of Ecology	PWB	Public Works Board
DOH	Department of Health	PWTF	Public Works Trust Fund
DWSRF	Drinking Water State Revolving Fund	RCW	Revised Code of Washington
EDSRA	Economic Development Strategic Reserve Account	REET	Real Estate Excise Tax
ELP	Emergency Loan Program (PWTF)	RWLF	Rural Washington Loan Fund
EMD	Emergency Management Division	SCI	Small Communities Initiative
FCAAP	Flood Control Assistance Account Program	SDWAG	Safe Drinking Water Action Grants
FMA	Flood Mitigation Assistance Program	SRF	State Revolving Fund
GERT	Governor's Economic Revitalization Team (Oregon)	SRFB	Salmon Recovery Funding Board
GMAP	Government Management Accountability and Performance	SWP	Solid Waste Program (DOE)
GPG	General Purpose Grant (CDBG)	U.S.C.	United States Code
HCP	Heritage Capital Project Fund	WAC	Washington Administration Code
HEP	Housing Enhancement Program (CDBG)	WIGP	Water Infrastructure Grant Program
IAC	Interagency Committee for Outdoor Recreation	WMP	Wastewater Management Program
IACC	Infrastructure Assistance Coordinating Council	WPCRF	Water Pollution Control Revolving Fund
ITG	Imminent Threat Grant (CDBG)	WPCSRF	Water Pollution Control Revolving Fund
		WQP	Water Quality Program (DOE)
		WRP	Water Resources Program (DOE)
		WSARP	Water System Acquisition and Rehabilitation Program
		WSDOT	Washington State Department of Transportation



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## 1.0 INTRODUCTION, PROJECT PURPOSE AND SCOPE

Washington State funds and administers a number of infrastructure grant, loan and technical assistance programs for local and regional governments, special purpose districts, tribes, non-profit entities and other operating agencies. These programs grant and loan millions of dollars annually through competitive application processes and a mix of board, legislative and administrative review and approval processes. Each program is legislatively authorized, and over time the programs have evolved and shifted, with new legislative direction, priorities and funding sources and amounts. New programs have been created, some programs have lapsed, and new funding criteria and directives have been added to some programs.

In recent years, some program observers and stakeholders have noted the complexity of this network of programs, including various application processes and timelines, approval requirements and funding criteria. Reasonable observers have asked reasonable questions about the State's infrastructure programs, including: How efficiently are they operating? Is there collaboration across programs? Can they be consolidated? What is the customers' experience accessing these programs? How successfully are they functioning?

Given these questions, the 2005 Legislature commissioned a study of the State's infrastructure programs, and the Office of Financial Management (OFM) engaged the services of the policy and management consulting firm Berk & Associates to conduct an inventory and policy-oriented evaluation of the State's various infrastructure programs and funding sources. As directed by OFM, the study specifically excludes both transportation and information technology programs and funds.

### 1.1 Infrastructure Inventory Categories and Key Definitions

Twelve categories of infrastructure programs were identified in the project's scope for inclusion in the study:

- Water quality
- Wastewater
- Stormwater
- Solid and hazardous waste
- Flood and irrigation management
- Emergency management
- Housing
- Health facilities
- Community facilities
- Public safety facilities
- Outdoor recreation

Initial work on the Program Inventory showed that there are a multitude and diversity of State programs within the infrastructure categories of interest. Some of these programs make infrastructure investments to support economic growth and development, while others make investments to protect public health and safety by ensuring adequate provision of essential water and sewer systems. The programs fund basic municipal infrastructure such as sewer, water and drainage system improvements, as well as provide capital funding for a range of community programs including cultural and youth recreational facilities; community service, historic structure and child care facilities; low income and farmworker housing; flood and hazard mitigation; and other programs. The **CERB**

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programs also fund “Business and Economic Development Facilities” to support business location and growth. In all, more than 100 programs were identified in the initial scan. Given the breadth of the term “public infrastructure,” and the range and diversity of the 100-plus infrastructure programs preliminarily identified, attention was devoted to developing criteria to define the types of programs appropriate for inclusion in the project.

**Infrastructure Definitions.** The American Heritage Dictionary of the English Language Fourth Edition (2000) defines infrastructure as: *“the basic facilities, services, and installations needed for the functioning of a community or society, such as transportation and communications systems, water and power lines, and public institutions including schools, post offices, and prisons.”* Similarly, The New Oxford English Dictionary (1993) defines infrastructure as: *“the installations and services (power stations, sewers, roads, housing) regarded as the economic foundation of a country.”* These definitions present a useful starting point for identifying programs which should appropriately be included in this study.

The website of Washington’s Infrastructure Assistance Coordinating Council (IACC) states that, *“At a minimum, ‘infrastructure’ includes the built and natural infrastructure that exists in our communities. Roads, streets, bridges, water systems, sewer systems, solid waste systems, recycling facilities, stormwater systems, energy systems, and irrigation systems are among the built infrastructure that IACC deals with every year.”* The text goes on to say, *“We are also concerned about wetlands, sensitive environmental areas, historical facilities, cultural artifacts, air quality, and other environmental issues.”*

This study – the purpose of which is both to inventory and evaluate – captures summary-level information on a relatively broadly-defined set of infrastructure investment programs. This was necessary to understand the State’s range of infrastructure-related programs. To focus the study on core programs, a more fundamental definition of infrastructure was used to select a sub-set of programs for cataloging and evaluating in more detail.

## **1.2 Study Scope and Tasks Conducted**

### ***Inventory Programs and Funding Sources***

A key finding from the many interviews conducted for this study is that no one person has a comprehensive understanding of the numerous programs that comprise the State’s mechanism for distributing infrastructure dollars to local entities. While policy makers, client agencies, program staff and other stakeholders may have an in-depth understanding and firmly held opinions about programs they interact with directly, no one understands more than their piece of the whole.

A primary intent of this study is to identify, map and describe the State’s collection of local infrastructure funding programs, as well as the funding mechanisms that support them. To support informed policy making, it is important to understand the universe of local infrastructure funding programs, as well as other related and connected programs. A significant policy change, reorganization or budget shift related to one program will have impacts on other programs. The more the interconnections among programs are understood, the more informed decision-making can occur, with reasoned tradeoffs and prioritization and fewer unintended and unforeseen consequences.

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As described in Section 2.0, analysis in this report focuses on a core set of programs which offer grants and loans to support “basic” infrastructure, whether that investment is made for economic development purposes, to protect public health and safety, or for other goals. Programs providing funding for transportation projects, community facilities, outdoor recreation, and other uses are described in summary detail to provide more comprehensive context.

Funding of State-owned infrastructure, including State government facilities, highways, parks, and universities is not addressed in this study, but is obviously a related topic. Funding for this study did not allow study of State funding for local transportation projects because transportation studies must be funded through the State’s transportation budget. The separation of these issues by this budgeting practice hides real connections and overlap among programs and how local governments approach infrastructure investments. As also noted in this study’s Recommendations (Section 7.0), the relationship between transportation and non-transportation programs should not be disregarded.

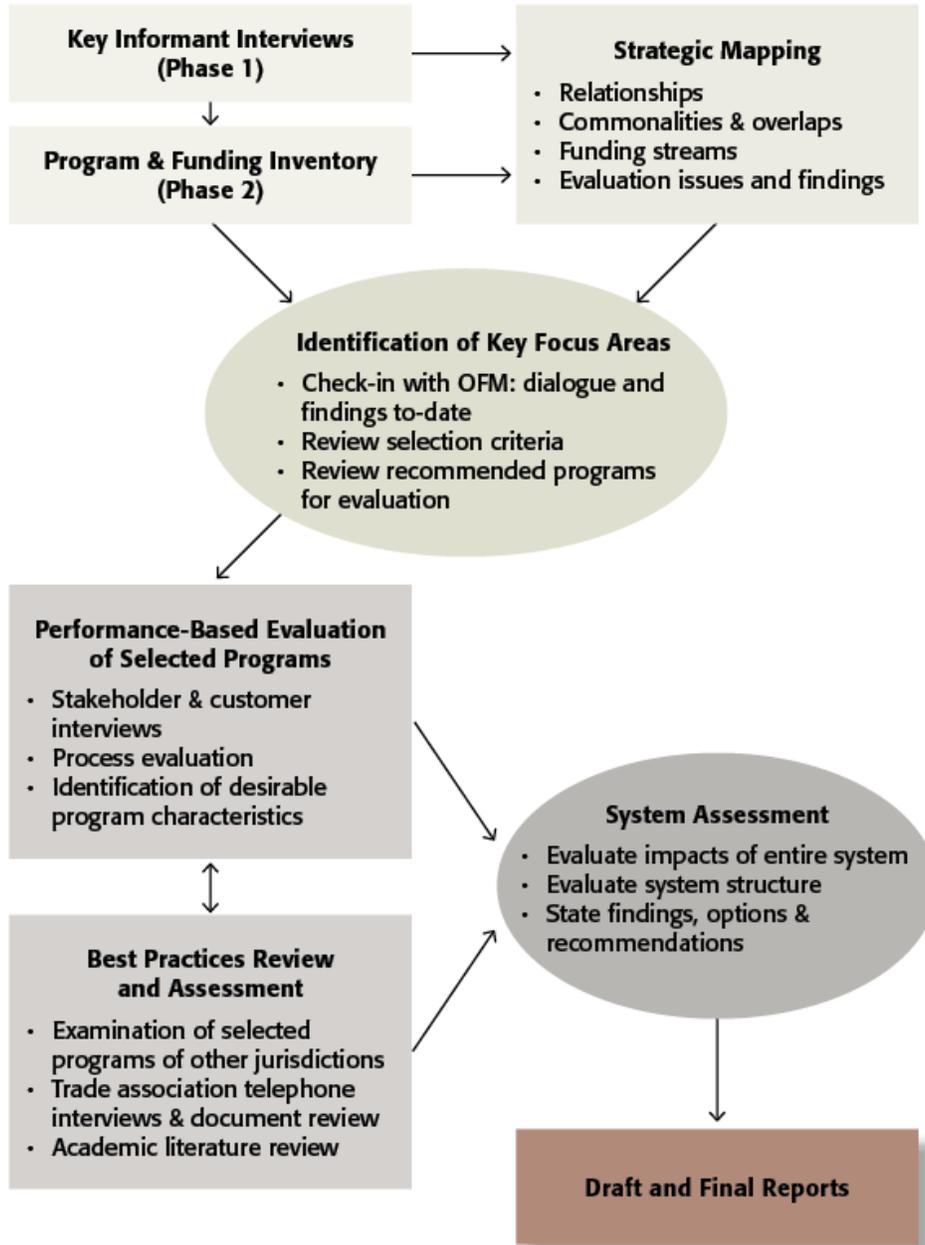
### ***Evaluation of Programs Individually and Collectively***

In addition to a descriptive inventory, the scope for this study called for program analysis, evaluation and recommendations. As described below, analysis was conducted of individual programs, and considerable time, discussion and thought was dedicated to evaluating how the collection of programs as a whole operates and is organized.

### ***Study Methodology and Tasks***

The study was conducted in a short time frame – three and a half months – from mid-August to December, 2005. Exhibit 1 presents the study’s work plan and a graphic illustration of the key tasks conducted.

**Exhibit 1**  
**Work Plan: State Infrastructure Program and Funding Inventory and Evaluation**



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The tasks delineated in Exhibit 1 are summarized below:

- **Strategic Mapping.** Strategic maps of the programs, purposes, relationships and points of connection or overlap and duplication were developed to visually diagram the programs and their funding sources.
- **Stakeholder and Informant Interviews.** More than 150 telephone and in-person interviews were conducted with legislators, legislative staff, senior agency staff, and board members and representatives of the trade associations that are significantly involved in the State's infrastructure funding process.
- **Identification of Key Program Evaluation Focus Areas.** Approximately 45 infrastructure programs that fit the study's definition and criteria were found to be operating in the State. Of these programs, a smaller subset of programs were identified for assessment in the program evaluation phase of the project. Selection and screening criteria identified were: size and scale of program; scale and impact of program awards; mix of grant and loan programs; mix of urban and rural communities receiving the funding; mix of different sizes of communities receiving the funding, including small, medium and larger communities; and mix of recipient categories, including local governments and special purpose districts.
- **Agency Client Interviews.** The program evaluation and system assessment was informed by information and insights received from interviews with agency clients. Working with OFM and the Departments, a representative sample of local agencies, non-profits and other program assistance funding recipients (the "clients") were identified. The interviews addressed service and delivery questions from the customers' perspective, including:

Is the program operating as it was intended? How efficiently are services provided and the program administered? Are service delivery processes (including the application process and project evaluation criteria) clearly communicated and are those processes consistently followed? Are the program's goals and objectives clearly stated and understood by customers and stakeholders? Are those goals and objectives being achieved? What outcomes are being achieved given the resources allocated? What are the financial and time costs to applicants of submitting an application for the program and meeting program requirements? What are the program coordination and project timing challenges? What is the programs ability to address emerging infrastructure issues and trends

- **Best Practices Review and Assessment.** An important part of the analysis was developing an understanding of the state-of-the-practice and where Washington is located on the spectrum of infrastructure program and funding approaches nationally. Questions addressed included: How is Washington's program structure similar to, and different from, those operating elsewhere? What works well in other states, and under what circumstances? How is success defined and measured in other states? What trends and changes in program administration and governance have occurred in other states? To answer these questions a three-part research effort was undertaken: (1) literature review; (2) telephone interviews with associations and policy groups across the country that have examined this issue; and (3) telephone interviews with program managers and analysts in the individual states that have program and organizational models of interest.

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- **Performance-Based Program Evaluation and Systems Assessment.** Based on the findings and observations from the previous sub-tasks, the State's infrastructure program was assessed from two perspectives: (1) a "bottom up" review of selected programs and their operating characteristics; and (2) a "top down" analysis of the State's overall infrastructure funding system and its strengths, challenges and opportunities for improvement.

### 1.3 Relationship to Other Studies

This study built upon the analysis and findings of two previous studies:

The ***Public Works Board's Local Government Infrastructure Study***, completed in 1999, surveyed 487 local jurisdictions including cities, counties, public utility districts, and sewer and water districts, asking for their identified capital facility needs in five areas: streets, bridges, water, sewer, and stormwater. This study, which is the most recent analysis of local government infrastructure needs, found a total infrastructure funding gap of \$3.05 billion in 1998 dollars. The study was purposefully conservative in its methodology, asking jurisdictions to report on only those projects contained in their six-year capital facility plans. It was also conservative in that only 324 jurisdictions submitted information; these jurisdictions comprised 91% of the State's population at the time of the report.

The Joint Legislative Audit and Review Committee's (JLARC) 2001 study, ***Investing in the Environment: Environmental Quality Grant & Loan Programs Performance Audit*** assessed 12 capital budget programs administered by six agencies that disburse environmental grant and loan funds. Programs studied by JLARC that are included within the scope of this study are the **Department of Ecology's Water Quality Financial Assistance Program, the Public Works Trust Fund**, and those programs administered by the **Interagency Committee on Outdoor Recreation**.

The JLARC report recommended actions to achieve the following four key objectives: (1) increase the systemic collection and sharing of information about program applications, projects, and investment outcomes that can be used to better plan and design projects, coordinate investments across programs, evaluate investment performance and learn from past investments; (2) integrate recommended practices into program structures and operations to shift the focus of program activities toward making sound environmental investments; (3) streamline and better integrate program services to local governments; and (4) ensure that funding agencies work together to achieve these goals.

The JLARC study has been supplemented by follow-up briefing reports issued in 2003 and 2005, which state that agencies are making some progress in achieving JLARC's recommended actions, particularly in the area of working with local governments. Progress in implementing cross-agency coordination and in developing investment outcome measures has been less apparent.

**New JLARC Study in 2005-06.** JLARC is beginning a new study of "all state public infrastructure programs and funds" requested by the 2005 Legislature in connection with the **CERB Job Development Fund** bill (House Bill 1903). The study will identify "the public infrastructure state programs and funds and the purposes each serve; how the program or fund is implemented; the types of public infrastructure projects supported by the program or fund; the dollar amount of the projects funded by each program or fund; the balance of a fund, if applicable; and the geographic distribution of projects supported by a program or fund." In addition, the study will "identify overlaps

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or gaps in types of public infrastructure projects” and “evaluate the return on investment for economic development infrastructure programs.” The study is due to the Legislature on December 1, 2006, with a separate evaluation of the CERB Job Development Fund to be submitted by September 2010. JLARC is expected to build from the research, analysis, and findings of this report when completing the study required by HB 1903.

## **1.4 Strategic Context: Statewide Management and Performance Initiatives**

In recent years, Washington has undertaken several major new management initiatives designed to make State government more outcome-oriented and accountable. This study was performed with an understanding of these initiatives and their current alignment, and with a focus on how the State’s infrastructure and funding programs could best be coordinated and aligned within the State’s broader performance management improvement efforts. These efforts include:

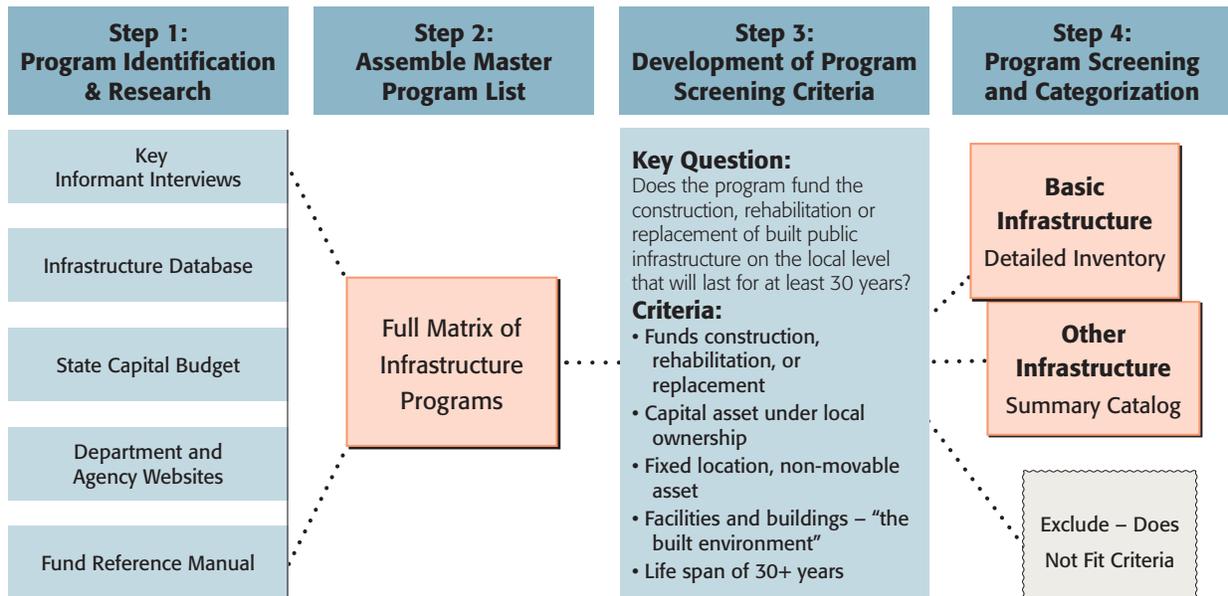
- **The Priorities of Government (POG) program**, begun in 2002, continued in 2004 and currently in the 2007-09 budgeting process. The POG program identified 10 government results areas and associated indicators of success, “purchasing plans,” and major purchasing strategies. The 2004 POG Report, which informed the Governor’s 2005-07 biennial budget request, contained infrastructure-relevant recommendations in two results areas: Economy and Environment. Within the Economy Results section, the report called for stabilizing the Community Economic Revitalization Board (CERB) program funding, and redefining the scope of the CERB investment portfolio and expanding the Small Communities Initiative (SCI) pilot project. The Environmental Results priorities call for improving on-site septic management at the local level; “outside assessments” of natural resource grant programs, data and monitoring activities; and land acquisition and management to improve performance and achieve cost savings.
- **The Governor’s Government Management Accountability and Performance (GMAP) program**, which focuses on program results and performance-based outcome measurement. The GMAP program has identified five initial focus areas: education, healthcare, environment, government accountability, and the State budget. The initiative goes beyond those specific issue areas, however, requiring all agencies to produce and report on outcome-based performance measures of their activities.
- **Strategic Planning Requirements.** Since 1993, the Legislature has required agencies to submit strategic plans to OFM; these are posted on-line at OFM’s web site. The State’s three strategic management initiatives – POG, GMAP and agency strategic planning – are intended to align together in an integrated system of strategic planning and performance assessment.
- **Roadmap for Financial and Administrative Policies, Processes and Systems.** OFM is leading an interagency business improvement program to improve the State’s “back office” functions and systems in the next seven fiscal years. The Roadmap Strategy is intended to leverage State investments in systems and data to achieve cost savings and economies of scale; promote interagency collaboration on improved enterprise management systems and data collection; and promote the adoption of best business policies, practices and processes.
- **Performance Audits.** The 2005 Legislature enacted ESHB 1064, the Statewide Performance Audit measure, which requires the State Auditor’s Office to conduct a statewide performance audit in 2006; the scope of this audit is currently being developed. In November 2005 voters also approved Initiative 900, calling for a system of statewide performance audits.

## 2.0 PROGRAM AND FUNDING INVENTORY: METHODOLOGY AND CATEGORIZATION

### 2.1 Program Inventory Methodology

A four-step identification and screening methodology was developed to organize the inventoried programs into a useful analytic framework. This methodology is presented schematically in **Exhibit 2**, followed by a description of the research and analytical process.

**Exhibit 2**  
**Infrastructure Program Identification and Screening Methodology**



**Step 1: Program Identification, Research and Recording.** As Exhibit 2 shows, Step 1 used five key sources to identify and develop a complete set of programs to include in the Inventory. The five sources were:

**Key Informant and Stakeholder Interviews.** The project team interviewed appropriate legislators; legislative staff; senior State agency staff; current and former program staff; board members; city, county and utility district representatives; and representatives of key trade associations concerned with the State’s infrastructure funding process. These interviews informed recommendations regarding criteria and focus areas for the program evaluation, as well as the overall system assessment. Early in the project, a series of telephone interviews were conducted with program managers and staff to determine baseline program characteristics and trends.

**InfrastructureDATABASE.** The Infrastructure Assistance Coordinating Council maintains an on-line database of State, federal and other infrastructure funding opportunities. This database (which can be found at <http://www.infracfunding.wa.gov/>) was obtained electronically and imported into the projects database. It was useful primarily in identifying relevant programs and to jump-start research prior to interviewing program staff for more detailed information.

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**State Capital Budget.** The State's 2005-7 Capital Budget was reviewed line-by-line to identify potential programs.

**Department and Agency Websites.** A careful review of web sites of the following departments and agencies identified additional programs:

- Department of Archaeology and Historic Preservation
- Department of Community, Trade and Economic Development
- Department of Ecology
- Department of Health
- Department of Natural Resources
- Department of Social and Health Services
- Fish and Wildlife Commission
- Interagency Committee
- Military Department
- Office of Superintendent of Public Instruction
- Washington State Parks and Recreation Commission

**Identification of Infrastructure-Related Accounts.** Through a review of related accounts in the State's Fund Reference Manual, additional programs were identified and included in the Program Inventory.

**Program Information Gathering and Recording Methodology.** From the five sources described above, detailed information was obtained for each of the programs relevant to the study; these data were keyed into a database developed for the project.

**Step 2: Assemble Master Program List.** More than 100 potential non-transportation programs were compiled for analysis in Step 4, program screening and categorization.

**Step 3: Development of Program Screening Criteria.** In commissioning this study, the State is primarily concerned with assessing the system of State and federal funds awarded to regional and local governments, special districts and nonprofit organizations through State-managed project selection and administration processes. Given the breadth of the term "public infrastructure," and the range and diversity of the 100-plus infrastructure programs preliminarily identified in the program scanning phase of the project, special attention was devoted to developing criteria to define the types of programs appropriate for inclusion in the project.

Considering the purpose of this project and through conversations with OFM staff, it was determined the study would focus on State-to-local programs that contribute to long-term built infrastructure. This determination led to crafting of the following screening question to apply to potential programs: *Does the program fund the construction, rehabilitation, or replacement of built public infrastructure on the local level that will last for at least 30 years?*

**Step 4: Program Screening and Categorization Process.** Each of the 100-plus programs preliminarily identified was evaluated for its appropriateness in the Inventory, based on the screening criteria developed. Programs were screened into the following categories:

**A. Include in Detailed Inventory.** These programs are those of principle interest to this study. These programs fund non-transportation basic infrastructure including water, sewer, stormwater,

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flood/irrigation management and solid waste systems and pass the following screens: Construction, rehabilitation or replacement of capital assets under local ownership; Facilities and buildings – “built infrastructure” – that are non-movable and have fixed locations; and Projects with a life span of 30+ years. A subset of these programs was identified later for particular focus in the program evaluation phase of the project.

**B. Include at a Program Summary Level.** These programs also constitute important elements in the State’s set of infrastructure funding programs. Funded infrastructure includes community facilities, historic preservation, housing, K-12 school construction, outdoor recreation and pre- and post-disaster relief. These programs are described in **Attachment C**.

**C. Exclude – Does Not Meet Criteria.** Programs that do not fit the screening criteria were not addressed further in this study. Programs with the following characteristics were excluded: State-to-State funding, such as State funding for the University of Washington or the State parks system; and Programs focused on environmental enhancements such as wetlands, sensitive environmental areas, air quality, habitat preservation and environmental clean-up.

Exhibit 3 presents a summary of programs sorted into the first two categories described above, and Exhibit 6 arrays the programs schematically.

## 2.2 Funding Inventory Methodology

The Funding Inventory was developed using information from several key sources:

- Interviews with key State personnel
- Data provided by State personnel
- State and federal agency web sites
- State and federal agency program reports
- The Office of Financial Management Fund Reference Manual
- The Department of Revenue’s 2005 Tax Reference Manual
- The Revised Code of Washington and the Washington Administrative Code
- The State Legislature’s Bill Information database

For each program, the budget officer and other key staff provided data on funding sources and funding history. Additional program funding information was collected from Department of Revenue reports and the Office of Financial Management. The Fund Reference Manual and the Revised Code of Washington were extensively consulted to inform the analysis. **Attachment I** lists State employees who assisted in developing the Inventory.

### Exhibit 3 - Summary of Programs Included in this Study

Program	Agency	
<b>Basic Infrastructure Funding Programs - Included at Detailed Level</b>		
1980	Referendum 38 - Water Supply Facilities	DOE - WRP
1982	Community Economic Revitalization Board	CERB
1982	Community Development Block Grant General Purpose Grant	CTED
unknown	Community Development Block Grant Imminent Threat Grant	CTED
1984	Flood Control Assistance Account Program	DOE - SEA
1985	Public Works Trust Fund: Construction Loan Program	PWB
1986	Centennial Clean Water Fund	DOE - WQP
1988	Public Works Trust Fund: Emergency Loan Program	PWB
1988	Coordinated Prevention Grant	DOE - SWP
1988	Water Pollution Control Revolving Fund	DOE - WQP
1990	Safe Drinking Water Action Grants	DOE - SWP
1994	Community Development Block Grant Community Investment Fund Grant	CTED
1995	Community Development Block Grant Housing Enhancement Program	CTED
1996	Drinking Water State Revolving Fund	DOH/PWB
1999	Drought Preparedness	DOE - WRP
2003	Water System Acquisition and Rehabilitation Program	DOH/PWB
2004	Water Infrastructure Grant Program	DOE - WRP
2005	CERB Job Development Fund Program	CERB
2005	Economic Development Strategic Reserve Account	CTED/Gov.
<b>Other Infrastructure Funding Programs - Included at Summary Level</b>		
<b>Pre-Construction Planning and Technical Assistance Programs</b>		
	Small Communities Initiative	CTED
	Business and Project Development Unit	CTED
	Infrastructure Assistance Coordinating Council	Independent
	Public Works Trust Fund: Planning Loans	PWB
	Public Works Trust Fund: Pre-Construction Loan Program	PWB
	Wastewater Management Program	DOE
<b>Community and Economic Development</b>		
	Bond Cap Allocation Program	
	Building for the Arts	CTED
	Community Services Facilities Program	CTED
	Youth Recreation Facilities	CTED
	Child Care Facility Fund	CTED
	CDBG Economic Development Float Loan Program	CTED
	Rural Washington Loan Fund	CTED
	Section 108 Loan Guarantees	CTED
	Interim Construction Float Grant/Loan Program	CTED
<b>Historic Preservation</b>		
	Heritage Capital Project Fund	HRC
	Historic Preservation Fund	DAHP
<b>Housing Assistance</b>		
	Housing Trust Fund	CTED
	Farmworker Housing Infrastructure Loan Program	CTED
<b>K-12 School Construction</b>		
	School Construction Assistance Grants	OSPI
<b>Outdoor Recreation</b>		
	Boating Facilities Program	IAC
	Boating Infrastructure Grant Program	IAC
	Firearms and Archery Range Recreation Program	IAC
	Land and Water Conservation Fund	IAC
	National Recreational Trails Program	IAC
	Nonhighway Offroad Vehicle Account	IAC
	Washington Wildlife and Recreation Program	IAC
	Youth Athletic Facilities Program	IAC
<b>Pre- and Post-Disaster Relief</b>		
	Flood Mitigation Assistance Program	EMD
	Hazard Mitigation Grant Program	EMD
	Pre-Disaster Mitigation Competitive	EMD
	Public Assistance Program	EMD

Key
CERB: Community Economic Revitalization Board
CTED : Department of Community, Trade and Economic Development
Gov.: Office of the Governor
DOE: Department of Ecology
SEA: Shorelands and Environmental Assistance
SWP: Solid Waste Program
WQP: Water Quality Program
WRP: Water Resources Program
DOH: Department of Health
PWB: Public Works Board
HRC: Heritage Resource Center
DAHP: Department of Archaeology and Historic Preservation
OSPI: Office of Superintendent of Public Instruction
IAC: Interagency Committee for Outdoor Recreation

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### 3.0 PROGRAM OVERVIEW AND DESCRIPTIONS

**Infrastructure System Characterization.** More than 150 interviews were conducted for this project with stakeholders, clients and program staff. Through the interviews, program and funding inventory research and document review, a picture of the State's infrastructure programs emerged. The system can be characterized as:

- A diverse array of infrastructure investment programs offering both loans and grants serving a variety of needs, including economic development and the protection of public health and safety;
- A collection of programs, created and amended by the Legislature one at a time, to meet specific needs identified at that time and not designed to work together or recognized as an integrated system;
- An array of programs with some overlap, some of which benefits local jurisdictions and some of which create system inefficiencies;
- A complex network of programs that is not well understood, even by players involved in one or several aspects of the network – “an elephant that no one can see completely” and that is often misunderstood and under-understood; and
- A set of decentralized programs that, by their nature, lend themselves to suggestions for consolidation and restructuring, many of which have been identified and discussed over the years.

**Varying Programmatic Goals Drive Infrastructure Investment.** A key finding of this study is that the many State programs that make investments in local infrastructure do so to achieve a range of programmatic goals, with no overarching strategic direction.

Some programs, including **CERB's Traditional, Rural and Job Development Fund** programs make infrastructure investments to support an economic development outcome (as noted below, with Washington's constitutional prohibition against public lending of credit to private enterprise, infrastructure investment is a particularly important element of the State's economic development toolkit). These programs are by designed by legislative intent, mission, operation, and outcome to function as business recruitment, expansion, and retention incentives, measuring their success in terms of the job and investment outcomes generated by business subsequent to the completion of the public sector project. **CDBG** programs may also have an economic development purpose to infrastructure investment.

Other programs make infrastructure investments to support programmatic goals of meeting regulations that protect public health and safety. Others may make infrastructure investments with the goal of enhancing a community's quality of life. It is important to understand these different programmatic goals, and it is also important to recognize areas of overlap. When seeking locations for expansion or relocation, industry and large business often consider the quality and operation of basic infrastructure such as water and wastewater systems. Those programs that are structured to protect a population's health and safety – or the cleanliness of a community's natural environment – are therefore playing an important role in economic development, providing an essential foundation for private enterprise to build upon.

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A conclusion of this study is that despite the varying programmatic goals of programs that make infrastructure investments, there are fundamental commonalities inherent in how they operate and the systems required to support their efficient and effective management.

### **3.1 Financial Context: \$2 Billion per Biennium Flow through the Programs**

Exhibit 4 shows the total array of State-to-local infrastructure funding categories in Washington, and the approximate funding levels within each category. For the 2003-05 biennium, the capital budgets for these categories totaled \$2,003,000,000. These budget numbers include both State and, where applicable, federal contributions to the programs. The total State budget (operations and capital) was \$53 billion for the biennium, so capital funding for local infrastructure received 3.8% of the budget. It comprised 34.5% of the total capital budget, \$5.8 billion.

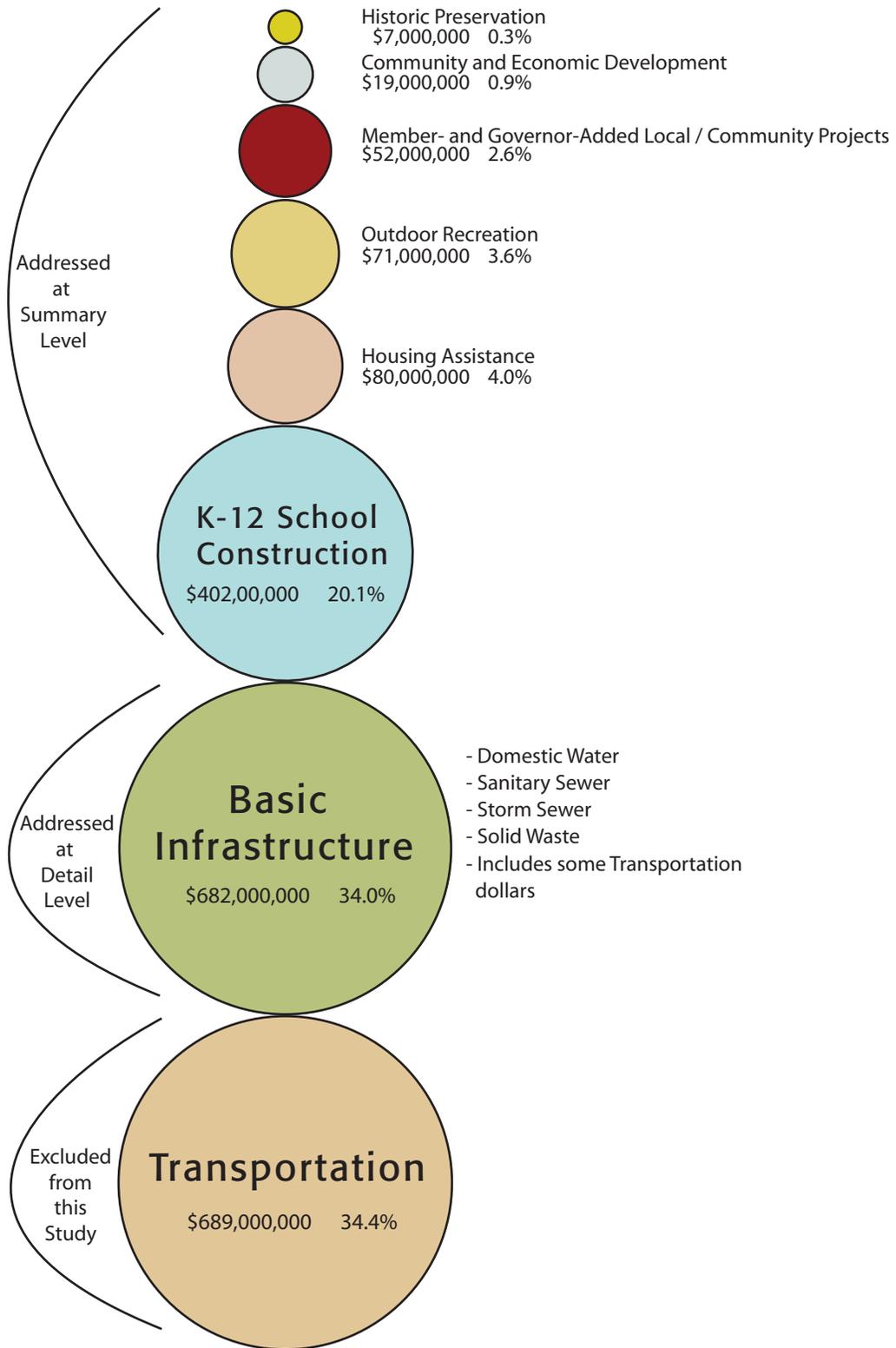
As the Exhibit shows, the program areas encompass State and federal pass-through funding in eight major categories: basic infrastructure (defined as water, wastewater, stormwater and solid waste projects)<sup>2</sup>; transportation infrastructure, including public transportation; K-12 school construction; housing assistance; community economic development, including community facilities; outdoor recreation; historic preservation; and member- and governor-added local/community projects.

Related funding types not addressed in this study and not represented in the Exhibit include State-to-State funding programs, such as for State facilities and higher education funding, and natural resource-focused programs not addressing built infrastructure, including salmon recovery, marine restoration, wetlands enhancement and other environmental programs.

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<sup>2</sup> Some funding for transportation is also included in this category through the Public Works Trust Fund, as well as funding of Business and Economic Development Facilities through the CERB program.

**Exhibit 4**  
**State-to-Local Infrastructure Capital Funding in 2003-05:**  
**A \$2 Billion System**



Source: Berk & Associates, 2005

Note: Budgets are rounded to the nearest million dollars and include both State and Federal funds.

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As Exhibit 4 reflects, the basic infrastructure and transportation infrastructure categories each make up roughly a third of total local infrastructure funding. K-12 School Construction funding is the third largest single category, at about 20%, and the remaining five categories together make up about 12%. Because the amount budgeted for pass-through infrastructure funding in 2003-05 totaled more than \$2 billion, even the smallest category, Historic Preservation at 0.3%, received \$7 million in funding.

### **3.2 Strategic Mapping to Illuminate the State's Programs**

Given the complexity and challenge of understanding the State's programs, several strategic maps and schematic diagrams have been developed to graphically illustrate key aspects of the programs and how they relate to each other.

**Legislative History and Program Timeline.** Washington's complex network of infrastructure programs and funds is a consequence of State and federal directives and actions taken over time. Exhibit 5 presents a timeline of creation for the State's infrastructure system. As shown in the Exhibit, programs are regularly added and amended by Congress, the Legislature, and the State's voters. Most recently, two new programs were added in the 2005 legislative session: the CERB Job Development Fund and the Economic Development Strategic Reserve account. Other programs were added in 2003 and 2004 – the **Water System Acquisition and Rehabilitation Program** and the **Water Infrastructure Program** – and in 1999 the **Small Communities Initiative** and **State Drought Preparedness Account** were added.

**Washington's Infrastructure System Has More Than 80 Programs.** Exhibit 6 presents the array of State-to-local infrastructure funding programs currently operating in Washington. The Exhibit shows that there are more than 80 programs and sub-programs administered by 12 State agencies. Programs that are the focus of this report are shown in green, and shared authority among different agencies is represented by dotted lines. Programs for which award lists must be approved by the Legislature, often as part of an agency budget request, are marked with an "L." Those requiring approval by the Governor prior to being submitted to the Legislature, or which the Governor approves without the advice of the Legislature, are marked with a "G."

The Exhibit includes the State's transportation agencies and major transportation programs, since there are areas of intersection and sometimes overlap with transportation programs by the programs included in the study, in particular those administered by the PWB and CERB.

Exhibit 7 focuses in on the basic infrastructure funding programs analyzed in this study. It shows the programs in their organizational location and highlights their funding sources – State funding only, or Federal funding matched with State funding. It also shows what types of assistance can be offered by each program – loans only, grants only, or both loans and grants.

**Basic Infrastructure Programs and Relationships.** Exhibit 7 also shows where formal relationships exist between agencies to share responsibility for programs, as defined by the Legislature. The **Drinking Water State Revolving Loan Fund** (DWSRF) and the **Water System Acquisition and Rehabilitation Program** (WSARP) are both jointly administered by the State Department of Health (DOH) and the PWB. The **CERB Job Development Fund** is administered by CERB with PWB and legislative project approval, and the **Economic Development Strategic Reserve Account** is administered by the Economic Development Commission with project approval

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by the Governor's Office. Finally, **Safe Drinking Water Action Grants** are administered by the Solid Waste Program within the Department of Ecology, but the Department of Health identifies which sites are eligible for the program and provides technical oversight regarding water quality standards.

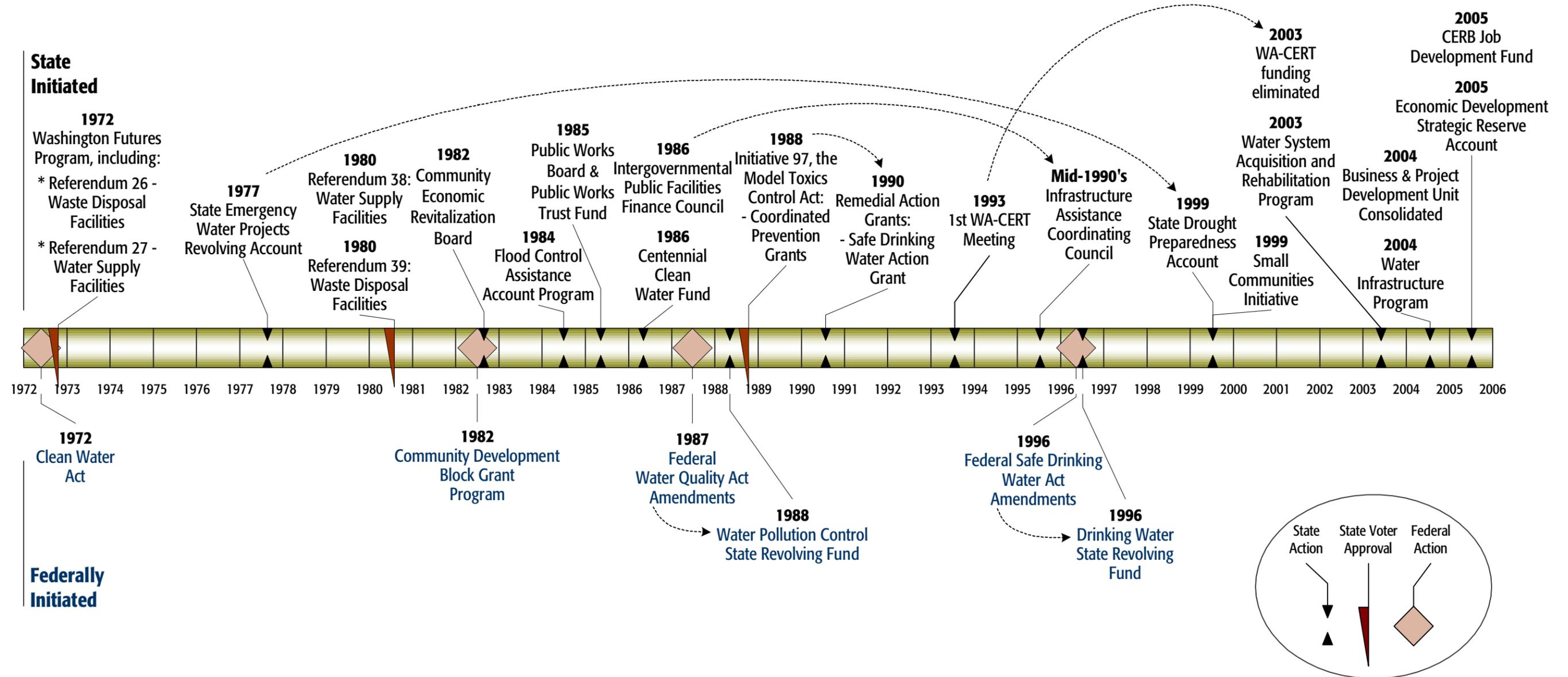
Exhibit 8 lists the basic infrastructure funding programs and shows which project types they fund. The Exhibit reflects the degree of funding overlap among the programs. Projects that address drinking water, for example, can be funded by ten different sub-programs within seven main programs that are administered by three departments and two Boards within three agencies. In addition, two of these sub-programs require legislative approval for every project.

Six of the listed categories can be funded by five or more different programs. These six categories are: Drinking Water (10 eligible programs); wastewater (10); stormwater (10); flood/irrigation management (9); solid/hazardous waste (6); and transportation (7).

To some extent overlap is unavoidable because there is overlap among the federal programs in which the State participates. For example, some of the CDBG set-asides overlap with the Drinking Water State Revolving Fund and the Water Pollution Control Revolving Fund, even though the DWSRF and the WPCRF do not overlap. When the State has chosen to supplement federal programs with its own programs, which fund similar types of projects, there is also overlap driven by State law. Additionally, some of the overlap shown in the Exhibit is the result of sub-programs sharing part of their requirements with their sibling programs. The PWTF, for example, has two sub-programs shown here that fully overlap regarding the types of projects they can fund, but which differ regarding the situation in which each is used. PWTF Emergency Loans may support the same types of projects as the Construction Loans, but only within the scope of a declared emergency.

However, not all of the categories overlap. Both "Business and Economic Development Facilities" and "Other Utilities," here defined as power, telecommunications and natural gas, can only be funded by CERB programs, including the Job Development Fund. Two other categories, Housing and Health Facilities, are both funded only by set-asides within the CDBG program.

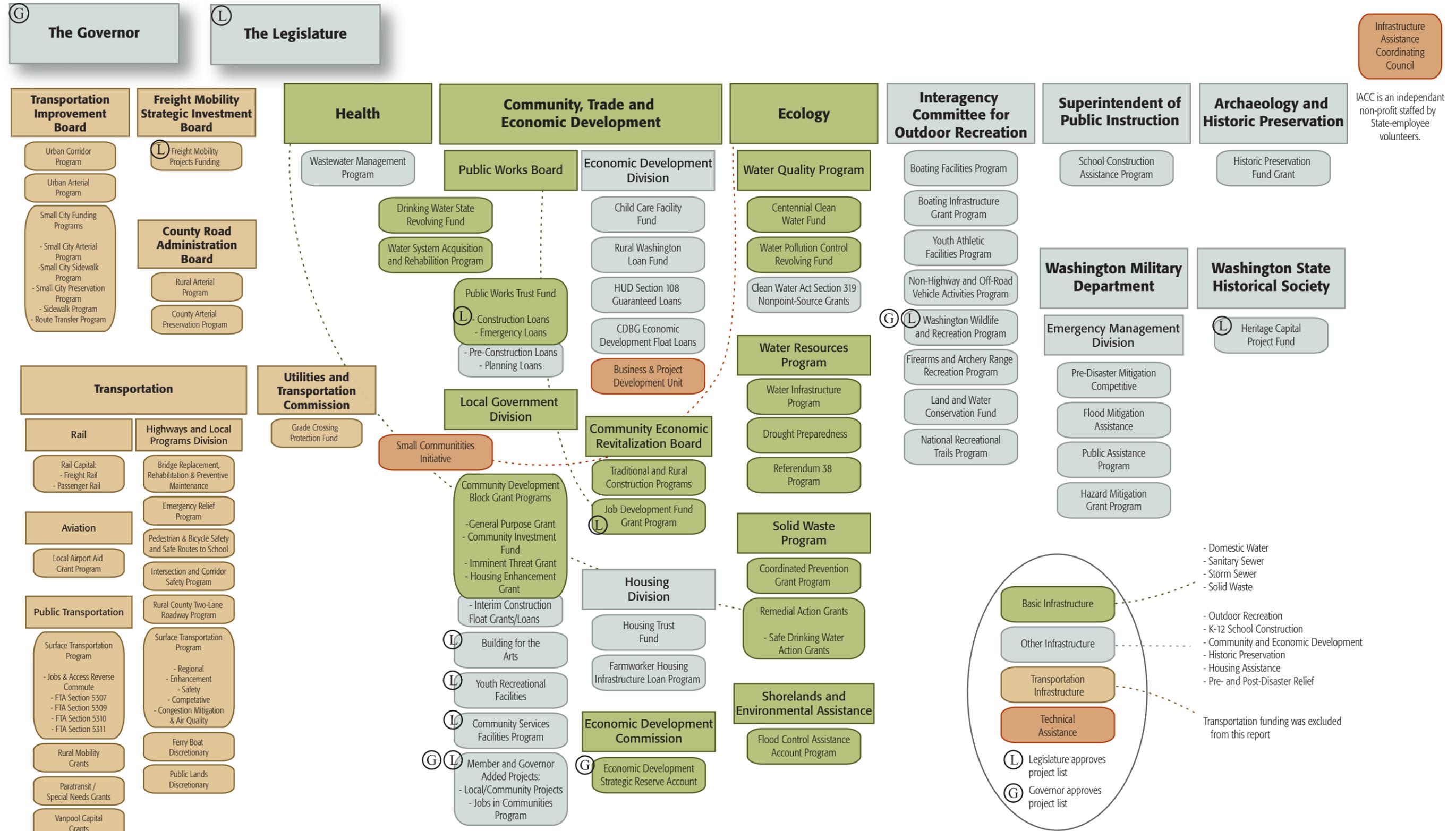
**Exhibit 5**  
**Basic Infrastructure Programs: A System of Programs Assembled Incrementally Over 30 Years**  
**Timeline of Program Creation: 1972 - 2006**



Source: Berk & Associates, 2005



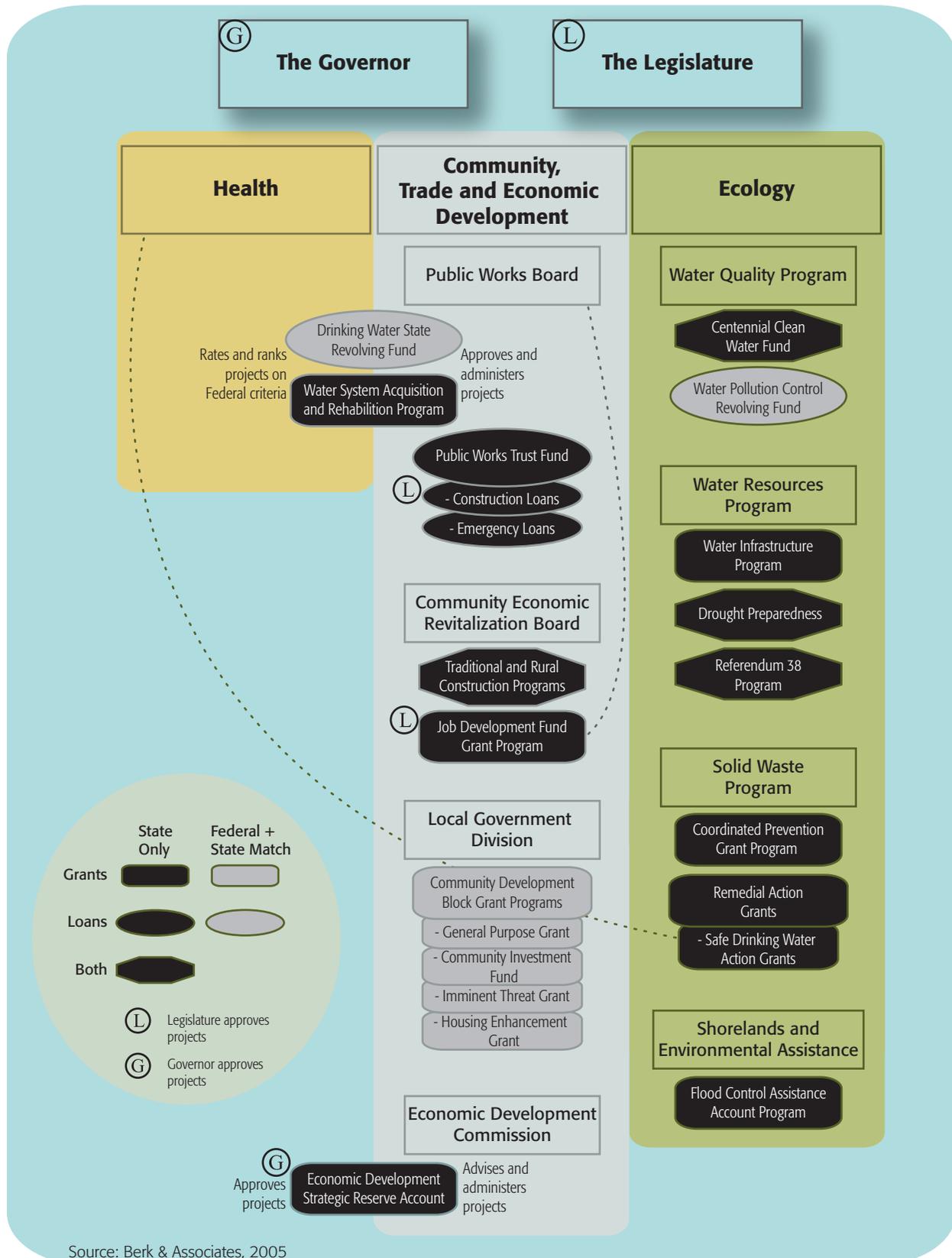
**Exhibit 5**  
**Basic Infrastructure Programs: A System of Programs Assembled Incrementally Over 30 Years**



Source: Berk & Associates, 2005



## Exhibit 7 System Map for Washington State-to-Local Basic Infrastructure, 2005





**Exhibit 8  
Basic Infrastructure Programs and Eligible Project Categories, 2005**

	Awarded 2004	Capital Budget 2005-7			Drinking Water	Storm Water	Flood/Irrigation Management	Housing	Community Facilities	Outdoor Recreation	Other Utilities	Business & Economic Development Facilities						
			Grant	Loan	Waste Water	Solid/Hazard Waste	Emergency Management	Health Facilities	Public Safety	Transportation								
<b>Public Works Board</b>																		
Public Works Trust Fund Construction Loan	\$155,000,000	\$248,300,417		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>										
Public Works Trust Fund Emergency Loan	\$2,154,890	\$3,000,000		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>										
<b>Community Economic Revitalization Board</b>																		
Traditional and Rural Construction Programs	\$6,318,137	\$20,448,657	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>										
Job Development Fund	\$0	\$0*	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>						
* \$50 million in Legislature-selected projects will be administered by staff in 2005-7. Beginning in 2007-9, \$50 million in grants will be awarded each biennium.																		
<b>Dept. of Health / Public Works Board</b>																		
Drinking Water State Revolving Fund	\$39,000,000	\$20,000,000		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>													
Water System Acquisition and Rehabilitation	\$4,000,000	\$2,000,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>													
<b>Community Development Block Grant</b>																		
CDBG Community Investment Fund Grant	\$5,137,187	\$4,107,728	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>													
CDBG General Purpose Grant	\$10,201,164	\$21,668,448	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>													
CDBG Housing Enhancement	\$624,578	\$800,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>										
CDBG Imminent Threat Grant	\$0	\$166,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>						
<b>Dept. of Ecology Water Quality</b>																		
Centennial Clean Water Fund	\$11,176,478	\$38,000,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>								
Water Pollution Control Revolving Fund	\$85,161,045	\$239,616,286		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>												
<b>Dept. of Ecology Water Resources</b>																		
Drought Preparedness	\$1,600,000	\$6,600,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>									
Referendum 38 - Water Supply Facilities	\$7,000,000	\$0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>									
Water Infrastructure Program	\$5,800,000	\$12,000,000	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>										
<b>Dept. of Ecology Shorelands &amp; Environmental Assistance</b>																		
Flood Control Assistance Account	\$1,214,000	\$2,100,000	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>										
<b>Dept. of Ecology Solid Waste</b>																		
Coordinated Prevention Grant	\$18,100,000	\$14,200,000	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>										
Safe Drinking Water Action Grants	\$75,750	\$3,000,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>										
<b>Number of Programs Funding this Infrastructure Category</b>			<b>14</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>2</b>

Source: Berk & Associates, 2005



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### 3.3 Application Funding Cycles and Processes

A key issue identified by stakeholders is the mix of application cycles, time spans and approval processes for the various programs. Exhibit 9 illustrates the application and award timelines for a selection of the State-to-local funding programs. As shown in the Exhibit, the application and approval cycles for local infrastructure grant and loan programs fall within three categories: continual, fiscal year, and calendar year. For some programs, 10 months or even a year may pass between the close of the application period and announcement of awards. As further discussed on page 83, stakeholders interviewed for this study frequently called for a faster and more flexible application process, citing real costs such as missing an entire construction period with some of the longer processes now in place.

**Continuous or Open Application Processes.** The five programs shown that are open to applications continuously are all located within CTED.

- Two of the programs, the **CDBG Imminent Threat Grants** and the **Public Works Trust Fund Emergency Loan Program**, provide funds in response to emergencies.
- Two other CDBG programs, the **Community Investment Fund** and the **Housing Enhancement Fund**, have prerequisites that must be met prior to becoming eligible for program funds, which are then available on a first come, first served basis.
- A fifth program, **CERB Traditional and Rural**, has an application cycle that runs continuously, with the caveat that the Board meets six times per year, and applications must be completed at least 45 days prior to the meeting at which a project is to be considered.

**Fiscal Year Processes.** Six of the programs listed run on a fiscal year timeline and have short cycles that allow for two full rounds of funding per biennium (CCWF and Section 319 grants share a line in the Exhibit).

- The newest of these are the **Water System Acquisition and Rehabilitation Program** and the **Water Infrastructure Program**. Their first competitive rounds of grants take place in 2005 with applications due in early fall. Awards are expected to be announced early in 2006 and early in December 2005, respectively. Both are awarding funds appropriated for FY 2006, so no further action by the Legislature is required.
- **CDBG's General Purpose Grant** has a regular cycle with applications due at the end of October and the final award list published mid-March.
- The **Water Quality Program (WQP)** of the Department of Ecology has a combined application cycle for its three programs, the Centennial Clean Water Fund, Water Pollution Control Revolving Fund, and Section 319 grants. The Revolving Fund has a step not required by the other two: EPA approval of each year's award list. All three programs require appropriation to fund the award list.

**Calendar Year Processes.** The third cycle is for programs whose award cycle begins early each calendar year. These programs also all require projects to be approved both internally by a board or committee, and externally. The three programs in this category have an application due date in the spring, followed by internal staff review. Staff review produces a recommended list that goes before an internal board or committee. The list approved by this body is then sent out for approval by one or more external bodies.

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- For the **Public Works Trust Fund Construction Loan Program**, the Legislature has final say over which programs get funding.
  - For the IAC's **Washington Wildlife and Recreation Program**, the list first goes to the Governor for approval, then to the Legislature.
  - The **Drinking Water State Revolving Fund** is administered jointly by the Public Works Board in CTED and by the Washington Department of Health. Projects must meet requirements that are evaluated by staff of both agencies before a draft list goes to the Public Works Board. The Board-approved list is then submitted to the federal Environmental Protection Agency for approval, which usually comes in early spring.

All three of these programs also require appropriations to fund the approved project list.

The **CERB Job Development Fund** does not fit neatly into any of these three categories. It is a new program, with its first competitive application period beginning in December 2005. Applications are due in April, and staff expect that CERB will review applications at either or both of the next two Board meetings, in May and July. Per legislative direction, following approval by the CERB Board, projects go to the Public Works Board for approval. Successful projects must be approved by CTED for inclusion in the department's budget request, which will go to the 2007 Legislature for final approval. Funded projects will receive final approval upon passage of the budget, and the funds will be available to recipients in September 2007. This lengthy 18-month process will restrict the types of projects the program will likely fund. Not agile enough to be responsive to most opportunities related to specific business needs (a focus of CERB's Traditional and Rural Programs), the Job Development Fund will likely fund more prospective business development projects.

**Technical Assistance Provided.** In addition to the one-on-one technical assistance that all programs provide to applicants, most of the programs with regular cycles also offer workshops for potential applicants early in the application period. These workshops help explain how to complete the applications, which often require compilation of technical documentation. The IAC also requires successful grant applicants to attend a workshop after project award, to learn about reporting requirements and how to work with the IAC to receive the funds.

In addition to these program-specific workshops, the Infrastructure Assistance Coordinating Council (IACC) holds an annual conference that brings together representatives from all of the programs, boards and agencies to instruct potential applicants about program offerings, how to apply for them, how to plan, how to meet State and federal requirements of various kinds, and generally how to fund local infrastructure. This conference is typically held in November, to prepare for the following year's funding cycles.

**Options to Streamline Process.** Exhibit 9 shows that many of the programs examined here have a long duration between the application due date and the date awards are announced. Required approval by State decision-makers may extend the process beyond the creation of final project lists by programs operating a competitive process:

- In five programs a contributing factor in the extended duration is the wait for a budget to be passed that grants the authority to spend the program's funds, which includes money to fund grant and loan awards.

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- In two programs – the **Public Works Trust Fund Construction Loan Program** and the IAC's **Washington Wildlife and Recreation Program** – an additional step is approval by the Governor and/or Legislature of each individual project on the award list. The new CERB Job Development Program will also require legislative approval of the final award list.

Programs that do not have to wait for funds to be appropriated feature a demonstrably shorter time between application due date and distribution of awards. Two structures allow for funds to be distributed without waiting for budget appropriation:

- The **Public Works Trust Fund's Emergency Loans, the Water System Acquisition and Rehabilitation Program** and the **Water Infrastructure Program** have their award funds pre-appropriated. The agency and/or board then has full say over how to award the appropriated funds, with no need for applicants to wait through a full legislative session to determine if the agency will receive necessary authority to fund the projects.
- In the case of the **Community Development Block Grant program**, the Legislature has chosen to allow the agency full control over the federal funds it awards, not appropriating them at all. While it could require the funds be appropriated, to date the Legislature has left all authority over the federal dollars in the hands of the agency. Meanwhile, the required State contribution to the program has been under-funded for several biennia.

With CDBG in mind, it is interesting that both the **Water Pollution Control Revolving Fund** and the **Drinking Water State Revolving Fund** do require legislative appropriation of funds. These programs receive 80% of their new capitalization funds from the federal government, and money in the revolving fund accounts cannot be spent on anything but SRF awards. Despite these restrictions, the funds must be appropriated. When SRF loans are unexpectedly repaid early, leaving the SRF with more funds than anticipated, the agency cannot spend the excess until it is appropriated, slowing the process by which these dollars can be put back into projects.

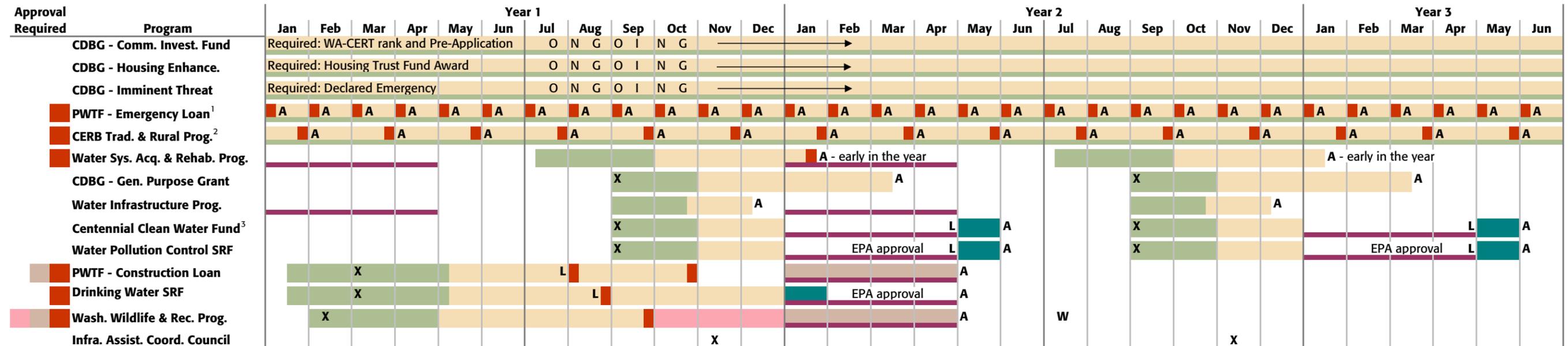
Using the programs just described as examples, several options are available to reduce the amount of time between application due date and award date. One is pre-appropriation of funds. Instead of asking for applications and ranking projects before asking for the authority to fund them, programs could instead be allowed to ask for authority to award a budgeted amount, taking applications after the funds are approved. Placing that portion of time required for budget approval before the application process instead of after puts it out of the sight of the applicants, shortening the process from their point of view. Legislative oversight by way of appropriation control would shift from the current biennium to the next biennium.

Another streamlining option is for federal funds, in particular the State Revolving Funds. Because the new federal money coming into the fund, and indeed any money in the revolving fund, may not be used for any purpose but SRF loans, the award process could be shortened by making the federal SRF funds non-appropriated. This would allow the programs to re-loan unanticipated repayments more quickly than can now occur.

The third option for streamlining the award process would be to eliminate the requirement that the Governor and/or Legislature approve the final project list of those programs operating under this structure.



### Exhibit 9 Timeline of Selected Program Application and Award Cycles



- C X Pre-Application Workshops
- Y Application Period
- C Internal Review
- L L Draft List
- E Board Approval
- Governor's Approval
- Legislature's Approval<sup>4</sup>
- Budget Appropriation<sup>4</sup>
- Public Comment
- A Awards Offered
- W Successful Applicant Workshop

Note: The Dept. of Ecology's Water Resources Program administers drought prevention and assistance, but does not have a regular grant cycle for this because recently funds have been available only during drought emergencies.  
 Note: The Dept. of Ecology's Water Resources Program administers the Referendum 38 bond funds, but all of the funds are allocated and no new awards will be made.

1. Applications are due the 5th of each month for consideration at Board meeting the next month. Funds are appropriated.
2. Applications are due 45 days before each meeting of the Board, which meets six times per year. Funds are appropriated.
3. Section 319 Nonpoint-source Control Grants have the same process.
4. Shown is a 4-month Legislative session; actual session length varies.

Source: Berk & Associates, 2005



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### 3.4 Program Environment and Influences

The State's network of infrastructure programs functions within a set of external drivers and influences, some of which shape program operations, and others of which present evolving challenges for the program to manage. Key program influences and trends include the following factors:

**Legislative Intent.** The most significant influence on program operations is legislative intent. The legislature has historically defined specific purposes and parameters for each program. Exhibit 10 summarizes legislative intent for the programs assessed in this report.

**Increasing Needs.** A combination of factors including aging infrastructure constructed in the 1970s and 1980s, population growth and associated capacity needs and increasing expectations for environmental improvements all combine to create significant infrastructure needs and a backlog of unfunded projects in the State. The most recent statewide study was conducted in 1998-99 by the Public Works Board – *the Local Government Infrastructure Study*. The study found that participating local jurisdictions (324 of 487 contacted), including special purpose districts, had a \$3.05 billion unfunded need for transportation, water, wastewater and stormwater improvements (based on the 6-year capital facility plans, a conservative measure of local need in 1998 dollars). Subtracting road and bridge needs of \$1.69 billion from this total, the 1998-99 study found \$1.36 billion in unfunded non-transportation infrastructure needs identified at that time. For context, a more recent federal study of water and wastewater infrastructure systems put the nation's unfunded need at \$1 trillion dollars.

**Increasing Materials and Construction Costs and Reduced Purchasing Power.** Stakeholders have noted the comparison of available funding to construction cost inflation since 1990. While overall project funding has decreased, construction inflation has increased significantly. In the last two years especially, construction costs have increased dramatically, due to increases in the price of concrete, asphalt, steel and diesel fuel. There is a shortage of some construction materials, Portland cement especially, that contributes to rising prices. While some of these price increases are cyclical, the majority of the increases appear to be structural, due to growth in the Chinese economy and elsewhere around the globe. The result of these trends is reduced purchasing power for public works projects in Washington and across the country.

**Increased Policy Focus on Jobs, and Economic Development-Related Projects.** Washington State's Constitution prohibits public lending of credit to "any individual, association, company or corporation, except for the necessary support of the poor and infirm" (Article 8, Section 7). This strict limitation on public support of private entities restricts the economic development tools the public sector may employ, making public infrastructure investments a particularly important mechanism to spur economic growth in the State.

With the recent Boeing 7E7 challenge to the State's jobs and manufacturing position, a heightened awareness was created of the worldwide competitive environment and the need to be competitive as a state. A need to have flexible, responsive programs that can serve as economic development tools and incentives was recognized, leading to the two new funds created by the Legislature in 2005. (As discussed in Section 3.3, some question the ability of the Job Development Fund to respond effectively to private sector needs given the program's long application timeline.)

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**Constituent and Stakeholder Ownership of Key Programs.** Several of the programs assessed in this study have track records of success and have developed a loyal group of clients and stakeholders who support the programs and are likely to advocate strongly for their continuation. Such programs include **CERB's Traditional and Rural Programs**, the **Public Works Trust Fund**, the **IAC**, the **IACC** and the **Small Communities Initiative**.

## Exhibit 10

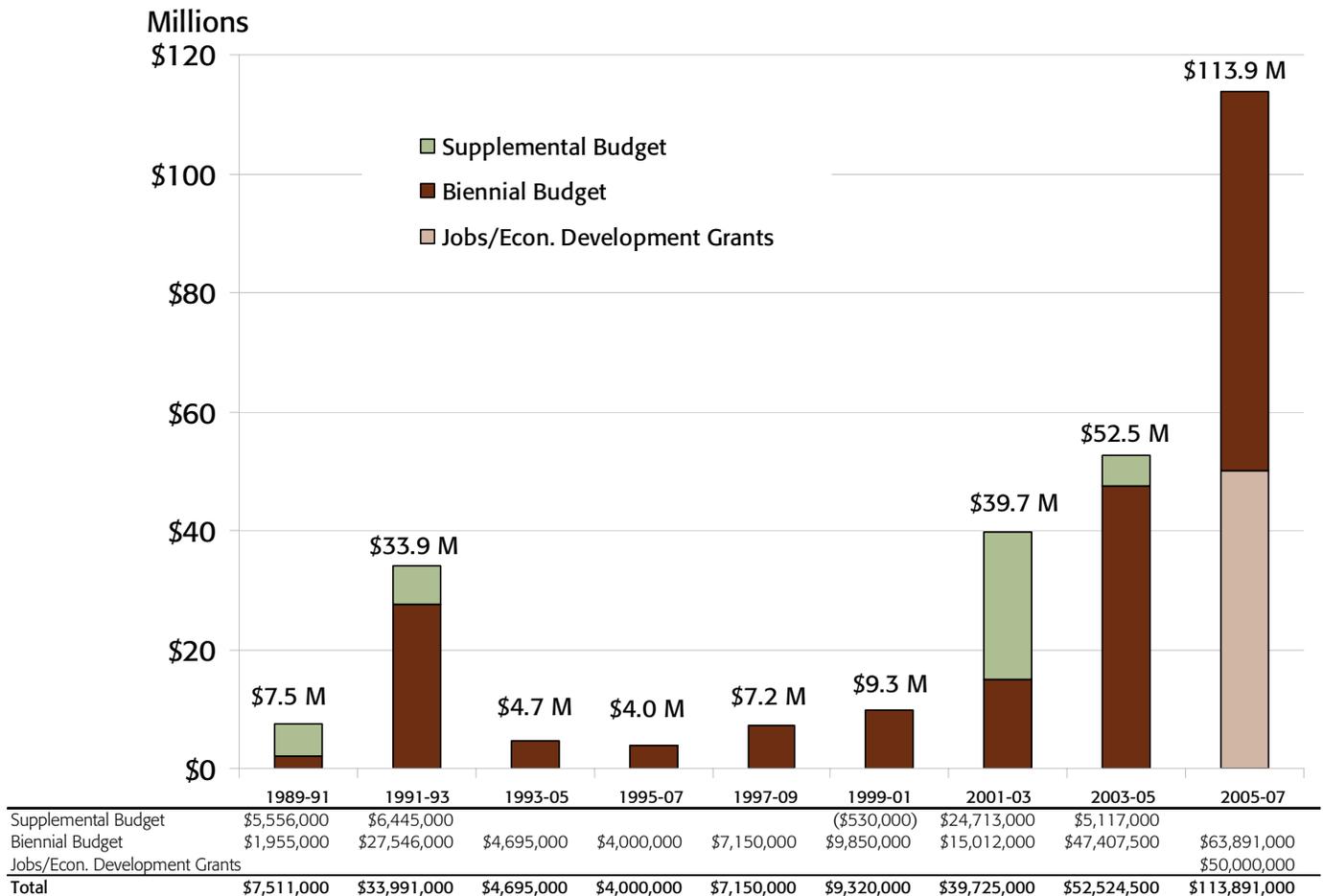
### Summary of Legislative Intent for Key Programs Studied

<b>Agency</b>	<b>Program</b>	<b>Legislative Intent Expressed in Statute or Budget Proviso</b>	<b>Source</b>
Department of Community, Trade, and Economic Development, Community Economic Revitalization Board	CERB Traditional Construction Program - 1982	The legislature finds that it is the public policy of the state of Washington to direct financial resources toward the fostering of economic development through the stimulation of investment and job opportunities and the retention of sustainable existing employment for the general welfare of the inhabitants of the state.	RCW 43.160.010
Department of Community, Trade, and Economic Development	Community Development Block Grant Program - 1982	The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income	42 U.S.C. Sec. 5301
Department of Community, Trade, and Economic Development, Public Works Board	Public Works Trust Fund - 1985	It is the policy of the state of Washington to encourage self-reliance by local governments in meeting their public works needs and to assist in the financing of critical public works projects by making loans, financing guarantees, and technical assistance available to local governments for these projects.	RCW 43.155.010
Department of Ecology	Centennial Clean Water Fund - 1986	It is the purpose of this chapter to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.	RCW 70.146.010
Department of Ecology	Water Pollution Control Revolving Fund - 1988	It is the purpose of this chapter to provide an account to receive federal capitalization grants to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.	RCW 90.50A.005
Department of Health/Department of Community, Trade, and Economic Development (Jointly Administered)	Drinking Water State Revolving Fund - 1996	The purpose of the account is to allow the state to use any federal funds that become available to states from congress to fund a state revolving loan fund program as part of the reauthorization of the federal safe drinking water act. Expenditures from the account may only be made by the secretary, the public works board, or the department of community, trade, and economic development, after appropriation. Moneys in the account may only be used, consistent with federal law, to assist water systems to provide safe drinking water through a program administered through the department of health, the public works board, and the department of community, trade, and economic development and for other activities authorized under federal law.	RCW 70.119A.170
Department of Health/Department of Community, Trade, and Economic Development (Jointly Administered)	Water System Acquisition and Rehabilitation Program - 2003	The state building construction account appropriation is provided solely to provide assistance to counties, cities, and special purpose districts to identify, acquire, and rehabilitate public water systems that have water quality problems or have been allowed to deteriorate to a point where public health is an issue.	SSB 5401, 2003-2004 Biennium

Source: Revised Code of Washington, Washington Administration Code, United States Code, and Berk & Associates, 2005

**Increase in Member- or Governor-Added Projects.** In recent years, there has been an increasing trend toward direct appropriations as an avenue for project-related local government funding. Exhibit 11 shows the growth in direct appropriations graphically: in 1989-91 there were \$7.5 million in such earmarks, increasing to \$40 million in 2001-03 and \$52.5 million in 2003-05. Including legislatively-selected Jobs/Economic Development Grants related to the **Job Development Fund** (see page 39), total direct project appropriations rose to \$114 million in 2005-07.

**Exhibit 11**  
**Member- or Governor-Added Direct Appropriations**  
**Have Increased Significantly from 1989-91 to 2005-07**



Source: WA Legislature, CTED, and Berk & Associates, 2005

These appropriations contribute to the fragmentation of the system, and in some cases undermine program decision making and funding. Projects funded in this manner may not be ready to proceed immediately, or the funding amount awarded may not be appropriate. Such projects are sometimes over-funded, and in other cases they are underfunded meaning the project may have fared better if it had gone through a competitive award-making process.

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**New Emphasis on Outcomes, Results and Accountability Initiatives.** In 2001 JLARC's Environmental Quality Grant & Loan Program Performance Audit identified a need to develop outcome-based performance measures. Since then, there has been a new focus and level of attention on development of results-oriented program metrics that answer the question: what did we spend our money on, and what results were achieved? This focus was further developed with the Priorities of Government budgeting process beginning in 2002 and, most recently, through the Governor's GMAP process and measures. In all, there is a significant level of new management accountability guidelines and requirements directed at State agencies and their programs.

### **3.5 Funding Environment and Trends**

**Federal and State Requirements.** Three of the State's basic infrastructure programs (CDBG, DWSRF and WPCRF), representing 31% of basic infrastructure funds dispersed in the 2003-05 biennium, involve distribution of federal funds according to federally-prescribed criteria and procedures. This translates into limits on flexibility for the administering State entities, but no more so than the limits placed on State programs by the Legislature.

Relative to the amount of federal rules for the block grant programs in particular, State funds often have more stringent rules for eligibility and reporting. Block grants are designed to offer maximum flexibility for the states, while State programs are often narrowly focused on a particular need. Also, State funds are more likely to require approval by outside bodies, in particular the Legislature. As noted above, budget provisos that direct program funding represent another issue faced by State programs that is not as significant an issue for federal programs. The Legislature can change the emphasis of a program through a line in a budget, and it can also earmark program funds for particular projects without requiring the projects to go through a competitive award process. Both of these actions can place constraints on the operations of State programs.

**Shifts from Federal, to State, to Local Funding.** At the federal level particularly, there have been major structural shifts in the funding philosophy for basic infrastructure. In the 1970's, federal grants were available to fund 75% of water and wastewater facility construction project costs, including building enough capacity to accommodate 20 years of projected growth. In part this approach was taken to encourage compliance with stricter environmental regulations. In addition to federal grants, State grants authorized by Referendum 27 in 1972 (a part of the Washington Futures Program) were available to pay for another 15% of such projects, leaving only 10% of project costs to be paid by local jurisdictions.

By the late 1970's the federal government started to shift more responsibility for funding onto state and local jurisdictions, including having state agencies administer federal funds. In the early 1980's federal funding was decreased and the State stepped up its contribution. The overall level of funding assistance dropped, so projects that had received grant funding covering 75% of costs, including 20 years growth capacity, were now eligible for grants covering only 50% of costs to meet the need at the time of application plus a 10% growth allowance. Regulations still required projects to be built to accommodate 20 years of growth, however, so only part of a project would be eligible for assistance. Local jurisdictions became responsible for a larger portion of project costs.

By the 1990's there was another shift, this time away from grants and toward revolving loan funds. While communities receive benefits from loans with below-market-rate interest, the funds must still be repaid through local sources of funding.

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**Declining Federal Funding and Program Changes.** As one stakeholder noted: “all programs are facing challenges because of funding cutbacks.” In recent years, the shift has been to further reduce federal funding significantly, devolving even greater responsibility to state and local governments. The three federal programs examined here are no exception:

- The federal contribution to Washington State for the **Water Pollution Control Revolving Fund** program has decreased from \$70 million in the 2001-03 biennium to a projected \$42 million for 2005-07.
- The **Drinking Water State Revolving Fund** received a nearly constant amount over the same period, still losing ground to inflation.
- The **Community Development Block Grant (CDBG)** contribution remained between \$30.5 million and \$32.4 million from 1995-07 through 2001-03, following a reduction from \$119.8 million during the 1993-95 biennium. CDBG funding went up slightly to \$37.5 million for 2003-05, but reverted to the former level for the current biennium. The current federal administration is proposing to replace CDBG and 17 other such assistance programs with a single new program called the Strengthening America’s Communities Initiative, to be administered by the Department of Commerce rather than the Department of Housing and Urban Development. It would initially be funded at about two-thirds of what the 18 programs currently receive in total, and the focus would shift to regional economic development. If Congress agrees to the proposal, the federal CDBG program will be concluded. Congress did not fund the initiative for FY 2006, but there is every indication the proposal will be revisited for FY 2007.

**Declining State and Local Funding.** There is also downward pressure on State and local revenues, in part due to citizen-approved Initiatives that limit tax collection and/or repeal taxes. In 1993 Initiative 601 (I-601) was approved. It limits growth in State spending from the State General Fund to inflation plus population growth. I-601 also made it more difficult for the Legislature to increase taxes and fees by requiring a two-thirds majority in each house to pass such measures, and requiring voter approval for spending over the cap. To date, the State’s voters have not been asked to vote on exceeding the cap. This has, in turn, placed pressure on dedicated transportation funds to support the current level of transportation services. Referendum 47, passed in 1997, cut property taxes 4.7% and limited the growth in property tax collection to inflation or 6%, whichever was lower. Initiative 695 was passed in 1998, repealing the Motor Vehicle Excise Tax. The MVET had provided some funding for **CERB’s Traditional and Rural Programs**, among other programs. When the Initiative was ruled unconstitutional, its intent was enacted through legislation reducing car license fees to a flat \$30. More recently, Initiative 747 was approved in 2001. It placed even tighter restrictions on property taxes, limiting the growth of revenues to 1% without a legislative supermajority.

Measures such as these have constrained the ability of state and local jurisdictions to raise funds to pay for infrastructure while maintaining other services. Actual State funding for infrastructure programs is examined in Section 6.2 beginning on page 84.

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## 4.0 BASIC INFRASTRUCTURE PROGRAM SUMMARIES AND ANALYSIS

This Section provides brief summary descriptions of each of the basic infrastructure programs studied, with additional detail available in **Attachments B** (for basic infrastructure programs) and **C** (for other programs).

### 4.1 Program Summaries

#### ***Public Works Board – Public Works Trust Fund (1985)***

The 1985 Legislature created the Public Works Board and the **Public Works Trust Fund (PWTF)** to provide financial assistance to local governments to meet critical infrastructure projects. The Public Works Trust Fund is a revolving low-interest loan program for Cities, Counties and Special Purpose Districts. Eligible projects include the repair, replacement, rehabilitation, reconstruction, or improvement of water, sewer, stormwater, road, bridge, and solid waste/recycling public works systems to meet current standards for existing users, and reasonable growth. The program is administered by the Public Works Board, which sends a recommended project list to the Legislature for approval each session. The Legislature may delete projects from the Board's list, although it never has. The Legislature may not add projects to the list.

As of November 2005, the Fund's total worth is approximately \$528 million, comprised of \$488 million in outstanding loans and \$40 million held as a cash reserve. Given its large size, the Public Works Assistance Account has, over the course of its history, been drawn upon for other purposes: such uses totaled \$125 million in 2005. Of this, \$50 million was appropriated for Section 138 grants in the 2005-07 biennium and \$50 million is identified for appropriation in the 2007-09 biennium for the CERB Job Development Fund. Other funds transferred away include the account's investment interest and, from 2003 through 2007, certain loan repayments, both of which are to be used by CERB.

The **Public Works Trust Fund Emergency Loan Program (1988)** provides immediate repair and restoration of public works services and facilities that have been damaged by natural disaster or are determined to be a threat to public health or safety through unforeseen or unavoidable circumstances. Eligible systems include water, sanitary sewer, storm sewer, road, bridge and solid waste/recycling.

The Public Works Board also administers a pre-construction program created to accelerate construction by providing loans for project-specific design, engineering, permits, bid documents, and easements and a planning loan program which is for updating comprehensive infrastructure plans. These programs increase efficient use of Public Works Trust Fund resources by allocating separate, smaller awards to pre-construction costs, meaning projects are more likely to be ready to proceed when larger construction loans are awarded. These programs are not addressed in detail in this report, but are described briefly here and summarized in **Attachment C**.

Eligible activities for the **Public Works Trust Fund Planning Loans**, which issued its first loans in 1989, include environmental studies (such as biological assessments and environmental assessments) and updates to existing Capital Facilities Plans. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling. Public Works Planning Loans may be used for either single or multiple systems. Funds can only be used for work

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done by consultants selected under a competitive process. No match is required for this loan, and funds are loaned at zero percent interest. There is a six-year repayment period and a loan limit of up to \$100,000 per jurisdiction, per biennium. Projects must be completed within 18 months after contract execution.

Eligible projects for the **Public Works Board Pre-Construction Loan Program**, which issued its first loans in 1996, include the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users or users included under assumptions of reasonable growth (generally the 20-year growth projection in the local government's comprehensive plan). Specific activities may include preliminary engineering, right-of-way acquisition, bid document preparation, design engineering, and environmental studies. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling.

The Public Works Board also administers both the **Drinking Water State Revolving Fund** and the **Water System Acquisition Program** jointly with the Department of Health. These are described below.

### ***Community Economic Revitalization Board – Traditional (1982) and Rural (1991) Programs***

CERB was established in 1982, to “encourage new developments and expansions in areas where growth is desired.” The program provides low interest loans and a limited amount of grants (no more than 25% of awards in a given biennium) “to help finance the local public economic development infrastructure necessary to develop or retain stable business and industrial activity.” Awards are made directly by the CERB Board – legislative approval of projects is not required.

As shown in Section 4.2 and **Attachment E**, Port Districts are the most frequent beneficiaries of CERB awards and industrial building projects (categorically referred to as “Business and Economic Development Facilities” in this report) have historically represented the project type receiving the largest number of awards, as well as the greatest share of the total value of CERB awards. These facilities, which are leased back to businesses in manufacturing sectors, are of a somewhat different nature than other infrastructure funded by CERB or other programs described in this report as funding “basic” infrastructure. In addition to these business facilities to spur private sector development, CERB programs also fund water, wastewater, stormwater and solid waste projects – all under the goal of supporting economic development. A list of all eligible projects includes planning, design, acquisition, construction, reconstruction, replacement, rehabilitation or improvements to bridges, roads, domestic and industrial water, sanitary sewer, storm sewer, railroad (spurs), electricity, telecommunications, transportation, natural gas, buildings or structures, and port facilities.

The **Traditional Construction Program** requires an eligible private sector business opportunity at the time of application, along with evidence that the private investment would not occur without public investments. In the **Natural Resources/Rural Counties Program**, CERB can make an investment without an explicit commitment by a private entity, so long as a feasibility assessment indicates private development will occur if the infrastructure is put in place. Since 1999, 75% of total program funds must go the Natural Resources/Rural Counties Program, and no more than 25% to the Traditional Program.

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CERB lacks a dedicated funding source, receiving revenues from a number of different and changing sources of its history. This has resulted in significant swings in total appropriation from biennium to biennium. **Attachment D** – the Funding Inventory – provides more information on this topic, including documentation of CERB’s historical funding sources and levels.

### ***CERB Job Development Fund (2005)***

This program was newly established by the Legislature in 2005 through House Bill 1903 which states that the purpose of the program is to “provide grants for public infrastructure projects that will stimulate job creation or assist in job retention.”

For the 2005-07 biennium, the program is administering \$50 million in grants to 14 legislatively-selected projects listed in Section 138 of the Capital Budget. Funding for these projects is supplied via a direct appropriation from the Public Works Assistance Account, while CERB has been allocated \$430,000 in administrative funds to develop program guidelines and a competitive application process which will begin in the 2007-9 biennium. CERB and JLARC are jointly required to develop performance criteria for the grants and evaluation criteria assessing how well applicants have met the community and economic development objectives stated in their applications. The agencies are also instructed to evaluate how well the program as a whole performs in meeting its job creating objectives.

Beginning in the 2007-09 biennium, projects will be selected through a competitive process now being developed. A \$50 million transfer from the Public Works Assistance Account to the Job Development Fund Account will fund the programs in the 2007-09 biennium. CERB staff will administer the program, soliciting, reviewing and evaluating applications and administering grants.

Because funding for the program comes from the Public Works Assistance Account, the Public Works Board staff will be engaged in application review, ranking and rating. The CERB Board will develop a final ranked project list of up to \$50 million and has the option of submitting an alternate list of up to \$10 million in projects. Under an interagency agreement now being finalized among the CERB Board, the Public Works Board and CTED, these lists will be recommended – without modification – by the Public Works Board to CTED for inclusion in the Department’s budget request for the next biennium. The project lists must then be approved by both CTED and the Legislature. The Legislature may delete projects from the list but may not change the prioritized order. It may add projects from the alternate list in order of priority.

As noted in Section 3.3, (page 25), the need for legislative approval of the program’s project list results in a lengthy 18-month application process for Job Development Fund awards. This slow response means that the program is structured to be less responsive to specific business opportunities than CERB’s Traditional and Rural Programs. Projects are more likely to be in support of prospective economic development, or of the rare business development project with an especially long lead time.

The CERB Job Development Fund requires a 66% match of funds by the applicants in order for a project to be considered eligible. Some of these matching funds may be local funds, and a project that can’t demonstrate any local funding likely will not rank high on the recommended project list. Matching funds may also be in-kind funds, such as a purchase of land that will be used in the project. Although the matching requirement states that the funds must be “non-State,” this is interpreted by

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program staff to mean “non-Job Development Fund” money, allowing for other State programs to help fund the match requirement.

As with CERB’s Traditional and Rural Programs, the Job Development Fund can be used to support the creation of industrial buildings which are typically then leased to businesses in manufacturing sectors. The CERB Job Development Fund will sunset on June 30, 2011.

### ***Drinking Water State Revolving Fund (1996) and Water System Acquisition and Rehabilitation Program (2003)***

These programs are administered jointly by the Department of Health and the Public Works Board. DOH reviews applications for system and project eligibility, and to ensure that the system has the technical, financial, and managerial capacity to take on a loan. DOH scores projects and drafts the prioritized project list. Public Works Board staff are responsible for contract administration, conducting financial and environmental reviews, approving the final loan list, making loan offers, and for billing and tracking loan repayments.

The **Drinking Water State Revolving Fund** provides loans to water systems for capital improvements that increase public health protection and for compliance with drinking water regulations. The program was established in 1996, with the passage of amendments to the federal Safe Drinking Water Act. The U.S. Environmental Protection Agency provides capitalization grants to each of the states, requiring a 20% state match.

The **Water System Acquisition and Rehabilitation Program** was created in 2003 by the State to assist municipal water systems in acquiring and rehabilitating systems that have water quality problems or deteriorated infrastructure. The grant program is intended to maintain safe and reliable drinking water systems throughout the State. Funding is granted through a competitive process, with emphasis on projects that address high health risk.

### ***Community Development Block Grant Program (1982)***

The primary objective of the federal Community Development Block Grant (CDBG) program is to “develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, particularly for persons of low- and moderate-income” (HUD web site). State CDBG programs distribute funds to non-entitlement areas: units of local government which do not receive CDBG funds directly from HUD. These non-entitlement areas include cities with populations less than 50,000 and counties with populations less than 200,000. Funded projects must principally benefit low- and moderate-income persons, defined as 80% of county median income.

Washington’s CDBG program consists of seven related set-asides. The State is given a sum of federal money, managed by the U.S. Department of Housing and Urban Development, which is augmented by a 2% State match. This funding is divided among these set-asides by CDBG management, based upon assessed needs. Federal requirements include the development of a Consolidated Plan with needs assessment and action plan components to coordinate how the State’s CDBG funds are distributed.

Washington’s CDBG program is managed with a focus on being flexible and responsive to evolving client needs. The **General Purpose Grant** was created in 1982. From this starting point, today’s

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system of seven set-asides has evolved, with each program developed to meet a particular client need. The seven set-asides and their 2006 funding levels are listed in Exhibit 12.

**Exhibit 12**  
**2006 CDBG Set-Asides**

General Purpose Fund	\$7,000,000
Community Investment Fund	\$3,700,000
Public Services Fund	\$1,766,000
Housing Rehabilitation Fund	\$1,100,000
Housing Enhancement Fund	\$800,000
Planning-Only Fund	\$500,000
Imminent Threat Fund	\$166,000
<b>Total</b>	<b>\$15,032,000</b>

Source: CDBG web site, 2005

Of these programs, the General Purpose Grant, Community Investment Grant, Imminent Threat Grant and Housing Enhancement Grant may be used to fund infrastructure development. As is true in many states, the majority of Washington's CDBG money is directed at infrastructure needs because this is where locals say that they have the greatest need.

**General Purpose Fund Grants** and **Community Investment Fund Grants** fund similar projects, including wastewater, stormwater and drinking water projects, community facilities, housing, streets and sidewalks, and senior and youth centers. The CIF program, with its first-come, first-served rolling application process, was established in 1994 as a way to fund projects that arise over the course of a year and need a more prompt response than can be accommodated by the General Purpose Program's annual application cycle.

The CIF was created initially with an economic development focus, but has broadened to include general infrastructure projects. Projects funded through the CIF must be ready to proceed and rank in the top three of the county's **Washington Community Economic Revitalization Team** (WA-CERT, see page 45) list. CDBG staff helps applicants during the pre-application phase with technical assistance and planning. Once an application is approved, funds can be dispersed to go out in a matter of weeks. Usually the funds are depleted by September or October of each calendar year.

The **Housing Enhancement Grants Fund** works in conjunction with the **Housing Trust Fund** (administered through CTED's Housing Division), which provides loans and grants to support low and very low income housing. The two programs are complementary in that the Housing Trust Fund can pay for water and sewer lines from a house's property line to the house, while the Housing Enhancement Grants Program can provide water and sewer lines up to the property line.

The **Imminent Threat Fund** "provides funds to address unique emergencies posing a serious and immediate threat to public health safety on a funds available basis. Upon formal Declaration of Emergency, costs can be recovered for a temporary repair or solution while funding for a permanent fix is secured" (CTED web site).

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### ***Department of Ecology Water Quality Program (1986, 1988)***

The mission of DOE's Water Quality Program is to "provide low-interest loans, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State." The Program consists of three funds under a joint application and common administration.

The **Centennial Clean Water Fund** (CCWF) was established by the State in 1986 to provide low-interest loans and grants for wastewater treatment facilities and to fund related activities to reduce nonpoint sources of water pollution, i.e. sources not tied to a single, identifiable source such as a pipe, ditch, conduit, animal feeding operation, or vessel. The current outstanding principal balance on the funds' seventeen loans is approximately \$3,900,000. Unless there is limited demand for one or the other category, 66.6% of the competitive funding is made available to hardship community construction projects and 33.3% is reserved for nonpoint activity projects. Eligible projects include comprehensive sewer or stormwater planning, construction of water pollution control facilities, related land acquisition, new sewer systems to eliminate failing or failed on-site septic systems; design for water pollution control facilities; facilities plans for water pollution control facilities; and implementation of best management practices on private property.

The **Water Pollution Control Revolving Fund** (WPCRF) provides low-cost financing or refinancing to local governments for projects that improve and protect the State's water quality. Projects may include publicly-owned wastewater treatment facilities, nonpoint source pollution control projects, and comprehensive estuary conservation and management programs. The United States Congress established the State Revolving Fund (SRF) loan program as part of the Clean Water Act (CWA) Amendments of 1987, which authorized the EPA to offer yearly capitalization grants to states for establishing self-sustaining loan programs. The funds as distributed from the federal government are known as the **Clean Water State Revolving Fund Program**. The State provides a 20% match to these federal funds. No less than 80% of funds must go to water pollution control facility projects and no more than 20% may go for activities projects. However, if there is a limited demand for loans during a funding cycle in either of these categories, the money can be shifted to the other category to more fully utilize the limited loan funds available. Historically 97% of the funds available have been offered to local governments with water pollution control facilities projects.

The State Revolving Fund is used to provide low-cost financing or refinancing to local governments or tribes to plan, design, and construct publicly owned wastewater treatment facilities. It is also utilized for nonpoint source pollution control projects, local loan funds to implement best management practices such as eliminating failing on-site septic systems, stormwater management, comprehensive estuary conservation and management programs, or land acquisition for land application of treated wastewater. SRF loans are prohibited from being used to acquire land for the wastewater treatment facility.

The **Section 319 Nonpoint Source Grants Program** (Section 319) provides grants to reduce nonpoint sources of water pollution. The United States Congress established the Section 319 program as part of the CWA Amendments of 1987. The Section 319 program does not fund water pollution facilities projects, and so is not addressed in detail in this study. It does function as an important component of the Water Quality Program, providing a mechanism under the joint application to meet Water Quality goals through projects such as the implementation of stream and habitat restoration,

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use of best management practices, stormwater pollution control, water quality monitoring, lake restoration efforts that focus on pollution prevention, and on-site management programs.

### ***Department of Ecology Water Resources Program***

The mission of DOE's Water Resources Program is to "support sustainable water resources management to meet the present and future water needs of people and the natural environment, in partnership with Washington communities." The Program is tasked with permitting all uses of surface and ground water in the State, with the authority to ensure that public benefit is met. The Program acts to ensure sufficient streamflow exists to support fish, wildlife and recreational uses, while providing adequate agricultural irrigation. Most projects involve converting open, unsealed ditches to pipes, or improving diversions and dams to enhance wildlife habitat.

The **Water Infrastructure Program** was created in the 2003-5 biennium, with \$5.8 million in Governor-identified projects. The program's 2005-7 biennial budget is \$12 million, which will be distributed through a competitive process. Grant funding is provided solely for infrastructure improvement projects and other water management actions that benefit stream flows and enhance water supply. Project benefits must resolve conflicts between water uses for municipalities, agriculture, and fish restoration, improving the efficiency of irrigation, and so enhancing the availability of water for streamflow purposes including fish, wildlife and recreational uses. The streamflow or fish habitat improvements gained from the project must be proportional to the investment of State funds.

The **Drought Preparedness Program** funds drought relief, projects and activities to prepare the State for future droughts and climate change, and compliance activities. Funding for this program is largely depleted, and it has no significant dedicated, on-going funding. It has received supplemental appropriations during recent droughts, however. Eligible infrastructure and equipment includes pumps and accessories, discharge lines, pipelines, canals and laterals with control structures, liners for leaky pipes and canals, diversion structures, reregulating reservoirs, measuring devices, and wells, including pumps and accessories. Eligible measures that may also be funded include the means for implementing water conservation procedures, acquiring alternate water sources, or transferring water rights, provided that the proposed measure represents an additional cost to the applicant as the result of drought conditions, and not as a substitute for normal water supply costs.

Funds for the **Referendum 38 - Water Supply Facilities Program** are fully allocated and no new grants are expected to be awarded. In 1980 voters approved Referendum 38, known as the Water Supply Facilities 1980 Bond Issue. It was designed to provide financial assistance to public bodies that manage water such as irrigation districts and public water supply systems. The referendum authorized the State Finance Committee to issue \$125 million in bonds (\$75 million for public water supply systems and \$50 million for agricultural water supply facilities) either alone or in combination with fishery, recreational or other beneficial uses of water. The Department of Ecology has been responsible for administering the \$50 million in bond funding for agricultural water supply facilities. Ecology has provided grants and loans to public irrigation districts to help them repair or improve existing agricultural water conveyance facilities such as ditches, pipes and other irrigation systems.

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### ***Department of Ecology Shorelands and Environmental Assistance Program***

The State established the **Flood Control Assistance Account Program (FCAAP)** in 1984. Funding, which comes from the State's General Fund, was cut by 50% for the 2003-05 biennium, and has not recovered to previous levels. The program is designed to assist local governments in reducing flood hazards and damages by providing technical and financial assistance in the development and implementation of comprehensive flood hazard management plans (CFHMPs), engineering feasibility studies, physical flood damage reduction projects, acquisition of flood prone properties, public awareness programs, flood warning systems and other emergency projects.

### ***Department of Ecology Solid Waste Program***

The **Coordinated Prevention Grant Program** helps local governments develop and implement their hazardous and solid waste management plans. The program was founded by the State in 1988 and receives funding from the Hazardous Substances Tax. Solid and Hazardous Waste Planning and Implementation Grants are available to local planning authorities for writing or updating a Local Comprehensive Solid Waste Management Plan or Local Hazardous Waste Plan. A local planning authority with an Ecology-approved plan – as well as lead implementation agencies – may also receive money through this type of grant for plan implementation projects. Solid Waste Enforcement Grants are available for jurisdictional health departments and districts for support enforcement of solid waste regulations. Originally, most grants were awarded for planning purposes, however, today about 99% of all grants are for projects focused on implementation.

**Safe Drinking Water Action Grants** help local governments or local government applying on behalf of a provider to provide safe drinking water to areas where a hazardous substance has contaminated drinking water. The Department of Ecology provides funding, generated from the Hazardous Substances Tax, through the Remedial Action Grants Program. DOE administers the grant so that remedial action goals are met, while the Department of Health identifies sites and provides technical oversight to ensure that State regulations regarding drinking water are met.

### ***Technical Assistance and Funding Coordination Programs***

The following independent programs exist to help applicants successfully navigate Washington's complex array of local infrastructure investment programs. In addition to these independent programs, many of the programs described above provide customer service and technical assistance, with the larger programs maintaining field staff dedicated to this purpose.

Stakeholders and clients interviewed for this study praised the work done by the Small Communities Initiative and the Infrastructure Assistance Coordinating Council, stating they provide an invaluable service in helping local jurisdictions navigate the complexities of pursuing infrastructure funding in Washington. Both programs are cited as small, underfunded models of the kind of coordination and technical assistance that is needed on a larger scale.

In addition to these formal avenues of assistance and collaboration there also is continual, informal, ad hoc collaboration between staff of the different programs to help particular projects find the proper funding sources and any other help necessary to solve the issue being addressed.

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## **Small Communities Initiative**

In 1999, CTED in collaboration with the Departments of Health and Ecology, formed the Small Communities Initiative (SCI) to assist small, rural communities that are simultaneously struggling with economic viability and compliance with health and environmental regulations. Since its founding, SCI has helped 11 communities complete and sustain a range of projects.

The primary goals of SCI are to help Washington's small communities gain access to State resources in order to promote compliance with environmental and public health requirements, and to support the economic vitality of Washington's small communities. Most of the assistance provided by SCI is related to finding funding to address failing water and wastewater systems.

To help communities complete projects efficiently, SCI works to establish and sustain working relationships between the communities and both funding and regulating agencies, as well as fostering interagency coordination and communication. SCI achieves this mission by helping small incorporated cities or utility districts develop more focused projects, make strategic investments, identify and access appropriate fund sources and meet all funding requirements.

SCI is governed by a steering committee of members representing CTED and the Departments of Health and Ecology. Initially staffed by one person, CTED now employs two full-time SCI program managers.

## **Infrastructure Assistance Coordinating Council**

The Infrastructure Assistance Coordinating Council (IACC) offers an annual training and information conference and a searchable web site on program offerings. The IACC is a non-profit organization made up of staff from State and federal agencies, local government associations, nonprofit technical assistance firms, tribes and universities. The IACC is an all-volunteer organization with staff time donated by various organizations.

Each November, the organization sponsors a workshop bringing together potential applicants and Washington's wide array of local infrastructure funding programs, including representatives of federal programs. Jurisdictions are able request review of their specific needs by "Tech Teams" comprised of staff from relevant programs and regulatory agencies. They meet with staff from a local jurisdiction to discuss infrastructure problems and offer suggestions for solutions, assistance with planning, and direction toward appropriate funding sources. The IACC web site hosts its *InfrastructureDATABASE*, which catalogs more than 200 federal and State sources for infrastructure funding and technical assistance.

## **Business & Project Development Unit**

The Business and Project Development Unit (BPD), which is located in CTED's Economic Development Division, works to encourage in-state and out-of-state businesses to establish and expand operations in Washington. In addition to providing location searches and research on matters such as labor market, workforce training, taxes, regulations, financing, transportation, and incentives, staff "partner with communities on infrastructure development, permitting and other actions in support of your project." BPD staff are familiar with State and federal infrastructure funding sources and they market and package various investment resources to support business siting, retention and expansion projects.

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In addition to serving as general resources, BPD personnel function as field staff for the CERB program, being the primary agents to market and package its products, providing hands-on assistance to both public (local government) and private (business enterprise) parties in completing the application process. BPD staff assist in all CERB loans and grants, helping to present and advocate for projects to the CERB Board, introducing representatives of the public sector applicant (frequently an Economic Development Council) and the private sector enterprise in question.

### **Washington Community Economic Revitalization Team (WA-CERT)**

The history of the WA-CERT program dates back to the late 1980s and early 1990s, when it was formed as the Governor's Timber Team and tasked with addressing the economic impacts of the timber crisis. Reconfigured as WA-CERT in 1993, the principal function of the program became to provide an on-line database that allows counties and tribes to register their economic development projects, listing them in priority order. The "WA-CERT list" allows state, federal and non-profit funders to quickly understand a community's prioritized needs. Of the programs studied here, the Community Development Block Grant Community Investment Fund requires that projects be ranked in the top three of an applying county's WA-CERT list.

Funding for WA-CERT was cut in the 2003 budget and the online database is no longer maintained by CTED. CTED still accepts and files lists of local project priorities provided by counties on a volunteer basis.

## **4.2 Analysis of Program Awards**

The award histories of a sub-set of basic infrastructure programs were analyzed for this study, including the PWB's Public Works Trust Fund (1996-2005), CERB's Traditional and Rural Programs (1995-2005), Community Development Block Grant Program (1992-2005), Drinking Water State Revolving Fund (1997-2004), Centennial Clean Water Fund (2000-2006) and Water Pollution Control Revolving Fund (2000-2006).

The subsequent analyses make no distinction between awards issued competitively and those stemming from budget provisos. Projects resulting from budget provisos tend to be relatively large, so their inclusion may skew the results of the following analysis towards larger projects.

The following pages present summary level analyses describing the distribution of awards, the impact of inflation (based on the Construction Cost Index for Seattle computed by the Engineering News-Record) and a breakdown of awards by client and project type. The analyses adjusting program funding for construction inflation are intended to be a measure of the value of construction projects "purchased" by the program over the respective time periods. This analysis should not be confused with the separate issue of how inflation is affecting the long term financial health of the programs' fund balances. Such an analysis would need to consider external sources of fund capitalization and revenues.

**Attachment E** provides a more in-depth description of the data and more expansive summary analysis.

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## **Key Findings**

**The distribution of program awards over time is highly variable.** This finding is not altogether surprising as the programs fund a wide array of clients and projects, which themselves differ in both size and character. Additionally, programs were exposed to variations in funding that have contributed to the observed fluctuations in award patterns. Clear examples of this include the **CERB Traditional and Rural Programs'** lack of a dedicated funding source and the use of funds in the **Public Works Assistance Account** for programs other than those administered by the Public Works Board. In general, programs have tended over time to fund an increasing number of high value awards that are accounting for a larger share of total program funding.

**Inflation in construction costs has reduced the purchasing power of each dollar of program funding.** This erosion of the value of total awards has been offset in all programs other than the **Centennial Clean Water Fund** by an increase in the total nominal value of annual awards. This increase has been sufficient in most cases to offset losses due to inflation: the inflation-adjusted value of total annual awards for all programs other than the Centennial Clean Water Fund is greater at the end of the period analyzed than at the beginning. Most programs, however, including the CCWF, show a decline in total annual awards from 2004 to 2005. This finding is consistent with trends in annual budgets described in Section 6.2 beginning on page 84.

However, it is difficult to determine from this brief analysis if the funding programs are "keeping pace" with inflation while delivering the same level of service and meeting client demand. The CCI adjustment considers only nominal dollars spent and is intended to be a gross measure of the amount of infrastructure "purchased" over the time periods analyzed.

Moreover, program staff have raised concerns that the rate of construction inflation greatly outpaces contributions to the growth of funds from loan repayments as loan rates are often set below the rate of construction inflation. A fund's total value may be growing more quickly than inflation, but only because of continued federal and/or State capitalization. If these external contributions to a fund's base are eliminated – as has always the plan for federal contributions to state revolving loan funds – the interest rate strategies of some programs are not structured to support the programs in perpetuity by counteracting the effects of inflation.

The U.S. EPA's Region 10 prepared a draft Program Evaluation Report of the State's **Water Pollution Control State Revolving Fund** program for State Fiscal Year 2003-2004 which supports this concern. The issue is linked to overlap and competition with the Public Works Trust Fund, which it says drives down the interest rate charged for program loans: "The Department needs to complete the actions necessary in order to adjust loan interest rates so that the purchasing power of the Fund is being maintained. As part of this process the Department needs to develop and implement a cooperative water infrastructure financing strategy with the Public Works Board."

**Programs face choices in how they respond to the effects of inflation on individual awards.** Even with the upward trend in total annual awards distributed, a program may need to reduce the number of awards given in order to maintain the purchasing power of individual awards. Likewise, if the goal is maintaining the number of awards distributed, a program may need to decrease the size of "typical" distributions, even if nominal budgets don't decline. As mentioned in

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**Attachment H**, interviews with staff of agencies that have received awards revealed concerns that rising construction costs limit how far program funds can go toward completing projects.

Additional analysis would be required to determine impacts of inflation on the purchasing power of “typical” or “middle of the road” award for each program, as variations in award types and sizes over time mean that the median award values listed on the following pages are not necessarily a reliable measure of how a program’s “typical” award has changed. As shown in the bullet points below, programs seem to have responded differently to changes in total funding and the impacts of inflation.

- The total annual value of awards made by the **PWB’s Public Works Trust Fund** exhibited a net increase, even when adjusting for construction inflation. The program awarded a relatively stable number of loans over the time period analyzed, with a greater proportion of awards going to high value loans.
- The total annual value of awards distributed by the **CERB Traditional and Rural Programs** showed a net increase even when adjusting for construction inflation. The number of awards increased with a greater proportion tending to go to high value awards over the analysis period. More low-cost feasibility studies were funded with grants in 2004 and 2005.
- The total annual value of **Community Development Block Grant** awards showed a net increase even when adjusting for construction inflation. The number of awards increased over the analysis period.
- The total annual value of **Drinking Water State Revolving Fund** awards showed a net increase, even when adjusting for construction inflation. The number of loans increased, with a greater proportion of awards going to high value loans over the analysis period.
- The total annual value of awards distributed by the **Centennial Clean Water Fund** decreased over the time period studied. The number of awards declined, with a greater proportion tending to go to high value awards over the analysis period.
- Total funds distributed by the **Water Pollution Control Revolving Fund** showed a net increase, even when adjusting for construction inflation. The number of loans declined with a greater proportion of awards going to high value loans over the analysis period.

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### ***PWB – Public Works Trust Fund***

As shown in Exhibit 13, the annual number of loans awarded from the Public Works Trust Fund programs has varied over the ten year period from 1996 to 2005. A maximum of 72 loans was issued in 1996 and a low of 31 loans was issued in 2003. For the period, 586 loans, totaling \$1.23 billion, were distributed. Exhibit 13 also illustrates that the average loan value has tended to increase over time, while the median value has remained relatively constant. This is the result of the PWTF awarding a greater proportion of large value loans over the time period.

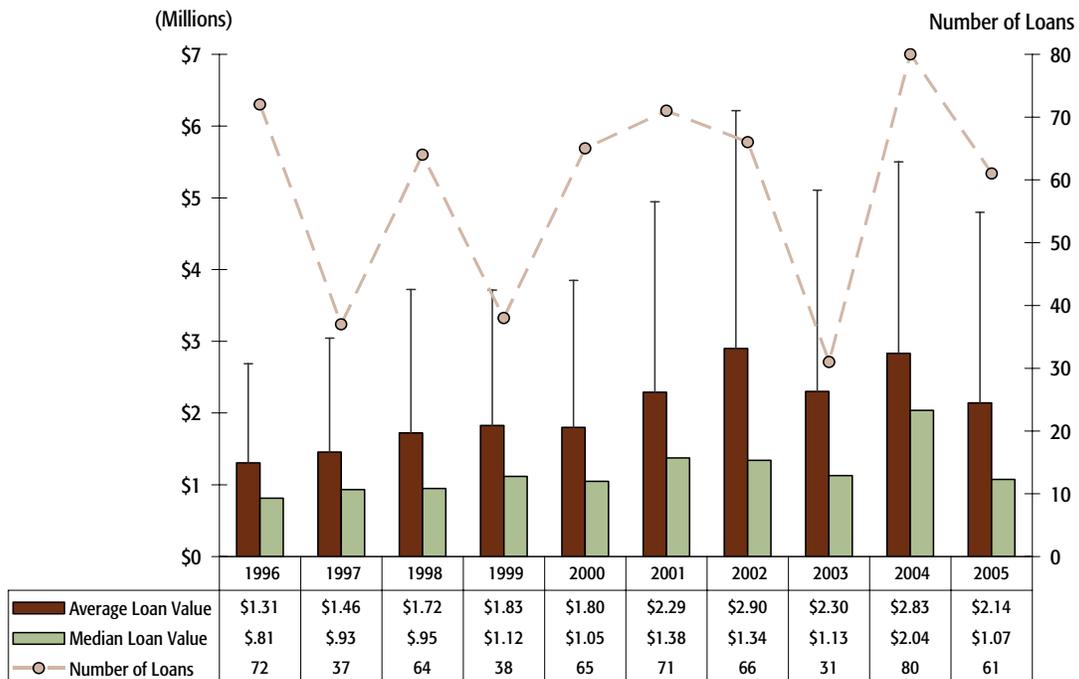
Exhibit 14 demonstrates that the total value of all loans issued in a given year has shown substantial variation with, a general upward trend. The total of all loans peaked in 2004 at \$226.5 million before dropping in 2005 due to the appropriation of funds for Section 138 projects (see page 37 for a description). The nominal increases in total loan value have slightly offset the losses due to construction cost inflation. The median loan value has increased from 1996-2005, but adjusting for construction inflation, the increase nearly disappears.

Exhibit 15 shows that cities were the most frequent beneficiaries of PWTF awards, collecting 56% of all loans. Cities also received the majority of funding, securing 63% of all loan monies awarded. Counties, frequently described by stakeholders as not receiving proportionate benefit from the PWTF program, received 7% of awards given, or 12% of the value of all awards.

Exhibit 16 illustrates that while domestic water projects collected the highest share (47%) of loan awards, equal to 37% of all loan monies awarded, sanitary sewer projects received the largest dollar share of loans (40%), with domestic water projects collecting 37% of the total funds awarded.

For further analysis of Public Works Trust Fund awards, including trends in award types and award amounts over time, see Section 3.1 of **Appendix E**.

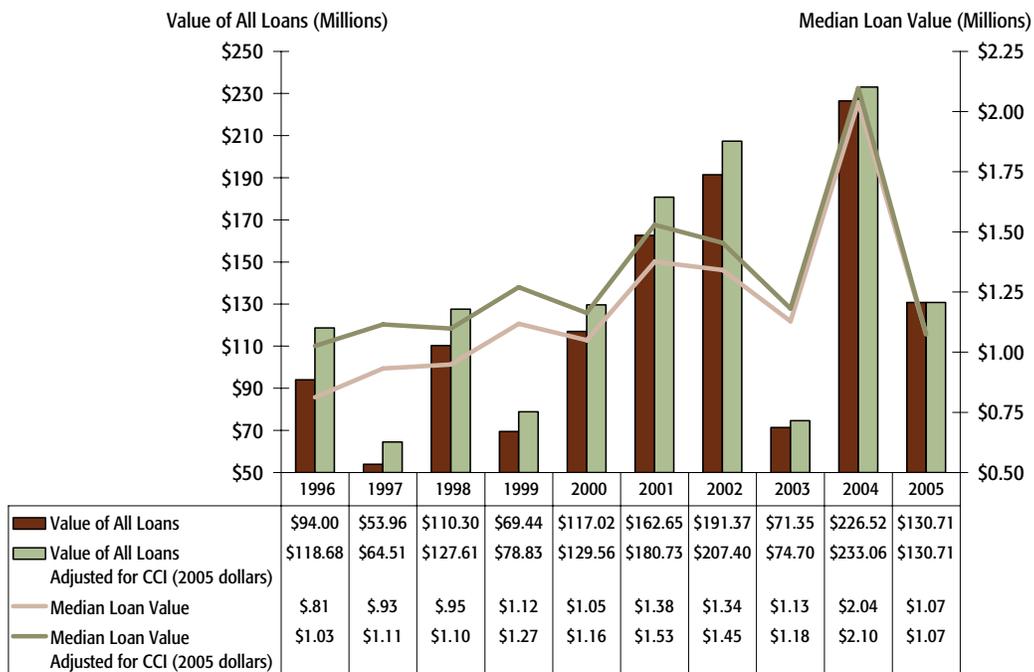
### Exhibit 13 – Distribution of Public Works Trust Fund Loans, 1996-2005



Source: PWB Award History and Berk & Associates, 2005

Note: The magnitude for the standard deviation of the average is denoted by bar (T).

### Exhibit 14 – Public Works Trust Fund Loans Adjusted for Inflation, 1996-2005



Source: PWB Award History, Engineering News Record, and Berk & Associates, 2005

Note: CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.



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### ***CERB Traditional and Rural Programs***

As shown in Exhibit 17, while there has been some variation, the number of yearly awards made by the Community Economic Revitalization Board's programs has tended to increase. Over the 11-year period, 97 awards totaling \$46.0 million were distributed. In most years, relatively equal proportions of high and low value awards were issued. In 2004 and 2005, an increase in the number of relatively low cost feasibility studies changed the proportion of low and high value awards, ultimately reflecting an increase in the number of large value awards being made.

Exhibit 18 illustrates that the award value has varied over time, showing a net increase from 1995 to 2005. These nominal increases in total award value over the time period have more than offset the losses due to construction cost inflation. Adjusted for construction inflation, the 2005 median value award purchases considerably less than it did in 1995 although this finding should be carefully considered in light of the increase in feasibility studies over the same period. These projects cost substantially less than construction projects and therefore reduce the median award value.

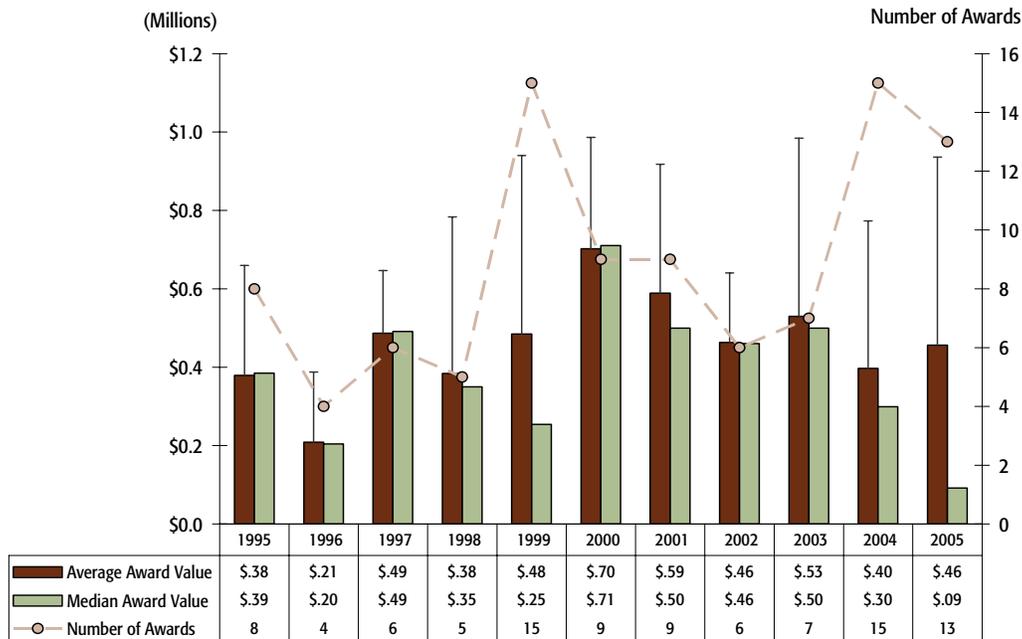
Exhibit 19 shows that the average grant value has varied and in 2003, 2004 and 2005 CERB awarded more grants – with a significantly smaller average size – than previously. The average loan value increased over the same time period, showing the program's shift toward distributing a higher share of total awards as loans. Exhibit 20 shows that over the ten year period, grants accounted for 51% of the total number of awards, but accounted for only 32% of all CERB funding.

Exhibit 21 shows that Port Districts were the most frequent beneficiaries of CERB awards, collecting 56% of all distributions. Port Districts also received 55% of all award monies – the highest share. Cities received the second greatest number of awards (24%) and the second greatest dollar share of all awards (23%).

Exhibit 22 shows that industrial building projects collected the highest number and value of awards, receiving 34% of the total number of awards and 44% of all monies awarded. Feasibility studies collected 20% of the total number of all awards but accounted for only 1% of total CERB funding.

For further analysis of CERB awards, including trends in award types and award amounts over time, see Section 3.2 of **Appendix E**.

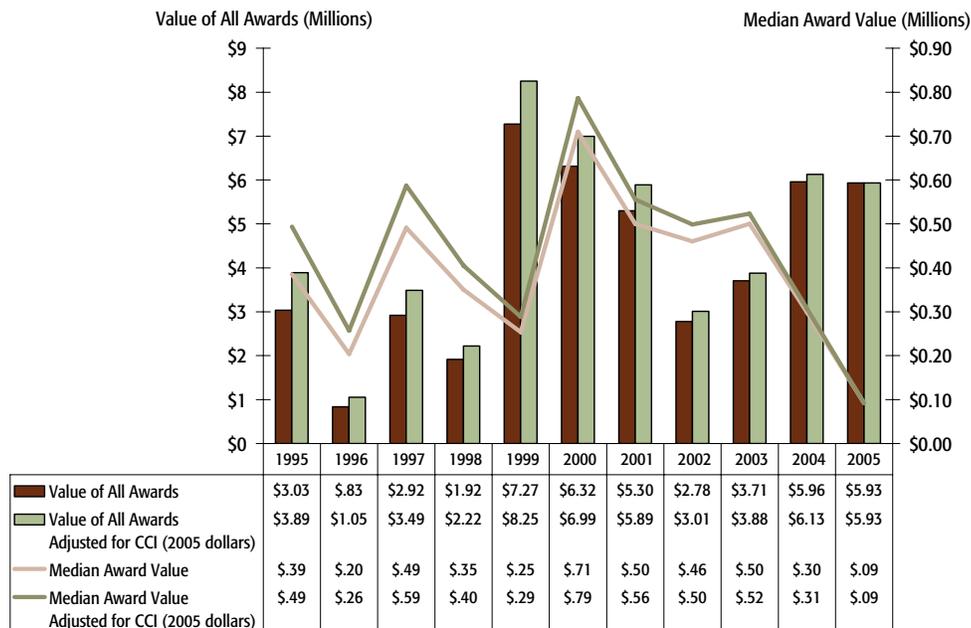
## Exhibit 17 - Distribution of Community Economic Revitalization Awards, 1995-2005



Source: CERB Award History and Berk & Associates, 2005

Note: The magnitude for the standard deviation of the average is denoted by bar (T).

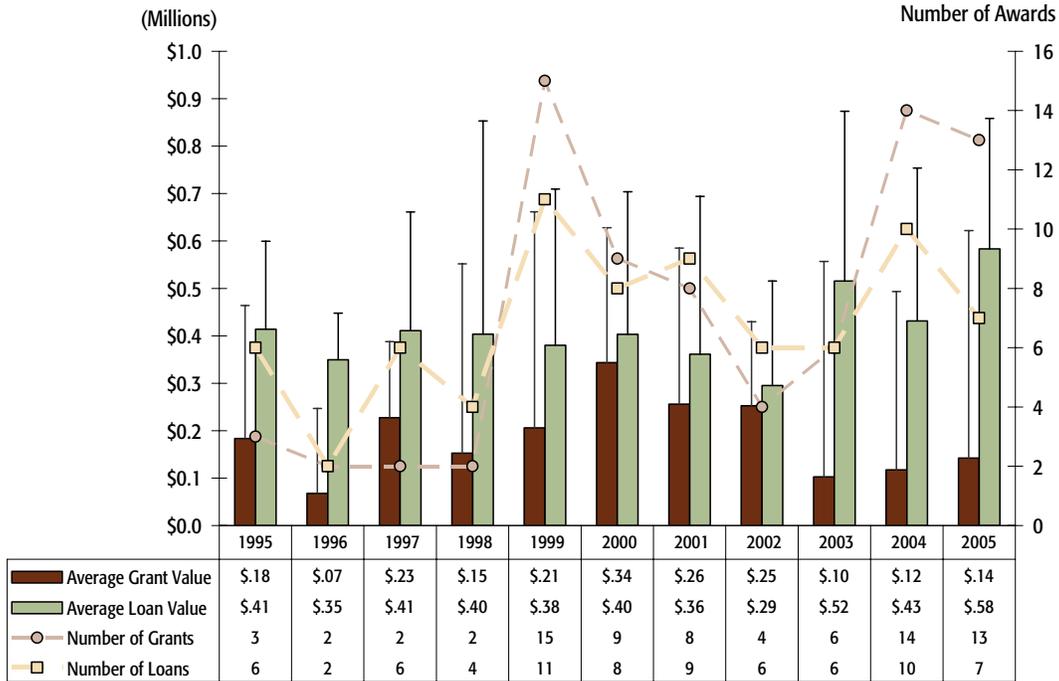
## Exhibit 18 - Community Economic Revitalization Awards Adjusted for Inflation, 1995-2005



Source: CERB Award History, Engineering News Record, and Berk & Associates, 2005

Note: CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.

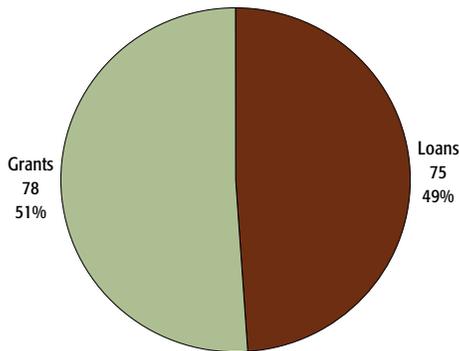
### Exhibit 19 - Distribution of Community Economic Revitalization Grant and Loan Awards, 1995-2005



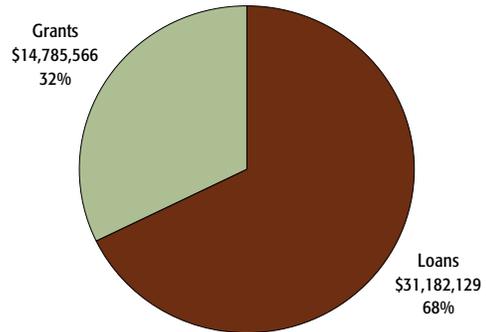
Source: CERB Award History and Berk & Associates, 2005  
 Note: The magnitude for the standard deviation of the average is denoted by bar (T).

### Exhibit 20 - Community Economic Revitalization Board Grants and Loans, 1995-2005

Number of Awards



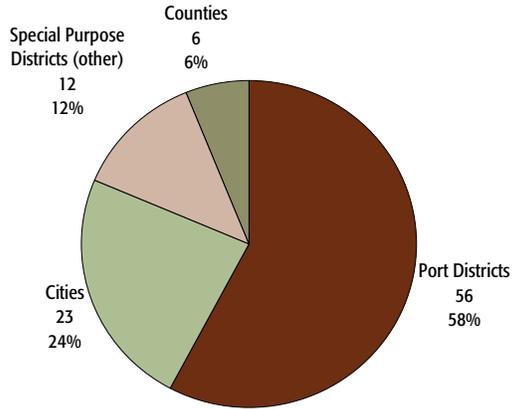
Value of Awards



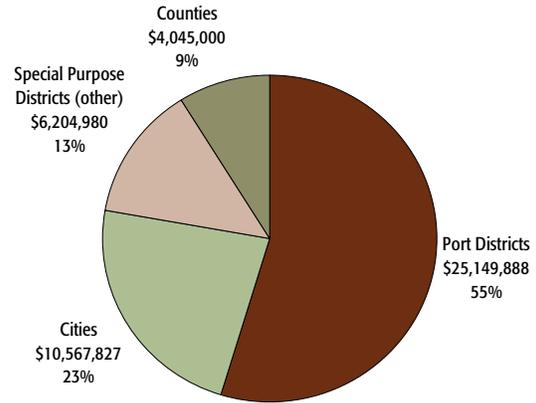
Source: CERB Award History and Berk & Associates, 2005  
 Note: An award to a CERB client could contain both grant and loan monies.

## Exhibit 21 – Community Economic Revitalization Board Awards by Client Type, 1995-2005

**Number of Awards**



**Value of Awards**

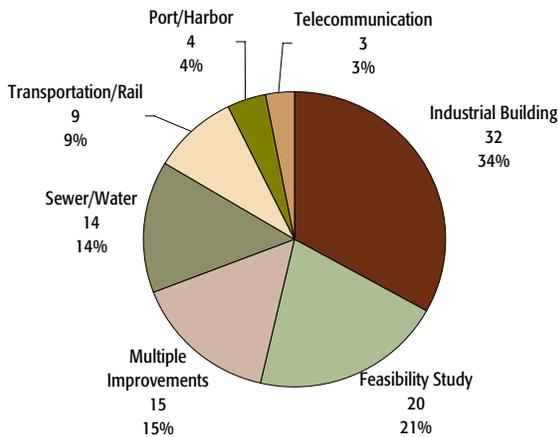


Source: CERB Award History and Berk & Associates, 2005

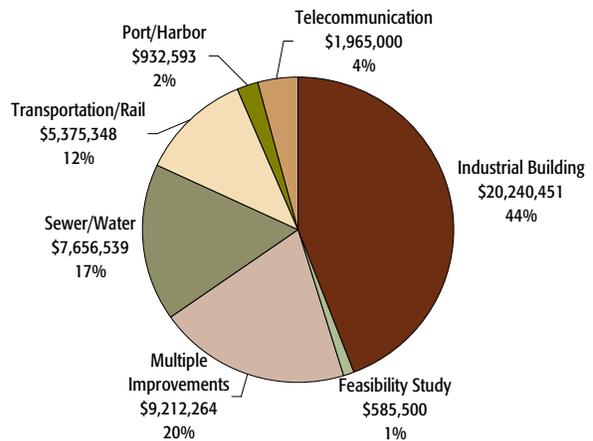
Note: Special Purpose Districts (other) includes ten public development authorities, an airport and a public utility district awards.

## Exhibit 22 - Community Economic Revitalization Board Awards by Project Type, 1995-2005

**Number of Awards**



**Value of Awards**



Source: CERB Award History and Berk & Associates, 2005

Note: Multiple Improvements include projects combining at least two types of project types.

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### ***Community Development Block Grant***

Exhibit 23 shows that the annual number of Community Development Block Grant awards has trended slightly upward over the 14-year time period, as has the total annual value. CDBG awards tend to be similar in size and have a larger proportion of lower than higher value awards.

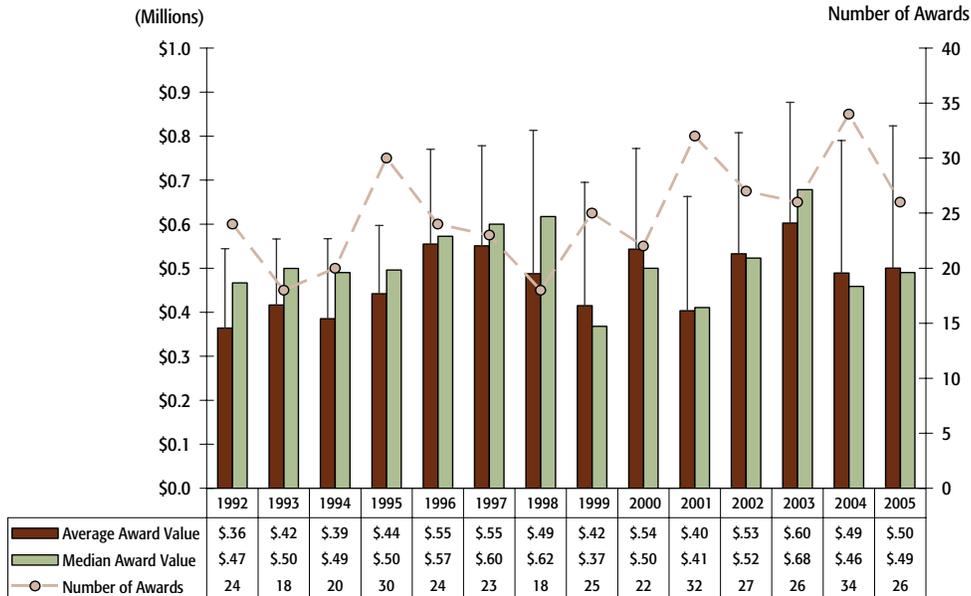
Exhibit 24 shows that adjusting for construction inflation the median value award purchases considerably less in 2005 than it did in 1992. An examination of the value of all awards shows a different picture. Substantial increases in total funding have more than offset the reduction due to construction inflation: in constant 2005 dollars, the total value of awards distributed in 2005 is greater than the total value of awards distributed in 1992.

Cities were the most frequent beneficiaries, collecting 49% of all awards, and the recipients of the greatest dollar share, collecting 51% of all monies awarded, as shown in Exhibit 25. Counties collected 34% of all awards, equal to 32% of the total funds distributed.

Exhibit 26 shows that public facility (sewer/water) projects collected the highest share of all awards, receiving 39% of the total number of awards and 43% of all monies awarded.

For further analysis of Community Development Block Grant awards, including a breakdown by individual programs (General Purpose, Community Investment Fund, Imminent Threat, and Housing Enhancement), trends in award types, and award amounts over time, see Section 3.3 of **Appendix E**.

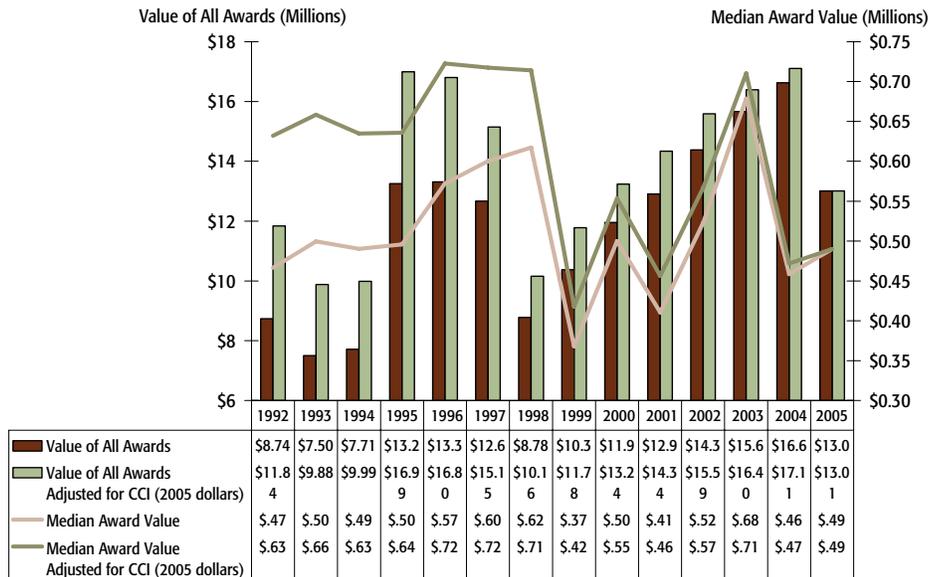
### Exhibit 23 - Distribution of Community Development Block Grants Awards, 1992-2005



Source: Community Development Block Program Award History and Berk & Associates, 2005

Note: The chart represents a roll-up of General Purpose, Community Investment Fund, Imminent Threat and Housing Enhancement Grant awards. The magnitude for the standard deviation of the average is denoted by bar (I).

### Exhibit 24 – Community Development Block Grants Awards Adjusted for Inflation, 1992-2005

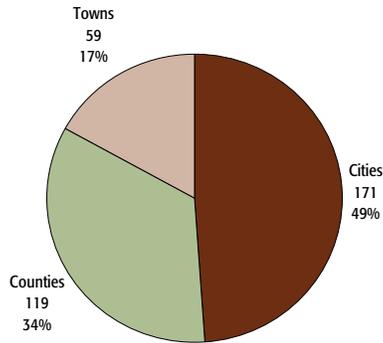


Source: Community Development Block Program Award History, Engineering News Record, and Berk & Associates, 2005

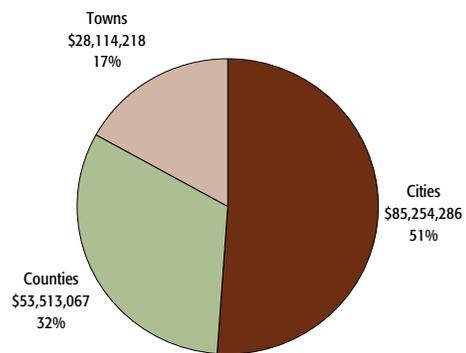
Note: The chart represents a roll-up of General Purpose, Community Investment Fund, Imminent Threat and Housing Enhancement Grant awards. CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.

## Exhibit 25 – Community Development Block Grant Awards by Client Type, 1992-2005

**Number of Awards**



**Value of Awards**

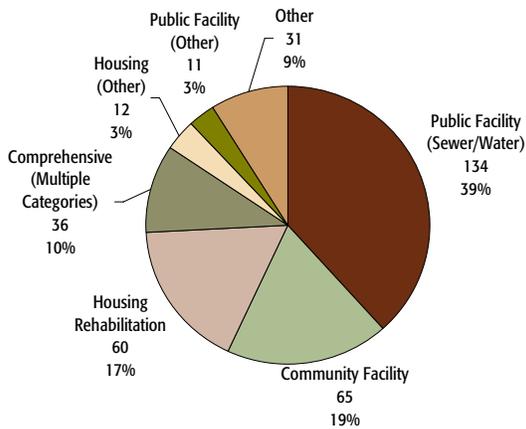


Source: Community Development Block Program Award History and Berk & Associates, 2005

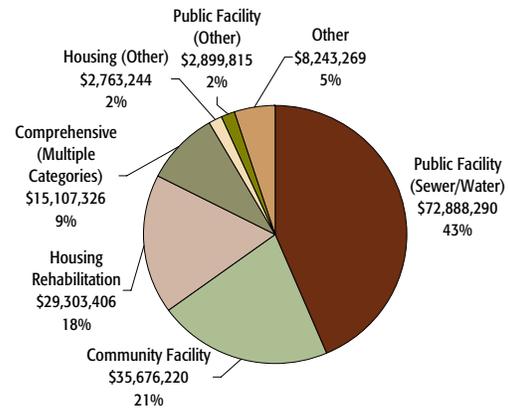
Note: The chart represents a roll-up of General Purpose, Community Investment Fund, Imminent Threat and Housing Enhancement Grant awards.

## Exhibit 26 - Community Development Block Grant Awards by Project Type, 1992-2005

**Number of Awards**



**Value of Awards**



Source: Community Development Block Program Award History and Berk & Associates, 2005

Note: The chart represents a roll-up of General Purpose, Community Investment Fund, Imminent Threat and Housing Enhancement Grant awards. Other includes ten Imminent Threat, six Public Facility (Transportation), four Public Facility (Fire), three Economic Development, three Housing Enhancement, three Micro Enterprise Loan and two Clearance of Contaminated Site awards. Public Facility (Other) includes a wide array of public facilities.

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### ***Drinking Water State Revolving Fund***

As shown by Exhibit 27, the number of loans made through the Drinking Water State Revolving Fund has trended upward over the eight year period from 1997 to 2004. A total of 259 total loans were made, equal to \$190.7 million.

The value of the average loan has tended to increase over time, while the median value has remained at relatively consistent levels. This is the result of the DWSRF awarding a greater proportion of loan monies concentrated in large loans over the time period.

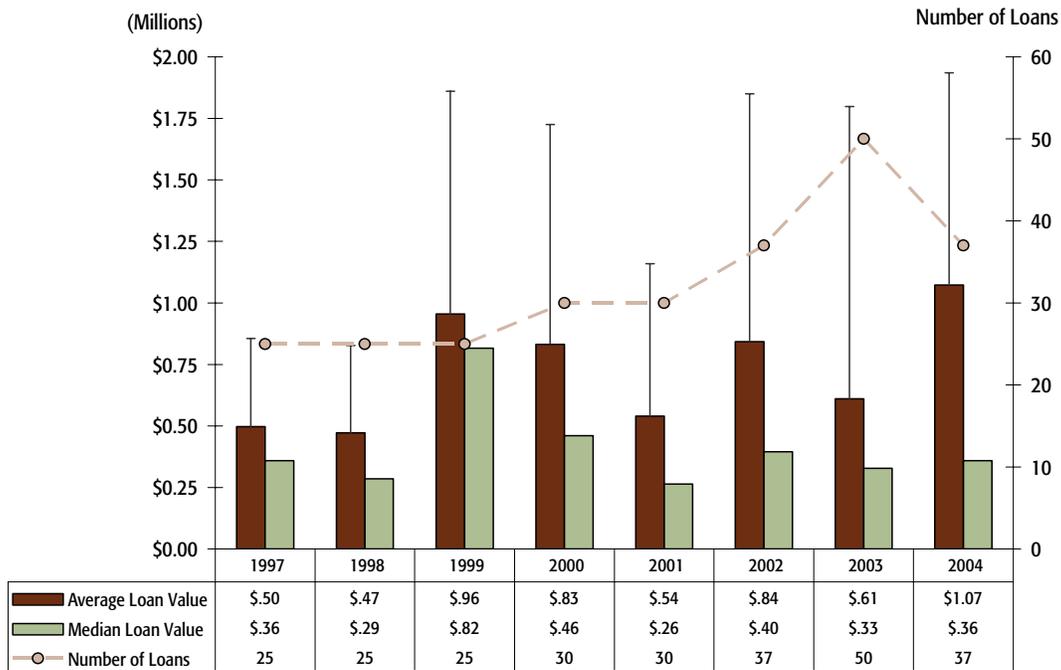
Exhibit 28 shows that the value of all loans made in a given year has increased substantially over the time period, even if adjusted for inflation. An examination of the median award shows a different picture. The 2004 inflation adjusted median value award purchases less than it did in 1997.

Exhibit 29 illustrates that cities were the most frequent beneficiaries, collecting 32% of all loans, as well as the recipients of the greatest dollar share (53%) of all monies awarded. Private non-profits, including water, home and community associations, received the second largest share of awards (28%) and dollar value (17%).

All loans funded domestic water projects as allowed under DWSRF.

For further analysis of Drinking Water State Revolving Fund awards, including trends in award types and award amounts over time, see Section 4.1 of **Appendix E**.

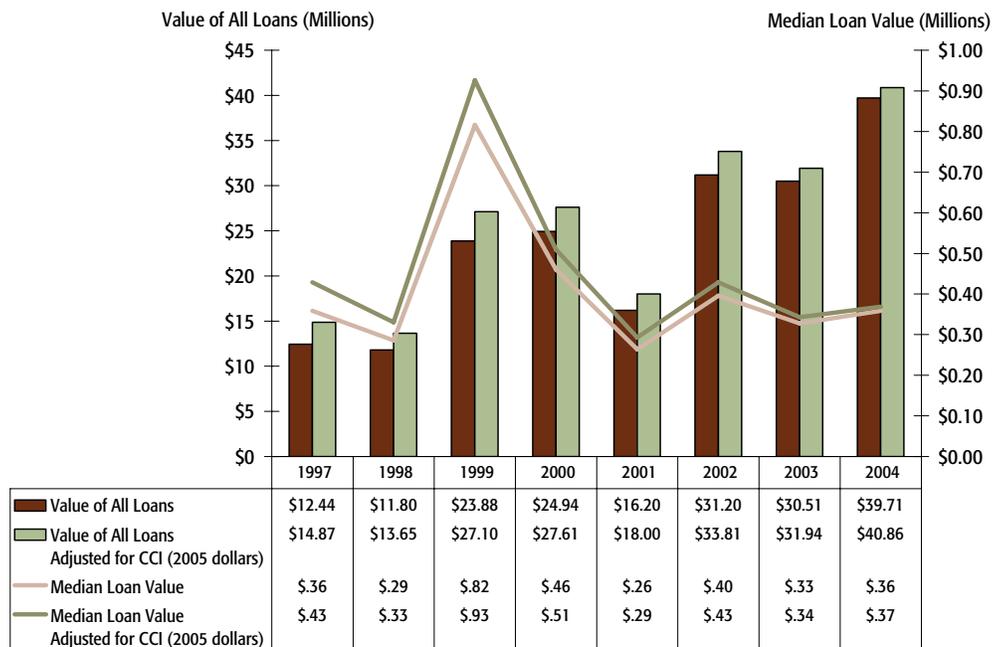
## Exhibit 27 - Distribution of Drinking Water State Revolving Fund Loans, 1997-2004



Source: PWB Award History and Berk & Associates, 2005

Note: The magnitude for the standard deviation of the average is denoted by bar (T).

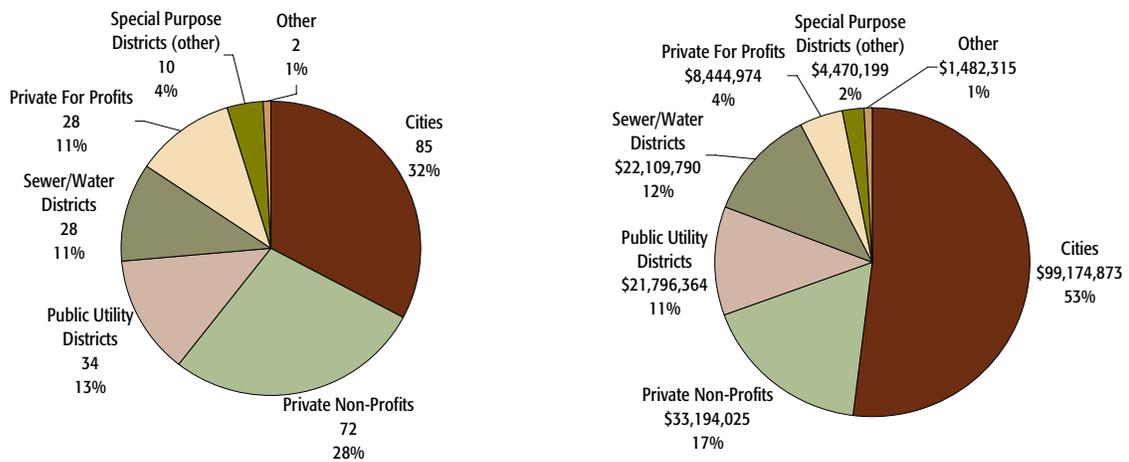
## Exhibit 28 - Drinking Water State Revolving Loans Adjusted for Inflation, 1997-2004



Source: PWB Award History, Engineering News Record, and Berk & Associates, 2005

Note: CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.

**Exhibit 29 – Drinking Water State Revolving Fund Loans by Client Type, 1997-2004**  
**Number of Awards** **Value of Awards**



Source: PWB Award History and Berk & Associates, 2005

Note: Special Purpose Districts (other) include seven irrigation districts, two ports districts and a reclamation district. Other includes a county and a housing authority. Private Non-Profits include awards to water, home and community associations.

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### ***Centennial Clean Water Fund***

The annual number of Centennial Clean Water Fund awards has declined over seven year time period from 2000 to 2006, as illustrated in Exhibit 30. A total of 260 awards, worth \$173 million, were made. The average and median award values have fluctuated over the time period, growing from 2003 to 2005, and dropping in 2006. A greater proportion of high than low value awards were made during the time period with the exception of 2004 and 2005 when the proportions were relatively symmetric.

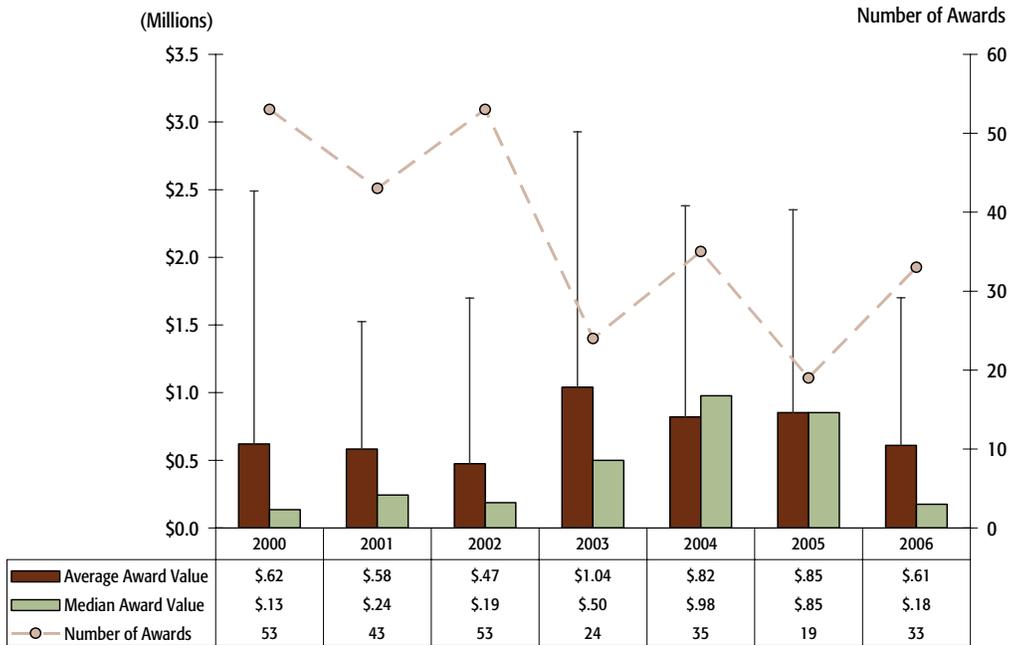
The value of all awards has decreased over the time period, shown in Exhibit 31. The decrease in CCWF purchasing power is exacerbated when adjusting for construction inflation. However, the median award value increased from 2000 to 2005, which more than offset the reduction due to construction inflation. The median value precipitously declines in 2006.

Exhibit 32 shows that while conservation districts received the largest share of the total number of awards (34%), they received only 10% of total award monies. Counties received 24% of the total number of awards distributed, accounting for the greatest share (49%) of total award monies. Cities received 25% of all awards, equal to 35% of all funds distributed.

Detailed reporting of Centennial Clean Water awards by project type was not available for analysis. Generally speaking, two-thirds of competitively granted Centennial Clean Water awards go to Financial Hardship Communities for critical wastewater infrastructure construction. One-third goes for non-point pollution control activities. Actual amounts awarded depend on funds available, and on the number and size of eligible project applications received.

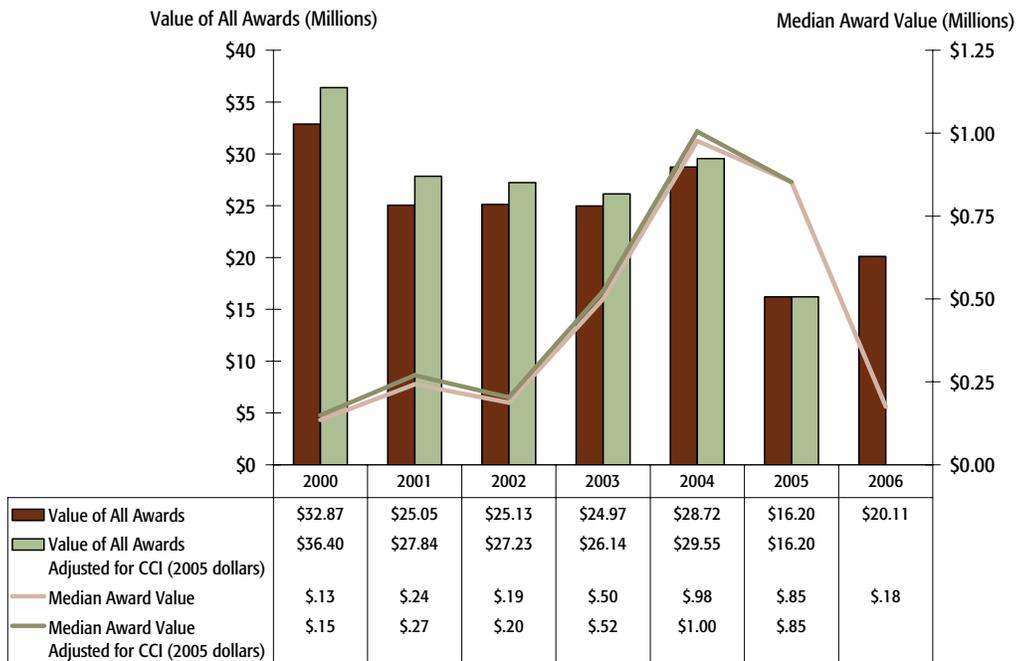
For further analysis of Centennial Clean Water Fund awards, including trends in award amounts over time, see Section 5.1 of **Appendix E**.

### Exhibit 30 - Distribution of Centennial Clean Water Fund Awards, 2000-2006



Source: DOE Award History (2000-2006) and Berk & Associates, 2005  
 Note: The magnitude for the standard deviation of the average is denoted by bar (T).

### Exhibit 31 - Centennial Clean Water Fund Awards Adjusted for Inflation, 2000-2006



Source: DOE Award History (2000-2006), Engineering News Record, and Berk & Associates, 2005  
 Note: CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.



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### ***Water Pollution Control Revolving Fund***

As shown by Exhibit 33, the annual number of Water Pollution Control Revolving Fund awards has declined over the seven year time period from 2000 to 2006. A total of 229 loans were awarded, equal to \$531.4 million. The average loan size grew between 2000 and 2005 and then dropped off in 2006. The median loan size has remained relatively constant. This is the result of the WPCRF awarding a greater proportion of large value loans over the time period.

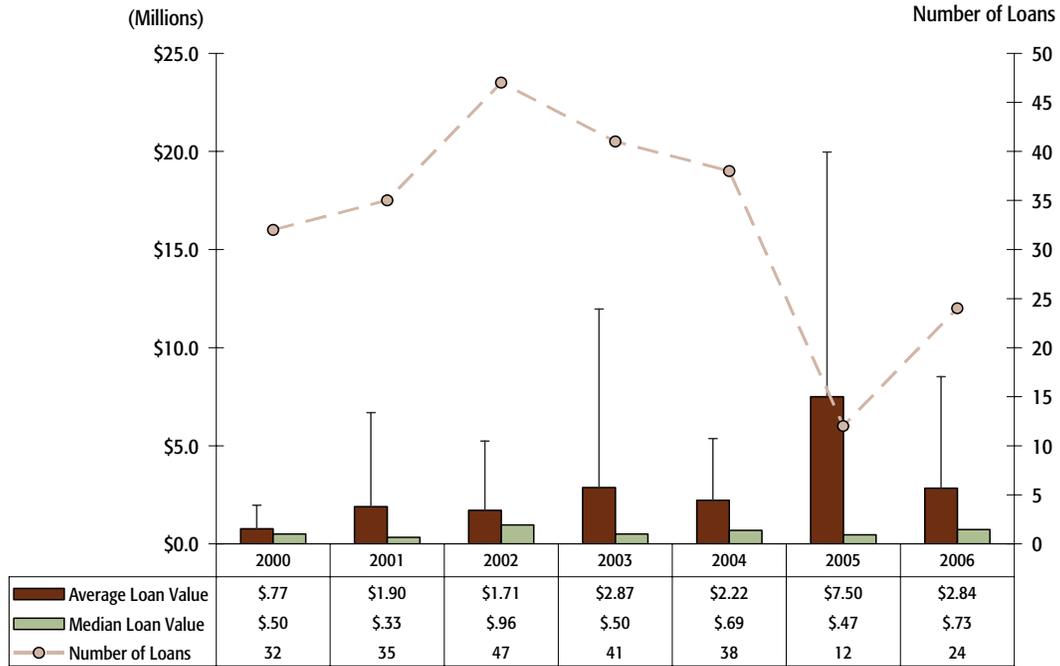
Exhibit 34 illustrates that the total value of all loans distributed increased since 2000, peaking in 2003. The increase in total loan values between 2000 and 2006 more than offset the reduction in purchasing power due to construction inflation. The median loan value has slightly decreased from 2000 to 2006 and is exacerbated when adjusting for construction inflation, but is trending flat.

Exhibit 35 shows that cities were the most frequent beneficiaries, collecting 59% of all loan awards, and the recipients of the greatest dollar share of all loans distributed (49%). Counties had the second greatest share of awards received (20%) and dollars distributed (31%).

Detailed reporting of Water Pollution Control Revolving Fund awards by project type was not available for analysis. Generally speaking, eighty percent of loans are designated for facilities, primarily for wastewater treatment plant planning, design and construction. Up to twenty percent can go for non-point activities, for a wide range of non-point projects (e.g. agricultural best management practices, on-site septic repair and replacement and stormwater). If the demand for non-point activity loan funding is limited, the remainder of funds in this category is rolled over to the facility loan category.

For further analysis of Water Pollution Control Revolving Fund awards, including trends in award amounts over time, see Section 5.2 of **Appendix E**.

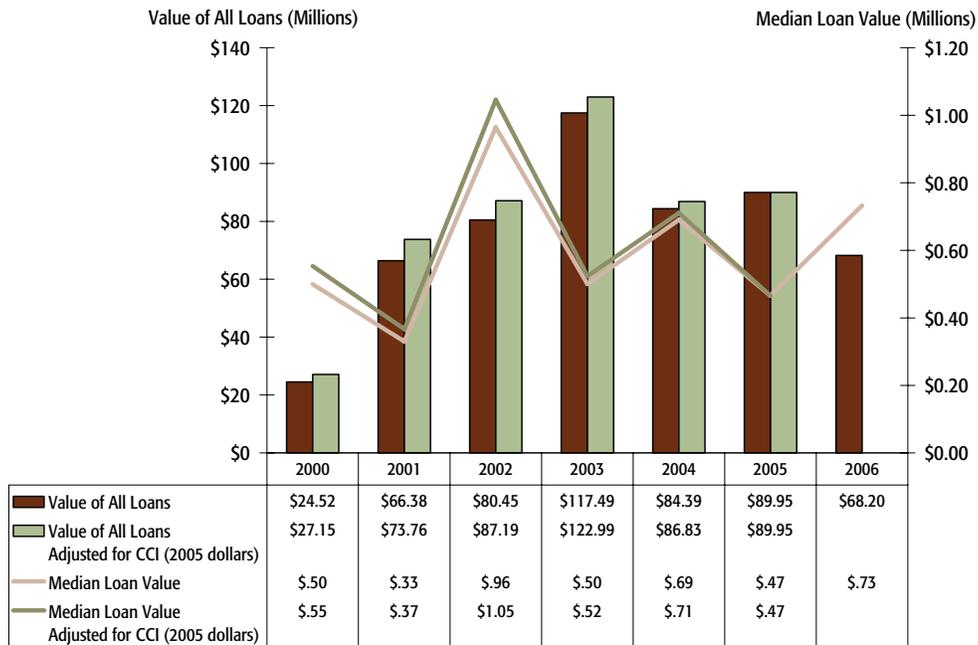
### Exhibit 33 - Distribution of Water Pollution Control Revolving Fund Loans, 2000-2006



Source: DOE Award History (2000-2006) and Berk & Associates, 2005

Note: The magnitude for the standard deviation of the average is denoted by bar (T).

### Exhibit 34 - Water Pollution Control Revolving Fund Loans Adjusted for Inflation

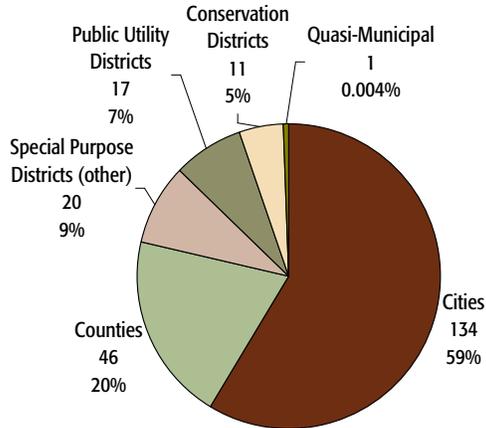


Source: DOE Award History (2000-2006), Engineering News Record and Berk & Associates, 2005

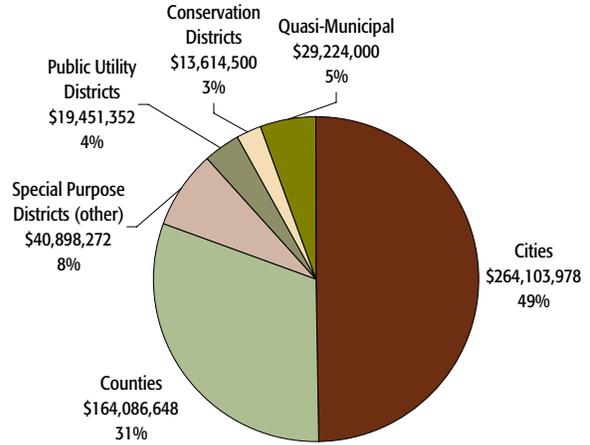
Note: CCI represents the Construction Cost Index computed by Engineering News Record (ENR) for Seattle, WA.

## Exhibit 35 – Water Pollution Control Revolving Fund Loans by Client Type, 2000-2006

**Number of Awards**



**Value of Awards**



Source: DOE Award History (2000-2006) and Berk & Associates, 2005

Note: Special Purpose Districts (other) include nine sewer/water districts, three health districts, two irrigation districts, two boards, one dike district and one port district awards. Quasi-Municipal includes an award to Lacey, Olympia, Tumwater and Thurston County (LOTT). LOTT is categorized as a quasi-municipal in the PWTF summary.

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## 5.0 SUMMARY ASSESSMENT OF PRACTICES IN OTHER STATES

### 5.1 Other States Present a Range of Models

Local infrastructure programs have evolved differently in other states, dependent on the context of each state's political structures and philosophies, the age and condition of existing infrastructure and each state's experience with growth. In some cases, states have taken steps to reshape and redirect how infrastructure investment dollars are allocated, creating a more deliberate system out of what was a collection of independent programs.

This Section summarizes the results of a survey of local infrastructure funding programs in other states. The states mentioned below and summarized in profiles found in **Attachment F** were selected to describe the wide range of options states have adopted in developing these types of programs – not because they are seen as closely comparable to Washington State.

#### ***A Range of State Roles and Goals for Local Infrastructure Programs***

State involvement in funding local infrastructure projects ranges from passing-through federal dollars (Community Development Block Grants, Clean Water State Revolving Funds, Drinking Water State Revolving Funds, federal Clean Water Act Section 319 funds) to investing state dollars in state-directed infrastructure funding programs. Administration of federal programs involves a state match, rating, ranking and recommending projects.

Creation of state programs, on the other hand, entails identifying a funding source, developing program goals and award criteria, and ongoing staffing and management of the program. States that elect to develop such state-controlled funds face the choice of whether to prioritize these funds for basic infrastructure, economic development, or other potential policy goals such as the following:

- **Meet Regulations Related to Public Health and Safety.** Repair or expansion of existing infrastructure may be required to protect public health and safety and to maintain adherence with environmental and health regulations. Water-related state revolving funds are focused toward this end, protecting water quality and supporting the provision of clean drinking water. In preventing communities from violating environmental and health regulations, states may have less control over how such funds are spent relative to state-directed infrastructure investment funds designed with other purposes in mind.
- **Support and/or Manage Growth.** Infrastructure investments can be designed to support growing populations, and – by controlling where infrastructure is developed – to manage and direct growth.
- **Spur Economic Development.** Investment in infrastructure can be utilized to create jobs or promote community revitalization. These ends may be achieved directly through catalytic projects, or by providing basic infrastructure to encourage or support subsequent private development. Such infrastructure can be used as an incentive to entice desired private development.
- **Enhance Quality of Life.** Infrastructure investments may be designed to promote a community's quality of life through the development of cultural facilities, parks and recreation infrastructure, schools, and other important contributors to making a community an attractive place to live.

**Washington’s** many State-created basic infrastructure programs were established to serve one or more of the above policy goals, leading to today’s conglomeration of programs, each operating independently, striving to be efficient and effective at meeting its own goals. Discussion below describes how Washington and other states fall along three related dimensions representing a range of options for aligning and organizing a state’s local infrastructure investment programs.

## 5.2 Dimensions of Local Infrastructure Investment Programs

The range of models presented by other states can be plotted along three dimensions addressing policy direction, program organization and outcome orientation. These continua are summarized below.

### ***Dimension 1: Policy Direction – Centralized to Program-Specific***

As described above, the policy goals of any individual program may focus on meeting public health and safety, supporting and/or managing growth, spurring economic development or enhancing quality of life. Focus on one or more of these goals may originate from a centralized policy focus, directing a state’s local infrastructure investment programs – as well as other programs – toward priority areas of focus. At the other end of the spectrum, policy direction may be determined at the program level through the legislative intent encapsulated in founding statutes and the evolving rules and criteria which guide the distribution of awards.

**Washington** is solidly at the right end of this spectrum, described on page 78, below, as a collection of programs, not a designed system. While there is some coordination among programs, policy direction is established at the program level as individual programs have been created by the Legislature to serve different goals.

### **Dimension 1: Policy Direction**



In states with a central policy direction, priority is placed upon a unifying goal such as growth management (**Massachusetts** or **Delaware**) or job growth (**Oregon**). This policy direction serves to focus infrastructure investments toward this common end.

- **Massachusetts** has made “Smart Growth” central to its infrastructure decisions<sup>3</sup>. Every year, local governments applying for infrastructure funds must submit their land use policies to be reviewed and rated by the Office of Commonwealth Development. The resulting scores are weighted 30% in funding decisions.
- **Oregon’s** Governor’s Economic Revitalization Team “emphasizes multi-agency coordination on projects of local and statewide significance.” Directors of eight state agencies are members of the

<sup>3</sup> Smart growth is an approach to planning and development which emphasizes decreasing suburban sprawl through dense urban development supported by public transportation to maintain high livability.

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GERT, meeting monthly to bring their combined resources to bear on priority projects. More information on the GERT can be found in the profile of Oregon in **Attachment A** to this document.

- In **Pennsylvania**, the Governor’s Economic Development Cabinet is tracking and inventorying investments made by state departments to improve the coordination of state activities and encourage departments to work jointly and more efficiently. The Cabinet has developed specific policies and criteria focusing infrastructure development to benefit the economy and residents’ quality of life.

In other states, goals and funding criteria for local infrastructure investment programs are established independently, without a unifying infrastructure investment strategy.

- **Michigan** and **Illinois** provide infrastructure funding through independent programs in a wide variety of state departments. Each program makes funding decisions according to its own criteria, and there is little communication across departments. For example, Michigan’s revolving loan programs are administered by using a Priority Project List, in which potential projects are ranked and funded according to specific criteria. These criteria are established at the program level through state law and regulation, and are not part of a broader policy direction coordinating multiple programs.
- **Arizona** also funds infrastructure through a variety of independent programs according to program-specific criteria. Arizona has historically taken a hands-off approach to both economic development and land use, and while there has been policy activity in both realms in recent years, Arizona’s nascent efforts at centralized business development and growth management are not aligned with infrastructure funding programs.

## ***Dimension 2: Program Organization – Centralized to Decentralized***

States may choose to consolidate the location of local infrastructure investment programs, or these programs may be relatively decentralized across multiple departments. **Washington** clearly has a decentralized system, with basic infrastructure investment programs located across three departments and multiple divisions and boards. Including transportation and adopting a broader view of infrastructure brings the count to more than 12 separate departments, boards and commissions.

### **Dimension 2: Program Organization**



Like the other dimensions described here, a continuum exists, and not all states are fully centralized or decentralized. In **Illinois**, for example, many separate authorities that finance infrastructure were consolidated in 2004, but other infrastructure grant and loan programs are still scattered among various agencies.

In addition to having central investment priorities, **Massachusetts** provides an example of a state with a highly centralized system. Infrastructure funding programs are all housed in the Office of Commonwealth Development, formed when the Governor merged the former Environmental Affairs,

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Housing & Community Development, Transportation and Energy departments in order to break down agency “silos” and promote coordination in the pursuit of “Smart Growth.”

Central policy does not always mean centralized organization. While **Delaware** has strong central policy direction, similar to Massachusetts, its infrastructure investment programs are administered across many different state departments.

**Oregon’s** programs are organized in almost perfect parallel structure to Washington’s local infrastructure investment programs:

- The Economic and Community Development Department administers several relevant programs including the Special Public Works Fund, CDBG funds, and the Safe Drinking Water Revolving Fund and Drinking Water Protection Loan Fund. These last two funds are administered jointly with the Department of Human Services, similar to the joint administration of Washington’s Drinking Water Revolving Fund by the Public Works Board and the Department of Health.
- The Department of Environmental Quality administers the state’s Clean Water State Revolving Fund through its Water Quality Division, parallel to the administration of Washington’s Water Pollution Control Revolving Fund by its Department of Ecology.

**Michigan** does not feature a state-controlled funding source equivalent to the Public Works Trust Fund or CERB, although local governments can utilize the Michigan Municipal Bond Authority (MMBA) (described in **Attachment F**) to access lower-cost funds than they could otherwise avail themselves of.

- Program administration of the state’s revolving funds (Water Pollution Control Revolving Fund, the Drinking Water Revolving Fund, and the Strategic Water Quality Initiative Fund) is centralized in one location: the Department of Environmental Quality, Environmental Science and Services Division, Revolving Loan and Operator Certification Section. Staff noted significant advantages in having a single office manage programmatic administration. Clients deal with one district engineer and one project manager, rather than separate staff for water quality and drinking water issues. Additionally, efficiencies are achieved on the state side, as one staff member can be sent to meetings, rather than two. Staff stated while there is some stress on staff, who must be competent in two programs, they generally enjoy the challenge and prefer not to be limited to one program and one set of issues.
- The financial management and administration of the state’s revolving fund programs is handled separately, by the Municipal Bond Authority. Staff report both advantages and disadvantages to this arrangement. The greatest advantage is access to staff and attorneys with expertise in municipal finance – something that would have to be duplicated if the department were charged with financial administration. In terms of disadvantages, staff said there were challenges in aligning the work of two different agencies with different missions and priorities. MMBA staff are “spread among several programs, meaning we have to fight for our place in things.” Staff also cited an initial learning period, during which MMBA staff familiarized themselves with the workings of the environmental programs. According to interviews and a review of related literature, more than 60% of Clean Water Revolving Fund programs operate with separate agencies responsible for program/environmental administration and financial administration of the program.

- CDBG funds are administered via the Housing Development Authority, with very little overlap or collaboration between these funds and the revolving loan funds. Little assistance exists to direct applicants to appropriate funding programs.

### ***Dimension 3: Outcome Orientation – Investment- to Distribution-Focused***

Borrowing from a concept initially developed by JLARC’s 2001 study of environmental grant and loan programs, states can be seen on a continuum from investment-focused to distribution-focused. Investment-focused states prioritize achieving specific outcomes, to which performance measures are applied and program effectiveness tested. Programs in such states have articulated strategy and goals (whether centrally derived or program-specific) which are reflected in project evaluation criteria and program outcomes measures. On the other end of the spectrum, distribution-focused programs are focused on meeting locally needs by quickly and efficiently distributing federal and state funds.

### **Dimension 3: Outcome Orientation**



**Washington** is moving from being distribution-focused to being more investment-driven. Initiatives such as Priorities of Government and GMAP, as well as implementation of recommendations from JLARC’s 2001 study, increase focus on results-based program evaluation.

**Oregon** has a system of performance measures linked to the state budget process. The Progress Board of the Department of Administrative Services oversees and reports on the performance of individual agencies and the state as a whole.

- **Oregon’s** overall strategic vision is encapsulated in *Oregon Shines II*. This document highlights three key strategic goals: (1) quality jobs for all Oregonians, (2) safe, caring and engaged communities, and (3) healthy, sustainable surroundings. Benchmarks – “high-level societal measures that gauge how Oregon is doing as a whole” – are formed around these three goals and organized into seven categories: economy, education, civic engagement, social support, public safety, community development and environment.
- Annual Performance Progress Reports use performance measure data to describe each agency’s progress toward its mission and goals. Where agency work aligns with Oregon Benchmarks, agency performance measures represent stepping stones to achieving Oregon Benchmark targets. Agencies with no direct link to Oregon Benchmarks align their performance measures exclusively with their own mission and goals. Many agencies have additional measures for internal management.
- Each of the eight member agencies involved in the Governor’s Economic Revitalization Team (GERT), including GERT itself, track key performance measures (KPM) related to their programmatic focus. For example, Oregon’s Economic and Community Development Department is evaluated based on nine KPM ranging from total jobs created and retained to penetration rates and customer service scores. It is reported that the different performance measures for the GERT-related agencies are sufficiently in synch to avoid conflict related to local infrastructure investments, and in fact provide incentives for interagency collaboration.

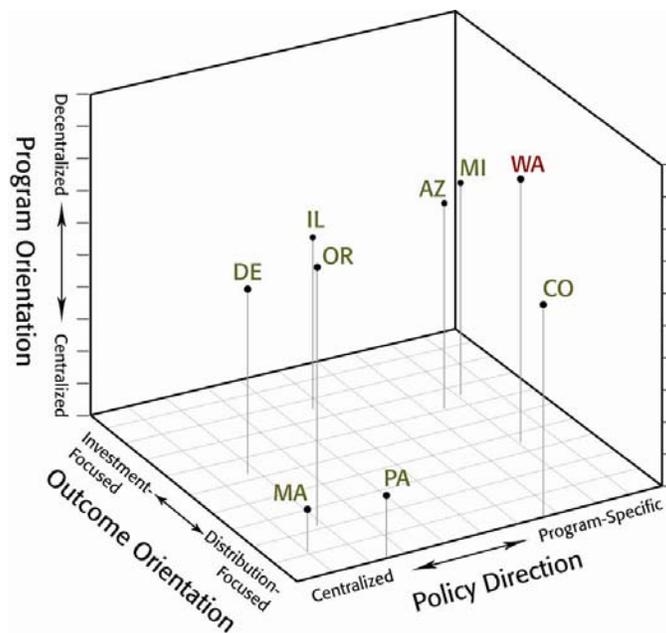
**Illinois** is an example of a distribution-focused system. The state’s infrastructure programs were each founded with a policy purpose, but their subsequent administration is focused on helping eligible applicants, efficiently distributing funds and ensuring project compliance with funding terms. Performance measurement and coordination among programs around broader policy goals are uncommon.

Similarly, in administration of **Michigan’s** revolving funds, there is no post-project monitoring or testing of outcomes. Program staff stated that they lack the resources to conduct such post-project outcome tracking. This highlights that there are state and agency costs associated with being investment-based. The development of appropriate performance measures requires articulated strategy and careful thought. The tracking of data requires data collection and data storage infrastructure as well as the time and expertise to manipulate and analyze this information. Project data collection generates costs for local government which will presumably be absorbed by the program through the grant or loan process.

### 5.3 Intersection of Dimensions

Exhibit 36 graphically illustrates the intersection of the three dimensions discussed above. The discussion which follows explores the relationships between two pairs of dimensions.

**Exhibit 36**  
**The Intersection of the Three Dimensions**



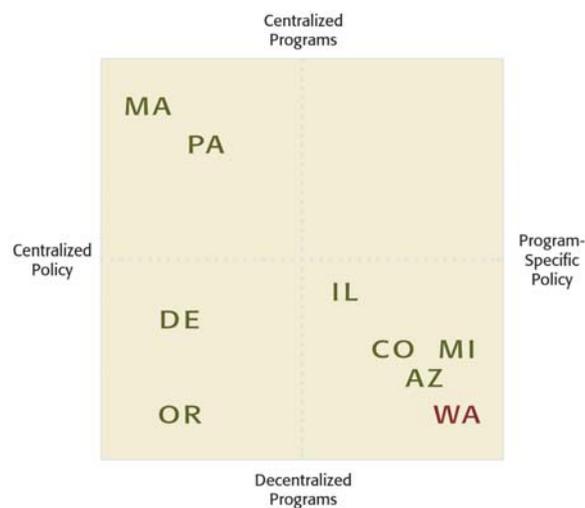
Note: Information related to outcome orientation was not available for Colorado and Pennsylvania.

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## ***Intersection of Policy Direction and Program Organization***

The intersection of the two dimensions related to the source of policy direction and the structural arrangement of programs across a state's organizational chart is represented in Exhibit 37. This matrix illustrates that most states reviewed, like Washington, determine policy direction at the program level and have decentralized programs. Other states, such as Massachusetts and Pennsylvania, have centralized policy direction and consolidated programs. Delaware and Oregon are able to apply a common policy direction to a relatively decentralized collection of programs.

**Exhibit 37**  
**The Intersection of Dimensions**  
**Related to Policy Direction and Program Organization**

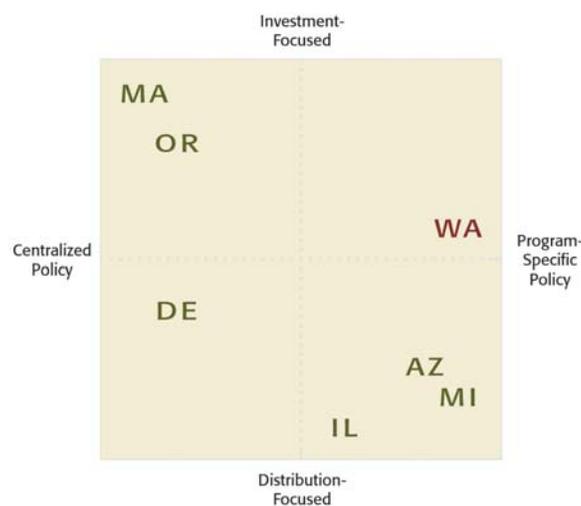


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### ***Intersection of Policy Direction and Outcome Orientation***

Exhibit 38 illustrates the relationship between the source of policy direction and the outcome orientation of programs. Massachusetts and Oregon feature a centralized policy direction, as well as a strong investment orientation. Arizona and Michigan, and to a lesser extent, Illinois, operate in a distribution-focused manner with program-specific policy direction. Washington is unique among the surveyed states, having program-specific policy direction and a relatively more investment-focused orientation.

**Exhibit 38**  
**The Intersection of Dimensions**  
**Related to Policy Direction and Outcome Orientation**



Note: Information related to outcome orientation was not available for Colorado and Pennsylvania.

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## 6.0 STRATEGIC SYSTEM ASSESSMENT AND PROGRAM EVALUATION

### 6.1 Key Findings: Strengths, Challenges and Opportunities of the Current System

#### *Strengths*

**Client Satisfaction with Programs is High.** The programs studied have strong, satisfied constituencies which generally give the programs high marks. The programs are seen as effective and well-functioning means of distributing funds to local agencies.

**Washington is Considered a National Leader in Performance Measurement.** The State is frequently cited for its work on the Priorities of Government, and more recently for its focus on performance audits and program accountability.

**Washington's Infrastructure Programs are Well Respected and the State is Considered a National Model for Infrastructure Funding.** Washington's infrastructure programs and funding are considered to be among the handful of best programs in the nation. Reviews of best practices nationally hail Washington as among the best states in terms of attention and funding devoted to infrastructure maintenance, and the quality of the programs administered. As one interviewee from another state said: "Washington has fabulous programs." When the question of what programs are innovative and cutting edge is posed across the country, a common response is that Washington's programs should be examined.

DOE's integrated **Water Quality Program** joint application has been featured as a model for others to emulate. A draft Program Evaluation Report of the State's WPCRF program for State Fiscal Year 2003-2004 was prepared by the U.S. EPA's Region 10. The paper finds that DOE's integrated solicitation process that allows agencies to submit one application for three programs is "unique to Washington state (and) makes Washington's program especially effective at both maximizing the number of projects receiving assistance in any one year and at maximizing the water quality benefits that the state is obtaining from its water quality financial assistance programs." The Water Quality Program is lauded for voluntarily establishing the Washington Water Quality Financial Assistance Advisory Council, comprised of constituents, federal partners and others. While not binding, the Council's input and advice helps shape program policy.

The **IAC** also offers its clients a combined application for its grant programs, although some programs have their own sections within the application. Applicants can transmit electronic copies of application materials using the IAC's custom-built, Internet-enabled grant-management tool called PRISM. The State of Oregon has purchased PRISM and is manipulating it for use by three state agencies that it plans to link together using the software. The Bonneville Power Administration uses the software, as does Washington State's Department of Fish and Wildlife, and an upcoming presentation of PRISM's capabilities to California's State Off-Highway Program will explore whether the program could benefit that state as well.

The State's **CDBG** program is also recognized nationally for being innovative and responsive to changing customer needs. The Community Investment Fund program and its ability to quickly

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respond to local needs without a lengthy application cycle is unique to Washington State, noted as a “stand-out program” by staff. It has also received national attention for its use of “Float Loans” to put grant funds to work between the time money is awarded and finally expended.

Similarly, since its inception the **PWTF** has been lauded as an exceptional program, praised for being customer-focused, accessible and responsive to local government needs. No other state studied had developed such a flexible local infrastructure funding tool.

**Washington Offers More Programs and Funding Opportunities to Local Governments than Most States.** Washington goes beyond the program offerings in many states, some of which are limited to the distribution of federal funds. In contrast, the Washington Legislature has provided funding to address a range of local infrastructure needs, through not only construction grant and loan funding, but for planning, emergencies and other related purposes.

**The Mix of Loan and Grant Funds Helps Local Governments Meet Their Needs, and Both Play Important Roles in the System.** As reflected in the system overview in Section 3.2, the State offers local jurisdictions a choice of loan or grant funds, sometimes within a single program. And while obvious, it is worth noting how very different the two funding mechanisms are. Those involved with the loan funds can be passionate about the benefits of loans, principally the potential for maintaining a dedicated funding source in perpetuity, and about the discipline and responsibility that accompanies loan transactions. That said, stakeholders have noted: (1) that some jurisdictions, especially smaller ones, cannot afford a loan in any amount; and (2) some projects need a grant funded piece to support overall project feasibility. In such cases, grants may be the only viable option for a community to continue to provide basic services or to grow its economy to the point it is able to take on loans or self-finance.

**Programs are Operating as Intended by the Legislature.** The programs assessed in this study are meeting legislative intent and operating within the parameters provided by the Legislature. Funds are disbursed to local entities based on delineated procedures and following clear selection criteria, guidelines and processes. Agencies are working to provide technical assistance to the jurisdictions to develop good project applications, and efforts are ongoing to provide good customer service through outreach into the communities and on-call assistance in understanding and completing project applications. These findings are consistent with the 2001 JLARC report, which concluded that the environmental grant and loan programs studied are operating as intended and are achieving success as funds distribution programs.

**Significant Technical Assistance is Provided and Inter-Program Collaboration Happens Informally.** A significant concern identified in stakeholder interviews was the ability of smaller jurisdictions with limited staff resources to access the system. This study finds that significant technical assistance is available within the system to smaller jurisdictions. Although the systemic challenge of sharing information and providing hands-on assistance to a changing set of local government staff is an ongoing management task, the State has responded to this challenge by supporting several organizations and activities to meet the need as effectively as possible. These include two organizations – albeit small organizations in terms of scale and funding – the **IACC** and the **SCI**, which exist to provide access and technical assistance to smaller communities. Both entities operate with limited resources: the IACC is a “volunteer” organization staffed and supported by other programs, notably the Public Works Board (coordinative agency) and the Transportation Improvement

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Board (web site support); the SCI now operates with two staff members, up from one the previous biennium.

Perhaps more significantly, client feedback shows that the infrastructure programs themselves make efforts to reach out to communities and to provide technical assistance to local agencies considering applying for funds or who are in the process of applying. Program staff report that, at the frontline staff level, program representatives are knowledgeable about other programs and are able to provide advice and some level of cross-program coordination to local communities.

## ***Challenges***

**The State Has a Collection of Programs Not Designed to Operate as a System.** The State's programs were developed one-by-one, to address evolving needs identified by the Legislature. The result of this as-needed development approach is a sprawling, decentralized network of independent programs, with some points of intersection and connection and some points of overlap. Although the programs were not designed by the Legislature to work together as a system, and agency staff do not see the programs as parts of a whole system, from the client's perspective they are in fact a system, albeit a not very well integrated one.

**Overlap Among Programs Exists and Makes the System Less Efficient.** Overlap among programs is defined as two programs that are similar enough that local jurisdictions can apply to both for the same project funding. Among the programs that have some overlap are the PWTF and the Transportation Improvement Board; the PWTF and CERB Traditional and Rural Programs; the PWTF's Emergency Loan Program and the CDBG Emergent Threat Program; and the PWTF and DOE's Water Quality Programs.

Of these overlaps, the most significant is between DOE's **Water Pollution Control Revolving Fund** (a component of the Water Quality Program) and the **PWTF**. As noted in the EPA's Draft Program Evaluation report, the two programs are effectively in competition for projects. Because the PWTF offers lower interest rates and disburses funds in advance of project initiation, it is often favored over DOE program funding, which is required by federal law to withhold payment until project costs are incurred. DOE also requires proof of expenditures, the PWTF does not.

In an effort to compete, DOE has lowered interest rates on its programs, with the consequence that the purchasing power of the Water Pollution Control Revolving Fund cannot be maintained. EPA is now suggesting that DOE must adjust interest rates to ensure fund sustainability, and as part of this process, needs to develop a "cooperative water infrastructure financing strategy with the PWB." This cooperative strategy will need to reverse a "counterproductive structural design in the system." This solution could include determining common interest rates and imposition of the same borrowing practices and conditions. It could also include assessing the market and segmenting it according to ability to pay or other measures that would serve to distribute funds more effectively than is now the case.

**Not Clear How to Define Program Success.** To answer the question of how effectively and efficiently the programs are operating, it is necessary to define what a successful program would look like. What are our benchmarks for success? As noted in the JLARC study – and confirmed in our interviews and analysis – the programs are unambiguously operating successfully as fund distribution agencies. They are also operating well from a process perspective (there is generally process clarity

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and transparency) and from a customer service perspective (there is a relatively high level of client satisfaction). However, as the JLARC study noted, we find the programs are operating less successfully as investment programs, with the study calling for an expanded emphasis on outcome and performance measures that focus on the programs as investment tools. In addition to strategic investment success, this report addresses the issue of management success, including how effectively the programs utilize information and reporting systems, financial management systems, and how effectively they evaluate and communicate their activities and accomplishments.

**The System of Programs Continues to Grow and Change, with New Programs Added and in Some Cases Deleted.** In recent years, the Legislature has added five new programs: the Small Communities Initiative, the CERB Job Development Fund, the Economic Development Strategic Reserve account, the Water Infrastructure Program and the Water System Acquisition and Rehabilitation Program. Each program added by the Legislature broadens and deepens the network of programs and its complexity, as programs develop specific niches and loyal constituencies. In addition to adding programs, some have also been deleted or are no longer funded: programs are created to address particular needs and then sunset. An example of such programs is the Rural Economic Vitality program administered by CERB and WSDOT, which is not currently funded, but could be reactivated if additional federal transportation funds were made available; other programs targeted to assist resource-dependant communities have also been enacted for limited time periods.

**The Proliferation and Complexity of Programs has Unintended Consequences.** The system can be challenging to navigate, especially for smaller jurisdictions without the staff resources to spend working with the programs. This problem is long-standing and well recognized, and significant efforts have been made to address it. One response to the system's decentralized nature is that other programs have been created to help jurisdictions navigate the network. These programs include the **IACC**, which offers an annual training and information conference and a searchable web site on program offerings, as well as the **Small Communities Initiative** (SCI), which provides hands-on help to very small jurisdictions (populations less than 1,000). Both programs are under-resourced relative to the need. The IACC in particular could be more effective and could serve as more of a resource within the system if it were funded and had dedicated staff, even one FTE.

**Increasing Project Earmarks Complicate Program Operations.** Direct legislative appropriations also provide a means for jurisdictions to obtain project funding, and the State has seen an increase in such appropriations in the last several years (see discussion on page 34). These appropriations contribute to the fragmentation of the system, and in some cases undermine program decision making and funding. Many jurisdictions receiving direct appropriations for local and community projects did not even apply to competitive programs offering funding for these project types. Stakeholders and clients interviewed for this study called many projects funded in this manner "good projects" that would likely have received funding had they been submitted through an appropriate competitive program. Interviewees uniformly felt the growing trend in direct appropriations constitutes an undermining of the State's effective and transparent competitive grant and loan programs.

Additionally, projects funded in this manner may not be ready to proceed immediately, or the funding amount awarded may not be appropriate. Such projects are sometimes over-funded, and in other cases they may be underfunded, meaning the local jurisdiction may have fared better if it had gone through a competitive award-making process.

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**Independent Boards Operating within Administrative Agencies Pose Management Challenges.** Washington's programs are a hybrid mix of agency-administered and Board-directed entities, and this itself presents challenges in understanding and management. For an example of how distinctly different the various governance structures are, one need only compare the **CERB Board** with the **Public Works Board**. The CERB Board has four legislators (out of 20 members) and the Board has final approval over projects. The Public Works Board is comprised of professionals from operating entities and citizen representatives. There are no legislators on the Board, although the program's project list goes to the Legislature for approval. The **Office of the Interagency Committee** supports four boards comprised of a mix of citizens and agency staff: the IAC; the Salmon Recovery Funding Board (SRFB); the Governor's Forum on Monitoring Salmon Recovery and Watershed Health; and the Washington Biodiversity Council. Many of the IAC programs have their own advisory boards which provide input on program policy and application evaluation.

A perceived benefit of having a board is that it is considered apolitical. Boards also provide subject-specific expertise to State agencies, the Governor and the Legislature at a very low cost. The drawbacks to boards are intra-agency challenges in determining roles and responsibilities, and in determining an appropriate level of management coordination and accountability. The boards develop their own identity, a track record of successful funds distribution, and a strong network of supporters and stakeholders.

**The Effectiveness of Many Programs is Challenged by Understaffing.** The programs studied are operating with relatively small staffs, often stretched to cover outreach around the State and process the volume of applications received. Because understaffing can compromise the program's ability to effectively process loan and grant awards, it has a real cost to the State. Programs that are experiencing understaffing currently include the **PWTF, CDBG, CERB, DOE's Water Quality Program** and the **IACC**. CDBG in particular has been under-funded to the point where it has had to resort to 'soft funding' agreements with other agencies to meet the required 2% state match of the federal grant. CDBG is currently working to fix a \$500,000 shortfall in the program's 2007 administration budget.

### ***Opportunities***

**Many Component Parts are in Place to Create a Workable System.** The IACC's work, together with informal staff collaboration and joint administration of several programs creates the beginning of a platform for a more integrated system. What is needed is policy direction that recognizes that the programs constitute a system, and need to be governed and managed in a more systemic fashion.

**Statewide Infrastructure Policy Direction is Needed.** Stakeholders spoke to this issue through comments such as: "there is no policy direction at all – it's a 'fix what's broken no matter why it's broken approach'"; "we are missing an overall investment strategy – we need a unified purpose for all these programs and clearer goals about infrastructure investments statewide"; and "we need a better understanding of the context and public benefit of capital investment in the State. Are there areas we should be investing in and are not?"

**Economic Development Funding has Been a Missing Piece.** Until the 2005 legislative session, the **CERB** programs were the only infrastructure funding programs focused on economic development. The **PWTF** does encompass economic development, including growth and economic

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development as its fourth funding criteria (out of four criteria specified by the Legislature), but PWB staff and Board members report that the funding demand for projects that address the three higher ranked criteria – public health and safety, environmental health and safety, and system replacement/performance – is such that funding is not available for economic development-focused projects.

Given that CERB's mission is to encourage business expansion and retention in economically distressed communities, this has left larger cities and the urban areas without access to economic development funding. This hole in the funding network created dynamic tension in the system – an unmet need – which the Legislature addressed in 2005 by creating the **CERB Job Development Fund**, which will sunset in 2011, and the **Economic Development Strategic Reserve** account. By providing funding specifically for economic development purposes, these new funds represent a paradigm shift for the State. The Economic Development Strategic Reserve account, especially, provides a tool to put Washington on par with other states that can offer businesses infrastructure and workforce training incentives to remain, expand or relocate in the State.

**Client Satisfaction is High, but Programs are Not Well Understood by Observers and Stakeholders.** Interviews conducted with clients and their trade association representatives confirm the long-standing perspective that the programs enjoy a broad base of support. Clients report that the programs are “extremely helpful to us” and are well administered, although some of the programs are easier and less bureaucratic to access than others. Some programs have enjoyed long-standing stakeholder support, including **CERB**, the **PWTF** and the **IAC**. Other programs, notably the **DOE** programs, have seen a significant increase in customer satisfaction and stakeholder support as result of attention devoted to this issue by the agency in recent years.

Beyond this positive feedback, however, what is striking is how under-understood the various programs are. As a network of programs, the level of understanding is even more fragmented. Program administrators understand this and deal with it on an ongoing basis, continually working with new staff from the local jurisdictions to explain their programs and procedures, and as appropriate, working to communicate about their program to legislators and staff. The complexity of the system, together with a changing set of agency clients, stakeholders and decision makers, has resulted in many calls for improvements and reforms, some more feasible than others to implement.

## **6.2 Issues and Improvements Identified by Stakeholders**

### ***Overview: Many Perspectives and Many Potential Improvements Identified***

As part of the project's research focus, the study team reached out to a broad set of clients, stakeholders and observers of the system to obtain perspectives on what is working well now and what could be improved. Among those interviewed were legislators, legislative staff, State agency staff, program staff, program clients, trade association representatives, and others. We sought broad input and suggestions, and a striking amount of feedback was received. Dozens of perspectives and suggested improvements were provided, some of which were in direct opposition to one another.

Through this interview and research process, it became clear that many of the challenges identified and the solutions suggested have been in existence for some years. In some cases, the concepts have

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been around for long enough that they have been tried previously, somewhere in the program's history.

Moreover, it also became clear that an approximation of Newton's Third Law of Motion applies to the State's system of infrastructure programs: for every action (and change or trend) there will be a reaction. Within the State's network of systemically connected programs, there will be consequences – both intended and unintended – for each action taken. Recommendations for programmatic and systemic change need to be carefully considered to first, do no harm, and second, to minimize unintended consequences. With those caveats, the various issues identified in the stakeholder interviews are discussed below:

### ***Application and Award Processes***

**Unitary Program Applications and Schedules.** The single most common suggestion provided by stakeholders (not funding program clients) was that applications should be consolidated into a single form, for the sake of simplicity and uniformity. Consolidating or reorganizing the application periods to be more uniform was a related and frequent suggestion. However, while some local government representatives – recipients of awards – endorsed the concept of a consolidated application, many others indicated that they welcomed having choices among programs and appreciated the opportunity to “shop” across programs.

Program management staff interviewed were also uniformly negative about this idea, calling it impractical and infeasible. They noted that from a client perspective, a “one size fits all” approach is actually less efficient and more cumbersome to navigate: programs have different eligibility requirements – some more, some less and some of which are driven by federal regulations – and mixing these all together would create a more burdensome and complex application process. It would also negate the efficiencies created by the shorter applications developed by programs that are not burdened with federal regulatory requirements.

Staff from the PWB note that a joint application concept has been tried on at least two or three occasions, without success. They note that, at one point the CDBG and PWB Emergency and Planning programs were linked together in one application, which didn't work well due to a mix of federal requirements and greater client demand for PWTF monies (which are not governed by the federal restrictions that CDBG funding is). Another joint application process experiment was a combined application for PWTF Construction and DWSRF Construction programs in the late 1990's. This effort was reportedly considered “an abysmal failure” by both clients and staff. The joint application lasted only one cycle, due to client difficulties navigating and completing the application. The payoff too, in terms of processing efficiency was not there: agency staff simply took the consolidated applications and literally split them into pieces, handing the appropriate sections to the staff from each program.

The joint application for the Water Quality Program's three funds, on the other hand, shows that the single application concept may be applied by sub-sets of similar programs.

**One-Stop Shopping: A Single Portal of Entry or Intake into the System.** This is another concept suggested by many stakeholders. Discussions with PWB staff that support the IACC's web-based infrastructure database indicate that, with adequate resources, this web site could be enhanced to become a portal through which local governments could make inquires and program staff could provide technical assistance. Using the portal as a means of consolidating the application process is a

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related idea, and one with appeal from the perspective of obtaining centralized information on applicants and local government project needs, something the State lacks now. Implementation of this notion, however, would be heavily dependant on the provision of adequate systems, technology and support to achieve this outcome.

**Faster, more flexible application processes.** Several stakeholders noted that there are real costs to a longer award process – without final approval for funding, some jurisdictions miss a window for starting project construction, and sometimes, an entire construction season. This point was made particularly for the **PWTF** and **IAC** projects that require legislative approval. It was noted that the Legislature has yet to deny a project submitted by the PWB, and yet in a year with a long legislative session, project approval can be withheld until May or even June, a timeframe which intrudes upon the construction season. Projects funded under the new **CERB Job Development Fund** are also likely to suffer from this situation, given the need for four governance levels of approval of the project list: CERB, the PWB, CTED, and the Legislature. Delay is a particular problem for economic development projects because businesses may be unwilling or unable to wait out a long approval process for needed infrastructure work.

### ***Program Mission, Design and Organization***

**Program Models.** Washington’s approach to infrastructure finance can be characterized as a program-based model that responds to locally identified and prioritized needs. As compared to states with centralized infrastructure funding and decision making processes, Washington’s system is relatively decentralized, allowing for more local purview and control. Stakeholders interviewed have a mix of perspectives about this approach: while the majority of those interviewed were comfortable with the State’s approach, some maintained that the State should adopt a more strategic and potentially centralized approach – focused less on distribution to local governments and more on investing to accomplish specific objectives. Conversely, a few interviewees criticized the State’s approach for not providing enough local control and assistance, suggesting that local communities should work together to develop packages of needed improvements, which would then be funded by the State without going through competitive processes.

**Program Coordination and Consolidation.** The desire to have coordinated efforts among the State’s grant and loan programs, many of which serve the same clients, is a long-standing issue. The 2001 JLARC study called for greater coordination, information sharing and learning among State agencies, for example. CTED also has suggested that “regular coordinating meetings among funding programs to share best practices on grants management, funding priorities, etc.” would be a good idea<sup>4</sup>. However, getting agencies to work together on non-mission-critical issues is an ongoing and uphill challenge. Best practices research on program management suggests that the most effective way to facilitate inter-program coordination is to work from the top down – consolidating governing structures and funding streams. This would suggest, for example, that the **CERB Board** and **Public Works Board** be consolidated.

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<sup>4</sup> Source: August 31, 2004 memo regarding additional information requested by OFM for the 2005-07 budget submittal.

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Indeed, program and funding consolidation was suggested by a number of stakeholders interviewed. As one interviewee noted: “program coordination is a weak option – we should go all the way to program consolidation.” The most extreme expression of this preference was to “put all the money in one pot.” However, federal funding restrictions, for one, make this an impractical idea. Another concept identified would be to consolidate or coordinate selected program functions, such as fiscal management of loan and grant funds and information technology systems. At the management systems level, there are potentially efficiencies to be realized from grouping the same functions performed across multiple programs.

**Program Independence.** The converse of program consolidation is increased independence for certain programs. Some advocates and stakeholders for the **Public Works Board** have expressed a desire for the Board to become an independent agency, following the precedent recently set by the newly-established **Department of Archaeology and Historic Preservation**, recently spun off from CTED. There is tension and some criticism of CTED, as the parent organization, for its overhead fees, which are imposed as a cost to the PWTF.

**Program Scope and Definitions.** The question of whether the **PWTF** should expand its purview to jails and other public facilities has been under discussion for several years. At issue is whether to ask the Legislature to expand the definition of “critical public works” in the Trust Fund’s authorizing legislation to encompass jails and perhaps other public facilities. The reasoning behind this ongoing debate involves a desire to have the PWTF be responsive to changing needs, particularly those of the counties. The PWB itself took up this issue at its May 2004 Board retreat, when it discussed numerous policy options for the strategic future of the organization, deciding at that time not to ask for an expanded definition.

### ***Program Funding and Financial Management***

**Program Funding: Changes in State and Federal Funding Levels Result in Program Funding Challenges.** Exhibit 39 shows that the total federal contribution to Washington’s basic infrastructure over the past four biennia has remained nearly constant. Similarly, while showing a small net increase, State funding has not changed significantly over the period.

If one compares the total 2005-07 budget to 1999-01, State contributions to local infrastructure are up over \$25 million. If one compares 2005-07 with 2003-05, on the other hand, State support is down \$36 million. The budget for 2003-05 increased \$85 million over the prior biennium, but it included a \$115 million increase to the Public Works Trust Fund. While a few programs are either near the end of a one-time bond authorization or suffering from reductions in the collection of taxes, new programs are being created. Members of the Legislature and Governor have also been increasing the amount of funds directly appropriated for projects, and in some cases one-time actions have been turned into new programs (although not all of the money is new).

In terms of State funding, the overall impression to take away is that there has been quite a bit of activity which has had significant impact on some programs, but which has not created significant changes to the overall level of State contribution.

**Exhibit 39**  
**Basic Infrastructure Program Biennial Capital Budgets: 1999-01 to 2005-07**  
**Totaled State and Federal Contributions**

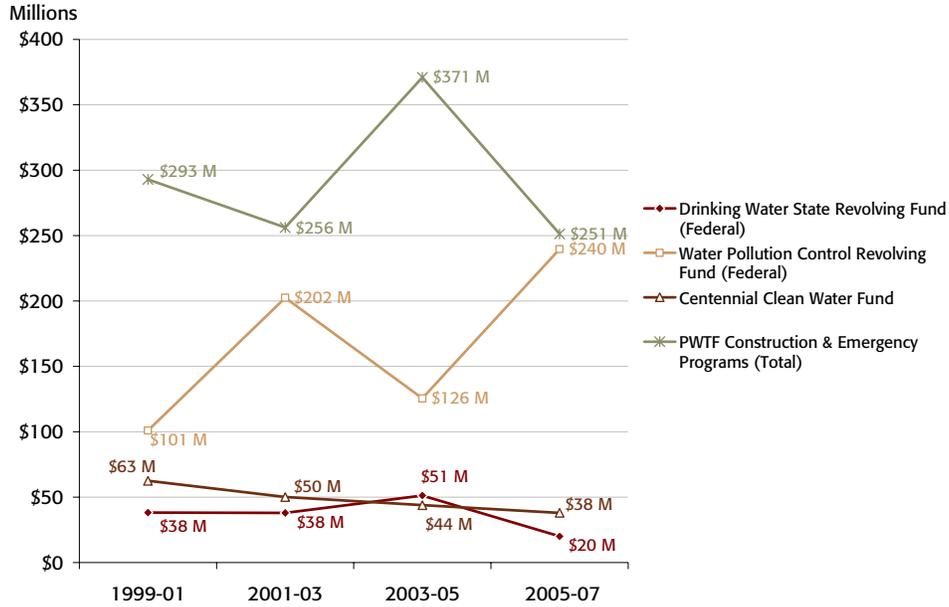


Source: Program Inventory, Berk & Associates, 2005

These fluctuations in State funding have meant that the programs studied are experiencing various levels of funding-related challenges.

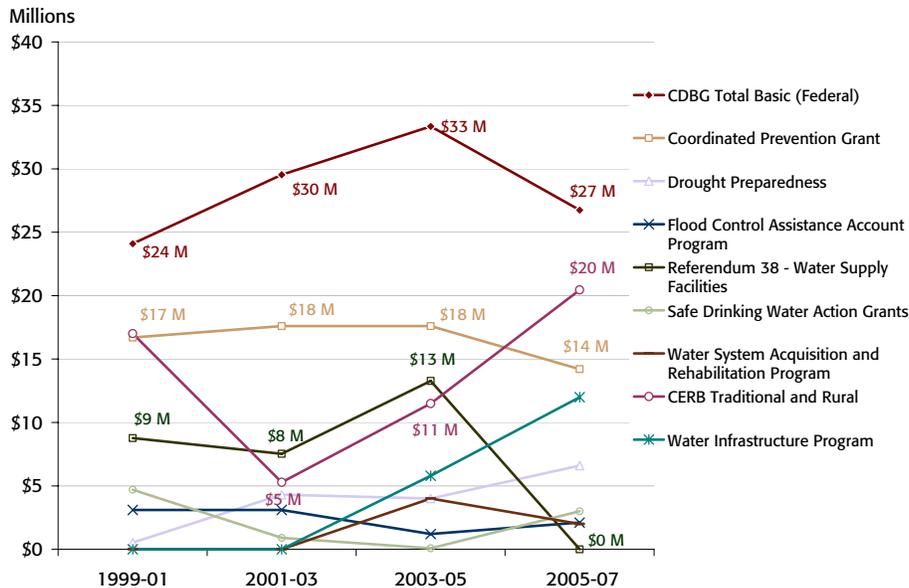
- The **Public Works Assistance Account** has grown significantly since its inception in 1985. In 1999, the Public Works Board, under the guidance of the Office of Financial Management and the State Treasurer’s Office, undertook the use of the Accelerated Loan Commitment Model (ACLM) to create additional Public Works Trust Fund loan funds. Over \$260 million in additional loan funds were generated from 1999 through 2005, in turn, creating an increase in loan repayment revenue. The use of this ACLM model – along with increases in revenue from the Real Estate Excise Tax – has had a significant impact on the Public Works Assistance Account Fund balance. This fund balance has proven tempting, however, and recently the account’s funds have been appropriated for other programs such as CERB’s Traditional and Rural Programs and the CERB Job Development Fund, leading to budget declines for the PWTF programs, as can be seen in Exhibit 40.
- In contrast to the PWF, **CERB’s Traditional and Rural Programs** lack a permanent funding source to augment revenue from loan repayments and investment earnings on account balances. Funding for these programs has been cobbled together from a mix of sources throughout its 23-year history. As reflected Exhibit 41, the organization’s funding has moved up and down across the biennia.

### Exhibit 40 Basic Infrastructure Program Biennial Budgets: 1999-01 to 2005-07 Budgets Over \$50 Million – Includes Both State and Federal Funds



Source: Program Inventory, Berk & Associates, 2005

### Exhibit 41 Basic Infrastructure Program Biennial Budgets: 1999-01 to 2005-07 Budgets Under \$50 Million – Includes Both State and Federal Funds



Source: Program Inventory, Berk & Associates, 2005

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Funding for federal programs has been either flat, decreasing, or threatening to disappear since 2001.

- The **Community Development Block Grant** programs, for example, have stagnated at the Federal level, as shown in Exhibit 40. After a period of increases, funding for this program declined between the prior and current prior biennia. As mentioned in Section 3.5, the entire program is currently at risk of disappearing due to an administration proposal to shift development funds out of the Department of Housing and Urban Development and give them to the Commerce Department.
- The other Federal programs examined here, the **Drinking Water State Revolving Fund** and the **Water Pollution Control Revolving Fund**, are both experiencing a decline in Federal funding while simultaneously enjoying budget increases, as shown in Exhibit 40. Washington's DWSRF was allocated \$50 million in Federal funds during federal fiscal years 1998 and 1999, \$40 million for 2004-05, but only a projected \$38 million for 2006-07. The WPCRF received \$70 million in Federal funds in 2001-03, but only a projected \$42 million in 2005-07. The recent budget increases shown in Exhibit 40 are due entirely to growth in repayments of principal and interest.

Despite generally flat State and federal contributions, the total amount awarded annually by most programs examined has grown in recent history (see Section 4.2). This reflects the power of loan programs, which continue to recirculate their funds, using additional contributions to grow the size of the base. With variable federal and State budgets, and the planned elimination of federal capitalization grants for the State Revolving Fund programs, a program's ability to not only maintain the size of the fund but to offset the eroding affects of inflation as well is dependent upon its implementation of excellent financial management practices.

**Program Financial Management.** Given the magnitude of dollars flowing through the funds each biennium (more than \$680 million for basic infrastructure alone), some stakeholders noted that the programs are in the banking business, and should be operated according to best banking practices. Moreover, they question the efficacy of operating separate banks for each program. Would it be more efficient to consolidate the programs' banking functions and administer them centrally using uniform standards, practices and expert guidance on risk, return, and fund balance matters?

Currently, each program operates as an independent financing center, with its own loan offerings, including length of loan, interest rates and amortization schedules. Program staff make independent decisions about cash and fund balances and reserves – the ratio of balances to dollars at work – based on programmatic risk-return assessments. Each program also has its own accounting system for recording and tracking loan transactions.

While programs are feeling the pinch of constrained administrative budgets, one opportunity is to ensure that staff who deal with the banking side of administration are skilled in banking and finance. An interview with a staff person from Michigan's Revolving Loan and Operator Certification Section, which administers the State's revolving loan funds, highlighted that there are both benefits and costs with separating program administration and financial management: the most important factor is whether the staff doing financial management have the proper level of expertise to operate the program effectively from a banking perspective.

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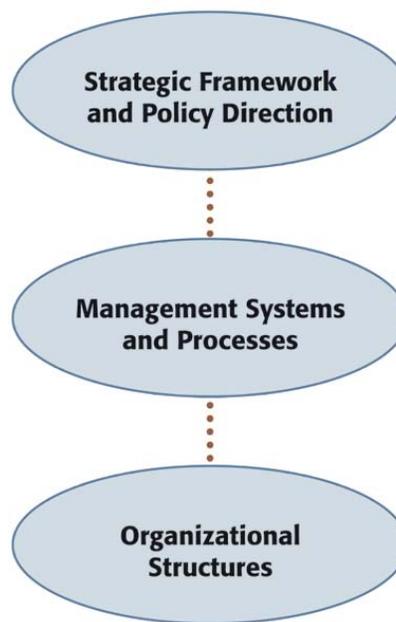
## 6.3 Elements of an Optimally Designed, Governed and Managed System

### ***Overview: Assessment Framework***

From the beginning of this study, a question that has been of interest is: what would an optimal system look like, if it were designed from scratch? This subsection outlines the elements of an optimal system, which in turn lays a foundation for program recommendations in Section 7.0. The analysis in this Section is based on a strategic management framework that integrates and prioritizes three requirements for a well-managed organization or system of organizations: (1) clear strategic framework and policy direction; (2) robust management systems and processes; and (3) aligned organizational structures.

**Exhibit 42** shows the linear relationship among these three system attributes, reflecting the concept that an overarching strategic framework, policy direction and priorities should drive implementation of management systems and processes, which in turn help define appropriate organizational structures. Following this construct means that organizations should focus first and most broadly on defining a clear strategy and policy direction, from which meaningful performance and outcome measures can be developed. Operationalizing the strategy and policy direction is the responsibility of agency managers, through design and implementation of effective systems and processes, including information technology, human resources, financial management, and communication and reporting systems. The question of how this can most effectively and efficiently be accomplished, by itself and in alignment with the broader policy objectives, is answered through thoughtfully designed organizational structures and relationships.

### **Exhibit 42 Strategic Management Framework Aligning Strategy, Systems and Structures**



Source: Berk & Associates, 2005

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## ***Strategic Framework and Policy Direction***

An optimal system of infrastructure programs would have:

**Strategic Policy Direction on State Investment Goals and Priorities.** Currently, this is an important missing piece within the system. A strategic policy framework could provide an overarching vision, direction and focus around which the programs could be coalesced. The form of this policy direction could be relatively simple; for example, it could state that Washington values stewardship of its existing infrastructure while investing strategically in facilities that enhance the State's economic vitality and competitiveness. In many respects, the dialogue associated with developing such a policy statement would be as important as the statement itself.

**Strategic Plans and Planning Processes for Each Program.** Strategic plans for the programs would reflect alignment with the State's overall strategic direction and priorities, and would articulate goals and action steps for program improvements and customer service; financial and cost management; internal systems development and improvement; communication and reporting; and organizational growth and learning. Currently, agencies are statutorily required to submit strategic plans to OFM, and certain funds are also required to have business management plans, but the infrastructure programs have no such requirements. This too, is a missing piece within the system. Especially for programs governed by independent boards and that operate as quasi-independent entities, the lack of strategic planning requirements seems to be an oversight to be addressed. Any program with its own operations, funding, dedicated staff, and customer and stakeholder base is one that should have its activities focused and directed by a strategic plan and effective planning process.

**Performance Measures That Effectively Communicate Program Impacts and Outcomes.** Effective performance measures should integrate and cut across individual programs to answer broad policy questions such as: what did we spend our money on and with what outcomes? How many projects did we fund last biennium, and of those, how many were completed?

Performance measures and metrics should flow from and be aligned with overall strategic direction, goals and activities. Aligning these elements so that it is clear what the programs should be accomplishing, and how effectively they are meeting those objectives, is an iterative process, one that can be expected to take several cycles of thoughtful data collection, assessment and strategic planning and performance measure development.

## ***Management Systems and Processes***

These management systems include:

**Excellent Service Provision.** The infrastructure programs studied are performing well on this dimension which involves working continually to fulfill the organization's mission and deliver the highest quality programs possible. The impression taken away from interviews with program staff, as well as discussions with stakeholders and client organizations, is that program personnel hold themselves to high standards and are focused on running excellent programs to provide quality customer service and highly effective outcomes.

**Responsiveness to Customer Needs and Stakeholder Feedback.** A subset of Excellent Service Provision, this is the one aspect of the programs that has been perhaps most thoroughly assessed.

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The programs studied are attuned and focused on customer service and responsiveness, and therefore score well on this dimension of program management.

**An Efficient Award Process.** An effective system would carefully balance the need for oversight with stakeholder desire for a speedy post-application award process. Overly long award timelines are problematic from the perspective of applicants. When a year to 18 months pass between submitting an application and receiving awarded funds, planning is challenged and whole construction seasons may be missed.

**Financial Management, Including Fiscal Policies and Tools.** The infrastructure loan programs studied essentially act as banks, receiving funds, making disbursement decisions, assessing risk and return factors, setting interest rates, monitoring the portfolio and determining appropriate cash balances, reserve levels and loan distribution levels. The grant programs too, need to manage cash flow and fund balances. Banking is an established field, with much science associated with its practice, including financial modeling and best practice standards. Currently, each program manages its own banking functions, according to internally developed practices and procedures and with different internally-developed analytic, tracking and reporting methods. An optimal system would take advantage of well established principles and practices in the field, and would provide more uniform and coordinated principles and standards for programs to manage toward, and against which the programs' fiscal management practices could be evaluated. An optimal system would also have each program's accounting and information systems integrated with the State's central accounting and financial reporting system (AFRS); this is currently not the case for most programs.

**Communication and Reporting.** Given the complexity of the program network and the relative lack of understanding about the various programs, effective communication and reporting systems are especially warranted. Program administrators need to be able to tell the story of their programs – directly, concisely and supported by meaningful measures and metrics. All of the programs assessed in this study could do a more effective job in this area.

**Information Technology Systems.** Investing in and harnessing the power of modern information technology systems to centrally collect, analyze and report on the State's infrastructure needs, program activities and performance is a critical element of effective system management. A modern, effective information technology system to help manage the State's infrastructure programs would be substantially different from the status quo. Such a system would provide a single portal for information entering the system, and integrated, on-line processes from application to award to tracking and monitoring and closeout. It would also allow for cross-program and intra-program trend analysis, monitoring and reporting. Currently, databases and information systems are siloed within programs, and there is not commonality or integration among systems. Programs operate their own, custom-built, "make-shift" systems, often relying on off-the shelf applications such as Microsoft Excel or Access. As a result, it is difficult to collect, assess and compare performance measurements of various programs, even those within the same agency.

**Organizational Learning and Growth.** Well-managed organizations recognize the importance of self-reflection, learning and continual improvement, all of which takes time and comes in addition to the entity's regular workload and deadlines. Because it is not a part of day-to-day operations, organizations often need the framework of a strategic plan – with organizational learning as a strategic goal – to make it a focus and incorporate learning processes into the organization's fabric and internal systems.

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## ***Aligned Organizational Structures***

In an optimal system, organizational structures in place would be aligned with organizational missions and operating requirements. Programs with similar missions would be organized together. Where programmatic requirements and features dictate different operating approaches and/or different constituencies, separate organizations should be considered.

The goal is to have mission-focused organizations, with efficient internal systems and relatively clear constituent bases. Developing such an organizational structure is more art than science, and represents one of the most challenging leadership tasks. There is often pressure to reorganize structures to solve underlying strategic or systemic problems – this is a pressure to be resisted as it will not solve the root problems.

Organizational structure questions have been posed in this study: should there be consolidation or reorganization of existing programs and agencies? The best approach for the State would be to centralize program administration to provide “just enough” program management and oversight, and no more. Where programs do similar or related activities, their work would be centralized in as few organizations as possible. A particular question for Washington’s dispersed network of programs is how integrated and coordinated the key internal management systems should be – particularly the fiscal management of loan and grant funds, and data collection, analysis and reporting systems – two areas where system standards and integration are appropriate. At a minimum, effective coordination across programs is needed to provide for data integration and common outcome reporting measures, information sharing and best practices discussions, and organizational learning.

The following Section takes up these themes and makes specific recommendations relevant to the current state of Washington’s local infrastructure funding system.

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## 7.0 RECOMMENDATIONS

### 7.1 Strategic Framework and Policy Direction

**Overview.** Four recommendations are presented below to increase the strategic focus and direction of the State's infrastructure programs, and to recognize the systemic effects of program relationships. The recommendations are intended to enable the State's programs to work together, across agencies, as an interactive system, with alignment between policy, management and performance outcomes.

#### ***1. Govern and Manage the Programs as a System***

The programs are a de facto system of investing and distributing millions of dollars annually across the State. The programs need to be recognized as a system, in which action in one part of the organism triggers impacts and reactions elsewhere. Strategic policy direction and management approaches that enable the whole system to function more effectively are needed.

#### ***2. Strategic Direction on State Investment Goals and Priorities is Needed***

Given biennial spending of around \$650 million on the State-to-local infrastructure programs included in this report (plus nearly \$700 million in State-to-local transportation funding), the State has a responsibility to assume a more strategic investment approach to the distribution of this funding. A more focused approach to program creation is recommended, one that makes best use of the existing program network, and that discourages the creation both of new programs to address specific new needs, and member- or Governor-added projects that duplicate areas of focus by one of the existing competitive programs. Instead, development of a strategic investment framework that provides overarching policy direction to the programs is recommended, resulting in more focused operational management and priority-setting. This policy direction should be broader than those programs identified in this report as having to do with "basic" infrastructure. Funding for a broader range of infrastructure, including transportation infrastructure, should be included under this strategic investment framework.

A particular area to be addressed in this framework is the dynamic tension that exists on the one hand between the State's responsibilities for infrastructure safety, public health and system preservation, and on the other hand, the need for the State to participate effectively in economic development initiatives. These two areas of focus are important and interlinked, and the State strategic direction on infrastructure investments should articulate a commitment to both while establishing overarching goals and priorities for investments made across programs. Until this year, the economic development component of infrastructure investment had been an underemphasized element of the State's system; this has been redressed through the two new economic development funds created by the Legislature. However, with the **CERB Job Development Fund** sunseting in 2011, this mechanism to address economic development needs is temporary.

#### ***3. Strategic Plans and Planning Processes are Needed for Each Program***

Each program should develop a strategic plan that is in alignment with the State's overall strategic direction and priorities, and that articulates goals and action steps in key areas, including: program

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improvements and customer service; financial and cost management; internal systems development and improvement; communication and reporting; and organizational growth and learning. These plans should also include outcome-based performance measures. Performance measures and metrics should flow from and be aligned with overall strategic direction, goals and activities. The strategic plans are the place to link the GMAP outcome measures to agency activities. This is necessarily an iterative process – the agency’s planned activities need to be congruent with the outcome measures they wish to report. If the activities can’t support the measures, management should look critically at both ends – at the internal systems in place and at the reasonableness of the performance measure.

#### **4. Create an Infrastructure Policy Forum to Coordinate Across Agencies and Programs**

In addition to supporting better coordination and collaboration, establishing an Infrastructure Policy Forum would facilitate organizational learning and growth. Even with existing programmatic objectives which range from ensuring public health and safety to environmental protection to economic development, these programs share a common tool – infrastructure investment – and many common functions. They have much to learn from one another, including best practices related to providing technical assistance; soliciting and evaluating applications; grant and loan management; and overall financial management.

The Infrastructure Policy Forum may serve as the best mechanism to advance this study’s recommendations, particularly in the short-term. The study’s first three recommendations listed above call for more coordinated management of the State’s infrastructure investing programs. Until overarching strategic direction is formally established by the State’s policy makers, the Forum can serve to articulate increasingly broad strategic direction and priorities, can advance cross-program coordination and help the programs align around shared strategies. Given this role, we recommend that the Forum be established as an early step in improving management of the State’s infrastructure investment programs.

Composition of the Forum’s membership is critical, both to ensure adequate representation of diverse views, including those of local government, and to ensure that Forum participation is an agency priority. It will also be necessary to provide adequate staff and other resources to support the Forum’s success.

The Forum could be modeled on the **Governor’s Forum on Monitoring Salmon Recovery and Watershed Health**, comprised of agency heads who meet quarterly to coordinate technical and policy issues and actions. The Forum was created by Executive Order, is staffed by the IAC, and is required to report biennially to the Governor, the Legislature and the Salmon Recovery Funding Board. Another model is the **Governor’s Economic Revitalization Team (GERT)** in Oregon, in which eight agency heads meet monthly to bring their combined resources to bear on priority projects. GERT was also formed by Executive Order, and issues an annual report describing progress on the group’s activities and programs. The Team also issues an Annual Performance Progress report, with key metrics.

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## 7.2 Management Systems and Processes

**Overview.** The State's infrastructure funding programs are working relatively well in terms of day-to-day service provision and customer service. Funds are disbursed to local entities based on delineated procedures and following clear selection criteria, guidelines and processes. Program staff are focused on providing technical assistance to the jurisdictions to develop good project applications, and efforts are ongoing to provide good customer service through outreach with communities and on-call assistance in completing project applications.

Organizational efficiency and effectiveness is very much dependent on having good internal systems and processes in place. While the importance of internal systems is often underappreciated, functional and integrated systems enable an organization to deliver quality services in a timely and cost-effective manner. This evaluation finds that the most significant improvements needed within the State's network of programs are system improvements in three related areas: financial management; communication and reporting; and information technology systems.

### ***5. Recognize and Effectively Manage the Infrastructure Programs as Banks***

Staff with specific expertise in fund management and banking, as well as staff with expertise in public fund management and local financing alternatives for local infrastructure investments, should be engaged to review and manage program funds and portfolios. This expertise will augment existing staff expertise in program-specific issues such as economic development, environmental management and basic infrastructure planning. Fund management practices for each program should be analyzed, and a baseline assessment should be prepared of the practices, principles and tools in place for each program. Best practices and common financial policies for the programs should be developed to ensure that programs are putting their resources to work as effectively as possible. Issues to be addressed should include loan rate strategies, terms and conditions offered; risk-modeling; fund balance levels and reserve requirements; cash management approaches and other aspects of fund management.

The maintenance of funding sources in perpetuity is highly desirable, with interest rate strategies established to support this outcome. These interest rate strategies should not be developed for individual programs in isolation, however, as it is important to maintain a mix of funding sources, including sustainably managed loan programs – and lower cost loans or grants for jurisdictions which cannot afford loans priced to offset inflation over the lifespan of the program. The tension between providing low-cost funding to communities that need it, while at the same time practicing sound financial management, will continue to be a challenge.

Interest rate strategies for individual programs should be established and updated not only with reference to other programs in the system, but also with regard to conditions in the municipal bond market. For credit-worthy clients, prevailing market rates have significant impact on the relative attractiveness of State programs. To make most efficient use of public funds, the State should explore ways to support and facilitate local government access to the bond market, including mechanisms to pool debt to achieve more desirable terms. Other states provide examples of how this may be done.

To support programs operating effectively as banks by efficiently distributing available funds, options should be explored to streamline award-making processes. Options include pre-appropriation of

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funds, non-appropriation for State Revolving Funds and a reduction in the number of oversight bodies that must approve awards.

The relationship among overlapping programs – particularly the **Public Works Trust Fund** and Ecology's **Water Quality Program** – should be specifically analyzed, including an assessment of appropriate interest rates, loan terms and award conditions to enable the programs to function effectively and efficiently as a system.

### ***6. Invest in Financial Management Systems that Increase Efficiency and Reduce Duplicated Efforts***

Currently, each program and agency has its own accounting and financial reporting system, which is not integrated with the State's central accounting and financial reporting system (AFRS). For some programs, accounting information is entered two or three times, once in the program's accounting system, again at the agency level, and again into AFRS.

### ***7. Invest in Modern Enterprise Information Systems to Support Integrated Program Decision-Making and Reporting***

The State needs effective information systems tools that can efficiently track program operations and funding awards, and that can integrate across programs, activities and departments. The State is currently operating with legacy systems that are 10, 12, 13 or more years old. While some programs and agencies have better systems than others (IAC's PRISM system is especially notable for effectively integrating all aspects of program management from on-line applications to grant tracking to performance monitoring), in general the State has historically underinvested in information systems that can make programs function more efficiently, by themselves and as a system. The programs assessed each have different information systems and different levels of expertise about information technology and systems management. With renewed emphasis on accountability, performance measures and results – by the Governor, the Legislature and the public – good program data and data reporting tools are critically needed. Cross-agency efforts to design and acquire a new enterprise data management system are currently underway between CTED and DOE. This effort should be approved and supported with financial and staff resources.

### ***8. Use Information Technology to Create a Single Portal of Electronic Entry into the State's System for Improved Information Processing, Collection and Reporting***

A single portal would serve multiple purposes and have multiple benefits. It would:

- Enable the State to capture comprehensive information on program applications and jurisdictions' needs
- On-line applications could be updated as needed by jurisdictions and from year-to-year
- Serve as a host for a needs database – local governments could enter their capital facility projects and needs into the system on an annual basis, enabling the State to assemble a relatively low-cost Statewide infrastructure database (while such a database would be useful for cataloging

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communities' known basic infrastructure needs, it would be less relevant for programs such as CERB which respond to opportunities to support the siting or expansion of specific businesses)

- Performance measures by program could be posted to the home page, providing easy access to this important information

The IACC's website could be a starting point for the portal. The Council could play a role in creating or participating in creating a single portal into the State system of infrastructure programs. The IACC is not a State agency or program, but a non-profit organization staffed by volunteers, so appropriate roles and the source of additional support resources would need to be determined. Staff are already working on a local infrastructure needs assessment database (LINAS) which would enable local governments to centrally report their infrastructure needs.

### **7.3 Organizational Structure**

**Overview.** Many organizational issues and options were assessed in this study. These include: joining administration of the two environmental state revolving loan funds – the Water Pollution Control SRF and the Drinking Water SRF; adding the WPCRF to the DWSRF/PWTF joint administration arrangement; supporting programmatic and financial administration of program; grouping CTED's infrastructure programs together into one Division in the agency; spinning CTED's infrastructure programs off into a separate agency; and others. For each option, the potential benefit of the change was assessed against the costs: administrative, financial, legal, political and programmatic.

#### ***9. Group CTED's Infrastructure Programs in One Division within the Agency***

Co-locating CTED programs that make investments in local infrastructure will facilitate information sharing and collaboration around program needs and opportunities, and even more importantly, will provide an organizational platform for integrated system improvements in the most needed areas: financial management, communication and reporting, and information technology systems.

While program goals may range from the protection of public health and safety to economic development, these programs share much in common, including their use of infrastructure investment as a means to achieve their programmatic goals, the financial management challenges of operating effectively as banks, and some portion of their typical client base. In today's decentralized system, program staff do a commendable job collaborating with other programs, through formal and informal mechanisms including the IACC, the SCI and simply by knowing one another's programs and assisting communities in locating the most appropriate funding source.

Co-locating programs in one division represents the best opportunity to establish broad, unifying strategic direction, together with common practices, common systems and common reporting. The desired result is not merely a change to the Department's organization chart, but a group of related programs that truly operate as a division.

It is important to continue to recognize the differences among these programs, acknowledging that while local infrastructure investments are a common focus, this tool may be employed to differing ends. Our proposed name for this new division – the Economic and Infrastructure Investment Division – reflects this complexity.

---

A concern articulated by some stakeholders is that grouping the programs – and their funding – together will make them more of a fund-raiding target, or will otherwise reduce funds flowing to the programs. While this would not be a desirable outcome, the systemic and organizational benefits of grouping entities that share much in common outweighs the potential risks associated with their grouping.

Exhibit 43 shows those CTED programs recommended for co-location within the Economic and Infrastructure Investment Division. Other programs noted are not recommended for co-location, though they may share some of the same commonalities. Therefore, it is recommended that these other programs participate in the Infrastructure Policy Forum and be held to common financial management practices. The Exhibit reflects the rationale guiding each recommendation.

The option of separating the infrastructure programs, particularly the Public Works Board, into a new agency is one that likewise has had its proponents, and CTED has recently created the Public Works Board Division. However, separating the Boards, and/or programs from CTED and creating a new agency is not recommended at this time. Such a reorganization is likely to further silo these programs, and consequently work against addressing the common challenges they face. Addressing the key challenges – improving and integrating application processes; developing financial management principles and standards – improving data collection and reporting systems; and developing appropriate performance measures will go a long way toward integrating the individual programs into a more efficient and cohesive system of programs.

**Exhibit 43**  
**Recommended Co-Location of CTED**  
**Economic and Infrastructure Investment Programs**

<b>Economic Development Division</b>	<b>Local Government Division</b>	<b>Housing Division</b>	<b>Comments</b>
<b>Programs Recommended for Co-Location</b>			
<b>Community Economic Revitalization Board</b> Traditional Program Rural Program Job Development Program	<b>Public Works Trust Board</b> Public Works Trust Fund Programs Drinking Water State Revolving Fund Water System Acquisition and Rehabilitation Program		These programs share a focus on “basic” infrastructure development, though they do so for different programmatic missions.
	<b>Community Development Block Grant Programs – Local Government Division</b> General Purpose Grant Community Investment Fund Imminent Threat Grant Housing Enhancement Grant Planning-Only Grant Public Service Grant Housing Rehabilitation Grant Interim Construction Float Grant/Loan		Many CDBG programs share a focus on basic infrastructure development. While other programs do not, it would be undesirable to locate CDBG staff in separate divisions, particularly given the common federal requirements under which the programs operate.
<b>Child Care Facility Fund</b>	<b>Capital Programs</b> Building for the Arts Community Services Facilities Program Youth Recreational Facilities Program <b>Local/Community Projects; Jobs in Communities Program</b> <b>Small Communities Initiative</b>		While not focused on “basic” infrastructure, these programs share the practice of supporting capital development in local communities.  SCI is an important element in the State’s basic infrastructure funding system.
<b>Programs Not Recommended for Co-Location</b>			
<b>Business and Project Development Unit</b> <b>Community Development Block Grant Programs – Business Finance Unit</b> CDBG Economic Development Float Loan Rural Washington Loan Fund Section 108 Loan Guarantee		<b>Housing Trust Fund</b> <b>Farmworker Housing Infrastructure Loan Program</b>	Given their focus on support for private enterprises, these programs should remain apart from the proposed new division. The CDBG programs listed here are currently administered separately from the State’s other CDBG programs.  A focus on affordable housing separates these programs from others recommended for co-location in the proposed new division.

# Inventory and Evaluation of the State's Public Infrastructure Programs and Funds

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## Attachments A - D



**Office of  
Financial Management**  
State of Washington

December 16, 2005



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# **INVENTORY AND EVALUATION OF THE STATE'S PUBLIC INFRASTRUCTURE PROGRAMS AND FUNDS**

## **ATTACHMENTS A - D**

Attachment A. Program Inventory – Summary Tables

Attachment B. Program Inventory – Detailed Tables

Attachment C. Program Inventory – Summary of Other Local Infrastructure Investment Programs

Attachment D. Funding Inventory



**ATTACHMENT A**

**SUMMARY TABLES OF  
BASIC AND OTHER LOCAL INFRASTRUCTURE  
FUNDING PROGRAMS**



## Exhibit A-1 Basic Infrastructure Funding Programs

	Awarded 2004	Capital Budget 2005-7	Grant	Loan	Drinking Water	Storm Water	Flood/Irrigation Management	Housing	Health Facilities	Community Facilities	Outdoor Recreation	Other Utilities	Business & Economic Development Facilities
<b>Public Works Board</b>													
Public Works Trust Fund Construction Loan	\$155,000,000	\$248,300,417	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>						
Public Works Trust Fund Emergency Loan	\$2,154,890	\$3,000,000	<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>						
<b>Community Economic Revitalization Board</b>													
Traditional and Rural Construction Programs	\$6,318,137	\$20,448,657	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Job Development Fund	\$0	\$0*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
* \$50 million in Legislature-selected projects will be administered by staff in 2005-7. Beginning in 2007-9, \$50 million in grants will be awarded each biennium.													
<b>Dept. of Health / Public Works Board</b>													
Drinking Water State Revolving Fund	\$39,000,000	\$20,000,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
Water System Acquisition and Rehabilitation	\$4,000,000	\$2,000,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
<b>Community Development Block Grant</b>													
CDBG Community Investment Fund Grant	\$5,137,187	\$4,107,728	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
CDBG General Purpose Grant	\$10,201,164	\$2,1668,448	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
CDBG Housing Enhancement	\$624,578	\$800,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
CDBG Imminent Threat Grant	\$0	\$166,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
<b>Dept. of Ecology Water Quality</b>													
Centennial Clean Water Fund	\$11,176,478	\$38,000,000	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>			
Water Pollution Control Revolving Fund	\$85,161,045	\$239,616,286	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>								
<b>Dept. of Ecology Water Resources</b>													
Drought Preparedness	\$1,600,000	\$6,600,000	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>						
Referendum 38 - Water Supply Facilities	\$7,000,000	\$0	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>						
Water Infrastructure Program	\$5,800,000	\$12,000,000	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>						
<b>Dept. of Ecology Shorelands &amp; Environmental Assistance</b>													
Flood Control Assistance Account	\$1,214,000	\$2,100,000	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>							
<b>Dept. of Ecology Solid Waste</b>													
Coordinated Prevention Grant	\$18,100,000	\$14,200,000	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>							
Safe Drinking Water Action Grants	\$75,750	\$3,000,000	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>							
<b>Number of Programs Funding this Infrastructure Category</b>	<b>14</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>

Source: Berk & Associates, 2005

**Exhibit A-2**  
**Other Infrastructure funding programs**

	<b>Capitol Budget</b>		<b>Grant</b>	<b>Loan</b>
	<b>2003-5</b>	<b>2005-7</b>		
<b>CTED, Member- or Governor-Added Capital Projects</b>				
Local/Community Projects Programs	\$52,524,500	\$39,390,000	<input checked="" type="checkbox"/>	
Jobs in Communities Programs	NA	\$12,250,000	<input checked="" type="checkbox"/>	
<b>CTED, Competitive Capital Programs</b>				
Building for the Arts	\$4,468,000	\$5,390,000	<input checked="" type="checkbox"/>	
Community Services Facilities Program	\$5,931,280	\$5,350,000	<input checked="" type="checkbox"/>	
Youth Recreational Facilities Program	\$0	\$3,300,000	<input checked="" type="checkbox"/>	
<b>CTED, Business Assistance Programs</b>				
Child Care Facility Fund	\$360,000	\$117,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rural Washington Loan Fund	\$8,023,969	\$4,126,905		<input checked="" type="checkbox"/>
<b>Historic Preservation Programs</b>				
Heritage Capital Project Fund	\$4,000,000	\$4,612,500	<input checked="" type="checkbox"/>	
Historic Preservation Fund	\$2,854,931	\$5,000,000		
<b>Housing Assistance Programs</b>				
Housing Trust Fund	\$80,000,000	\$97,500,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Farmworker Housing Infrastructure Loan Program	\$0	\$2,500,000		<input checked="" type="checkbox"/>
<b>K-12 School Construction</b>				
School Construction Assistance Grants	\$405,900,000	\$617,400,000	<input checked="" type="checkbox"/>	
<b>Outdoor Recreation</b>				
Boating Facilities Program	\$7,506,959	\$8,350,000	<input checked="" type="checkbox"/>	
Boating Infrastructure Grant Program	\$2,000,000	\$190,000	<input checked="" type="checkbox"/>	
Firearms and Archery Range Recreation Program	\$250,000	\$223,000	<input checked="" type="checkbox"/>	
Land and Water Conservation Fund	\$5,654,710	\$4,365,000	<input checked="" type="checkbox"/>	
National Recreational Trails Program	\$2,101,800	\$2,185,500	<input checked="" type="checkbox"/>	
Nonhighway Offroad Vehicle Account	\$6,926,310	\$7,579,000	<input checked="" type="checkbox"/>	
Washington Wildlife and Recreation Program	\$45,000,000	\$48,500,000	<input checked="" type="checkbox"/>	
Youth Athletic Facilities Program	\$1,789,512	\$0	<input checked="" type="checkbox"/>	
<b>Pre- and Post-Disaster Relief</b>				
Pre-Disaster Mitigation Competitive Flood Mitigation Assistance Program	Information Forthcoming			
Public Assistance Program				
Hazard Mitigation Grant Program				

**ATTACHMENT B**

**DETAILED INVENTORY OF  
BASIC LOCAL INFRASTRUCTURE FUNDING PROGRAMS**



# ATTACHMENT B DETAILED INVENTORY OF BASIC LOCAL INFRASTRUCTURE FUNDING PROGRAMS

This Attachment contains program-level descriptions and findings derived from basic research and more in-depth interviews. Summary information is contained in a standard format for each of the programs. Programs inventoried in this attachment include:

**Public Works Trust Fund**

Construction Loan Program .....	B-3
Emergency Loan Program .....	B-8

**CERB Traditional and Rural Programs..... B-12**

**CERB Job Development Fund Program ..... B-17**

**Drinking Water State Revolving Fund ..... B-21**

**Water System Acquisition and Rehabilitation Program..... B-26**

**Community Development Block Grant**

Community Investment Fund Grant.....	B-30
General Purpose Grant.....	B-33
Housing Enhancement Grant.....	B-36
Imminent Threat Grant.....	B-39

**Water Quality Program**

Centennial Clean Water Fund .....	B-42
Water Pollution Control Revolving Fund.....	B-46
Water Infrastructure Program .....	B-50

**Water Resources Program**

Drought Preparedness.....	B-53
Referendum 38 - Water Supply Facilities .....	B-55

**Flood Control Assistance Account Program..... B-57**

**Coordinated Prevention Grant ..... B-60**

**Safe Drinking Water Action Grants..... B-64**



# PUBLIC WORKS TRUST FUND CONSTRUCTION LOAN PROGRAM

**Department/Agency:** Department of Community, Trade and Economic Development

**Division/Office:** Public Works Board

## GENERAL INFORMATION

**Program Purpose:** The Public Works Trust Fund Construction Loan Program (PWTF) is a revolving low interest loan fund to help local governments and special districts finance critical public works needs. Eligible activities include repair, replacement, rehabilitation, reconstruction, or improvement of water, sewer, storm road, bridge, and solid waste/recycling public works systems to meet current standards for existing users, and reasonable population growth.

**Mission Statement:** The Washington State Public Works Board assists Washington's local governments and private water systems meet their critical infrastructure needs.

**Year Established:** 1985

**Founding Statute Number:** RCW 43.155

**Governing Board's Role:** The Public Works Board was established to manage the Public Works Trust Fund. The Board approves the project list before sending it to the Legislature. The Legislature may delete, but not add, projects from the Board's proposed list, though no projects have ever been eliminated.

**Legislative Intent:** RCW 43.155.010

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

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$290,520,707	\$253,827,911	\$368,000,000	\$248,300,417	8.4 *

**Fund Account(s):**

058-1 - Public Works Assistance Account

**Funding Source(s):**

Initially established with proceeds from bonds.

Today, repayments of loans are the largest source of funds - 41%.

Also: four taxes:

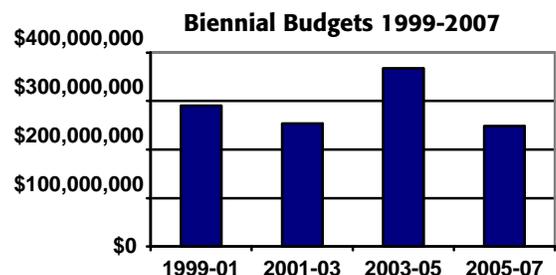
100% of the Solid Waste Tax

60% of the Public Utility Tax on Sewerage Collection

20% of the Public Utility Tax on Water Distribution

6.1% of the state portion of the Real Estate Excise Tax

\* This represents the total FTEs for the Public Works Trust Fund, not just for the Construction Loan Program.



**Recent Changes to Funding Pattern:** The 2005 Legislature earmarked \$125 million of the Public Works Assistance Account for purposes other than PWTF loans:

- ESHB 6094 - \$50 million in Section 138 of the Capital Budget for 14 job/economic development grants in the 2005-07 biennium
- ESHB 1903 - \$50 million: CERB Job Development Fund for the 2007-09 biennium
- ESHB 6050 - \$25 million (this is the 2005-07 biennium estimate; it will probably increase biennially). Redirected a portion of the percentage of the Real Estate Excise Tax dedicated to the PWAA. This is a permanent redirect.

**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** Yes

**Average or Range of Awards:** Maximum of \$7 M (previous biennium maximum was \$10 M). Average of \$3 M.

**Number of Awards in 2004:** 64

**Total Awarded in 2004:** \$155,000,000

**Specific Project Types Funded:** Eligible activities include repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users, and may include reasonable growth. Reasonable growth is generally considered to be the twenty year growth projection included in the local government's Comprehensive Plan under the Growth Management Act (GMA).

**Funding for Each Project Type:** Awards are predominantly for water and sewer systems.

**Level of Match Required:** Minimum of 5%

**Interest Rate Charged:**

- 15% Local Match = 0.5%
- 10% Local Match = 1.0%
- 5% Local Match = 2.0%

Loan terms are for the life of the project, or 20 years maximum

**Repayment Statistics:** No defaults.

**Application Process:** The PWTF's four Client Services Representatives (CSR) offer training and technical assistance to prospective applicants, up to and including one-on-one help with application questions. Submitted applications are reviewed by a CSR for eligibility before being rated by a 3-person team of staff members. Each member scores the application on Need (40 points max) and Effort (60 points max) based on criteria developed by the team during this stage. The team must reach consensus on a score before the application is placed on a Preliminary Ranked List of all scored applications. This list is presented to the Board, which guides staff on which projects to investigate further. The Board prepares a Final Recommended List based on staff research and input, and on coordination with other funding agencies. This list is presented to the Legislature in the form of a bill. Funds can be released only after the bill is signed into law and all relevant parties to the project sign agreements.

**Evaluation Criteria:** The four general areas in which the Public Works Trust Fund evaluate need are (listed by order of priority):

1. Public Health and Safety Issues
2. Environmental Issues
3. Economic Development Issues
4. System Performance Issues.

These four areas of need are evaluated through the following criteria:

- (a) Whether the local government receiving assistance has experienced severe fiscal distress resulting from natural disaster or emergency public works needs
- (b) Whether the project is critical in nature and would affect the health and safety of a great number of citizens
- (c) The cost of the project compared to the size of the local government and amount of loan money available
- (d) The number of communities served by or funding the project
- (e) Whether the project is located in an area of high unemployment, compared to the average state unemployment
- (f) 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
- (g) 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
- (h) Other criteria that the board considers advisable

**Criteria Changes:** With the passage of HB 1785 in the 2001 Legislative Session, the Legislature required several statewide funding programs, including the Public Works Trust Fund, to modify their funding process. The directive given to the Board reads:

"In providing loans for public works projects, the (Public Works) Board shall require recipients to incorporate the environmental benefits of the project into their applications, and the Board shall utilize the statement of environmental benefits in its prioritization and selection process. The Board shall also develop appropriate outcome focused performance measures to be used both for management and performance assessment of the loan program(s)."

The Board successfully argued that environmental benefit is only one of four reasons why local governments seek funding under RCW 43.155. The four areas that constitute "need" for financing from the Public Works Trust Fund are:

- 1) Public Health and Safety Issues

- 2) Environmental Issues
- 3) Economic Development Issues
- 4) System Performance Issues

**Process for Applicant:** Many clients submit multiple applications to multiple programs in the hope of receiving funding from any source. Some applicants hire consultants, but many successful applicants fill out their own applications. Board staff try to keep the application as simple as possible so that small jurisdictions without the capacity to hire consultants can submit a competitive application.

The Public Works Trust Fund has one application for all four of its funding programs: Planning, Pre-Construction, Construction, and Emergency.

## **PROGRAM GOALS & EVALUATION MEASURES**

### **2005 Goals and Objectives:**

- 1. Keep program flexible enough to respond to changing environment of infrastructure systems and public need.
- 2. Minimize administrative costs while maximizing the use of the fund for critical infrastructure projects.
- 3. Maintain good stewardship of the PWAA.
- 4. Educate citizens of the needs for critical infrastructure projects.
- 5. Continue to work cooperatively with the other funders (DOH, CDBG, CERB, DOE, and United States Department of Agriculture Rural Development).

**How Information Technology is Used to Help Achieve Goals and Objectives:** Client information, billing information, project information, and project summaries are available to clients through the program's website. All forms used by the program are downloadable, and an on-line application is being developed. Stakeholders can use the website to review the loan list, review funded and unfunded projects, and review client information as well as accessing electronic forms and reports. The website also provides links to other programs.

E-mail is used for communications with clients, legislators, and other interested parties.

Loans are tracked with a database.

**Evaluation Process:** In 2002, the Public Works Board hired an outside consultant to conduct an internal audit around the Board's lending activities. Study recommendations were implemented by Board staff the same year.

In 2004 the Board conducted a year-long comprehensive review of its programs to help it set the future direction of the programs.

**Performance Measures:** PWTF clients are required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

Internally, the Board has been setting biennial performance measures since 2001, and those for 2005-07 are under development.

### **Recent Highlights:**

1999: Adopted the Accelerated Loan Commitment Model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2000: Received the Governor's Team Incentive Award.

2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed during the 2005-07 biennium.

2004: Invited to present to the World Bank on the PWTF model.

2004: In Coordination with the IACC and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

The Board has had an economic impact on the state of Washington through financing critical infrastructure projects throughout the state. Since 1999, The Board has generated \$6.4 billion in economic activity and sustained 62,836 construction related jobs.

**Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:**

Pennsylvania (Most comprehensive structure)

<http://www.pennvest.state.pa.us/pennvest/site/default.asp>

Pennsylvania Infrastructure Investment Authority is one of the most comprehensive infrastructure programs in the country and has a great website.

Florida

<http://www.dep.state.fl.us/water/wff/index.htm>

The state has separate programs; SRF for Water Pollution Control and Drinking Water SRF. They also work with the bond financing to provide loans.

Nevada

<http://spwb.state.nv.us/>

Nevada has a Public Works Board, but most of the list of projects was related to state buildings, including colleges and universities. There are a few sewer upgrade projects for local governments, but overall, a very small part.

# PUBLIC WORKS TRUST FUND EMERGENCY LOAN PROGRAM

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Public Works Board

## GENERAL INFORMATION

**Program Purpose:** The Public Works Trust Fund Emergency Loan Program provides immediate repair and restoration of public works services and facilities that have been damaged by natural disaster or determined to be a threat to public health or safety through unforeseen or unavoidable circumstances. Eligible systems are water, sanitary sewer, storm sewer, road, bridge, and solid waste/recycling.

**Mission Statement:** The Washington State Public Works Board assists Washington's local governments and private water systems meet their critical infrastructure needs.

**Year Established:** 1985

**Legislative Intent:** RCW 43.155.010

**Governing Board's Role:**

The Public Works Board was established to manage the Public Works Trust Fund.

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

**Founding Statute Number:**

RCW 43.155 and WAC 399

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$2,477,480	\$2,303,000	\$3,000,000	\$3,000,000	8.4 *

**Fund Account(s):**

058-1 - Public Works Assistance Account

**Funding Source(s):**

Initially established with proceeds from bonds.

Today, repayments of loans are the largest source of funds at 41%.

Also: four taxes:

100% of the Solid Waste Tax

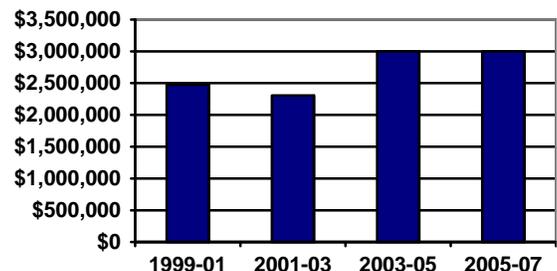
60% of the Public Utility Tax on Sewerage Collection

20% of the Public Utility Tax on Water Distribution

6.1% of the state portion of the Real Estate Excise Tax

**Recent Changes to Funding Pattern:** The 2005 Legislature earmarked \$125 million of the Public Works Assistance Account for purposes other than PWTF loans.

**Biennial Budgets 1999-2007**



\* This represents the total FTEs for the Public Works Trust Fund, not just for the Construction Loan Program.

**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 5

**Total Awarded in 2004:** \$2,154,890

**Average or Range of Awards:**

Loan average: \$205,000.

\$500,000 max per event, with \$500,000 max per jurisdiction per year.

**Specific Project Types Funded:** Emergency restoration of water, sanitary sewer, storm sewer, road, bridge, and solid waste/recycling systems.

**Funding for Each Project Type:** Unknown

**Level of Match Required:** Not applicable

**Interest Rate Charged:** 3%

**Repayment Statistics:** No defaults.

**Application Process:** The PWTF's four Client Services Representatives (CSR) offer training and technical assistance to prospective applicants, up to and including one-on-one help with application questions. Applications are accepted on an on-going basis to be reviewed monthly, and awards are made when funds are available.

**Evaluation Criteria:** There must be a local declaration of emergency.

Counties and Cities must have adopted a local one-quarter of one percent Real Estate Excise Tax (REET).

Counties, Cities, and Special Purpose Districts NOT planning under the GMA must have adopted a Capital Facilities Plan that meets Public Works Board standards for each eligible system they own.

Counties and Cities planning under GMA must be in conformance with adoption timelines for Comprehensive Plan Development Regulations.

**Criteria Changes:** With the passage of HB 1785 in the 2001 Legislative Session, the Legislature required several statewide funding programs, including the Public Works Trust Fund, to modify their funding process. The directive given to the Board reads:

"In providing loans for public works projects, the (Public Works) Board shall require recipients to incorporate the environmental benefits of the project into their applications, and the Board shall utilize the statement of environmental benefits in its prioritization and selection process. The Board shall also develop appropriate outcome focused performance measures to be used both for management and performance assessment of the loan programs."

The Board successfully argued that environmental benefit is only one of four reasons why local governments seek funding under RCW 43.155. The four areas that constitute "need" for financing from the Public Works Trust Fund are:

- 1) Public Health and Safety Issues
- 2) Environmental Issues
- 3) Economic Development Issues
- 4) System Performance Issues

**Process for Applicant:** The Public Works Trust Fund has one application for all four of its funding programs: Planning, Pre-Construction, Construction, and Emergency.

### PROGRAM GOALS & EVALUATION MEASURES

#### 2005 Goals and Objectives:

1. Keep program flexible enough to respond to changing environment of infrastructure systems and public need.
2. Minimize administrative costs while maximizing the use of the fund for critical infrastructure projects,.
3. Maintain good stewardship of the PWAA.
4. Educate citizens of the needs for critical infrastructure projects.
5. Continue to work cooperatively with the other funders (DOH, CDBG, CERB, DOE, and United States Department of Agriculture Rural Development).

**How Information Technology is Used to Help Achieve Goals and Objectives:** Client information, billing information, project information, and project summaries are available to clients through the program's website. All forms used by the program are downloadable, and an on-line application is being developed. Stakeholders can use the website to review the loan list, review funded and unfunded projects, and review client information as well as accessing electronic forms and reports. The website also provides links to other programs.

E-mail is used for communications with clients, legislators, and other interested parties.

Loans are tracked with a database.

**Evaluation Process:** In 2002 the Board hired an outside consultant to conduct an internal business practices audit.

In 2004 the Board conducted a year-long comprehensive review of its programs to help it set the future direction of the programs.

**Performance Measures:** PWTF clients are required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

Internally, the Board has been setting biennial performance measures since 2001, and those for 2005-07 are under development.

**Recent Highlights:**

1999: Adopted the Accelerated Loan Commitment Model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2000: Received the Governor's Team Incentive Award.

2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed this biennium.

2004: Invited to present to the World Bank on the PWTF model.

2004: In Coordination with the IACC, and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

The Board has had an economic impact on the state of Washington through financing critical infrastructure projects throughout the state. Since 1999, The Board has generated \$6.4 billion in economic activity and sustained 62,836 construction related jobs.

**Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:**

Pennsylvania (<http://www.pennvest.state.pa.us/pennvest/site/default.asp>)

Pennsylvania Infrastructure Investment Authority is one of the most comprehensive infrastructure programs in the country and has a great website.

Florida (<http://www.dep.state.fl.us/water/wff/index.htm>)

The state has separate programs; SRF for Water Pollution Control and Drinking Water SRF. They also work with the bond financing to provide loans.

Nevada (<http://spwb.state.nv.us/>)

Nevada has a Public Works Board, but most of the list of projects was related to state buildings, including colleges and universities. There are a few sewer upgrade projects for local governments, but overall, a very small part.

## COMMUNITY ECONOMIC REVITALIZATION BOARD TRADITIONAL AND RURAL PROGRAMS

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**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Community Economic Revitalization Board

### GENERAL INFORMATION

**Program Purpose:** CERB's **Traditional Program** was the first of the two main CERB programs. Since 1982 it has provided funding assistance to economically disadvantaged communities statewide for public facilities to foster business and job development and retention. It receives a maximum of 25% of CERB funds. The Traditional Program requires an eligible private sector business opportunity at the time of application. The applicant and business must provide evidence that a private development or expansion is ready to occur and that the private development is contingent upon the approval of CERB funds. Applicants must demonstrate the need for CERB assistance and that no other timely source of funds is available at reasonably similar rates to the current CERB rate.

The CERB **Rural Natural Resources/Rural Counties Program** is for communities in designated timber or commercial salmon harvesting impacted areas and rural counties. Timber communities were singled out beginning in 1991, salmon in 1995, and the two were combined into a separate program in 1999. By law it receives no less than 75% of CERB's funds. The program provides loans or, in unique circumstances, grants for new infrastructure projects to support potential industrial or tourism projects, provided a feasibility analysis supports the likelihood that the desired private sector development will occur. In the Rural Program, site-specific feasibility studies and pre-development planning are eligible for 100% matching grants (up to \$50,000). Unlike the Traditional Program, the Rural program may award money for a prospective private investment, without an explicit agreement with a private company, given feasibility threshold analysis has been completed. By budget proviso, grants are limited to 25% of the biennial appropriation for the Traditional and Rural Programs.

**Mission Statement:** CERB is a unique statewide economic development resource established by the Legislature in 1982 to encourage new business developments and business expansions in areas where growth is desired. CERB provides low interest loans (and in limited circumstances grants) to help finance the local public economic development infrastructure necessary to develop or retain stable business and industrial activity.

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**Year Established:** 1982

**Governing Board's Role:** The 20-members of the Board are the decision makers and policy makers. The Board Chair signs the award contracts.

**Founding Statute Number:** RCW 43.160

**Legislative Intent:** RCW 43.160.010

The legislature finds that it is the public policy of the state of Washington to direct financial resources toward the fostering of economic development through the stimulation of investment and job opportunities and the retention of sustainable existing employment for the general welfare of the inhabitants of the state.

**BUDGET INFORMATION**

<b>Capital Budget 1999-2001:</b>	<b>Capital Budget 2001-03:</b>	<b>Capital Budget 2003-05:</b>	<b>Capital Budget 2005-07:</b>	<b>Number of FTEs:</b>
\$17,000,000	\$5,275,000	\$11,491,000	\$20,448,657	2.8

**Fund Account(s):**

887-1 - Public Facilities Construction Loan Revolving Account (PFCLRA)

**Funding Source(s):**

058-1 - Public Works Assistance Account (PWAA)

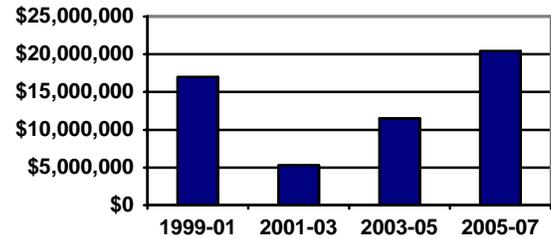
001-1 - General Fund (State)

CERB Loan repayments.

Interest earnings on the accounts 887-1 and account 058-1.

Also, in the 2005-07 biennium money was transferred to the Public Works Assistance Account from Timber/Rural Natural Resources loan repayments.

**Biennial Budgets 1999-2007**



**Recent Changes to Funding Pattern:** CERB was originally funded by state bond sales in 1982. Since then funding has come from repayment of CERB loans plus pieces of other sources, which has created variations in the funding stream. Funding has come from the PWAA, MVET, State General Fund, and retained investment earnings from the PFCLRA and PWAA. CERB has also been asked to allocate other non-state resources including QWEST settlement funds directed to CERB through court order and the Rural Economic Vitality (REV) Program, a partnership with WSDOT and CERB. WSDOT retains transportation funds and administers the REV Program.

**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 13

**Total Awarded in 2004:** \$6,318,137\*

**Average or Range of Awards:**

\$1,000,000 maximum for Traditionals or Rural construction projects; \$50,000 maximum for site-specific planning in Rural Program only, \$250,000 maximum construction projects supporting tourism in Rural Program only

\* This number is for fiscal year 2004, which differs from the number listed for CERB in the Attachment E, which is presented by calendar year.

**Specific Project Types Funded:** While this program does fund publicly owned infrastructure, there must be a link to private development. Eligible projects include planning, design, acquisition, construction, reconstruction, replacement, rehabilitation or improvements to bridges, roads, domestic and industrial water, sanitary sewer, storm sewer, railroad (spurs), electricity, telecommunications, transportation, natural gas, buildings or structures, and port facilities.

The eligible private business types are: manufacturing, production, food processing, assembly, warehousing, advanced technology, research and development, industrial distribution, processing recyclable materials, or facilities that support recycling, including processes not currently provided in the state, drinking facilities, mixed waste paper, plastics, yard waste, and problem waste processing. Also eligible are manufacturing facilities that rely significantly on recyclable materials, including, but not limited to: waste tires and mixed waste paper, as well as businesses that substantially support the trading of goods and services outside of the state's borders and in rural counties. CERB can support, at a much lower rate (up to \$250,000), a major tourism facility development project that delivers year-round employment.

**Funding for Each Project Type:** 40% of awards are to ports, 40% to combined cities and counties, the rest are to public development authorities.

**Level of Match Required:** 25%

**Interest Rate Charged:** Maximum 20-year repayment, including a deferral period. Deferral of principal and interest for up to 5 years is allowable. Interest rates match the most current rate of Washington State bonds but do not exceed 6% for the Rural Program or 10% for the Traditional Program.

**Repayment Statistics:** No defaults in 20 years.

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**Application Process:** CERB meetings are scheduled six times a year to consider finance assistance requests. The application process, which includes a site visit by CERB staff, must be completed at least 45 days prior to the meeting at which the request is to be considered.

**Evaluation Criteria:** As stated previously, this program does fund publicly owned infrastructure, but there must be a link to private development. CERB tracks both the public and private projects involved. In order to get assistance from CERB an entity must prove there is a financial gap for the desired project. They must show that they are using all available resources, and must prove that without the assistance the project would not occur. The private company must also show why they would not locate, expand, or stay in that location without the infrastructure, and the city, county or port must show that the infrastructure would not be built without the CERB financing.

CERB looks at the eligibility of the public facility and private business to determine if the financial need is there. It will dig into financial statements, revenues, bond capacity, etc. Quantitative and qualitative economic development expectations are considered, such as the number of expected jobs, wage rates, and how much the private sector

will invest. CERB also considers the difference a project would make in the context of the applicant's economic condition, and takes into account the planning, feasibility, and readiness to proceed.

In the Rural Program, CERB can make an investment without an explicit commitment by a private entity. If it is reasonable to expect that a certain kind of development will come to a site, "prospective development" financing can be provided. There must be a feasibility assessment indicating private development will occur if the infrastructure is put in place.

**Criteria Changes:** The newest additions to eligible projects are research and development, and high technology. This change was made in 1999.

**Process for Applicant:** The process varies. Some jurisdictions can do it on their own, assisted by engineers that have been hired for the project. Smaller communities might hire consultants. Business and Project Development staff from CERB to work with public entities who are trying to build these types of projects. The staff work with the potential CERB applicant and help them with the process. They may be involved in presenting the application to the board with the public entity and the private company.

## PROGRAM GOALS & EVALUATION MEASURES

### 2005 Goals and Objectives:

- 1) Encourage business and industry expansion and retention to provide stable employment.
- 2) Expand employment opportunities in economically distressed regions.
- 3) Strengthen the economies of areas with high unemployment by encouraging private capital investment and development.
- 4) Seek opportunities to leverage CERB funds with other public monies.
- 5) Encourage responsible local government investment in public facilities projects by requiring a local match.

**How Information Technology is Used to Help Achieve Goals and Objectives:** CERB has an Access database that is used to track each project. Data is entered on the private and public projects.

**Evaluation Process:** When an application is submitted to CERB the applicant estimates what the outcome of the project will be from an economic standpoint (wages, jobs, private investment, tax revenue, affect on assessed valuations, etc.). CERB tracks the project for 5 years following completion of the public project to obtain information on actual job creation, business investment, tax revenue generation, and changes in assessed values. Staff ask questions such as: who do you have on payroll? what are their wages? what is the average county wage rate? how many employees are at or above average county wage rate? CERB is also required by the Legislature to report every two years on its projects.

**Performance Measures:** Performance measures analyzed are:

- 1) Estimated number of jobs created/retained as a result of financial assistance.
- 2) Estimated state and local taxes as a result of financial assistance.
- 3) Estimated other capital leveraged (public and private) as a result of financial assistance.

**Recent Highlights:** The board is extremely engaged and there have never been any defaults on loans in 23 years.

From 1982 to 2004, \$97M was invested by CERB, with an estimated creation and retention of 22,000 jobs, \$2.3B leveraged in actual private capital investment in private business facilities, machinery and equipment, and nearly \$60M leveraged in local tax revenue. Based on factors from the associated general contractors, for every

\$1M CERB invests in infrastructure there is an additional 30.8 construction and other related industries jobs created. Since 1982 CERB has leveraged \$23 in private money to each \$1 CERB invested.

Every 2 years there is a board project tour where they focus on an area and visit all the projects there. People stand up and speak about what a difference these projects have made in their area. As an example, the InSitu Plant in Klickitat County builds unmanned airplanes. They now work with Boeing and have shipped planes to Iraq to find roadside bombs. This plant gives graduates from that area a place to have a good job and add to their community.

**Programmatic Challenges:** The biggest challenge is finding a dedicated funding source. If CERB is to effectively address its mission, it has to continue to offer some grant money along with loans. However, by awarding grants, the fund balance will be reduced, meaning CERB needs a revenue stream other than loan repayments to sustain the fund. The program has some dedicated funding sources now, but they are not very big, and historically they tend to disappear.

**Similar Programs in Other States:** unknown

## CERB JOB DEVELOPMENT FUND

**Department/Agency:** Department of Community, Trade and Economic Development

**Division/Office:** Community Economic Revitalization Board

### GENERAL INFORMATION

**Program Purpose:** The CERB Job Development Fund was created to provide grants for publicly owned economic development infrastructure projects that will stimulate job creation or assist in job retention. An initial set of 14 Legislature-designated projects will be funded by a direct appropriation from the Public Works Assistance Account in the 2005-7 biennium. The program will be funded in the 2007-9 biennium by a \$50 million transfer from the Public Works Assistance Account to the Job Development Fund Account. Beginning with the 2007-9 biennium, grants will be managed by CERB staff via a competitive process now being developed. The CERB Job Development Fund will sunset on June 30, 2011.

**Mission Statement:** The program has a purpose statement that reads: "The purpose of the program is to assist with public infrastructure projects that directly stimulate community and economic development by supporting the creation of new jobs or the retention of existing jobs. CERB Job Development Fund Program grants may only be used to fund publicly-owned economic development infrastructure that is required to support an immediate or prospective business development project."

**Year Established:** 2005

**Governing Board's Role:** Because funding for the program comes from the Public Works Assistance Account, the Public Works Board staff will be engaged in application review, ranking and rating. The CERB Board will develop a final ranked project list of up to \$50 million and has the option of submitting an alternate list of up to \$10 million in projects. Under an interagency agreement now being finalized among the CERB Board, the Public Works Board and CTED, these lists will be recommended – without modification – by the Public Works Board to CTED for inclusion in the Department's budget request for the next biennium. The project lists must then be approved by both CTED and the Legislature. The Legislature may delete projects from the list but may not change the prioritized order. It may add projects from the alternate list in order of priority.

**Founding Statute Number:**

Amending RCW 43.160 and 43.155.050/add new sections to 43.160 and 43.155

**Legislative Intent:** Amending RCW 43.155.050/add new sections to 43.160

The job development fund program is created to provide grants for public infrastructure projects that will stimulate job creation or assist in job retention.

**BUDGET INFORMATION**

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$0	\$0	\$0	\$50M Legislature-determined projects	2

**Fund Account(s):**

10H-1 - Job Development Account

**Funding Source(s):**

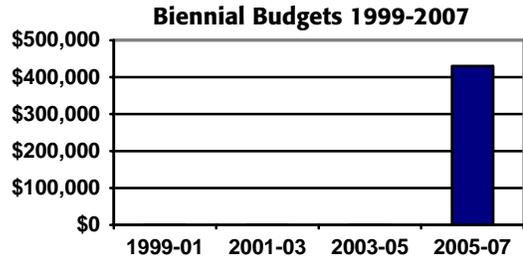
2005-7: Public Works Assistance Account Direct Appropriation

2007-9: Public Works Assistance Account Transfer

**Recent Changes to Funding Pattern:**

For the 2007-09 biennium, a transfer from the PWAA to the JDF Account is called for in the bill that created the Job Development Fund and Job Development Fund Account.

\* In the 2005-07 budget \$430,000 was made available for development of the program. The \$50M for 2005-07 biennium is for legislature-determined projects, however, in 2007-09 \$50M will be available for competitively awarded projects.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** Yes

**Average or Range of Awards:**

**Number of Awards in 2004:** 0

Not applicable since this is a new program

**Total Awarded in 2004:** \$0

**Specific Project Types Funded:** Projects eligible for the CERB Job Development Fund will include planning, design, acquisition, construction, reconstruction, replacement, rehabilitation, or improvements to any of the eligible program categories listed above.

**Funding for Each Project Type:** Competitive awards will first be made in the 2007-09 biennium.

**Level of Match Required:** 66%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

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**Application Process:** The JDF Program has a two-step application process giving each applicant the opportunity to seek and receive feedback and advice on a pre-application before submitting a final application. The pre-application consists of a pre-application form. This is followed by the final detailed application.

Each application will go through a threshold review, project evaluation and scoring, and a CERB review.

Business & Project Development (BPD) personnel function as field staff for the CERB program, being the primary agents to market and package its products, providing hands-on assistance in completing the application process to both public (local government) and private (business enterprise) parties. BPD staff assist in all CERB loans and grants, helping to present and advocate for projects to the CERB Board, introducing representatives of the public sector applicant (frequently an Economic Development Council) and the private sector enterprise in question.

**Evaluation Criteria:** The following criteria are applied for evaluation and ranking of applications:

- a) The relative benefits provided to the community by the jobs the project would create
- b) The present level of economic activity in the community and the existing local financial capacity to increase economic activity in the community
- c) The rate of return of the state's investment, that includes the expected increase in state and local tax revenues associated with the project
- d) The lack of another timely source of funding available to finance the project which would likely prevent the proposed community or economic development, absent the financing available under this act
- e) The ability of the project to improve the viability of existing business entities in the project area
- f) Whether or not the project is a partnership of multiple jurisdictions
- g) Demonstration that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs
- h) The availability of existing assets that applicants may apply to projects

**Criteria Changes:** Not applicable since this is in a newly-formed program.

**Process for Applicant:** The application process is lengthy and detailed, requiring approval of the final project list or lists by the CERB Board, the Public Works Board (an interagency agreement now being drafted will ensure this step occurs quickly and without modification), CTED and the Legislature. The entire process from application to award will be approximately 18 months. Because of this, it is expected that there will be more applications for projects that have prospective private development rather than those that have business agreements in place.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** To develop the program, complete project solicitation and selection process, and produce the lists of projects for CERB, PWB, CTED and Legislature approval.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The JDF will use a database tracking system modeled after the CERB system. They will be identical but distinct databases.

**Evaluation Process:** The Job Development Fund will be included in CERB's legislative report that is submitted once per biennium.

The Joint Legislative Audit and Review Committee also has funding through House Bill 1903 to do a report on the Job Development Fund.

**Performance Measures:** The performance measures will be very similar to those used for CERB. They will include the number of jobs created and retained, qualitative comparative value of jobs (how the jobs compare to average annual wage rates in the county), leveraged public sector funding, private projects associated with the funded public project, and estimated state and local tax revenue.

**Recent Highlights:** 2005 is the first year of the program and is funded only for administrative establishment of the program. Highlights in 2005 have been getting staff hired and sticking to the developed work plan. Guidelines have been drafted and are on schedule for board approval in November. The program is also on track to have a project solicitation out on December 1st.

**Programmatic Challenges:** In developing the program, the greatest challenge CERB members and staff have faced is making the "basic infrastructure" funding approval process in the JDF legislation work for the business customers whose own expansion, siting or retention plans and decision drive the project timetables..

**Similar Programs in Other States:** There are no programs in other states that the staff know of that would be a model for this program.

# DRINKING WATER STATE REVOLVING FUND

**Department/Agency:** Dept. of Community, Trade and Economic Development / Dept. of Health  
**Division/Office:** Public Works Board / Wastewater Mangement Program

## GENERAL INFORMATION

**Program Purpose:** The Drinking Water State Revolving Fund provides loans to water systems for capital improvements that increase public health protection and compliance with drinking water regulations.

**Mission Statement:** None

**Year Established:** 1996

**Legislative Intent:** RCW 70.119A.170

**Governing Board's Role:** Approves the Department of Health's prioritized list prior to submittal of the Intended Use Plan to EPA.

The purpose of the account is to allow the state to use any federal funds that become available to states from Congress to fund a state revolving loan fund program as part of the reauthorization of the federal safe drinking water act. Expenditures from the account may only be made by the secretary, the Public Works Board, or the Department of Community, Trade, and Economic Development, after appropriation. Moneys in the account may only be used, consistent with federal law, to assist water systems to provide safe drinking water through a program administered through the Department of Health, the Public Works Board, and the Department of Community, Trade, and Economic development and for other activities authorized under federal law.

**Founding Statute Number:**

RCW 43.155.050 and RCW 70.119A.170 and WAC 246.296

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$38,200,000	\$37,900,000	\$51,200,000	\$20,000,000	5.4

**Fund Account(s):**

058-1 - Public Works Assistance Account

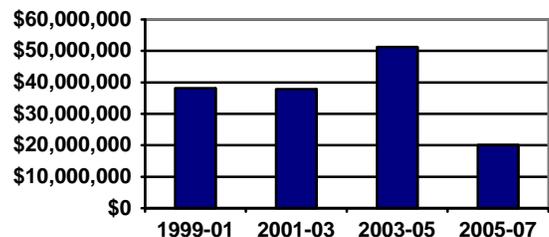
**Funding Source(s):**

Federal capitalization grant award + 20% state match

Repayments and interest earnings

**Recent Changes to Funding Pattern:** None

**Biennial Budgets 1999-2007**



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

\$15,000 to \$4 million (maximum is \$4 million)

**Number of Awards in 2004:** 37

**Total Awarded in 2004:** \$39,713,835

**Specific Project Types Funded:** DWSRF loan funds may be used for projects that:

- Address existing water system problems that may cause a drinking water system to exceed health standards
- Prevent future violations of the State Drinking Water Act (SDWA) or state rules
- Replace aging infrastructure to maintain compliance or to further public health protection goals of the SDWA
- Are categorized as treatment, transmission, distribution, source, or storage projects
- Finance purchase costs incurred by publicly owned systems associated with restructuring of systems
- Are main extensions to connect to safe and reliable sources of drinking water
- Acquire real property from a willing seller if it is an integral part of a capital construction project being funded
- Planning and design costs directly related to an eligible project
- Include installation of source meters
- Include installation of service meters as part of a capital construction project
- Include reservoirs (clear wells) that are part of the treatment process and are co-located with the treatment facility
- Include distribution reservoirs
- Include security measures

DWSRF funds may also retroactively finance eligible publicly owned (municipal) projects that were constructed after July 1, 1993. Eligible projects may include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher value. Systems must demonstrate they have met all federal and state requirements, retroactively.

**Funding for Each Project Type:** Unknown

**Level of Match Required:** None

**Interest Rate Charged:**

- Not economically distressed: 1.5% rate with loan fee of 1%

- Economically distressed: 1% rate with loan fee of 1%

- If 51% of the water system households are at or below 80% of the county's median income: 0.5% interest rate and loan fee of 1%

- If 51% of the water system households are at or below 50% of the county's median income: 0% interest rate and loan fee of 1%

**Repayment Statistics:** No defaults or deferments have occurred

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**Application Process:** Step 1: DOH reviews applications for system and project eligibility, and to ensure system has technical, financial, managerial capacity to take on a loan.

Step 2: DOH scores the project and drafts the prioritized project list.

Step 3: Public Works Board staff conducts financial and environmental review.

Step 4: Public Works Board approves final loan list.

Step 5: Public Works Board staff make loan offers.

**Evaluation Criteria:** Eligible projects are scored according to the types of public health risk addressed by the proposed projects. Risk categories are as follows, listed in priority order:

Risk Category 1: The proposed project will eliminate Microbial Risk

Risk Category 2: The proposed project will eliminate Primary Inorganic Chemical Risk

Risk Category 3: The proposed project will eliminate Other Primary Chemical Risk

Risk Category 4: The proposed project will eliminate Secondary Chemical / Sea Water Intrusion Risk

Risk Category 5: The proposed project will provide Infrastructure Replacement or Other Distribution Improvements

Bonus points may be awarded after consideration of the following:

a) Compliance, b) Restructuring benefit, c) Regional benefit, d) Multiple benefit, e) Affordability, f) Service meters.

For cities, counties, and towns required to plan under RCW 36.70A.040 (relative to the Growth Management Act) that have not adopted a comprehensive plan and development regulations, the project score will be reduced by one point. Loan offers are made starting with the highest scoring eligible projects.

**Criteria Changes:** None

**Process for Applicant:** Most applicants hire a consultant to complete the application. Some apply to both DWSRF and Public Works Trust Fund.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** Specific goals include:

- Direct financial assistance to community and federally recognized non-profit, non-community water systems to facilitate construction of improvements aimed at increasing system capacity, public health protection, and compliance with applicable drinking water regulations.
- Maintain the economic viability of the DWSRF Program to meet current and projected Department of Health, Division of Drinking Water program and water system needs in the State of Washington.
- Provide technical assistance to water systems to facilitate effective planning, design, and construction of improvements aimed at reducing the risk of contamination and increasing compliance with applicable drinking water regulations.
- Provide assistance to communities in strengthening their local capacity.
- Provide loan subsidies to systems in economically distressed communities to help them develop safe and reliable drinking water and increase public health protection.
- Direct at least 15 percent of the project loan funds to systems with less than 10,000 population.
- Ensure adequate resources to provide long-term administration of the DWSRF program.
- Allocate all available loan funds each year and ensure loan funds are awarded to projects that resolve the highest public health risk.

**How Information Technology is Used to Help Achieve Goals and Objectives:** Data management needs include tracking of performance measures, project review and evaluation, loan conditions, reports, and capitalization grant accounting.

**Evaluation Process:** After processing each annual cycle of loan applications, DOH and the Public Works Board staff evaluate program effectiveness based on program goals, evaluation measures, comments received from customers and issues identified by agency staff, management, and EPA. Based on this evaluation, program staff develop a list of proposed programmatic changes for the next loan cycle. DOH and the Public Works Board decide what changes will be implemented, subject to EPA approval.

**Performance Measures:** Performance goals/measures include:

- Direct at least 15 percent of the project loan funds to systems with less than 10,000 population.
- Allocate all available loan funds each year and ensure loan funds are awarded to projects that resolve the highest public health risk.

**Recent Highlights:** 1998: Interest rate reduced to 4.35%. The very first DWSRF loan was made to the City of Walla Walla for an ozone treatment plant.

1999: Interest rate reduced to 3.5%. Eliminated local match requirement. Implemented a 2% loan fee. The first payments from previous loans were received.

2000: Interest rate reduced to 2.5%.

2001: Established trend of funding 40% privates/60% publicly owned; 25% compliance-related projects. Adopted regulations.

2002: Interest rate reduced to 1.5%. Record year for number of applications received and assistance requested.

2003: Loan fee reduced to 1%. Emphasized arsenic removal projects.

2004: Funded two projects that will convert Group B systems or individual water supplies to Group A systems. This was the first time the DWSRF received a project of this nature. Provided almost \$40 million for drinking water infrastructure improvements.

2005: First time in program's history that funding is limited to very high priority projects in risk categories 1-3. Over \$200M obligated to project loans since program's inception in 1997.

Twenty-five percent of loans solve public health problems that would have resulted in serious compliance actions if they had not been addressed with capital improvements.

A full 70 percent of the loans have gone to systems serving fewer than 3,300 people.

Over \$15 million in repayments has been received to fund additional projects.

**Programmatic Challenges:** Ensuring adequate funding for program administration, both short-term, and when the federal set-asides end.

**Similar Programs in Other States:** Washington's program has been recognized as the best state DWSRF program within EPA Region 10 and is generally recognized as being one of the best programs in the nation.

# WATER SYSTEM ACQUISITION AND REHABILITATION PROGRAM

**Department/Agency:** Dept. of Community, Trade and Economic Development / Dept. of Health  
**Division/Office:** Public Works Board / Wastewater Management Program

## GENERAL INFORMATION

**Program Purpose:** The Water System Acquisition and Rehabilitation Program (WSARP) is intended to help local governments ensure drinking water systems throughout the state can provide safe, reliable drinking water.

Grants ranging up to 25% of the total appropriation may be used to pay for a portion of planning, design, and other pre-construction activities; system acquisition; and capital construction costs. Applicants with sound drinking water utility management that own at least one municipal Group A public water system may be eligible for funding.

**Mission Statement:** None

**Year Established:** 2003

**Governing Board's Role:** The Public Works Board administers the program jointly with CTED and the Department of Health. The Board's staff conducts the financial review, evaluates project readiness to proceed, conducts State Environmental Review Process (SERP), and oversees contract administration.

**Founding Statute Number:** SSB 5401 section 130 and RCW 70.119A.170

**Legislative Intent:** SSB 5401, 2003-04 Biennium

The state building construction account appropriation is provided solely to provide assistance to counties, cities, and special purpose districts to identify, acquire, and rehabilitate public water systems that have water quality problems or have been allowed to deteriorate to a point where public health is an issue.

## BUDGET INFORMATION

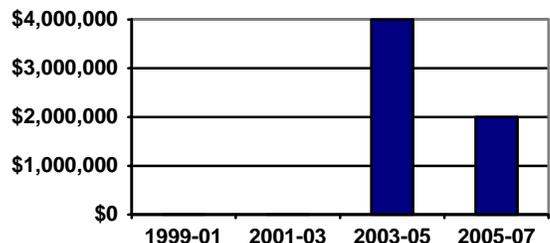
Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$0	\$0	\$4,000,000	\$2,000,000	

**Fund Account(s):**

057-1 - State Building Construction Account

**Funding Source(s):** Transfers from the State General Fund.

**Recent Changes to Funding Pattern:** This is a new program established in 2004.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Total Awarded in 2004:** \$4,000,000

**Number of Awards in 2004:** 14

**Average or Range of Awards:**

Maximum of 25% of total appropriation. Average of \$304,161.

**Specific Project Types Funded:** Funding is a competitive process, with emphasis on projects with high health risk. Eligibility is confined to applicants that demonstrate a track record of sound drinking water utility management:

1. Own at least one Group A public water system
2. Have a minimum of five years as a Group A water system
3. Have an approved water system plan for the applicant system or be an approved satellite management agency
4. Have had no state or federal civil penalties in the past five years
5. Have received no unilateral enforcement orders from EPA or DOH in the past five years
6. Have not had a system's operators license suspended or revoked in the past five years
7. Are current with DOH fee payment schedule

Other criteria to be considered, on a case-by-case basis, include operating permit history, prior contract performance, and history of audit findings.

Examples of eligible projects include:

- Acquiring real property from a willing seller if it is an integral part of the capital construction project being funded
- Addressing existing water system problems that may cause a drinking water system to exceed health standards
- Preventing future violations of the State Drinking Water Act (SDWA) or state rules
- Replacing aging infrastructure to maintain compliance or to further public health protection goals of the SDWA
- Treatment, transmission, distribution, source, or storage projects
- Pre-acquisition feasibility study costs directly related to an eligible project
- Planning and design costs directly related to an eligible project

**Funding for Each Project Type:**

**Level of Match Required:** 75% of acquisition costs, 25% of connection costs, 50% of pre-acquisition, pre-construction, and construction costs.

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

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**Application Process:** DOH reviews the applications for eligibility and system capacity. A draft prioritized project list is developed and the applications are forwarded to the Public Works Board's staff.

The Board's staff evaluates the applications for readiness to proceed with the project, and reviews prior contract performance. A list of the applications is forwarded to the Board for approval.

Once the Board approves the list, agreements are negotiated and executed.

**Evaluation Criteria:** Eligible projects are scored according to the types of public health risk addressed by the proposed projects. Risk categories are as follows, listed in priority order:

Risk Category 1: Microbial

Risk Category 2: Primary inorganic chemical

Risk Category 3: Other primary chemical

Risk Category 4: Secondary chemical/sea water intrusion

Risk Category 5: Infrastructure replacement, or other distribution improvements

**Criteria Changes:** Not applicable

**Process for Applicant:** There is only one application for the program.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:**

- Website access for clients (client, billing, and project information; project summaries; downloadable forms)
- Website access for stakeholders (loan list, funded and unfunded projects, client information, electronic forms, reports)
- A website for news items, links to other programs and an on-line application is in the development stage
- E-mail addresses for clients, legislators, and interested parties
- Loan tracking database application
- Predefined queries for staff to respond to clients and other interested parties

**Evaluation Process:** The Board hired an outside consultant to conduct an internal audit on business practices.

In 2004, the Board undertook a year-long comprehensive review of its programs to help the Board set the future direction of the programs.

**Performance Measures:** The Board has been setting performance measures since 2001. The Board will be developing their 2005-07 biennial performance measures at a policy retreat in October 2005. PWTF clients are

required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

**Recent Highlights:**

2000: Received the Governor's Team Incentive Award.

2002: Developed the accelerated loan commitment model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed this biennium.

2004: Invited to present to the World Bank on the PWTF model.

2004: In Coordination with the IACC, and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

The Board has had an economic impact on the state of Washington through financing critical infrastructure projects throughout the state. Since 1999, The Board has generated \$6.4 billion in economic activity and sustained 62,836 construction related jobs.

**Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:** Unknown

# COMMUNITY DEVELOPMENT BLOCK GRANT COMMUNITY INVESTMENT FUND GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Local Government Division

## GENERAL INFORMATION

**Program Purpose:** Community Investment Fund (CIF) Grants provide eligible Washington State communities the opportunity to access funds for their high-priority community and economic development projects. Unlike CDBG General Purpose funds, Community Investment funds may be applied for at any time throughout the year.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Founding Statute Number:** Not applicable

## BUDGET INFORMATION

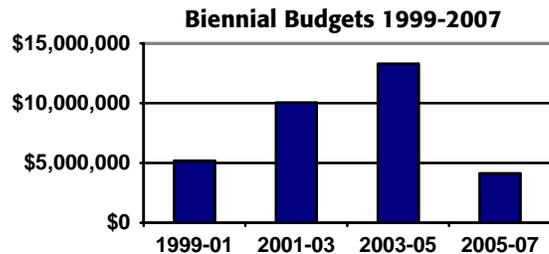
Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$5,179,657	\$10,065,406	\$13,304,200	\$4,107,728	1.25

**Fund Account(s):**

- 001-2 - State General Fund - Federal
- 001-1 - State General Fund - State

**Funding Source(s):** Funding is primarily Federal. The State General Fund provides contributes \$160,000 per year toward the administrative costs of all nine CDBG programs.

**Recent Changes to Funding Pattern:** Annual funding has decreased since 2003. The 2005-7 decrease is based on assumptions about a shortfall in administrative funding that may result in all CDBG funds going to General Purpose Grants in 2007. The President's most recent budget proposal eliminated funding. Elimination is unlikely, but cuts are expected.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 12

Typical range is \$100,000 - \$1,000,000

**Total Awarded in 2004:** \$5,137,187

**Specific Project Types Funded:** Eligible projects fall into one of five categories: Public Facilities, Community Facilities, Housing, Economic Development, and Comprehensive (projects with elements that fall into 2+ other categories). Housing grants cannot fund new construction, but may fund land purchases or supporting infrastructure. Examples of eligible projects: wastewater/storm water/drinking water projects, community facilities, housing, streets and sidewalks, senior and youth centers, Headstart. Applicants may submit one request per CDBG per annual funding cycle.

All projects must:

- Demonstrate a clear need for grant dollars to fill a funding gap
- Be ready to proceed
- Demonstrate at least 51 percent low- and moderate-income benefit, or elimination or prevention of slums or blight
- Rank in top three on the county's list of community and economic development priorities

There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves.

**Funding for Each Project Type:** Public safety and water projects are the most common.

**Level of Match Required:** Not applicable

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:**

- A community receives a pre-application after being ranked on a county's WA-CERT list of possible projects as one of the top three priorities.
- The pre-application is reviewed for completeness and eligibility.
- Preliminary scoping of the project takes place to determine if the project is a local priority, and whether it is ready to proceed or requires further technical assistance. Such assistance may include identification of other possible funding sources, assistance with work plan development, and assistance with project development before funding can be obtained.
- When the community considers the project ready to proceed, an internal CTED Resource Team reviews the pre-application. If the project is determined to be viable, ready to proceed and appropriate for CDBG funding, the community is invited to submit a full application. The application summarizes the need for the project; the community's capacity to deliver and readiness to begin; and the expected results. It also must include evidence of citizen participation and other federal requirements.
- Qualifying projects are funded on a first-come, first-served basis until funds are exhausted.

**Evaluation Criteria:** Project applications are evaluated according to four criteria: Need, Capacity (staff and financial), Readiness, and Result.

**Criteria Changes:** None

**Process for Applicant:** The application has been revised to be more user-friendly, but it remains lengthy. Applicants are subject to numerous federal requirements, including for a public hearing and a disclosure report. Program staff offer application workshops and extensive technical assistance. Some applicants use consultants, others do not.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:** Information Technology is used to track grant administration tasks (including payments and compliance checks) and project scheduling. Computers are used to monitor the status of all projects and keep project managers informed.

**Evaluation Process:** Program staff monitor each step of every project, following up on each contractually specified milestone. The State Auditor prepares annual reports, which are a requirement for the federal funding under the federal Single Audit Act.

**Performance Measures:** None

**Recent Highlights:** Recent highlights have been completed projects: a new Head Start child care facility, a contribution to a new wastewater treatment plant, and a new water system.

**Programmatic Challenges:** A much-needed water project had to be terminated recently because local funding fell through. Program staff are providing technical assistance toward its return.

**Similar Programs in Other States:** Unknown

# COMMUNITY DEVELOPMENT BLOCK GRANT GENERAL PURPOSE GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Local Government Division

## GENERAL INFORMATION

**Program Purpose:** CDBG General Purpose Grants provide financial assistance for infrastructure projects to benefit low- and moderate-income persons.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Founding Statute Number:** Not applicable

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$ 16,513,438	\$ 15,961,514	\$ 17,922,092	\$21,668,448	1.25

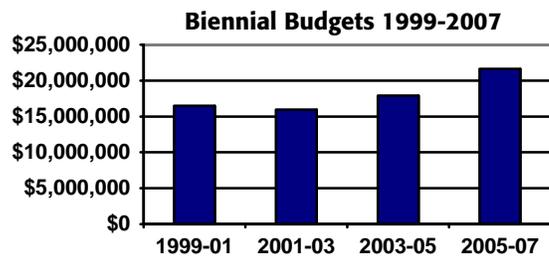
**Fund Account(s):**

001-2 - State General Fund - Federal

001-1 - State General Fund - State

**Funding Source(s):** Funding is primarily Federal. The State General Fund provides contributes \$160,000 per year toward the administrative costs of all nine CDBG programs.

**Recent Changes to Funding Pattern:** Funds for Washington have steadily increased for the last 8-10 years. The 2005-7 increase is based on assumptions about a shortfall in administrative funding that may result in all CDBG funds going to General Purpose Grants in 2007. The President's most recent budget proposal eliminated funding for CDBG. Elimination is unlikely, but cuts are expected.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

Typical range is \$45,000-\$1,000,000

**Number of Awards in 2004:** 19

**Total Awarded in 2004:** \$9,992,919

**Specific Project Types Funded:** There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves. Eligible projects fall into one of five categories: Public Facilities, Community Facilities, Housing, Economic Development, and Comprehensive (projects with elements that fall into 2+ other categories). Projects must principally benefit persons with low- and moderate-income, defined as 80% of the county median income (in the case of Economic Development, by creating jobs for them). Housing grants cannot fund new construction, but may fund land purchases or supporting infrastructure. Examples of eligible projects: wastewater/storm water/drinking water projects, community facilities, housing, streets and sidewalks, senior and youth centers, Headstart. Applicants may submit one request per CDBG per annual funding cycle.

**Funding for Each Project Type:** Distribution varies from year to year. In recent years, water/sewer projects have received about 55% of total awards, facilities projects about 35%, and housing about 10%. Economic development projects are rare. Housing projects used to be more common, but now there are CDBGs dedicated to Housing Enhancement and Housing Rehabilitation.

**Level of Match Required:** Not applicable

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:**

- Applications are available in September, when CTED offers an application workshop on each side of the state.
- Applications are due six weeks later, in November.
- A review committee reviews applications and makes award decisions. The committee divides into 3-person review teams to review applications in each category, scoring each out of 100 possible points (25 for each criterion). The process includes deliberation and checks for consistency across categories. When scores are finalized, awards are made from the highest score down, until available funds are gone. (Applications must be rated 65 points or higher to be funded, but this limit rarely becomes relevant.)
- Awards are announced in late February.

**Evaluation Criteria:** There are four criteria: Need, Capacity (staff and financial), Readiness, and Result. They are evaluated as described above.

**Criteria Changes:** None

**Process for Applicant:** The application is lengthy -- over 100 pages with attachments -- and requires narrative answers. Because the clerk/treasurers in small communities are very busy, their applications are often prepared by private grant writers, potential contractors or partners. Engineers will often prepare applications on behalf of a jurisdiction. Similarly, if the funds would be passed through to a subrecipient such as a nonprofit housing authority or utility district, that entity will typically prepare the application.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** The goals and objectives do not change: to fund the most compelling, most ready-to-go projects that will provide most benefit for the most low- and moderate-income people. Goals are not set annually.

**How Information Technology is Used to Help Achieve Goals and Objectives:** Information technology is used to track grant administration tasks (including payments and compliance checks) and project scheduling. Computers are used to monitor the status of all projects and keep project managers informed.

**Evaluation Process:** None

**Performance Measures:** The only performance measures in place are jobs created, for Economic Development projects. HUD is developing its own performance measurement system, but it has not yet been released.

**Recent Highlights:** Completion of funded projects.

**Programmatic Challenges:** Generally things run fairly smoothly. Our biggest challenge now is uncertainty about funding: CDBG was not included in the President's budget proposal. We don't expect it to be eliminated, but cuts are likely. Other challenges:

- Busy small town clerks have a hard time complying with so many federal requirements.
- For public facility projects, the cost of complete water or sewer system has gone up in recent years and other funding sources are usually needed. It can be challenging to get the different funders aligned; they have different timelines, and can be reluctant to fund only a part. CTED technical assistance plays an important role in coordinating with other funding agencies, but it is a challenge.

**Similar Programs in Other States:** Unknown. CTED's HUD representative thinks Washington State is in the top echelon.

# COMMUNITY DEVELOPMENT BLOCK GRANT HOUSING ENHANCEMENT GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Community Development Block Grant

## GENERAL INFORMATION

**Program Purpose:** Housing Enhancement Grants offer flexible companion grants in coordination with the Housing Finance Unit (HFU) by providing eligible Washington State cities and counties the opportunity to partner with non-profit, low-income housing developers to assist in the development or preservation of housing projects. The purpose of the Housing Enhancement Program is to provide a flexible source of funds to streamline project financing and improve the feasibility and affordability of well-developed projects.

**Mission Statement:** None

**Year Established:** 1995

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Founding Statute Number:**

Not Applicable - the program receives federal funding.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$2,070,000	\$2,080,000	\$2,090,000	\$800,000	0.5

**Fund Account(s):**

532 - Washington Housing Trust Account

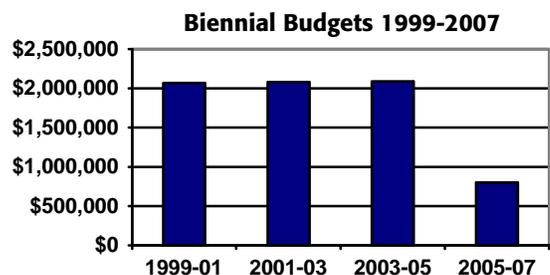
**Funding Source(s):**

Federal Housing and Urban Development Department, \$1,000,000

**Recent Changes to Funding Pattern:**

The amount available for Housing Enhancement grants fluctuates based on the amount of Federal Funding received.

During the 2005 Legislative session, the amount allowed for administrative costs for the year 2005 could not exceed 5% of the total budget, rather than the familiar 4% from traditional years.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

Approximately \$250,000 on average.

**Number of Awards in 2004:** 2

**Total Awarded in 2004:** \$624,578

**Specific Project Types Funded:** Housing Enhancement funds are available to cover project costs that cannot be paid for using Housing Trust Fund dollars, but are essential to the project's overall success. Examples of eligible costs include off-site infrastructure that is essential to a housing project and is considered an ineligible cost to the Housing Trust Fund. Housing Enhancement Grants can also be used to pay for the non-housing costs of projects that are an integral part of a comprehensive project. An example would include the costs of a day care facility that has been incorporated into the design of a project that is requesting Housing Trust Fund support.

Housing Enhancement Grants may not be used to fund:

1. New housing construction
2. Costs of equipment
3. Furnishings
4. Personal property not an integral structural fixture such as window air conditioners, washers, or dryers
5. Installation of luxury items, such as a swimming pool

**Funding for Each Project Type:** Unknown

**Level of Match Required:** No match is required, however these are companion funds for HTF projects and therefore there will always be additional matching HTF dollars in the deal.

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** The Community Development Block Grant application process is incorporated into the Housing Trust Fund application process. HTF and CDBG staff coordinate during each funding cycle to ensure a seamless process.

**Evaluation Criteria:**

1. Housing Enhancement Grant requests must be identified within the Housing Trust Fund companion application.
2. Only projects receiving Housing Trust Fund dollars may apply for Housing Enhancement Grants. Housing Enhancement Grants may only be used for activities that are not eligible for funding through the Housing Trust Fund.
3. Eligible applicants are Washington State cities and towns with less than 50,000 in population or counties with less than 200,000 in population that are non-entitlement jurisdictions or are not participants in HUD Urban County Entitlement Consortium.
4. Non-profit organization, Indian tribes, and special purpose organizations such as public housing authorities, port districts, community action agencies, and economic development councils, are not eligible to apply directly to the CDBG Program for funding. However, eligible jurisdictions may choose to serve Indian tribes within their jurisdiction or to involve the other organizations in the operation of projects funded under the program.
5. Projects must principally benefit low- and moderate-income persons. Low- and moderate-income is defined as 80% of county median income.

**Criteria Changes:** None

**Process for Applicant:** Applicants do apply for multiple programs and they do hire consultants to assist them.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** Expend the allocated \$800,000 for eligible projects that serve primarily low- and moderate-income households.

**How Information Technology is Used to Help Achieve Goals and Objectives:**

**Evaluation Process:** There is an annual program evaluation process that is completed as the HUD-required Action Plan is prepared.

**Performance Measures:** None specifically for the Housing Enhancement Program.

**Recent Highlights:**

2002 – 2 projects totaled \$115,750

2003 – 2 projects totaled \$742,340

2004 – 2 projects totaled \$624,578

2005 to date, 3 projects total \$526,307 and one project in process for 2005

**Programmatic Challenges:** Over the years staff have been working through coordination challenges with the Housing Division and there used to be separate HTF and HE applications. To make the application process easier for the applicant, the HTF and HE applications were combined and can be used for both programs.

**Similar Programs in Other States:** None that are known.

# COMMUNITY DEVELOPMENT BLOCK GRANT IMMINENT THREAT GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Local Government Division

## GENERAL INFORMATION

**Program Purpose:** Community Development Block Grant (CDBG) Imminent Threat Grants assist eligible Washington State communities in meeting unique, emergency needs that pose a serious, immediate threat to public health and safety. They provide an interim solution to problems of an urgent nature that were not evident at the time of the CDBG General Purpose grant cycle, and are due to a sudden and unexpected cause. Project examples include the repair of a collapsed city well, the replacement of a blown-off reservoir roof, or the repair of a broken sewer line.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Founding Statute Number:** Not applicable

## BUDGET INFORMATION

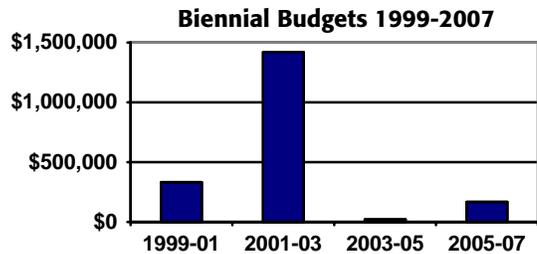
Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$332,313	\$1,420,877	\$21,267	\$166,000	1.25

**Fund Account(s):**

001-2 - State General Fund - Federal  
 CDBG Contingency Fund

**Funding Source(s):** Federal Grant.

If funds set aside for Imminent Threat grants are all awarded and further emergency needs arise, more funds can be transferred to the grant from the CDBG Contingency Fund.



**Recent Changes to Funding Pattern:** In FY 2005 \$166,000 of federal funding was set aside for Imminent Threat grants, down from the typical \$200,000. This funding level is maintained on a funds-available basis from the CDBG Contingency Fund, which contains recaptured funds or program income. If all funds set aside for these grants were used there could be an opportunity to use de-obligated or unused funds from other sources. Aside from 2005-07, the numbers above are actual award amounts rather than the initial amount set aside.

**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 0

Typical range is \$25,000-70,000

**Total Awarded in 2004:** \$0

**Specific Project Types Funded:** There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves.

**Funding for Each Project Type:** Not applicable

**Level of Match Required:** Not applicable

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** An application may be submitted at any time, but will be awarded on a funds-available basis. The application consists of the following:

1. Answers to a series of questions which seek to establish the scope, severity, validity, history and impact of the imminent threat
2. The appropriate CDBG threshold certifications, resolutions, forms, etc.
3. An official declaration of an emergency by the governing body of the applying city or county

Applications are evaluated by CDBG program staff and verified through contacts with independent sources and site visits, if deemed appropriate. Given the limitation of funds, the review process is rigorous and intended to screen for only the most serious, emergency public health and safety threats that are not eligible for a Public Works Trust Fund loan. Because of the urgent nature of eligible projects, the environmental review process is much abbreviated and every effort is made to expedite the review process.

**Evaluation Criteria:** Normally any eligible project is funded.

**Criteria Changes:** None

**Process for Applicant:** Eligibility standards are strict but the application process itself is necessarily rapid and relatively simple (18 questions). Consultants are not necessary.

### PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:** None

**Evaluation Process:** None

**Performance Measures:** HUD is developing its own performance measurement system, but it has not yet been released.

**Recent Highlights:** These grants are rarely used: twice this year, never in the previous year.

**Programmatic Challenges:** The biggest challenge is inherent: delivering a fast enough turn-around on grant applications.

**Similar Programs in Other States:** Unknown

# CENTENNIAL CLEAN WATER FUND

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Quality Program

## GENERAL INFORMATION

**Program Purpose:** The Centennial Clean Water Fund (CCWF) provides low-interest loans and grants for wastewater treatment facilities and fund-related activities to reduce nonpoint sources of water pollution.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:** 1986

**Legislative Intent:** RCW 70.146.010

**Governing Board's Role:** None

It is the purpose of this chapter to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.

**Founding Statute Number:**

RCW 70.146 and WAC 173.95a

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$62,526,527	\$50,094,769	\$43,950,000	\$38,000,000	5

**Fund Account(s):**

139-1 - Water Quality Account (State)  
 057-1 - State Building Construction Account (State)

**Funding Source(s):**

RCW 82.24.027: 4 mills per cigarette (state);

RCW 82.24.026: 1.7 % of 30 mills per cigarette;

RCW 82.26.025: 16.75% of the 129.42% tax on the wholesale price of tobacco products sold, used, consumed, handled, or distributed in WA – repealed as of 7/1/2005;

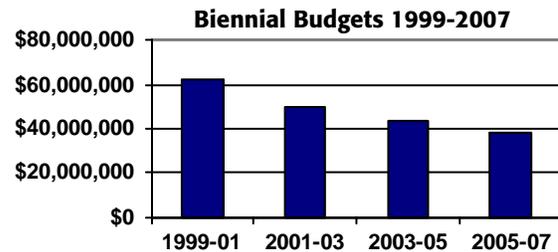
RCW 82.26.020: 13% of the 75% tax on the taxable sale price of cigars and other tobacco products – from 7/1/2005 to 7/1/2021.

RCW 82.32.390 Sales taxes collected on construction material used to build facilities funded by 139-1 - Water Quality Account;

Principal and interest from the repayment of any loans from 139-1 - Water Quality Account; and legislative appropriations.

During the last several biennia, State Building Construction Account funds and State toxics funds have been used to supplement Water Quality Account funds.

**Recent Changes to Funding Pattern:** Revenue from cigarette and tobacco taxes has steadily decreased as tobacco use has decreased. The change in the rate of the tobacco tax will further decrease funds to the program.



To partially offset the decline, the Legislature has found other, temporary sources of funds, such as bond sales and transfers from other accounts.

### APPLICATIONS & AWARDS

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 35

**Total Awarded in 2004:**

Competitive Centennial Funds: \$11,176,478

Proviso Centennial Funds: \$17,547,044

Total Competitive and Proviso Funds: **\$28,723,522**

**Average or Range of Awards:**

Average: \$852,632

Min: \$86,739

Max: \$5,000,000

**Specific Project Types Funded:** Comprehensive sewer planning, including wastewater elements of capital facilities planning under the Growth Management Act; comprehensive storm water planning; construction of water pollution control; land acquisition as an integral part of the treatment process (e.g., land application) or for prevention of water pollution; land acquisition for siting of water pollution control facilities, sewer rights of way, and easements, and associated costs; land acquisition for wetland habitat preservation; local loan fund establishment for water pollution control; new sewer systems to eliminate failing or failed on-site septic systems; design (plans and specifications) for water pollution control facilities; facilities plans for water pollution control facilities; implementation of best management practices on private property; and others.

**Funding for Each Project Type:** 2/3 (66.6%) of the competitive funding is made available to hardship community construction projects. 1/3 (33.3%) of the competitive funding is made available to nonpoint activity projects. If demand for either designated use is limited the additional funding is made available to the other funding category. Some funding from the 2/3 facility hardship category has been shifted to the 1/3 nonpoint category in a couple of the past funding cycles.

**Level of Match Required:** A 25% match is required for activities projects. A 50% State Revolving Fund companion grant can be awarded from the Centennial Program for construction of a facilities project if hardship can be demonstrated. A State Revolving Fund loan must be accepted as part of the hardship grant.

**Interest Rate Charged:** Varies

**Repayment Statistics:** Ecology awards the majority of Centennial funds as grants and in certain circumstances will provide funding as a loan. Ecology maintains Centennial loan repayment information in the Ecology Loan Tracking System (ELTS). Currently Ecology has 17 Centennial loans in repayment with \$778,396 in estimated principle and interest repayments for the 2005-07 biennium.

**Application Process:** An integrated application process is in place for the Centennial Clean Water Fund, the Water Pollution Control Revolving Fund, and Section 319. Once an application is received, it is rated and ranked by two different evaluators. Applications are evaluated based on fourteen questions describing the problem and proposed solution; public health and water quality threats or impairments being caused; the proposed approach to addressing these problems and related measures of success; local initiatives taken to make the project a success; and State and federal mandates addressed. Each project is rated independently and then averaged between the two evaluators. Once the application is rated and ranked, scores are compiled, a ranked list is developed, and funds are assigned to applicants. The Water Quality Program sends a letter to the applicant indicating that their project has been proposed for funding. This step is followed by a 30-day public comment period. The programs generate a final list after the public comment period. Applicants who are offered funding have one year from the publication of the final offer list to sign the financial assistance agreement.

**Evaluation Criteria:** Projects must sufficiently meet all the criteria laid out in the 14 questions mentioned above.

**Criteria Changes:** The criteria have evolved over time, depending on how water quality criteria have changed. All criteria continue to address water quality or public health. If a project addresses a problem of particular concern, it will gain additional points from the committee rating the projects. By doing this, money is focused into areas with severe water quality troubles.

**Process for Applicant:** Funds are competitive, therefore often applicants apply for funds from multiple programs.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** To protect and restore Washington's waters.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Department of Ecology has developed an Access database. Twelve years ago, software was developed to manage the grants. It is currently outdated, but still functional. The Department of Ecology is in the process of redeveloping the system. The Department issues manual payment requests to loan recipients, and much of the tracking and routing agreements are done manually.

**Evaluation Process:** There is no formal process in place, though stakeholders do provide informal feedback.

**Performance Measures:** The Department of Ecology has implemented a process for doing post-project assessment. Applicants are required to identify which Water Quality Program Goal a project meets (eliminating a "severe public health hazard" or "public health emergency"; contributing towards restoring water bodies to water quality standards or preventing healthy bodies from degrading; or regulatory compliance with a consent decree or compliance order). Projects then establish related outcomes and milestones.

There are also quantitative and qualitative performance measures including reducing turbidity, nutrient load, meeting permit limits, fecal coliform monitoring and other water quality improvement measures. The Joint Legislative Audit Review Committee audited the Water Quality program in January 2001. Follow up reports have been issued each year.

**Recent Highlights:**

- \* Ecology's integrated funding program has been nationally recognized as an efficient and effective approach to funding water quality facility and nonpoint activity projects. This approach was also recognized for improving quality, service and efficiency in Governor Locke's Governing For Results in 2000.
- \* Nonpoint Pollution Abatement in Water Resource Inventory Area (WRIA) 1, Whatcom County: A number of grant projects were funded to address the correction of fecal coliform contamination of surface waters resulting from dairy operations. Best Management Practices implemented within the watershed included fencing livestock from streams, stream restoration/plantings, establishing stream buffers and filter strips, manure management programs, and outreach/education programs for the farm community and public. Results clearly show a decrease in contamination with the ongoing implementation of BMPs.
- \* Yakima River Sediment Reduction: In 1995 Ecology estimated that 253 tons per day of sediment were being dumped into the Yakima River. This was impacting water quality, aquatic habitat and designated uses of the waterway. Over an 8 year period and funding of several nonpoint projects through both Centennial grants and SRF loans, the 2003 sampling showed a reduction to 47 tons of sediment per day.
- \* Pe Ell Wastewater Treatment Plant Improvements: This small community received grant and loan assistance to correct failing outdated treatment components. The failing system was seriously impacting water quality in Snow Creek and the Chehalis River from raw sewage overflows during storm events. Updates to the system resolved the water quality impacts.
- \* Small Hardship Communities throughout the State: Over the past seven years, Centennial funding has helped nearly 40 financially distressed communities across the state meet critical wastewater infrastructure needs. This grant funding combined with zero interest SRF loan funding helped these communities offset excessive sewer rates that would have resulted from wastewater treatment plant upgrades and construction.

**Programmatic Challenges:** The primary challenge for CCWF is their inability to meet all the water quality needs in the State. With a reduction in grant money, the ability to meet water quality improvement needs, both facility and non-point has been reduced. Another challenges is insufficient staffing.

**Similar Programs in Other States:** Idaho has a similar program, but Washington is a model state.

# WATER POLLUTION CONTROL REVOLVING FUND

**Department/Agency:** Water Quality Program  
**Division/Office:** Department of Ecology

## GENERAL INFORMATION

**Program Purpose:** This program provides low-cost financing or refinancing to local governments for projects that improve and protect the State's water quality. Projects may include publicly-owned wastewater treatment facilities, nonpoint source pollution control projects, and comprehensive estuary conservation and management programs.

The United States Congress established the State Revolving Fund (SRF) loan program as part of the Clean Water Act Amendments of 1987. The amendments authorized EPA to offer yearly capitalization grants to states for establishing self-sustaining loan programs. In response, the State Legislature passed a statute in 1988 (Chapter 90.50A, RCW), which created Washington State's SRF program. Ecology uses an administrative rule (Chapter 173-98 WAC) to manage the program.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:** 1988

**Legislative Intent:** RCW 90.50A.005

**Governing Board's Role:** None

It is the purpose of this chapter to provide an account to receive federal capitalization grants to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.

**Founding Statute Number:**

RCW 90.50a and WAC 173-98

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$101,002,536	\$202,412,802	\$125,520,999	\$239,616,286	5

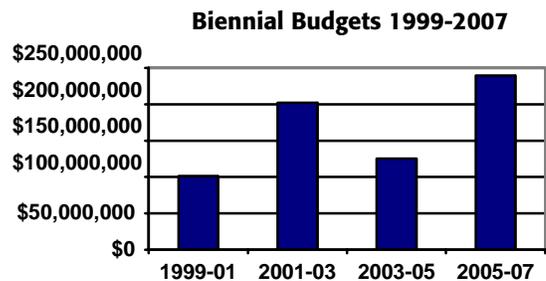
**Fund Account(s):**

- 727-1 Water Pollution Control Revolving Account (State)
- 727-2 Water Pollution Control Revolving Account (Federal)

**Funding Source(s):**

- Federal Capitalization Grant from EPA
- 20% State match - from 139-1 - Water Quality Account (State)
- Principal and interest repayments
- Investment interest

**Recent Changes to Funding Pattern:** Not Applicable



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 38

Average: \$17,032,209

**Total Awarded in 2004:** \$85,161,045

Min: \$197,700

Max: \$33,315,649

**Specific Project Types Funded:** Implementation of best management practices on private property; comprehensive sewer planning, including wastewater elements of capital facilities planning under the Growth Management Act; comprehensive storm water planning; construction of water pollution control; land acquisition as an integral part of the treatment process (e.g., land application) or for prevention of water pollution; land acquisition for siting of water pollution control facilities, sewer rights of way, and easements, and associated costs; land acquisition for wetland habitat preservation; local loan fund establishment for water pollution control; new sewer systems to eliminate failing or failed on-site septic systems; facilities design (plans and specifications) for water pollution control facilities; facilities plans for water pollution control facilities; facilities construction for water pollution control facilities.

**Funding for Each Project Type:** 80% for water pollution control facility projects, 20% for activities projects.

This varies based on yearly demand, because funds can be shifted between categories. Historically 97% of the funds available have been offered to local governments with water pollution control facilities projects.

**Level of Match Required:** up to 50%

**Interest Rate Charged:** Ranges from 5-year loans at 30% of market rate to 20-year loans at 60% of market rate.

**Repayment Statistics:** Since the inception of the SRF program in 1990, 387 SRF loans and good faith commitments totaling \$812,740,219 have been made. From the 2005 annual report to EPA, 238 loans are in repayment status totaling \$360,771,315. There have been no loan repayment defaults.

**Application Process:** An integrated application process is in place for the Centennial Clean Water Fund, the Water Pollution Control Revolving Fund, and Section 319. Once an application is received, it is rated and ranked by two different evaluators. Applications are evaluated based on fourteen questions describing the problem and proposed solution; public health and water quality threats or impairments being caused; the proposed approach to addressing these problems and related measures of success; local initiatives taken to make the project a success; and State and federal mandates addressed. Each project is rated independently and then averaged between the two evaluators. Once the application is rated and ranked, scores are compiled, a ranked list is developed, and funds are assigned to applicants. The Water Quality Program sends a letter to the applicant indicating that their project has been proposed for funding. This step is followed by a 30-day public comment period. The programs generate a final list after the public comment period. Applicants who are offered funding have one year from the publication of the final offer list to sign the financial assistance agreement.

**Evaluation Criteria:** Based the series of 14 questions described above, the applications are rated and ranked. There is also an advisory committee made up of various stakeholders that provides advice on project funding.

**Criteria Changes:** None

**Process for Applicant:**

## **PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** To protect and restore Washington's waters.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Department of Ecology has developed an Access database. Twelve years ago, software was developed to manage the grants. It is currently outdated, but still functional. The Department of Ecology is in the process of redeveloping the system. The Department Issues manual payment requests to loan recipients, and much of the tracking and routing agreements are done manually.

**Evaluation Process:** There is no formal process in place, but stakeholders do occasionally provide input.

**Performance Measures:** The Department of Ecology has implemented a process for doing post-project assessment. Applicants are required to identify which Water Quality Program Goal a project meets (eliminating a "severe public health hazard" or "public health emergency"; contributing towards restoring water bodies to water quality standards or preventing healthy bodies from degrading; or regulatory compliance with a consent decree or compliance order). Projects then establish related outcomes and milestones.

There are also quantitative and qualitative performance measures including reducing turbidity, nutrient load, meeting permit limits, fecal coliform monitoring and other water quality improvement measures. The Joint Legislative Audit Review Committee audited the Water Quality program in January 2001. Follow up reports have been issued each year.

### **Recent Highlights:**

\* More than \$10 million in SRF loans have been awarded to local governments since 1992 for the establishment of local loan funds for the repair and replacement of failing on site septic systems. Fifteen counties in and around the Puget Sound and Columbia River have provided low interest loans to residents to repair failing septic systems that were impacting water quality. Several county health departments that have been very successful in providing this assistance to local residents apply for funding regularly to supplement their local loan fund and thus continue addressing this critical water quality problem.

- \* The city of Centralia received a \$5 million Centennial Clean Water Program hardship grant and a \$33.7 million no interest SRF loan to construct a new wastewater treatment facility, pump station, conveyance pipelines to transport wastewater from the existing wastewater treatment plant site, and outfall to comply with the Chehalis River TMDL. The wastewater treatment facility operational and is meeting NPDES discharge requirements.
- \* The city of Chehalis is constructing a new wastewater treatment plant capable of producing Class A reclaimed water to irrigate a poplar tree plantation, reconstruction of the City's two largest wastewater pump stations to meet new hydraulic requirements, the construction of a forcemain to convey treated water to a poplar plantation, and to comply with the Chehalis River TMDL. The city of Chehalis received a \$5 million Centennial Clean Water Program hardship grant a companion zero percent interest loan of \$334 thousand for the footprint of the wastewater treatment facility, and a \$33.3 million no interest SRF loan for the remainder of the project.
- \* The Spokane County Conservation District borrowed \$250,000 to establish a local loan fund designed to support the purchase of conservation tillage equipment. One Best Management Practice that is known to reduce the amount of sediment carried off of fields is direct seeding/minimum tillage. This practice replaces the conventional tillage that disrupts the soil. It is estimated that soil erosion can be reduced to 5 tons/acre, preventing millions of tons of sediment from entering the waterways. By reducing the number of tillage operations, residue remains on the field, the volume of organic matter in the soil is increased (aiding water retention) and soil structure is maintained, reducing the soil's susceptibility to erosion.
- \* Five (5) loans for a total amount of \$215,644 were provided to producers for the purchase of minimum tillage systems. Through the use of minimum tillage, 1,449 of additional acres in the Rattler's Run sub watershed of Hangman Creek produce less sediment to the watershed system. An estimated 13,000 tons of sediment from this acreage is prevented from entering the waterways.

**Programmatic Challenges:** There is no real IT backbone to support the process.

Not being able to meet all the water quality needs that are out there. There has also been a reduction in grant money and loan money. This reduces the ability to meet water quality improvement needs, both facility and non-point. Staff also feel that funds for administering the program are insufficient.

**Similar Programs in Other States:** Idaho has a similar program, but Washington is a model state.

# WATER INFRASTRUCTURE PROGRAM

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

## GENERAL INFORMATION

**Program Purpose:** Grant funding is provided solely for infrastructure improvement projects and other water management actions that benefit stream flows and enhance water supply. Project benefits must resolve conflicts between water uses for municipalities, agriculture, and fish restoration, improving the efficiency of irrigation, and so enhancing the availability of water for streamflow purposes including fish, wildlife and recreational uses. The stream flow or fish habitat improvements gained from the project must be proportional to the investment of state funds. In 2004, the program's first year, 11 projects worth \$5.8 million were implemented at the request of the Governor. Beginning in 2005, a competitive process will be used to distribute grants.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:**

2003-5 Biennium

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 43.27A.090

**Legislative Intent:** RCW 43.27A.090

To apply for, accept, administer and expend grants, gifts and loans from the federal government or any other entity to carry out the purposes of this chapter and make contracts and do such other acts as are necessary insofar as they are not inconsistent with other provisions hereof.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
NA	NA	\$5,800,000	\$12,000,000	

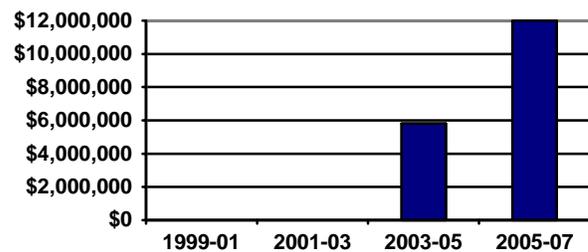
**Fund Account(s):**

057-1 - State Building Construction Account (State)

**Funding Source(s):**

**Recent Changes to Funding Pattern:**

In the 2003-5 biennium, funds were provided through Referendum 38, the Centennial Water Quality Account and the State Building Construction Account. In the 2005-7, all funding came from the State Building Construction Account. The Department will request future funding from this account.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 11

**Total Awarded in 2004:** \$5,800,000 (all projects in 2004 were determined by the Governor)

**Specific Project Types Funded:** Projects which increase the efficiency of water conveyance, allowing for the same quantity of water to be used for agricultural irrigation, while allowing preserving more water for fish. Most projects involve converting open, unsealed ditches to pipes or improving diversions and dams to allow for more habitat.

**Percent of Funding:** See Specific Project Types Funded, above

**Level of Match Required:** No match is required, however the public investment will only provide funding equivalent to public benefit gained: the value of habitat protected and instream flow maintained. The Department works with Fish and Wildlife to determine the value of public benefit.

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Average or Range of Awards:**

Max: As of 2005-7 biennium, the maximum award is \$250,000

**Application Process:** Applicants submit short written proposals to Ecology, which are due in late October. Ecology reviews proposals in November, and notifies award recipients in early December.

**Evaluation Criteria:** Projects must meet the following criteria:

1. Be a part of a watershed planning effort, either: one of the 16 fish critical basins, a planning basin under the Watershed Planning Act (Chapter 90.82 RCW), a Comprehensive Irrigation District Management Plan, or a Salmon Recovery Plan.
2. Have an element for improving instream flows or conditions that benefit fish.
3. Be identified as a medium or high priority reach or tributary in the "Washington Water Acquisition Strategy" or in reaches where the project would significantly improve fish habitat conditions.

Additional priority will be given to finish projects currently under construction.

**Criteria Changes:** 2005 was the first year of the competitive process.

**Process for Applicant:** Initial applications are requested to be short, "preferably no more than eight pages in length." Those applicants who receive preliminary approval of their projects in December are asked to provide a more detailed scope of work.

## PROGRAM GOALS & EVALUATION MEASURES

### 2005 Goals and Objectives:

#### How Information Technology is Used to Help Achieve Goals and Objectives:

#### Evaluation Process:

**Performance Measures:** The Water Resources Program issues quarterly reports on the total acre-feet of water protected.

**Recent Highlights:** The program has been well received and supported, evidencing significant need.

**Programmatic Challenges:** While the Legislature has indicated that enhancement of streamflow for fish, wildlife and recreational uses is an important priority, the tools to meet achieve this goal will require funding support. To date, a stable, long-term source for this funding has not been clarified.

**Similar Programs in Other States:** Staff were not familiar with similar programs in other states, saying that "If you want to see what's new and innovative in the Western states, you have to look at Washington. We're often on the leading edge."

## DROUGHT PREPAREDNESS

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

### GENERAL INFORMATION

**Program Purpose:** This program funds drought relief and projects and activities to prepare the State for future droughts and climate change, as well as compliance activities. Funding for this program is largely depleted, and it has no significant dedicated, on-going funding. It has received supplemental appropriations during recent droughts, however.

**Mission Statement:** Water Resources Program Mission Statement: Support sustainable water resources management to meet the present and future water needs of people and the natural environment, in partnership with Washington communities.

**Year Established:** 1999

**Legislative Intent:** RCW 43.83b and WAC 173-166

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 43.83b and WAC 173-166

The legislature in 1989 gave permanent drought relief authority to the Department of Ecology and enabled Ecology to issue orders declaring drought emergencies. (1) Chapter 171, Laws of 1989 authorizes the Washington State Department of Ecology (Ecology) to assist in alleviating future drought conditions throughout the state, and sets forth the criteria and procedures for implementing the 1989 drought relief legislation. (2) Ecology has authority under chapter 171, Laws of 1989 to: (a) Issue emergency permits to withdraw public waters as an alternate source of water supply; (b) Approve water right transfers between willing parties; (c) Provide funding assistance for eligible drought projects and measures.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$529,524	\$4,300,000	\$4,000,000	\$6,600,000	1

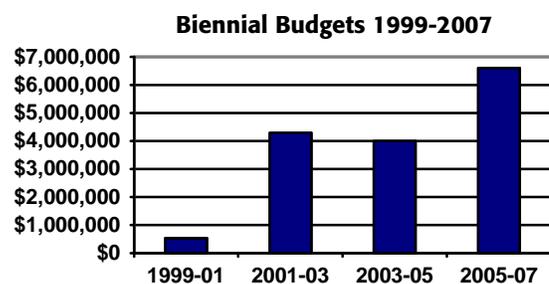
**Fund Account(s):**

05W-1 - State Drought Preparedness Account  
 032-1 - State Emergency Water Projects Revolving Account

**Funding Source(s):**

Previous bond sales, a transfer from the Emergency Water Fund, loan repayments and interest payments, and in 2005 a transfer from 355-1 - State Taxable Building Construction Account.

**Recent Changes to Funding Pattern:** None



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 10

\$75,000 to \$4,000,000

**Total Awarded in 2004:** \$1,600,000

**Specific Project Types Funded:** Eligible infrastructure and equipment includes pumps and accessories, discharge lines, pipelines, canals and laterals with control structures, liners for leaky pipes and canals, diversion structures, reregulating reservoirs, measuring devices, wells with pumps and accessories.

Eligible measures that may also be funded include the means for implementing water conservation procedures, acquiring alternate water sources, or transferring water rights, provided that the proposed measure represents an additional cost to the applicant as the result of drought conditions, and not as a substitute for normal water supply costs.

**Funding for Each Project Type:** All applicants go through a competitive process. Other agencies are brought in to assist in reviewing applications, such as the Department of Fish and Wildlife and the Department of Agriculture. The Water Resources Program puts together an award list, and works with project proponents to develop a detailed scope of work.

**Level of Match Required:** 10% or more

**Interest Rate Charged:** Varies, as the loan is not to exceed 15 years

**Repayment Statistics:** Information forthcoming

**Criteria Changes:** None

**Process for Applicant:** The application process is new; this biennium is the first time there will be a formal competitive application process. The Department of Ecology is in the process of looking at systems to allow the agency's grant programs to be accessed through the web. There will be one point of web access for all funding applications.

## REFERENDUM 38 - WATER SUPPLY FACILITIES

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

### GENERAL INFORMATION

**Program Purpose:** Funds for this program are fully allocated and no new grants are expected. In 1980 voters approved Referendum 38, known as the Water Supply Facilities 1980 Bond Issue. It was designed to provide financial assistance to public bodies that manage water such as irrigation districts and public water supply systems.

The referendum authorized the State Finance Committee to issue \$125 million in bonds (\$75 million for public water supply systems and \$50 million for agricultural water supply facilities) either alone or in combination with fishery, recreational or other beneficial uses of water. The Department of Ecology (Ecology) is responsible for administering the \$50 million in bond funding for agricultural water supply facilities. Ecology provides grants and loans to public irrigation districts to help them repair or improve existing agricultural water conveyance facilities such as ditches, pipes and other irrigation systems.

**Mission Statement:** Water Resources Program Mission Statement: Support sustainable water resources management to meet the present and future water needs of people and the natural environment, in partnership with Washington communities.

**Year Established:** 1980

**Legislative Intent:** RCW 43.99e and WAC 173-170

**Governing Board's Role:** None

For the purpose of providing funds for the planning, acquisition, construction, and improvement of water supply facilities within the state, the state finance committee is authorized to issue general obligation bonds of the state of Washington in the sum of sixty-five million dollars, or so much thereof as may be required, to finance the improvements defined in this chapter and all costs incidental thereto.

**Founding Statute Number:**

RCW 43.99e and WAC 173-170

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$8,767,998	\$7,526,059	\$13,273,941	\$0	5

**Funding Account(s):**

072-1 - State and Local Improvements Revolving - Water Supply Facilities

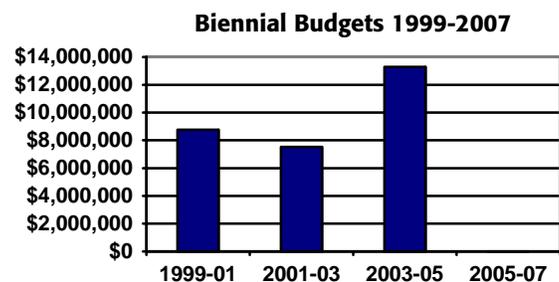
**Funding Source(s):**

Bond sales, loan repayments, and interest payments.

**Recent Changes to Funding Pattern:**

As of the 2003-05 biennium, \$1.6 million of the bond authority is left to commit through the competitive application process.

Future needs are estimated at \$5.8 million. Any project already signed that does not use the full amount of the grant money, plus any interest and principal payments on existing loans will be dedicated to meet the future needs until all the funds are used.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Total Awarded in 2004:** \$7,000,000

**Number of Awards in 2004:** 10

**Average or Range of Awards:** Varies

**Specific Project Types Funded:** Almost any project that would conserve water quantity or that studies how to increase water quantity.

**Funding for Each Project Type:** All applicants go through a competitive process with an application review period.

**Level of Match Required:** Varies by project

**Interest Rate Charged:** Varies by project type

**Repayment Statistics:**

**Application Process:** Applicants fill out a short form describing the benefits of the project and its proposed budget. Application review is performed in consultation with appropriate agencies such as the Department of Fish and Wildlife and the Department of Agriculture. Based on the interagency review of applications, the Water Resources Program puts together an award list. A standard application process has recently been implemented. This biennium is the first time there is a formal competitive application.

**Evaluation Criteria:** The criteria vary by project type.

**Criteria Changes:** A geographic balance criteria was recently added.

# FLOOD CONTROL ASSISTANCE ACCOUNT PROGRAM

**Department/Agency:** Department of Ecology  
**Division/Office:** Shorelands and Environmental Assistance

## GENERAL INFORMATION

**Program Purpose:** The Flood Control Assistance Account Program (FCAAP) is designed to assist local governments in reducing flood hazards and damages by providing technical and financial assistance in the development and implementation of comprehensive flood hazard management plans (CFHMPs), engineering feasibility studies, physical flood damage reduction projects, acquisition of flood prone properties, public awareness programs, flood warning systems and other emergency projects.

**Mission Statement:** Reduce the adverse impacts of flooding on the people, property, environment, and economy of the State.

**Year Established:** 1984

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 86.26 and WAC 173-145

**Legislative Intent:** RCW 86.26 and WAC 173-145

The Department [of Ecology] shall determine priorities and allocate available funds from the flood control assistance account program (FCAAP) among those counties applying for assistance, and shall adopt rules establishing the criteria by which those allocations must be made. The criteria must be based upon proposals that are likely to bring about public benefits commensurate with the amount of state funds allocated thereto. This chapter describes the manner in which Ecology will implement the provisions of the act.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$3,100,000	\$3,100,000	\$1,200,000	\$2,100,000	4

**Fund Account(s):**

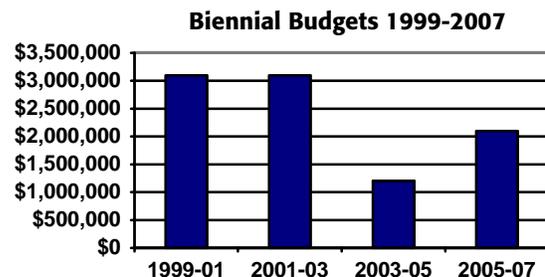
02P-1 - Flood Control Assistance Account

**Funding Source(s):**

State General Fund - 100%

**Recent Changes to Funding Pattern:**

Funding was cut substantially for the 2003-05 biennium, and has not recovered to previous levels.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 20

**Total Awarded in 2004:** \$1,214,000

**Specific Project Types Funded:** Flood control, diking, drainage, and conservation districts for all municipal corporations that participate in the National Flood Insurance Program, including cities and counties and quasi-governmental entities that are governed by those jurisdictions.

**Funding for Each Project Type:** Unknown

**Level of Match Required:** 25%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Average or Range of Awards:**

Over the past 4 biennia, the average grant amount has been between \$61,000 and \$97,000. Over the past 7 biennia, the average grant has been \$70,000.

**Application Process:** Applications are invited approximately 7 months prior to the new biennium, with a three month application window. A multi-agency Grant Application Evaluation Team reviews the applications and determines awards based on the relative merit of the projects, geographic and public benefit considerations, and available funds. Management of the Shorelands and Environmental Assistance (SEA) program then reviews and approves the awards.

**Evaluation Criteria:** The general criteria are evaluating the public benefit of the project and its potential to provide protection for people and property in reducing flood damages. The program also establishes a biennial focus and tries to fund projects that meet those types of efforts while balancing the need to address geographic and special needs considerations.

**Criteria Changes:** Only the biennial focus has changed recently. The most recent biennium focused on flood hazard mapping projects to be in synch with federal (FEMA) efforts. However, the full range of potential projects remained eligible.

**Process for Applicant:** Most applicants prepare their own documents, but some do hire consultants. Applicants are encouraged to apply for funding from multiple sources.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** Goal: Reduce flood hazards and enhance environmental considerations in the State's floodplains by providing funding and technical assistance to local governments.

Objectives: 1) Minimize flood damages to people and property (including infrastructure); 2) Provide improved tools to address local floodplain management objectives; 3) Provide current and consistent information on flooding and flood hazard areas, including improved maps and mapping tools; 4) Provide added resources to effectively comply with state and federal regulations.

**How Information Technology is Used to Help Achieve Goals and Objectives:** FCAAP has increased its use of information technology to simplify the grant application process, creating grant agreements and reporting in order to expedite the flow of information and reduce paper needs.

**Evaluation Process:** FCAAP processes are evaluated biennially and adjustments made prior to each funding cycle. The Grant Application Evaluation Committee will prepare recommendations for revisions during this fiscal year. A survey is planned to gain input from past grantees. Also, each grant project is evaluated by staff working with the grantees prior to grant close-out.

**Performance Measures:** Performance measures are established in each grant agreement based on the project. Quarterly reporting is required and each grant is monitored on a monthly basis by staff. There are also performance measures at the program level to assure that funds are being spent on appropriate tasks for eligible activities at appropriate levels. The Program works to assure that all grant funds are spent for worthwhile projects, often re-programming dollars near biennium closings to maximize the flood damage reduction benefits of the funds.

**Recent Highlights:** For the 2005-07 biennium funding provided was able to leverage 93% more funding from the Salmon Recovery Board to the Town of Lone to remove a hazardous dam that blocked fish passage. The program is also funding a floodplain restoration project in Kitsap County as recommended in a previously completed CFHMP which supports two basic tenets of effective floodplain management: flood loss reduction and ecological enhancement. During the 2003-05 biennium 4 flood-prone property acquisitions were funded, and the Town of Hamilton was assisted in addressing long-standing floodplain management problems with planning for a hazard mitigation/relocation project. In the 2001-03 biennium 6 flood-prone property acquisitions were funded, plus 5 flood warning systems, and improved flood hazard mapping in King and Pierce counties. In the 1999-2001 biennium 10 CFHMPs were funded, several of which were in areas with no previous planning efforts like Lincoln County. Also funded were 5 flood warning systems, 3 emergency levee repair projects, and the University of WA to develop a floodplain management course.

**Programmatic Challenges:** The most significant recent programmatic challenge facing FCAAP is the funding reductions for the present and past biennia. In times of escalating costs the grant funds available have been reduced when additional funding to more fully fund projects or to fund more projects was needed. Also, reduced funding from other sources has put more of a burden on FCAAP to cover administrative costs, including ever-increasing indirect costs.

**Similar Programs in Other States:** Washington is one of very few states that has a flood hazard reduction grant program. In fact, Minnesota used FCAAP as a model for their program.

# COORDINATED PREVENTION GRANT

**Department/Agency:** Department of Ecology  
**Division/Office:** Solid Waste

## GENERAL INFORMATION

**Program Purpose:** The Coordinated Prevention Grant Program helps local governments to develop and implement their hazardous and solid waste management plans. Two types of grants are available: 1) Solid and Hazardous Waste Planning and Implementation Grants and 2) Solid Waste Enforcement Grants.

**Mission Statement:** None

**Year Established:** 1988

**Legislative Intent:** RCW 70.105D and WAC 173-312

**Governing Board's Role:** None

The purposes of the coordinated prevention grants program are to:  
 (a) Consolidate all grant programs funded from the local toxics control account, and other programs in subsection (2) of this section that may be selected, into a single program, except for remedial action, public participation, and citizen proponent negotiations grants.  
 (b) Promote regional solutions and intergovernmental cooperation.  
 (c) Prevent or minimize environmental contamination by providing financial assistance to local governments to help them comply with state solid and hazardous waste laws and rules.  
 (d) Provide funding assistance for local solid and hazardous waste planning and for implementation of some programs and projects in those plans.  
 (e) Encourage local responsibility for solid and hazardous waste management.  
 (f) Improve efficiency, consistency, reliability, and accountability of grant administration.

**Founding Statute Number:**

RCW 70.105D and WAC 173-312

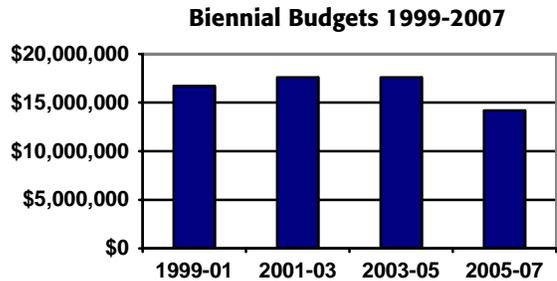
## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$16,700,000	\$17,600,000	\$17,600,000	\$14,200,000	5

**Funding Account(s):** 174 - Local Toxics Control Account

**Funding Source(s):** Hazardous Substances Tax

**Recent Changes to Funding Pattern:** None



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 120

**Total Awarded in 2004:** \$18,100,000

**Average or Range of Awards:**

Money is distributed on a per capita basis, depending on the population of an area.

**Specific Project Types Funded:** Solid and Hazardous Waste Planning and Implementation Grants are available for local planning authorities for writing or updating a Local Comprehensive Solid Waste Management Plan or Local Hazardous Waste Plan. A local planning authority with an Ecology-approved plan - as well as lead implementation agencies - may also receive money through this type of grant for plan implementation projects.

Solid Waste Enforcement Grants are available for jurisdictional health departments and districts for support enforcement of solid waste regulations.

**Funding for Each Project Type:** Of regular cycle grants, 80% are for Solid and Hazardous Waste Planning and Implementation, while 20% are for Solid Waste Enforcement. Off-cycle grants are competitive.

**Level of Match Required:** 25%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** A grant officer is available to provide assistance at any point during the application process. For 2005, applications for the regular cycle grant may be submitted between July 1, 2005, and September 2, 2005. Ecology reviews applications for eligibility, scoring each using the minimum threshold score process. This process screens out incomplete applications and also judges projects on the basis of whether or not they have concrete outcomes, take logical steps that will produce them, and have a measurement tool in place. Applicants are notified by their grant officer by September 16, 2005, as to whether their application met the requirements for

eligibility and the minimum threshold score. Applications not meeting this threshold may be resubmitted by September 30, 2005. Rewritten applications are responded to by October 14, 2005.

**Evaluation Criteria:** According to WAC 173-312-070, the department will refer to the following priority order in evaluating projects:

- (a) Required hazardous waste planning under chapter 70.105 RCW and required solid waste planning under chapter 70.95 RCW
- (b) Programs and projects to implement adopted local hazardous waste plans, including waste reduction and recycling
- (c) Solid waste enforcement programs
- (d) Programs and projects to implement adopted local solid waste plans, including waste reduction and recycling

The department will evaluate each application according to the extent to which it:

- (a) Conforms to the adopted local hazardous waste and solid waste plans
- (b) Advances regional solutions and intergovernmental cooperation
- (c) Supports the state's goal to achieve a fifty percent recycling rate
- (d) Confers broad benefit on residents of the county, whether they reside in incorporated areas or unincorporated areas
- (e) Meets the needs of local government for projects that prevent environmental contamination from solid and hazardous waste
- (f) Uses the state's resources efficiently
- (g) For solid waste enforcement funding, takes into account the number of disposal sites and the geographic area requiring enforcement activity

The following additional criteria are applied to off-cycle grants: 1) the expected outcome is clear and easy to understand; 2) the project has the potential to provide valuable information or can serve as an example or pilot project; 3) the project uses funds efficiently and/or provides significant outcomes; 4) The project involves multiple partners, such as more than one grant recipient, or a recipient partnering with another organization or entity; and 5) the project meets an important local or statewide need.

**Criteria Changes:** Following the 2001 JLARC study titled "Investing in the Environment: Environmental Quality and Loan Programs," changes to the program were made related to the minimum threshold score for grant applications, the application forms, the period of the off-set cycle, the criteria for the off-set cycle, the process for awarding funds in the off-set cycle and report forms and information sharing.

**Process for Applicant:** Unknown

### PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** There are many goals and objectives for the Coordinated Prevention Grants. They can be read in their entirety on pages 38 and 39 of the guidelines: <http://www.ecy.wa.gov/pubs/0507025.pdf>

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Solid Waste Program is currently in the process of completing a database that tracks projects, including outcomes of projects.

**Evaluation Process:** Every grant is evaluated by the recipient and grant officer during the grant cycle and upon completion. The grant program is reviewed with an on-going group of stakeholders.

**Performance Measures:** Performance measures exist on a project by project basis. At the State level, there are broad measures that exist in terms of tracking waste and waste management.

**Recent Highlights:** A compost facility was recently built in Walla Walla correctional facility. The compost facility was a huge success as it saved the correctional facility a lot of money, served as a regional piece of infrastructure, and provided work to inmates.

Progress has also been made in expanding the program to handle mercury and electronics waste. In addition, progress has been made in promoting green building. Techniques that focus on recycling of construction materials and building more energy efficient structures are encourage.

**Programmatic Challenges:** In general, there is not enough money to go around. There was a 40% cut in funding for the base programs. In addition, many of the programs are very small. Once you leave population dense counties, it becomes very difficult to promote waste management as it is a very centralized practice. It is important that cost measurement is not more than 5% of the project cost.

**Similar Programs in Other States:** As Washington is very different in terms of how it handles waste and its revenue, there are few states that work like Washington and have the tax base to support it.

# SAFE DRINKING WATER ACTION GRANTS

**Department/Agency:** Solid Waste Program  
**Division/Office:** Department of Ecology

## GENERAL INFORMATION

**Program Purpose:** Help local governments or a local government applying on behalf of a provider to provide safe drinking water to areas where a hazardous substance has contaminated drinking water. The Department of Ecology provides funding through the Remedial Action Grants Program and administers the grant so that remedial action goals are met, while the Department of Health identifies sites and provides technical oversight to ensure that State regulations regarding drinking water are met.

**Mission Statement:** None

**Year Established:** 1990

**Legislative Intent:** RCW 70.105D and WAC 173.322

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 70.105D and WAC 173.322

The intent of the remedial action grants and loans is to encourage and expedite the cleanup of hazardous waste sites and to lessen the impact of the cleanup on ratepayers and taxpayers. The remedial action grants and loans shall be used to supplement local government funding and funding from other sources to carry out remedial actions.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$4,701,433	\$904,500	\$75,750	\$3,000,000	1

**Fund Account(s):**

174-1 - Local Toxics Control Account

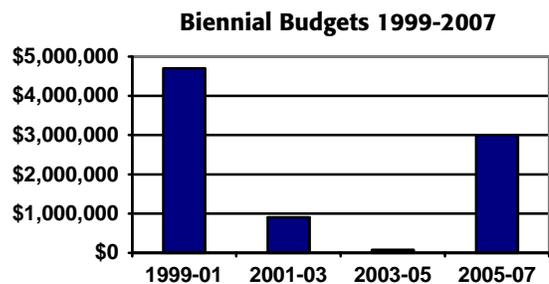
**Funding Source(s):**

Hazardous Substances Tax

**Recent Changes to Funding Pattern:**

A decline in funding over several biennia was reversed for the 2005-07 biennium.

Budget figures shown are Awards for all but 2005-07.



**APPLICATIONS & AWARDS**

**Eligible Agencies:**

- Commercial Agency
- Community Group
- Conservation District
- Federal Agency
- Local Government
- Non Profit
- Private Agency
- Private Interest Group
- Private Landowner
- Public Landowner
- State Agency
- Tribes
- Special District

**Eligible Program Categories:**

- Drinking Water
- Wastewater
- Stormwater
- Solid/Hazardous Waste
- Flood/Irrigation Management
- Emergency Management
- Housing
- Health Facilities
- Community Facilities
- Public Safety
- Outdoor Recreation
- Transportation
- Utilities
- Business/Econ Dev Facilities

**Types of Awards:**

- Grants
- Loans
- Technical Assist.

**Is Legislative Approval Required?** No

**Total Awarded in 2004:** \$75,750

**Number of Awards in 2004:** 2

**Average or Range of Awards:** varies

**Specific Project Types Funded:**

- Treatment equipment and facilities, including air stripping towers, package treatment plants, point-of-use treatment systems, and similar approaches.
- Costs identified by Ecology as necessary to protect a public water system from contamination from a hazardous waste site or to determine the source of such contamination.
- Water supply source development and replacement, including pumping and storage facilities, source meters, and reasonable accessories.
- Transmission lines between major system components, including inter-connections with other water systems.
- Distribution lines from major system components to system customers or service connections.
- Fire hydrants.
- Service meters.
- Project inspection, engineering, and administration.
- Other costs identified by the Department of Health as necessary to provide a system that operates in compliance with federal and state standards, or by the coordinated water system plan as necessary to meet required standards.
- Individual service connections, including any fees and charges, provided that property owners substantially participate in financing the cost of such connections.
- Drinking water well abandonment for wells identified by Ecology as an environmental safety or health hazard according to the Minimum Standards for Construction or Maintenance of Wells (WAC 173-160-415).
- Interim financing where necessary as a prerequisite to local government issuance of revenue bonds.

**Funding for Each Project Type:** Awards are distributed on a payment voucher basis. The grantee pays out of pocket and is then reimbursed.

**Level of Match Required:** Up to 50%

**Interest Rate Charged:** Not Applicable

**Repayment Statistics:** Not Applicable

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**Application Process:** Applicants fill out a three-page application describing the scope, schedule, and budget of a project. Local governments may submit applications for safe drinking water action grants at any time. If an order or decree has been issued to a local government, application for the grant must be made within 60 days after the effective date of the order or decree.

**Evaluation Criteria:**

1. Designated beneficial uses will be restored or protected
2. A public health emergency will be eliminated
3. Regulatory compliance will be achieved to address an order or decree

The purpose of safe drinking water grants is to remedy water contamination problems caused by hazardous substances. Generally, the solutions fall into three categories: treatment, extension of an existing water system, or providing a new water source. Unless it is clearly demonstrated to the contrary, the solution preferred for funding is treating the water and eliminating the source of contamination.

**Criteria Changes:** None

**Process for Applicant:** Unknown

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:**

**How Information Technology is Used to Help Achieve Goals and Objectives:**

**Evaluation Process:** The State Auditor annually reviews a selection of grants for fiscal compliance.

**Performance Measures:** Progress reports are required from grantees. Many of the projects have formal agreements with multiple requirements to meet. In addition, site managers are assigned to each grantee to provide oversight.

**Recent Highlights:**

- City of Warden (ongoing) - 2005
- City of Centralia (ongoing) - 2005
- City of Lynden - 2002

**Programmatic Challenges:** Getting grant money out to everybody

**Similar Programs in Other States:** The Safe Drinking Water Program (Hazardous Waste Sites) is a model program.

## **ATTACHMENT C**

### **SUMMARY OF OTHER LOCAL INFRASTRUCTURE INVESTMENT PROGRAMS**



## **ATTACHMENT C**

### **SUMMARY OF OTHER LOCAL INFRASTRUCTURE INVESTMENT PROGRAMS**

The programs described in this Attachment were evaluated according to the screening criteria described in Section 2.0 and determined not to be appropriate for inclusion in the detailed Program Inventory. The programs are briefly described here to provide a complete picture of the State's infrastructure funding system. These programs are of two general types:

- 1) Initial planning or pre-construction support that contributes to later public infrastructure development. Such programs include the Small Communities Initiative, Public Works Trust Fund Planning and Pre-Construction loans and others.
- 2) Development, rehabilitation, preservation or replacement of facilities that do not meet this project's definition of basic public infrastructure. These programs fund other infrastructure such as community and recreation facilities; housing; arts, cultural and historic buildings; and other infrastructure owned and operated by non-profits or private businesses.

The section contains summary descriptions of these programs, organized into the following seven categories:

- Pre-Construction Planning and Technical Assistance Programs
- Community and Economic Development
- Historic Preservation Programs
- Housing Assistance Programs
- K-12 School Construction
- Outdoor Recreation
- Pre- and Post-Disaster Relief



## **PRE-CONSTRUCTION PLANNING AND TECHNICAL ASSISTANCE PROGRAMS**

**The following programs provide pre-construction funding for project planning:**

### **Public Works Trust Fund Planning Loans**

**Administering Agency:** Public Works Board

**Program Description:** Eligible activities for these planning loans include environmental studies (such as biological and environmental assessments) and updates to existing Capital Facilities Plans. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling. Public Works Planning funds may be used for either single or multiple systems. Funds can only be used for work done by consultants selected under a competitive process. The first loans for this program were issued in 1989.

No match is required for this loan, and funds are loaned at zero percent interest. There is a six year repayment length and a loan limit of up to \$100,000 per jurisdiction, per biennium. Projects must be completed within 18 months after contract execution.

### **Public Works Trust Fund Pre-Construction Loan Program**

**Administering Agency:** Public Works Board

**Program Description:** Eligible projects for the Public Works Board Pre-Construction Loan Program include the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users or users included under assumptions of reasonable growth (generally the 20-year growth projection in the local government's comprehensive plan). Specific activities may include preliminary engineering, right-of-way acquisition, bid document preparation, design engineering, and environmental studies. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling. The first loans for this program were issued in 1996.

One million dollars is available per jurisdiction per biennium from this loan program. The interest rate is linked to percentage of local match (15% Local Match = 0.5% Interest Rate; 10% Local Match = 1.0% Interest Rate; 5% Local Match = 2.0% Interest Rate). The loan term is five years maximum, or 20 years with proof of construction funding. Projects must be completed within 18 months after contract execution.

## **Wastewater Management Program**

**Administering Agency:** Department of Health, Office of Environmental Health and Safety

**Program Description:** This program provides consultative and technical support to local health jurisdictions, on-site sewage system operators, the general public, and other local, state, and federal agencies. Technical assistance includes consultations on the siting, design, installation, operation, and maintenance of on-site sewage systems. The Office also develops and implements standards for the performance, application, design, operation and maintenance of on-site sewage treatment and disposal systems.

**Annual Budget:** The 2003-2005 biennial budget was \$3,765,531.

### **The following programs provide technical assistance and funding coordination:**

#### **Infrastructure Assistance Coordinating Council**

**Administering Agencies:** The IACC is a non-profit organization made up of staff from state and federal agencies, local government associations, nonprofit technical assistance firms, tribes and universities. The IACC is an all-volunteer organization with staff time donated by various organizations.

**Program Description:** The IACC offers an annual training and information conference and a searchable website on program offerings. Each November the organization sponsors a workshop bringing together potential applications and Washington's wide array of local infrastructure funding programs, including representatives of federal programs. Jurisdictions are able request review of their specific needs by IACC "Tech Teams," which then offer suggestions of appropriate funding sources. The IACC website hosts its *InfrastructureDATABASE*, which catalogs more than 200 federal and state sources for infrastructure funding and technical assistance.

## **Small Communities Initiative (SCI)**

**Administering Agencies:** Department of Community, Trade and Economic Development, together with the Departments of Ecology and Health

**Program Description:** In 1999, the Department of Community, Trade and Economic Development, collaborating with the Departments of Health and Ecology, formed the Small Communities Initiative. This program assists small, rural communities of 1,000 people or less that are simultaneously struggling with economic viability and compliance with health and environmental regulations. The primary goals of SCI are to help these small communities gain access to State resources in order to promote compliance with environmental and public health requirements and to support the economic vitality of Washington's small communities. Most assistance provided is related to finding funding to address failing water and wastewater systems.

To help communities complete projects efficiently, SCI works to establish and sustain working relationships between the communities and both funding and regulating agencies, as well as fostering interagency coordination and communication. SCI achieves this mission by helping small, incorporated cities or utility districts develop more focused projects, make strategic investments, identify and access appropriate fund sources, and meet all funding requirements.

Since its founding, SCI has helped 11 communities complete and sustain a range of projects.

SCI is governed by a steering committee with members representing CTED and the Departments of Health and Ecology. Initially staffed by one person, CTED now employs two full-time SCI program managers to provide technical assistance and serve as liaisons between the communities to and various state agencies.

**Annual Budget:** The program's 2005 budget was \$235,000.

## **Business and Project Development Unit**

**Administering Agency:** Department of Community, Trade and Economic Development, Economic Development Division

**Program Description:** The Business and Project Development Unit (BPD) works to encourage in-state and out-of-state businesses to establish and expand operations in Washington. In addition to providing location searches and research on matters such as labor market, workforce training, taxes, regulations, financing, transportation, and incentives, staff "partner with communities on infrastructure development, permitting and other actions in support of your project." BPD staff are familiar with state and federal infrastructure funding sources and they market and package various investment resources to support business siting, retention and expansion projects.

## **Washington Community Economic Revitalization Team (WA-CERT)**

**Administering Agency:** Department of Community, Trade and Economic Development, Economic Development Division

**Program Description:** The history of the WA-CERT program dates back to the late 1980s and early 1990s. It was formed as the Governor's Timber Team and tasked with addressing the economic impacts of the timber crisis. Reconfigured as WA-CERT in 1993, the principal function of program became to provide an on-line database that allows counties and tribes to register their economic development projects, listing them in priority order. The "WA-CERT list" allows state, federal and non-profit funders to quickly understand a communities prioritized needs. Of the programs studied here, the Community Development Block Grant Community Investment Fund requires that projects be ranked in the top three of an applying county's WA-CERT list.

Funding for WA-CERT was cut in the 2003 budget and the online database is no longer maintained by CTED. CTED still accepts and files lists of local project priorities provided by counties on a volunteer basis.

# COMMUNITY AND ECONOMIC DEVELOPMENT

## Member- and Governor-Added Local Capital Projects

The Department of Community, Trade and Economic Development is responsible for administering member- and governor-added local capital projects, the funding for which goes to go to local governments and non-profit agencies. Prior to the 2003-5 biennium, these projects were listed in various places within the Capital Budget and referred to collectively as "Local Capital Projects." In the 2003-5 biennium, such projects were aggregated under a single proviso labeled "Local/Community Projects" and in the 2005-7 Capital Budget, a new appropriation – "Jobs in Communities" – was added. Section 3.4 provides additional information related to these appropriations.

**Local/Community Projects Biennial Budget:** The 2005-2007 biennial budget is \$39,390,000.

**Jobs in Communities Projects Biennial Budget:** The 2005-2007 biennial budget is \$12,250,000.

## CDBG Interim Construction Float Grant/Loan

**Administering Agency:** Department of Community, Trade, and Economic Development, Local Government Division, Community Development Block Grant Program.

**Program Description:** These short-term loans are made in support of certain awards made by the U.S. Department of Agriculture's Rural Development division. The federal program has rules that prohibit it from providing awarded funds until a project has reached a certain stage of completion. Washington's CDBG program provides short-term loans to projects needing interim funding during construction before the USDA Rural Development funds become available. It uses funds allocated to the principal CDBG program, but not expected to be drawn down during the duration of the float loan term, efficiently putting to use funds that would otherwise be inactive.

There is another program using CDBG funds to make float loans, but it is administered by the Business Finance Unit in CTED's Economic Development Division. For more information, see "CDBG Economic Development Float Loans," below.

## Bond Cap Allocation

**Administering Agency:** Department of Community, Trade, and Economic Development

**Program Description:** The Bond Cap Allocation Program (BCAP) provides the legally required review and approval for Washington State to comply with federal tax laws on the issuance of tax-exempt bonds classified as private activity. BCAP does not issue tax-exempt bonds to private projects: their role is to approve and oversee the issuance of bonds. For example, a private developer interested in building a low income housing development can ask a local, bond issuing housing authority for tax-exempt bond sales. The housing authority then applies to BCAP for permission to issue those bonds.

Washington State is annually permitted a finite pool of tax-exempt bond sales for privately funded projects that serve the public good. For example, in 2004 Washington State's Bond Cap was \$490 million or \$80 per capita. BCAP's objective is to allocate and use 100% of the available annual cap.

Tax-exempt bond sales are further allocated into the following five categories with three percent of the total tax-exempt bond allocation reserved for general use: small issue manufacturing (24% of total tax-exempt bond allocation); public utility districts (10%); housing (30%); capital facilities (19%); and student loans (14%).

## **CTED Capital Programs**

CTED's Capital Programs are administered by the agency's Local Government Division and provide funding for capital projects that contribute to local economies throughout the State. Each program awards matching grants to community-based nonprofit organizations to acquire, develop, or renovate their facilities. The programs award competitive grants every two years.

### **Building for the Arts**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** This program awards state grants to nonprofit performing arts, art museum and cultural organizations to defray up to 20% of eligible costs for the acquisition, construction, and/or major renovation of capital facilities. The program expends reimbursement-style grants funded by the sale of state bonds. Biennially, an Advisory Board selects awardees through a competitive grant process that solicits eligible projects. Grant monies have been distributed to organizations such as the Nordic Heritage Museum in Seattle, McIntyre Hall in Mount Vernon, and the Children's Museum of Spokane. The program has recently focused on grantees' organizational, financial and managerial capacity, in conjunction with the Governor's GMAP initiative. With this new perspective, program administrators seek to achieve optimal value by distributing grants to those who prove fiscal responsibility and strong project management ability.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,390,000.

### **Community Services Facilities Program**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** This program distributes State grants to nonprofit organizations to pay up to 25% of eligible capital costs for the acquisition, construction and/or major renovation of non-residential social service capital facilities. An Advisory Board oversees the ranking and application process, determines which applicants should receive grants, and presents this list to the Legislature for approval. Since the inception of the GMAP process in 2005, administrators have been working toward the accountability measures set forth in the Initiative

to ensure that grants are distributed fairly across the State to all types of eligible programs while maintaining low administrative costs and program integrity.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,350,000.

### **Youth Recreational Facilities Program**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** The 2003 Washington State Legislature created the Youth Recreational Facilities Program to award State grants to nonprofit organizations to defray up to 25% of capital costs for the acquisition, construction and/or major renovation of nonresidential youth recreational facilities.

**Biennial Budget:** The 2005-2007 biennial budget is \$3,300,000.

### **CTED Business Assistance Programs**

CTED's **Business Finance Unit** "provides technical assistance, financing services and targeted lending to assist small and medium-sized businesses in obtaining loan capital for start-up and expansion projects that create or retain jobs, stimulate private investment, increase the local tax base, and strengthen community economic vitality (CTED website)." Only businesses operating in Washington State are eligible for these programs. A Memorandum of Understanding coordinates CDBG program administration and reporting to HUD through the Local Government Division, which administers the majority of the State's CDBG programs, and the Business Finance Unit, which manages three CDBG-related programs: CDBG Economic Development Float Loans, Section 108 Loan Guarantees, and the Rural Washington Loan Fund.

The funds and programs described below are of interest to this study given their ability to fund infrastructure development. These programs are categorized differently from those funding "basic public infrastructure" in that the investments made by these programs support private sector infrastructure, including business and child care capital facilities.

Other programs administered by the Business Finance Unit include the Brownfields Cleanup Revolving Fund, the Coastal Loan Fund, the Forest Products Revolving Loan Fund, the Child Care Micro Loan Fund and Small Business Administration (SBA) loans:

#### **CDBG Economic Development Float Loans**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** These short-term loans are made available to businesses in non-eligible cities and counties by utilizing funds allocated to the principal CDBG program, but not expected to be drawn down during the duration of the float loan term, efficiently putting to

use funds that would otherwise be inactive. Float loans are made to businesses which promise to retain or create jobs available to qualified low-income candidates. Typically loans are made at rates well below prime. In the past this program was restricted to economic development activities, however use of these float funds has been expanded to include interim construction financing for eligible community development and housing activities.

There is another program using CDBG funds to make float loans, but it is administered by CTED's Local Government Division. For more information, see "CDBG Interim Construction Float Grant/Loan," above.

**2004 Economic Development Float Loan Activity:** In 2004, a single float loan of \$8.4 million was made to Cardinal Glass of Lewis County for working capital and inventory.

### **HUD Section 108 Guaranteed Loans**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** This program can be used to support private sector capital facility development, as well as equipment and inventory. The program utilizes CDBG funds to guarantee bond issuances. No funds are expended unless the private sector recipient defaults, in which case CDBG funds are drawn upon until such time as the private enterprise can resume servicing the bond.

Borrowers must have a local government sponsor eligible to receive State CDBG assistance. HUD must approve the project, which must meet the following conditions:

- The need for assistance is appropriate given the type of the project
- The project will create jobs, and if qualified lower-income candidates are available, the majority of the jobs must be made available to them. Retention of jobs can also be considered as a qualifying factor
- The proposed repayment is 20 years or less
- Other reasonable financing alternatives have been exhausted
- The request is not less than \$700,000 nor does it exceed \$7 million
- The sponsoring jurisdiction has less than \$7 million in outstanding 108 Loan Guaranties

### **Child Care Facility Fund**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** The Washington State Child Care Facility Fund provides grants and loans to non-profit and for-profit child care providers, to expand the quality and supply of affordable and convenient child care in Washington. Loan funds can be used to start, expand or make capital improvements to a licensed child care facility; acquire personal property for a

child care facility that is depreciable under the federal tax code; purchase health and safety improvements or program equipment for child care facilities; or pay a new child care facility's operating costs for its first three months. Grant funds may only be used to purchase health and safety improvements or equipment for child care facilities. Examples include curriculum and supplies, fire alarm systems, locks, changing tables, kitchen equipment, playground equipment, and a plumbing upgrade required by a state licensing authority.

**Annual Budget:** Approximately \$180,000

### **Rural Washington Loan Fund**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** The Rural Washington Loan Fund provides gap financing to businesses that will create new jobs or retain existing jobs, particularly for lower-income persons. Only businesses in nonentitlement areas of the state are eligible for these loans. "Gap" is defined as that portion of a project which cannot be financed through other sources, but which is the last portion needed before the overall investment can occur.

Funds can be lent for the acquisition, engineering, improvement, rehabilitation, construction, operation, or maintenance of any property, real or personal, that is used or is suitable for use by an economic enterprise. While the program can support infrastructure development, to date, loans have been made to fund working capital such as equipment and inventory.

Priority is given to projects in timber-dependent and distressed areas. Priority projects include businesses in the following categories:

- Manufacturing or other industrial production
- Agricultural development or food processing
- Aquaculture development or seafood processing
- Development or improved utilization of natural resources
- Tourism facilities
- Transportation or freight facilities
- Other activities which represent new technology or a type of economic enterprise needed to diversify the economic base of an area
- Retail or service enterprises that will expand the community's economic base rather than primarily redistribute the existing customer base

**Biennial Budget:** The 2005-2007 biennial budget is \$4,126,905. The program is funded with CDBG funds, which are switched with dollars from the State Building Construction Account. This avoids violation of Washington's constitutional prohibition of extending State funds to private enterprises.

# HISTORIC PRESERVATION PROGRAMS

## Heritage Capital Project Fund

**Administering Agency:** Washington State Historical Society

**Program Description:** The Heritage Capital Project Fund began because Washington needed a program to "support capital needs and facilities of heritage organizations, tribal governments, public development authorities, and local government agencies that interpret and preserve Washington's history and heritage." Through a competitive grant application process, the fund awards grants (which must be met with a two-to-one match) for projects including additions, renovations, and new construction involving museums, interpretive centers, historic structures, and public buildings.

**Biennial Budget:** The 2005-2007 biennial budget is \$4,612,500.

## Historic Preservation Fund

**Administering Agency:** Department of Archaeology and Historic Preservation

**Program Description:** This program is of interest to this study because during the 2005-07 biennium, \$5 million was appropriated to the Historic Preservation Fund Grant by the Legislature for the purpose of restoring historic courthouses. Funds for this program are distributed to state agencies from the U.S. Treasury Historic Preservation Fund, with proceeds derived from the federal leasing of offshore oil drilling sites. Funds are distributed through the Certified Local Government Program and are used for historic preservation activities specified in federal laws and regulations, ultimately nominating researched places of historic interest to the National Register of Historic Places and carrying out a program of comprehensive preservation planning.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,000,000.

## HOUSING ASSISTANCE PROGRAMS

### Housing Trust Fund

**Administering Agency:** Department of Community, Trade, and Economic Development, Housing Division

**Program Description:** The Washington State Legislature established the Housing Trust Fund (HTF) in 1987 as a renewable resource of loans and recoverable grants to support low and very low income housing. HTF helps meet the need for housing for special needs populations, such as people with chronic mental illness, developmental disabilities, homeless families, frail elderly people, and farmworkers.

The intent of HTF funds is to fill the gap created by a withdrawal of federal funds for housing assistance. While its primary focus is on revitalizing existing buildings, HTF funds can also be used for new construction or acquisition of low and very low-income housing units; rent subsidies directly related to providing housing for special needs tenants in assisted projects; technical assistance, including design and finance services; and consultation and administrative costs for eligible nonprofit community or neighborhood-based organizations.

**Biennial Budget:** The 2005-2007 biennial budget was \$97,500,000.

### Farmworker Housing Infrastructure Loan Program

**Administering Agency:** Department of Community, Trade and Economic Development, Housing Division

**Program Description:** The Farmworker Housing Infrastructure Loan Program makes forgivable no-interest loans to growers to finance infrastructure necessary to develop on-farm housing. Originally funded in 2000 by a one-time Federal grant, it received an appropriation of State funds in 2005-07.

**Biennial Budget:** The 2005-2007 biennial budget was \$2,500,000.

## **K-12 SCHOOL CONSTRUCTION**

### **School Construction Assistance Grants**

**Administering Agency:** Office of Superintendent of Public Instruction

**Program Description:** The School Construction Assistance Program is a cornerstone program of the K-12 system for capital expenditures. This program creates partnerships with local communities to provide funding to build and modernize schools. It focuses on new construction and modernization of existing buildings, but does not provide for small repairs or maintenance. No funding is provided for administrative buildings; funds must be used for buildings for student learning. The program limits funding to a certain amount of space per student and to a certain cost per square foot. The school district must successfully pass a bond to support loan repayments in order to be eligible for the program. The school must also be increasing in attendance. The State Board of Education is the budget authority and also has project approval authority and rule authority.

**Biennial Budget:** The 2005-2007 biennial budget is \$617,400,000.

## OUTDOOR RECREATION

The programs described in this subsection are administered by the Interagency Committee for Outdoor Recreation (IAC), which was established by Initiative 215 in 1964. The Committee is composed of five citizens appointed by the Governor and the State agency directors (or their designees) of the Department of Natural Resources, the Washington State Parks and Recreation Commission and the Washington Department of Fish and Wildlife. Most programs have an Advisory Board which provides input and guidance.

Each of the programs utilizes the Project Information System (PRISM), a software application developed in-house to assist with managing grants and applications.

PRISM is used for processing grant applications, accounting and evaluation for all programs in the IAC. Instead of printed applications materials, applicants can choose to receive a CD-ROM with the software, or download it from the IAC website. Application materials other than original signatures can be submitted over the Internet, with applicants able to view, modify, and check on the status of their application after submittal. PRISM is also expected to help the agency work within the Governor's Management, Accountability and Performance (GMAP) management initiative.

### **Boating Facilities Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Boating Facilities Program (BFP) helps communities acquire, develop, and renovate boating facilities, including launching ramps, transient moorage, and support facilities on fresh and saltwater.

BFP grants can only be used for capital improvements, which include design and engineering. Additionally, grants may include permitting, and a very small amount can be used for grant administration.

**Biennial Budget:** The 2005-2007 biennial budget is \$8,350,000.

## **Boating Infrastructure Grant Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Boating Infrastructure Grant Program (BIG) funds facilities for recreational transient boating, focusing on vessels 26 feet long or longer. Projects greater than \$100,000 are considered Tier 2 requests and are submitted to the federal program for funding.

There is no governing board, but an evaluation team reviews grants for both State Tier 1 (under \$100k) requests and Federal Tier 2 (over \$100k) projects.

Annually, \$100,000 is allotted for BIG at the State level. Additional funds may be distributed by the central federal funding agency through Tier 2 grants.

Boat clubs, yacht clubs, and private marinas can apply but they must be open to the public. Projects include moorage docks that can accommodate large vessels, 40 to 50 foot boarding floats, breakwaters, and navigational guides. No acquisitions are eligible, only renovations, and information and education projects.

Both Tiers must complete the State application, and if a project is recommended to and accepted for consideration on the national level (Tier 2), the applicant must complete federal forms. The evaluation team recommends projects to the federal level, where they are first reviewed on a regional level. It has been the goal of the evaluation committee and the program to make the application process as simple as possible, considering the multiple application levels.

**Biennial Budget:** The 2005-2007 biennial budget is \$190,000.

## **Firearms and Archery Range Recreation Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Firearms and Archery Range Recreation Program (FARR) funds projects which acquire, develop, and renovate public and private nonprofit firearm ranges and archery training grounds and practice facilities. It also funds equipment purchases, safety or environmental improvements, noise abatement and liability protection. Priority is given to noise abatement and safety improvement projects.

Most grants (upward of 60%) are awarded to non-profit groups, including gun clubs and associations, who are trying to maintain or develop ranges.

**Biennial Budget:** The 2005-2007 biennial budget is \$223,000.

## **Land and Water Conservation Fund**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Land and Water Conservation Fund (LWCF) is administered by the U.S. Department of the Interior through the National Park Service and the IAC, with funding coming from a portion of federal revenue derived from sale or lease of off-shore oil and gas resources. The program assists with preserving, developing and providing accessibility to outdoor recreation resources. Projects include, but are not limited to, parks, trails, wildlife lands, and other lands and facilities promoting individual active participation.

LWCF funds provide matching grants to assist states and local governments to acquire, develop, and renovate public outdoor recreation areas and facilities. New parks and additions to existing parks are eligible, although swimming pools and ice skating rinks are the only eligible indoor facilities. LWCF funds a variety of projects including: athletic fields; multipurpose courts; playgrounds; skate parks; support facilities such as parking, restrooms, storage, and utilities; and vistas and view points.

**Biennial Budget:** The 2005-2007 biennial budget is \$4,500,000.

## **National Recreational Trails Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The National Recreational Trails Program (NRTTP) is administered by the U.S. Department of Transportation through the Federal Highway Administration and IAC, with funding coming from federal gasoline taxes attributed to recreational nonhighway uses. The program seeks to rehabilitate and maintain recreational trails and facilities providing a backcountry experience. The program assists with the maintenance of recreational trails, development of trail-side and trail-head facilities, construction of new trails, and the operation of environmental education and trail safety programs. Eligible elements must directly convey a safety and/or environmental message.

NRTTP provides grants for recreational trails and trail-related facilities for both nonmotorized and motorized recreational areas used for hiking, bicycling, equestrian use, cross-country skiing, snowmobiling, off-road motorcycling, all-terrain vehicle riding, and four-wheel driving.

**Biennial Budget:** The 2005-2007 biennial budget is \$2,350,000.

## **Non-highway & Off-Road Vehicle Activities Program**

**Administering Agency:** Office of the Interagency Committee

**Program Description:** The Non-Highway & Off-Road Vehicle Activities Program (NOVA) helps develop and manage recreation opportunities for activities such as cross-country skiing, hiking, horseback riding, mountain biking, hunting, fishing, sightseeing, motorcycling, and riding all-terrain and four-wheel drive vehicles.

NOVA provides funds for planning, capital improvements, maintenance and operation, and off-road vehicle education and enforcement. Projects funded from the motorized vehicle fund can include driving for pleasure, fishing, boating, camping, gathering, picnicking and other recreational uses. For non-motorized fund grants, there is a focus on trail-related activities including cross-country skiing, mountain biking, horseback riding, and snowshoeing. For off-road grants, the focus is on all-terrain vehicles and motorcycles, including trails.

Allowable capital projects can involve acquisition, development and renovation. Non-capital projects can include planning activities such as feasibility studies and environmental assessments to determine whether an area is suitable for off-road recreation, as well as maintenance and operation of trails. Funds are also allocated to education and enforcement, with a focus on safety.

**Biennial Budget:** The 2005-2007 biennial budget is \$7,579,000.

## **Washington Wildlife and Recreation Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Washington Wildlife and Recreation Program funds acquisition and development of local and state parks, water access sites, trails, critical wildlife habitat, natural areas, and urban wildlife habitat. Its goal is to protect and preserve undeveloped land and create recreation opportunities for future generations with an emphasis on acquisitions of land for protected habitat. With recent legislative changes, maintenance and renovation projects are also eligible.

**Biennial Budget:** The 2005-2007 biennial budget is \$48,500,000.

## **Youth Athletic Facilities Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** This program provides grants to cities, counties and qualified nonprofit organizations for new athletic facilities, and for the improvement and maintenance of existing facilities.

Funding has been erratic for this program. It was initially funded by a \$10 million grant from Paul Allen. The program has also received about \$1 million in Interest earned on funds in its account. In the future it will receive excess revenue from the taxes collected and lottery funds dedicated to retiring the bonds sold to construct the Seahawk's football stadium, but it is not known when this may occur. There will not be a grant cycle for the 2005-2007 biennium because enough funds were not accumulated.

**Biennial Budget:** The 2005-2007 biennial budget is \$0.

## PRE- AND POST-DISASTER RELIEF

The following federal pre- and post-disaster programs are administered through the Emergency Management Division (EMD) of the Washington Military Department. The pre-disaster programs do not involve State monies, while the post-disaster programs involve State participation typically equivalent to 12.5% of project costs.

### Pre-Disaster Programs

Funding for these pre-disaster mitigation programs is 75% federal and 25% local, with no State monies involved.

#### Pre-Disaster Mitigation Competitive (PDMC)

**Program Description:** This competitive federal program is designed to fund infrastructure investments that mitigate damage from subsequent events. Eligible applicants include the State government, local governments, special districts, certain non-profit organizations with government-like services and facilities, and Indian Tribes. Examples of eligible projects include the acquisition, elevation and relocation of structures from hazard-prone areas; construction activities that provide protection from hazards; and the development of local natural hazard mitigation plans. The State reviews applications for completion and compliance with the State Mitigation Plan and sends approved applications to the Federal Emergency Management Agency's (FEMA) National Review team for further consideration.

**Annual Budget:** Nationally, \$150 million is available for projects.

#### Flood Mitigation Assistance (FMA) Program

**Program Description:** This federal program focuses on prevention of repetitive flood-related damage for insured structures. Examples of eligible projects include retrofitting to protect structures from future flood damage or the acquisition, elevation and relocation of structures from areas prone to flooding. Applications are evaluated by a work group of state and local representatives, with recommended projects forwarded to FEMA for approval and funding based upon competitive scoring and available funds.

**Annual Budget:** Washington State receives approximately \$200,000 a year in federal funds through the FMA Program.

## Disaster Programs

These post-event programs require a Presidential declaration of a major disaster. Funding is 75% federal and 25% non-federal (usually 12.5% State and 12.5% local). State funds are supplied via the Disaster Response Account or a separate account if so determined by OFM and the State Legislature. The Military Department is the administering body which collects applications and manages grants. Full-time State staff members manage the Public Assistance Program, the Hazard Mitigation Grant Program and the Human Services Program. The Human Services Program provides disaster assistance to individuals and households, and is not addressed here.

### **Public Assistance (PA) Program**

**Program Description:** These funds are available to repair damage to government-owned infrastructure, such as roads, bridges, and utilities following a disaster event. Eligible applicants include local governments, special districts, certain non-profits, and Indian Tribes. Following an event, project worksheets with project descriptions and cost estimates are prepared by joint local-state-federal teams. Projects must be approved at the state and federal level.

### **Hazard Mitigation Grant Program (HMGP)**

**Program Description:** This post-disaster program funds projects to prevent future damage from any natural hazards. Projects must be in line with the State Hazard Mitigation Strategy. Eligible applicants include local governments, special districts, certain non-profits, and Indian Tribes. Applications are evaluated by a work group of state and local representatives, with recommended projects forwarded to FEMA for approval and funding based upon score and available funds.

**Available Funds:** Post-disaster requests for HMGP funds have historically exceeded the available funding by a ratio of ten to one.



**ATTACHMENT D**  
**FUNDING INVENTORY**



# ATTACHMENT D FUNDING INVENTORY

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## INTRODUCTION

This document presents Part 2 of an Inventory of Washington State's public infrastructure programs and systems. Part 1, under separate cover, inventories the programs. The Inventory is an important element of a larger effort to assess the efficiency and effectiveness of the State's public infrastructure investments, which is being conducted in three phases:

- Phase 1:** Development of a research and analysis work plan for Phase 3 (completed);
- Phase 2:** Research and inventory specific State infrastructure programs and funds; and
- Phase 3:** Analyze the State's programs and funds, make findings and recommendations, and prepare drafts and final reports.

The Funding Inventory presented here will be updated over the course of the project, as information continues to be collected in Phase 3 work. Final Program and Fund Inventories will be submitted with the project's Final Report, on December 1, 2005.

### 1.0 FUNDING INVENTORY SCOPE

This Funding Inventory characterizes the source of funding for each of the programs documented in the infrastructure Program Inventory. The Funding Inventory describes the following information:

- Name of the fund account
- Revenue sources, categorized by level of government
- Summary of revenue history
- Expected future revenues

The methodological approach is presented in Section 2.0. Sections 3.0 through 8.0 provide a description of the program funding. Section 9.0 presents a brief description of taxes used to fund multiple programs.

### 2.0 METHODOLOGY

The Funding Inventory was developed using information from several sources:

- Interviews with key State personnel
- Data provided by State personnel
- State and federal agency web sites
- State and federal agency program reports
- The Office of Financial Management's Fund Reference Manual
- The Department of Revenue's 2005 Tax Reference Manual
- The Revised Code of Washington and the Washington Administrative Code
- The State Legislature's Bill Information database

For each program, the budget officer and other key staff provided data on funding sources and funding history. Additional program funding information was collected from Department of Revenue reports and the Office of Financial Management. The Fund Reference Manual and the Revised Code of Washington were extensively consulted to inform the analysis. Attachment I lists State employees who assisted in developing the inventory.

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## **3.0 DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT**

### **3.1 Public Works Trust Fund Programs**

The Public Works Trust Fund (PWTF) is a revolving loan fund established in 1985 by the Legislature, along with the Public Works Board, which administers the Fund. It is funded by four State taxes and the repayment of loans it issues. The fund awards loans through four programs: the Construction Loan Program (CLP), the Emergency Loan Program (ELP), the Pre-Construction Loan Program, and the Planning Loan Program. Only the CLP and ELP directly fund infrastructure projects. The other two programs provide loans to fund planning for infrastructure projects. For reference, Exhibit D - 1 provides a diagram showing the flows of funds into and out of the account used by the PWTF. Two other programs currently receive funds from the account, and another will begin to in FY 2007.

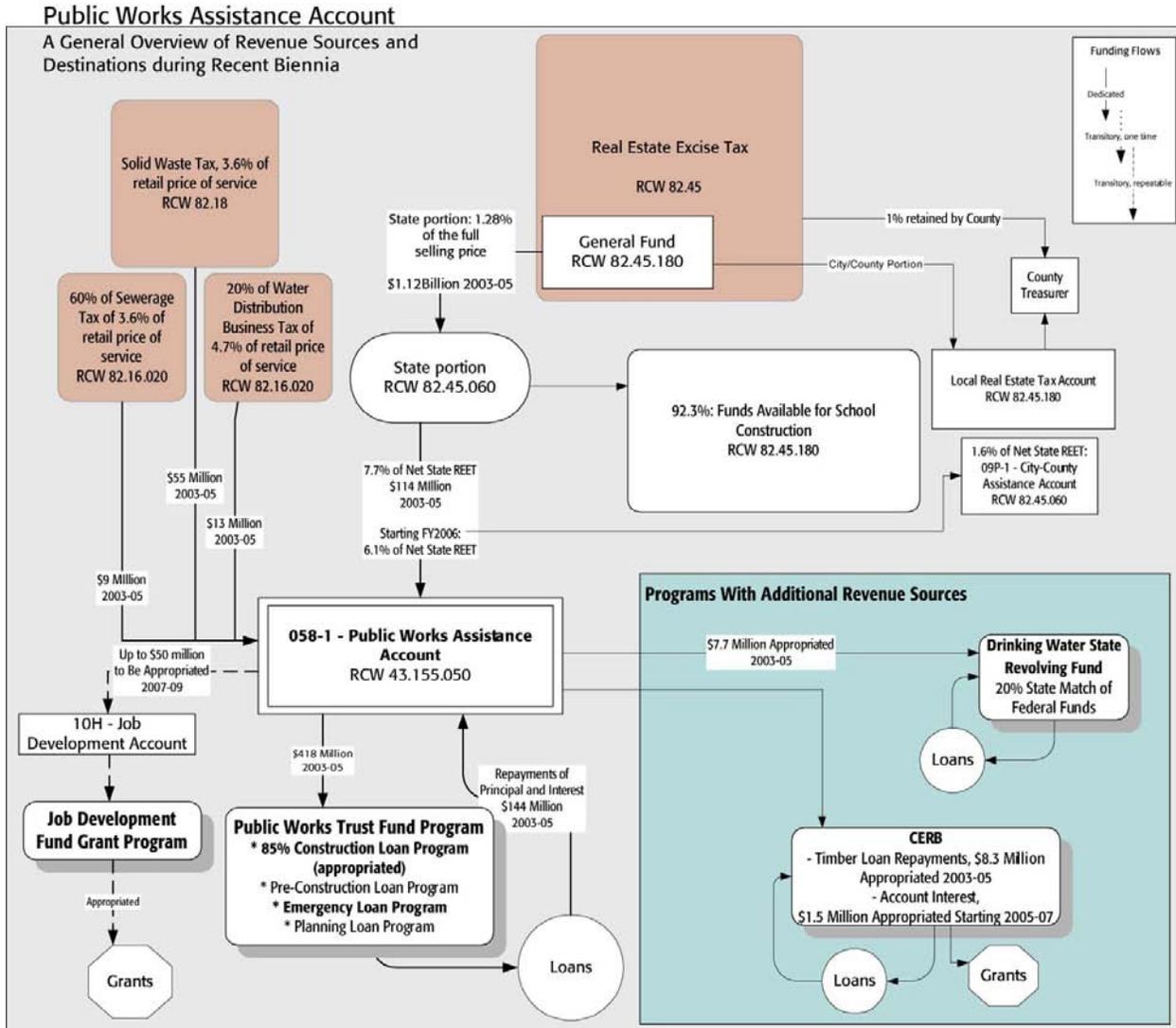
The CLP is the largest of the four PWTF loan programs – it receives no less than 85% of appropriated funds. All CLP loans must be appropriated, while loans in the other three categories do not. The ELP is funded on an as-needed basis from the remaining 15%. To date a larger amount has been loaned through the ELP than through the Planning Loan Program. However, the Pre-Construction Loan Program has loaned about seven times as much as the ELP over the life of the fund, \$79 million to \$11.5 million.

The four taxes that fund the PWTF are:

- Solid Waste Tax: 3.6% of the cost of the service, RCW 82.18
- Public Utility Tax, Sewerage Collection: 60% of the 3.6% of the cost of the service, RCW 82.16.020
- Public Utility Tax, Water Distribution: 20% of the 4.7% of the cost of the service, RCW 82.16.020
- Real Estate Excise Tax (REET): 6.1% of the 1.28% of full selling price, RCW 82.45.060.

## Exhibit D - 1

### Funding Flow for Public Works Assistance Account



Source: Berk & Associates, 2005

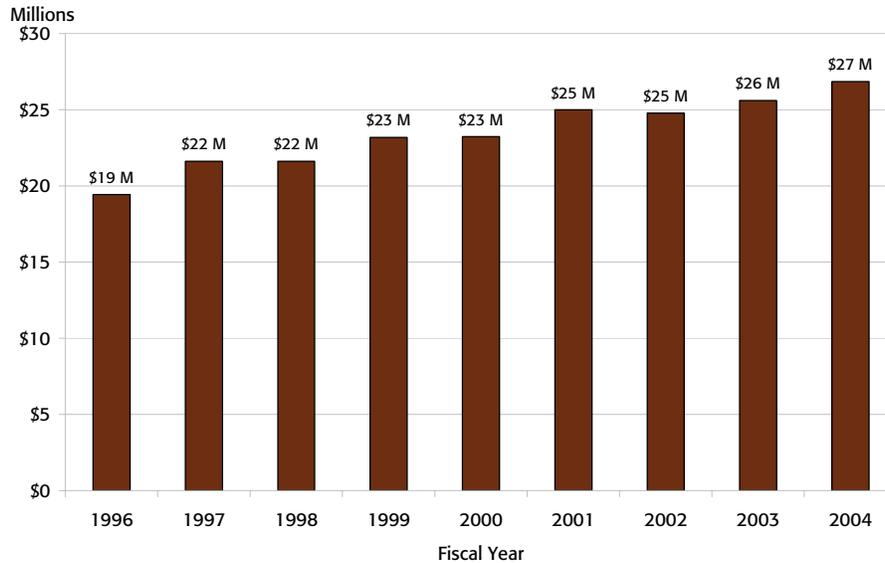
**Solid Waste Tax.** The Solid Waste Tax is administered by the Department of Revenue (DOR), and its proceeds go to the account that supports the PWTF, the Public Works Assistance Account (PWAA). It is considered to be a form of sales tax because customers are liable for it, even though it is collected by the approximately 275 firms that provide solid waste collection services.

As Exhibit D - 2 shows, revenue from the tax has been steadily increasing for the past decade. Revenue is dependent on the price and volume of the service, and on the number of customers. Revenue should increase as a function of the State's continued population growth, so long as solid waste providers increase their prices to keep up with inflation.

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## Exhibit D - 2

### Solid Waste Tax Revenue History: 1996-2004



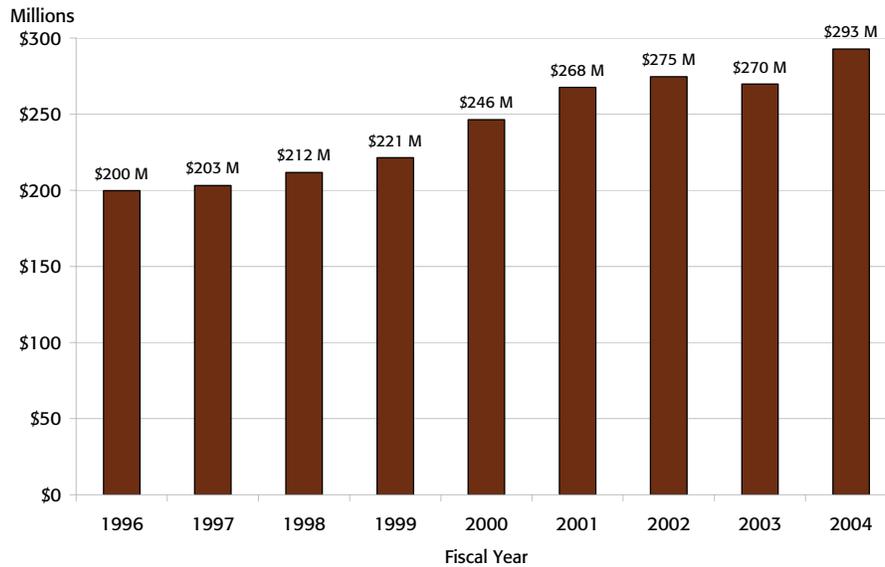
Source: WA DOR and Berk & Associates, 2005

**Public Utility Taxes.** Public Utility Taxes are levied on the gross receipts of providers of utility services in lieu of Business & Occupation (B&O) taxes. Approximately 60% of the total revenue of the Public Utility taxes comes from the tax on the distribution of electricity. Public Utility Taxes on the distribution of water and on the collection of sewage support the PWTF. The current rate for the water tax is 4.7%, while the sewage tax is 3.6%. Both taxes are currently subject to a 7% surtax that raises the rates to 5.029% and 3.852%, respectively. The water tax brings in roughly 12% of the total Public Utility Tax revenue and the sewage tax brings in 3%. See Exhibit D - 3 for the revenue history of the combined Public Utility Taxes.

The PWTF receives a portion of the base rate of these taxes – the surtax portion is not included in the calculation of the amount received by the PWTF. Of the water tax, the PWTF receives 20% of the base 4.7%. Sixty percent of the base sewage tax rate of 3.6% is credited to the PWTF.

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### Exhibit D - 3 Public Utility Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

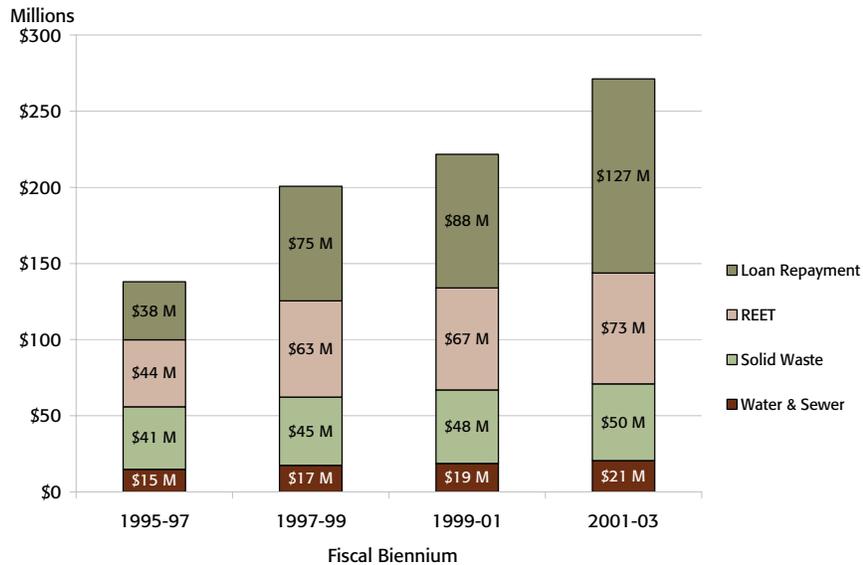
Total collections for all the utility taxes have steadily increased over the past ten years. Revenues are dependent on the number of utility customers, the amount of each utility used, and the utility rates. Population growth continues to increase the number of customers; however, conservation efforts that reduce per capita utility consumption could affect future revenue.

**Real Estate Excise Tax.** See Section 9.1.

**Loan Payments.** The final source of funds supporting the PWTF revolving fund is repayment of the loans it awards. As the program has matured and the total amount of the outstanding loans has increased, so has the amount repaid. Over the past decade, repayment has gone from contributing 28% to 41% of total PWTF funds.

Total funding for the PWTF has steadily increased during this time, driven mostly by the increase in repayments, but also because the other sources of revenue have grown, REET in particular. See Exhibit D - 4 for a breakdown of revenue history by source. As the Exhibit shows, in the 1995-97 biennium loan repayments accounted for 28% of revenue, REET 32%, Solid Waste Tax 30%, and Water & Sewer Taxes combined to make up 11%. In the 2001-03 biennium (the last biennium for which final revenue figures are currently available), loan repayments comprised 47% of revenue, REET 27%, Solid Waste Tax 19%, and Water & Sewer Taxes 8%. In Fiscal Year 2004 repayments did decrease its share relative to REET, but this may be a temporary reversal as the fund's capitalization continues to grow, and the real estate market could slow down, decreasing collections of the REET.

## Exhibit D - 4 Public Works Trust Fund Revenue History: 1995-2003



	1995-97	1997-99	1999-01	2001-03	2004
Loan Repayment	\$38,269,000 28%	\$75,253,000 37%	\$87,784,000 40%	\$127,417,000 47%	\$59,709,000 41%
REET	\$43,884,000 32%	\$63,242,000 32%	\$66,928,000 30%	\$72,823,000 27%	\$47,404,000 33%
Solid Waste	\$41,058,000 30%	\$44,802,000 22%	\$48,240,000 22%	\$50,389,000 19%	\$26,849,000 18%
Water & Sewer	\$14,842,000 11%	\$17,391,000 9%	\$18,731,000 8%	\$20,559,000 8%	\$11,679,000 8%
<b>Total</b>	<b>\$138,053,000</b>	<b>\$200,688,000</b>	<b>\$221,683,000</b>	<b>\$271,188,000</b>	<b>\$145,641,000</b>

only 2004 data for 2003-05

Source: WA PWB 2004, WA DOR and Berk & Associates, 2005

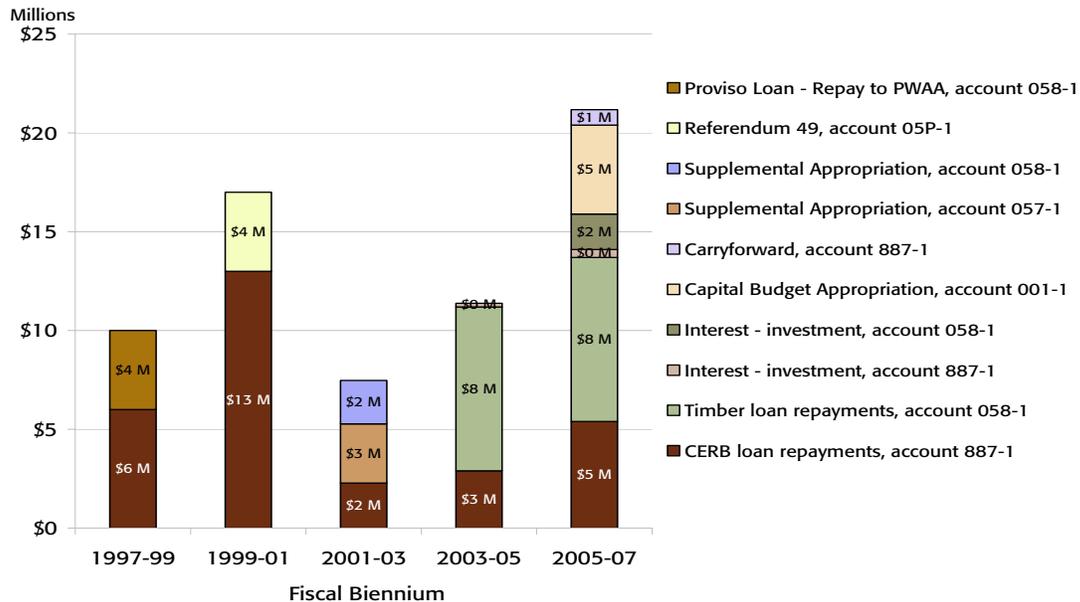
### 3.2 CERB Traditional and Rural Programs

The history of funding for the Community Economic Revitalization Board's (CERB) Traditional Construction Program and Rural County Construction Program is complicated and incomplete. It is complicated because a stable funding source for them has been lacking, leaving the Legislature the challenge of pulling together funds from numerous sources. It is incomplete due to the loss of some financial records during the merger of the Department of Trade and Economic Development (DTED) and the Department of Community Development (DCD), which created the Department of Community, Trade, and Economic Development (CTED).

CERB was authorized in 1982 and funded by the sale of \$20 million of bonds, placed in account 887 -1 - Public Facility Construction Loan Revolving Account – State (the CERB account). It has since received funds from several other sources, most of them transitory. One source is transferred funds that the Legislature has chosen to provide. In recent years transfers have come from both 057-1 - State Building Construction Account – State and 058-1 - Public Works Assistance Account – State (PWAA). However, these transfers are not considered stable sources of income for the program. Exhibit D - 6 illustrates the system of funding for the CERB programs and how funds flow into them (here they are treated as a single program referred to as 'CERB').

Another transitory source was the Motor Vehicle Excise Tax (MVET). Referendum 49, passed in 1998, dedicated a portion of MVET revenue to CERB through accounts *05P - Distressed County Public Facilities Construction Loan Account* and *887-1 Public Facility Construction Loan Revolving Account*. This was only available for six months, however, because later that year Initiative 695 was passed which repealed the MVET. When the Initiative was ruled unconstitutional, its intent was enacted through legislation reducing car license fees to a flat \$30. In addition to these various revenue sources, CERB has received other appropriations from the State General Fund.

### Exhibit D - 5 CERB Revenue History: 1997-2007



Source	Account #	1997-99	1999-01	2001-03	2003-05	2005-07
Proviso Loan - Repay to PWAA,	account 058-1	\$4,000,000 40%				
Referendum 49,	account 05P-1		\$4,000,000 24%			
Supplemental Appropriation,	account 058-1			\$2,200,000 29%		
Supplemental Appropriation,	account 057-1			\$3,000,000 40%		
Carryforward,	account 887-1					\$782,772 4%
Capital Budget Appropriation,	account 001-1					\$4,500,000 22%
Interest - investment,	account 058-1					\$1,500,000 7%
Interest - investment,	account 887-1				\$180,000 2%	\$400,000 2%
Timber loan repayments,	account 058-1				\$8,300,000 40%	\$8,300,000 40%
CERB loan repayments,	account 887-1	\$6,000,000 60%	\$13,000,000 76%	\$2,275,000 30%	\$2,900,000 25%	\$5,400,000 26%
<b>Total</b>		<b>\$10,000,000</b>	<b>\$17,000,000</b>	<b>\$7,475,000</b>	<b>\$11,380,000</b>	<b>\$20,882,772</b>

Source: CTED, CERB and Berk & Associates, 2005

The result of this patchwork of funding has been significant swings in total appropriations from biennium to biennium. See Exhibit D - 5 for CERB's recent funding history. As the Exhibit shows, funding has oscillated from \$10 million in 1997-99 to \$17 million in 1999-01, down to a low of \$7.475 million in 2001-03, and back up to an expected \$20.887 million in the 2005-07 biennium.

In addition to variance in appropriations, CERB funding varies with loan repayments. When revenue projections do not meet expectations, the balance in the CERB account may not be sufficient to fund

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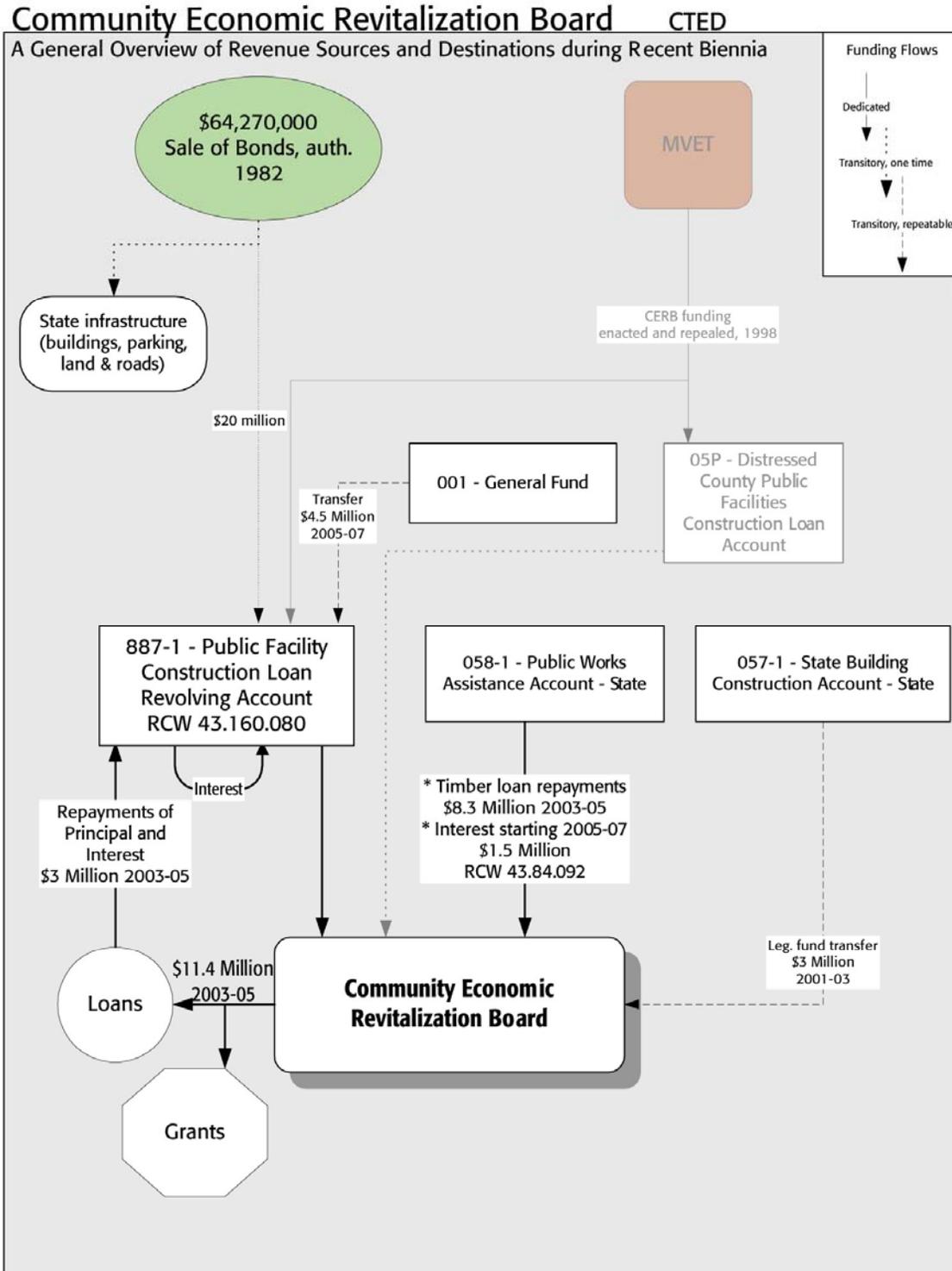
what the Legislature appropriated for the program. In such cases, the Board must work with the funds in the account, not with the amount of the appropriation. Note: repayments are not the only sources of CERB revenue for its Traditional and Rural Programs.

In the 2005-07 biennium it is budgeted that one-quarter of CERB's funds will come from the repayment of loans made from the CERB account. It also receives the principal and interest repaid on the Public Works Trust Fund's Timber and Rural Natural Resource loans, per 2002's House Bill 2425. This redirection is only available from 2003 to 2007, but in the 2005-07 biennium it accounts for 40% of CERB's funds. Another source of dedicated funding is interest income. House Bill 2425 redirected interest on funds in the CERB account from the Treasury Income Account, allowing it to remain with CERB starting in FY2005. SB 5363, passed in 2003, gives CERB the interest earned on the Public Works Assistance Account beginning in FY2006, again redirecting it from the Treasury Income Account. In the 2005-07 biennium these two sources will provide about 10% of CERB's funding.

The CERB Board currently has a goal of finding dedicated, long-term funding of \$10 million per year for the Traditional and Rural Programs.

Note: while RCW 43.160.200 authorizes both the creation of account *858 - Economic Development Account of the Public Facilities Construction Loan Revolving Fund* and its use by CTED, it is not known to be used by CERB.

## Exhibit D - 6 Funding Flows for CERB



Source: Berk & Associates, 2005

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### **3.3 CERB Job Development Fund**

The CERB Job Development Fund was created in 2005 by House Bill 1903. An initial set of 14 Legislature-designated projects will be funded by a direct appropriation from the Public Works Assistance Account in the 2005-7 biennium. The program will be administered by CERB, and funded in the 2007-9 biennium by a \$50 million transfer from the Public Works Assistance Account to the Job Development Fund Account. The CERB Job Development Fund will sunset on June 30, 2011.

See Section 3.1 for the funding sources of the Public Works Assistance Account.

### **3.4 Community Development Block Grant Program**

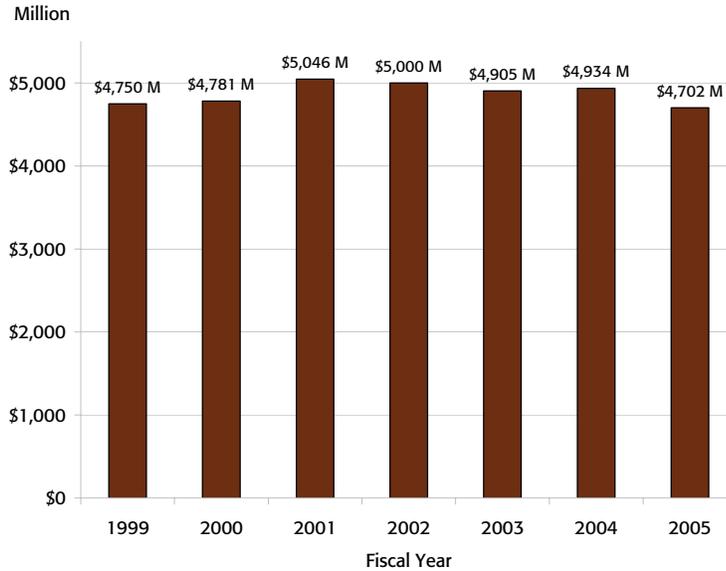
The Community Development Block Grant (CDBG) program originates from the U.S. Department of Housing and Urban Development (HUD) and is administered by participating states. It uses primarily federal dollars, but does require a State funded match. In Washington the Local Government Division of CTED administers the program. The block grant funds are allocated into seven set-aside funds, including four that make grants for projects that include an infrastructure component. Those four set-asides are for General Purpose Grants, Community Investment Fund Grants, Housing Enhancement Grants, and Imminent Threat Grants. The other programs are Planning-Only Grants, Float-Funded Activity Grants, Section 108 Loan Guarantees, Public Service Grants, and Housing Rehabilitation Grants.

The federal dollars are not appropriated by the Legislature. Money stays with HUD until the state authorizes reimbursement to a grantee for their expenses. Funds then go directly from HUD to the grantee.

Beginning in 2005 there has been a threat to CDBG which has not yet been enacted by Congress. The President's FY 2006 budget proposal did not provide any funds for the program. Instead, it was to be the largest of 18 federal programs rolled into a new program within the Department of Commerce called the "Strengthening America's Communities Initiative." The budget proposed funding this new program at approximately two-thirds of what the 18 programs had previously totaled. Congress has not yet enacted the President's plan. The Department of Commerce instead created the Strengthening America's Communities Advisory Committee to report on current development policy and recommend new priorities and solutions. A report issued by the Committee in July 2005 supports the President's plan. It appears that the proposal will continue to be supported by the Department of Commerce.

Exhibit D - 7 shows that even without accounting for inflation the 2005 budget is smaller than the budget in 1999. For FY 2006 CDBG has reportedly received a budget cut of 4% from FY 2005, but could this not be confirmed.

**Exhibit D - 7**  
**CDBG Total Federal Budget: 1999-2005**



	1999	2000	2001	2002	2003	2004	2005
CDBG Federal Budget	\$4,750,000,000	\$4,781,235,000	\$5,046,423,000	\$5,000,000,000	\$4,904,910,000	\$4,934,315,000	\$4,702,079,000
Percent Change from Prior Year		0.66%	5.55%	-0.92%	-1.90%	0.60%	-4.71%

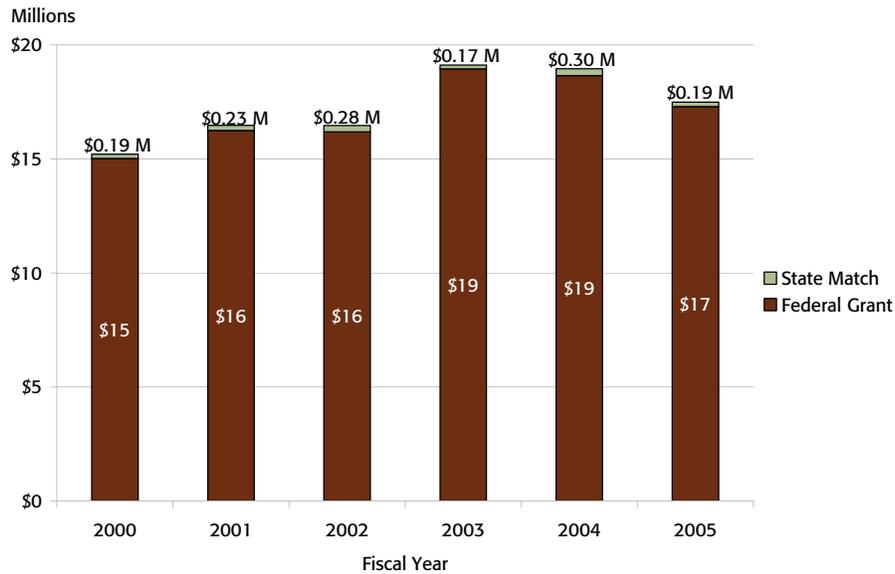
Source: HUD and Berk & Associates, 2005

According to the federal rules for the program, 2% of federal funds can be used by states to administer the program. This 2% must be matched with state funds. Another \$100,000 of federal dollars can also go toward administration which does not require a match. One percent may be used for Technical Assistance to loan recipients, and this also does not require a state match.

The State of Washington's contribution is used solely for administrative purposes. The State General Fund has been the source of about \$150,000 per year, which does not fully meet the required 2% match or the amount that it actually cost to administer the program, currently about \$1.2 million. In past years CDBG was sometimes given other agencies' unspent money at the end of each fiscal year, but this practice has been discontinued.

Today, the difference is made up through 'soft funding' and carryover of funds even though the match is supposed to be in new, hard dollars. With soft funding, CDBG enters into agreements with other departments in which Full Time Equivalent positions are counted toward the CDBG State match. One example of this was an agreement with the Housing Department wherein staff for joint projects was counted toward the CDBG match for several years, ending in 2002. The Public Works Board has also participated. This soft funding has upped the State match to between \$167,000 and \$300,000 during the past six years, averaging about \$225,000, as Exhibit D - 8 shows. CDBG anticipates a shortfall of \$500,000 for FY 2007, and is working with OFM to correct the issue.

## Exhibit D - 8 Washington CDBG Revenue: 2000-2005



Source: CTED and Berk & Associates, 2005

The recent stagnation in funding has had an impact on the program in Washington State. Over the past six years the federal grant to Washington State has been between \$15 and \$19 million per year, averaging \$17 million. The largest change to the federal portion was a 17% percent increase in 2003 over 2002, while the largest decrease was -7% from 2004 to 2005. Program staff report that when funding does not increase to match inflation, the amount available for administration decreases relative to the cost of staffing the program.

In addition, cutting funds decreases either the average size of grants or the number of grants that can be awarded. CDBG staff report that there has been no clear trend as to which of these strategies are used by Washington's program.

Of the federal grant, an amount similar in scale to the total State contribution is set aside each year for Imminent Threat Grants. The funds are awarded in response to emergencies, so the yearly award amount is inconsistent. In the event that all of the set-aside funds are used, the program's funds may be replenished through transfers from the CDBG Contingency Fund. This fund is a holding account for granted money that, for various reasons, went unused.

HUD allows CDBG funds that have been allocated, but not yet spent, to be used for short-term loans, called Float Loans. This allows funds to be used productively while waiting to be used by grantees. CTED's Economic Development Division administers the CDBG Economic Development Float Loan program, and the EDD keeps the interest from the loans to pay for loan administration. CDBG staff manage another float loan program that provides certain projects interim financing until they reach a phase that allows the federal partner, USDA Rural Development, to disburse funds.

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## **4.0 DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT, AND DEPARTMENT OF HEALTH (JOINTLY ADMINISTERED)**

### **4.1 Drinking Water State Revolving Fund**

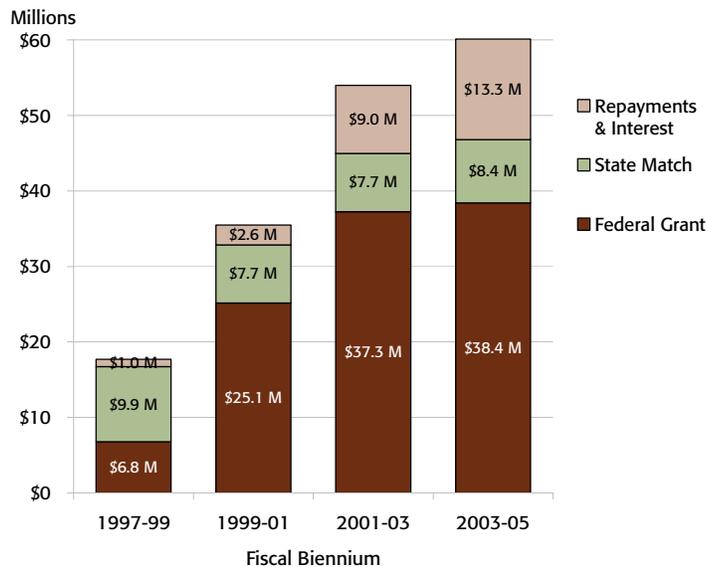
The Drinking Water State Revolving Fund is a federal grant program with a State match. It was created by an amendment to the federal Safe Drinking Water Act in 1996, and subsequently authorized in the State of Washington in 1997. The program authorized the Environmental Protection Agency (EPA) to make grants to states to set up revolving loan funds that will exist in perpetuity to help communities, particularly small communities, provide safe drinking water.

The program was initially to be funded for seven years; however an eighth year has been funded, and Congress may choose to extend it further. Because loans through the program are for terms of up to 20 years, the program would need to be funded for at least this long in order to establish a flow of loan repayments that can fully support the program.

Washington receives about \$20 million per year from the federal government through the EPA's Drinking Water State Revolving Fund. The State is required to match 20%. To date, Washington has received over \$150 million from the federal fund, and has contributed a match of slightly more than \$34 million. The State has funded the required capital match through the Public Works Assistance Account. The set-aside of 4% for program administration has been split between the Department of Health and CTED.

See Exhibit D - 9 for the program's revenue history. The fund is to be maintained by the repayment of principal and interest into the program's account, and the Exhibit demonstrates that repayments are beginning to provide a significant percentage of the program's funds. There is a provision for loans to be forgiven in cases of hardship, but so far Washington has not been required to utilize this provision.

## Exhibit D - 9 Drinking Water State Revolving Fund Revenue: 1999-2007



Source: WA Public OFM and Berk & Associates, 2005

Until at least 2003, states were allowed to transfer up to 33% of their federal dollars from their Clean Water State Revolving Fund (in this State called the Water Pollution Control Revolving Fund) to their Drinking Water State Revolving Fund, and the other way around, as needed to fund the types of projects most critical to the State. Washington had not chosen to do so as of 2003.

Up to 31% of grant funds may be used for 'set-aside' projects. There are several categories of set-asides allowed under the program. These are projects such as technical assistance and public outreach that contribute to the provision of safe drinking water, but are not infrastructure projects. These set-asides are grants, and can pay for operations. Up to 10% can be used for program management purposes by the State, but this must be matched 1:1 by the State.

In FY 2005 Congress decreased the total allocation to the fund by 0.8%, from \$850 million to \$843.2 million. The tentative allotment for FY 2006 is \$835 million. Washington's portion will decrease from about \$20 million to about \$18 million under this level of funding.

### 4.2 Water System Acquisition and Rehabilitation Program

The Water System Acquisition and Rehabilitation Program was created and funded through a line-item appropriation in the 2003-05 State budget. Funds were transferred from the State General Fund to the State Building Construction Account to be used for grants. The appropriation included the requirement that the grant program be administered in the same manner as the Drinking Water State Revolving Fund, in that the Department of Health, the Public Works Board, and the Department of Community, Trade and Economic Development must jointly administer the program.

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For 2003-05, the Legislature provided \$4 million for the program as a one-time appropriation. The 2005-07 budget extended the program with a second appropriation of \$2 million.

## **5.0 DEPARTMENT OF ECOLOGY**

### **5.1 Coordinated Prevention Grant Program**

The Coordinated Prevention Grant Program (CPGP) is funded solely through the Local Toxics Control Account (LCTA), which receives over half of the revenues from the Hazardous Substances Tax, described in 9.3. The tax and the account were created by the Model Toxics Control Act (MCTA). The grant program was created by administrative rule to fulfill the mandates of the MCTA.

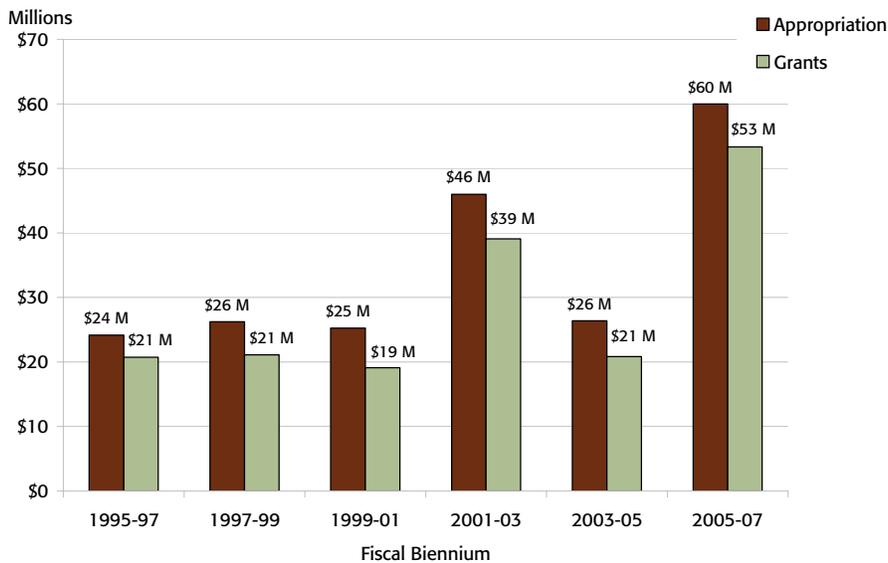
The purpose of the CPGP is to consolidate into a single program all grant programs funded from the LCTA, except for three grant categories: Remedial Action grants, Public Participation grants, and Citizen Proponent Negotiations grants.

The program typically receives an appropriation of around \$16 million per biennium.

### **5.2 Safe Drinking Water Action Grants**

The Safe Drinking Water Action Grant (SDWA) is one category of grant issued by the Remedial Action Grant program (RA). This category of grant was created by administrative rule in 1990 under the authority of the MCTA. Funding for all Remedial Action Grant categories comes solely from the Local Toxics Control Account. Allocations of funds to the various categories of RA grants are made by Department of Ecology (DOE) staff. See Exhibit D - 10 for the program's history of appropriations and grant awards.

**Exhibit D - 10**  
**Remedial Action Grant Program, Appropriation and Grants: 1995-2007**



Source: WA DOE and Berk & Associates, 2005

SDWA grants are a joint program of the DOE and the Department of Health (DOH). Funding comes through DOE via the LCTA, and DOE also administers the grants. DOH identifies which sites to consider for grants, and provides technical oversight regarding water quality standards.

SDWA is considered a small program within the Remedial Action Grant program. Nine grants totaling \$6.5 million have been awarded over the life of the SDWA program, of which \$4.7 million went to one project by the City of Centralia.

### 5.3 Water Infrastructure Program

The Water Infrastructure Program was created in 2004 when 11 projects totaling \$5.8 million were identified by the Governor and funded by the Legislature through a budget proviso. The projects are to be administered by the Water Resources Program within the DOE. For future biennia the WRP will develop a competitive grant process. Twelve million dollars is available to be awarded during 2005-07.

In 2004 funds for the 11 projects were appropriated from three existing accounts: *072-1 - State and Local Improvements Revolving - Water Supply Facilities*, which is primarily the source of funds for the Referendum 38 program (see Section 5.5); *139-1 - Water Quality Account*, which is discussed in Section 5.6; and *057-1 - State Building Construction Account*, from which the WRP will continue to request funding for WIP projects.

## 5.4 Drought Preparedness

The account *05W-1 – State Drought Preparedness Account* was established in 1999 in an effort to be pro-active regarding drought-mitigation. Infrastructure funding related to drought mitigation had previously come from account *032-1 - State Emergency Water Projects Revolving Account*, established in 1977. The Revolving account was funded by \$18 million in General Obligation Bonds. Funds in the account may only be used during a governor-declared drought emergency, while funds in the Preparedness account may be used at any time, offering the opportunity to fund projects that will preempt water shortages.

When the Preparedness account was created, it received a transfer of \$9 million from the Revolving account, leaving only about \$500,000 behind. The latter still receives about \$95,000 per year from the repayment of loans, which will continue through 2011. The small amount left in the account is used to hire staff during drought emergencies to process drought relief applications. The Preparedness account also receives a small amount of income from repayment of loans, about \$25,000 per year. See Exhibit D - 11 for the revenue and expenditure history of these two accounts.

### Exhibit D - 11 Drought Preparedness Accounts: 1997-2005

State Emergency Water Projects Revolving Account (Fund 032)						
	Capital Expenditures	Operating Expenditures	Total Expenditures	Loan Principal and Interest Repayment	Bond Sales	Total Revenue
<b>1997-99</b>	-	-	-	\$172,656	-	\$172,656
<b>1999-01</b>	-	\$268,920	\$268,920	\$184,887	-	\$184,887
<b>2001-03</b>	-	\$505,894	\$505,894	\$87,428	-	\$87,428
<b>2003-05</b>	-	\$296,101	\$296,101	\$149,744	-	\$149,744

Drought Preparedness Account (Fund 05W)						
	Capital Expenditures	Operating Expenditures	Total Expenditures	Loan Principal and Interest Repayment	Transfer from Other Funds	Total Revenue
<b>1997-99</b>	-	-	-	-	-	-
<b>1999-01</b>	\$486,615	\$42,909	\$529,524	-	-	-
<b>2001-03</b>	\$2,930,272	\$1,398,993	\$4,329,265	\$8,727	-	\$8,727
<b>2003-05</b>	\$2,268,324	\$1,755,077	\$4,023,401	\$42,953	\$8,200,000	\$8,242,953

Source: WA DOE and Berk & Associates, 2005

Nearly all of the funds in the Preparedness account had been spent by the end of 2004. When the Governor declared a drought in 2005, the Legislature transferred \$8.2 million to the Preparedness account to use for drought mitigation. The funds came from account *355-1 - State Taxable Building Construction Account*. In addition, the Revolving account received an appropriation of \$750,000 for 2005, to be transferred from the State General Fund.

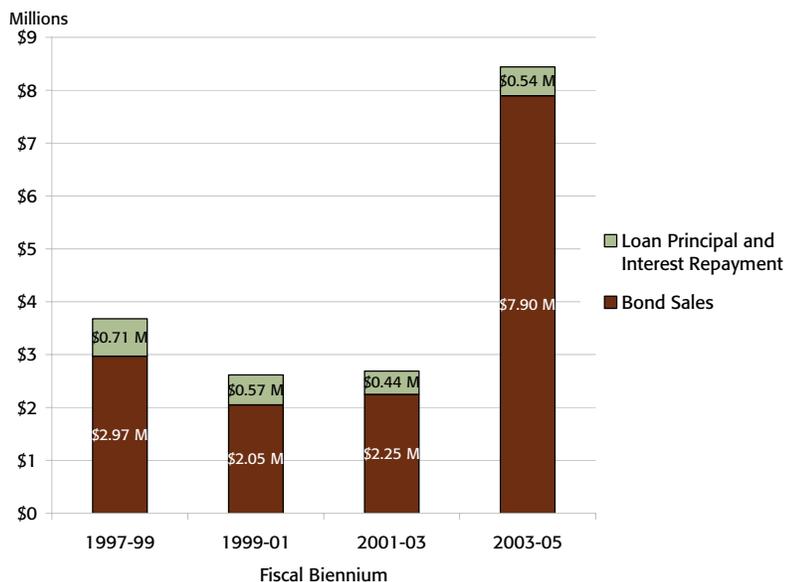
Both of these accounts are essentially depleted and do not have on-going, dedicated funding sources aside from the loan repayments. The Water Resources Administration and Funding Task Force, created by the Legislature in 2004, reported in December of that year that the Department of Ecology is looking for other sources to fund drought preparedness, and that DOE's suggested source is the Water Quality Account.

## 5.5 Referendum 38

Referendum 38 was passed by Washington voters in 1980. It authorized the sale of \$125 million of General Obligation Bonds to help furnish “an adequate supply of water for domestic, industrial, agricultural, municipal, fishery, recreational, and other beneficial uses (RCW 43.99E.010).” It dictated that \$75 million of the funds raised would be administered by the Department of Health and be spent on public water supply systems. These funds have been completely spent. The other \$50 million would be administered by the Department of Ecology and be used for agricultural water supply facilities. The DOE’s portion of Referendum 38 dollars are administered by the Water Resources Program.

The bonds are repaid by transfers from the State General Fund.

**Exhibit D - 12**  
**Referendum 38 Account Revenue, by Source: 1997-2005**



Source: WA DOE and Berk & Associates, 2005

Of the \$50 million originally authorized to be raised for the projects administered by Ecology, there is still between \$15 and \$20 million dollars of bond-sale authority remaining. Bonds are sold as needed to provide funds for the program, keeping an average of about \$750,000 in the program’s account. See Exhibit D - 12 for the history of bond sales and loan repayment. Signed agreements have been made that commit Referendum 38 funds from now until 2013. These commitments allocate essentially all of the remaining bond-sale authority. The program does not anticipate funding any new projects unless money is de-obligated through the failure of one or more project. In response to this lack of anticipated activity, program staffing has been reduced to 1.5 FTE.

One additional source of approximately \$100,000 per year for the program is the repayment of about half a dozen loans. While most of the projects funded through the program received grants, a small number of loans have been made.

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Interest earned on the balance of funds in the program's account reverts to the treasury income account and is not available to the program.

While the DOE established rules for allocating funds (WAC 173-170), there have been instances when the Legislature has used budget provisos to direct Referendum 38 bond sale proceeds to particular projects without requiring them to go through the normal application process, or to authorize funding that exceeds the \$2.5 million per-project limit set by administrative rule. For example, in the 2003-05 biennium \$4 million was earmarked to study water storage within the Yakima Valley. Funds from bond sales have also been given to the State Conservation Commission to support local Conservation District water conservation efforts, and to fund Water Conveyance Improvement grants.

The Water Resources Administration and Funding Task Force report of December 2004 notes that new sources of revenue will have to be found to continue funding the types of projects currently supported by this program. In addition, the Yakima Enhancement Project, a joint project with the Bureau of Reclamation and local sources, has State funding commitments from this account that will not be met by the remaining bond authority.

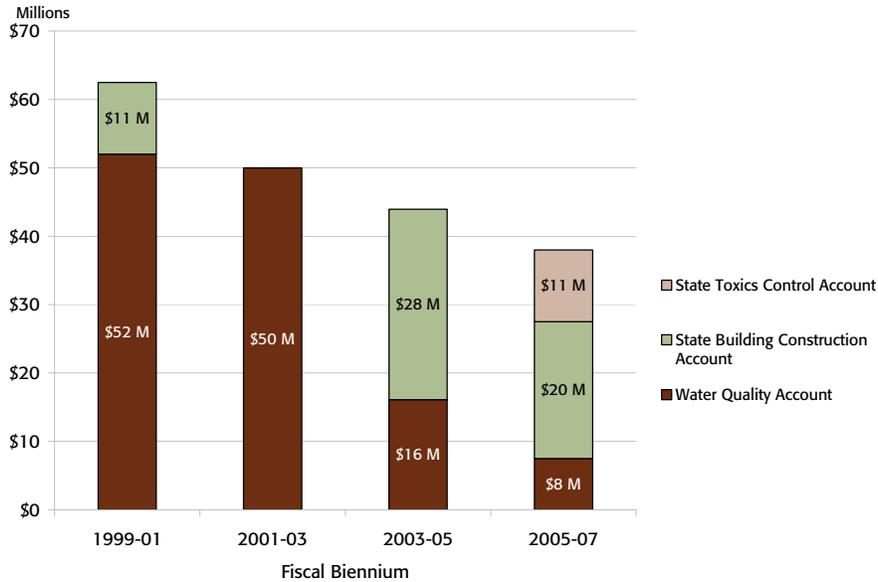
## **5.6 Centennial Clean Water Fund**

The Centennial Clean Water Fund (CCWF) is funded by several dedicated sources. Its primary source is account *139-1 - Water Quality Account (State)*. This account receives funds from several excise taxes, and it provides funds to other programs in addition to the CCWF. Exhibit D - 13 details recent CCWF revenue history, and Exhibit D - 16 illustrates the flow of funding for the program.

The CCWF has been funded primarily through State excise tax on cigarettes and tobacco products. The account receives the following:

- 4 mills per cigarette, RCW 82.24.027
- 1.7 % of 30 mills per cigarette, RCW 82.24.026
- 16 <sup>3</sup>/<sub>4</sub>% of the 129.42% tax on the wholesale price of tobacco products sold, used, consumed, handled, or distributed, RCW 82.26.025 [repealed as of 7/1/2005 by SB 6097, 2005]
- 13% of the 75% tax on the taxable sale price of cigars and other tobacco products, RCW 82.26.020 [from 7/1/2005 to 7/1/2021, per SB 6097, 2005]

### Exhibit D - 13 Centennial Clean Water Fund Revenue History: 1999-2007



Source: WA DOE and Berk & Associates, 2005

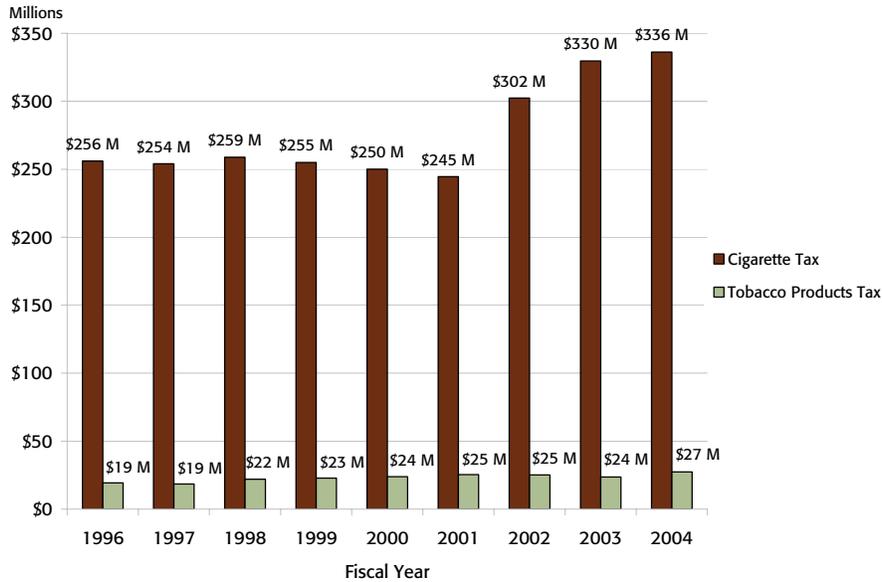
The account also receives any sales tax collected on construction material used to build facilities funded by the account, and the principal and interest from repayment of loans made from the account. However, the program received only about \$38 from these sources for the 2005-07 biennium.

In addition, the CCWF has received funds from the sale of bonds, passed through account *057-1 – State Building Construction Account*. The Legislature has also provided several one-time transfers. For example, in the 1999-01 biennium, Ecology received \$10 million from the Public Works Assistance Account to fund special grants to small communities.

Even though both the price of and the State tax rate on cigarettes has continued to increase since the program began in 1987, the amount going to the Water Quality Account has decreased. The main reason for this is the decline in the rate of smoking among the State’s citizens. Fewer cigarettes are being sold, and since this program’s share of tax is calculated per cigarette, less tax is coming into the account.

The most recent increase in the cigarette tax rate came in 2002, when the tax per pack went from \$0.825 to \$1.425. This increase offset declines in tax revenue from the declining number of cigarettes sold, but did not change the portion going to the Water Quality Account (see Exhibit D - 14). The Tobacco Products Tax, which provides a portion of the Water Quality Account funds, was reduced from 129.42% to 75% on July 1, 2005, and the portion of this tax going to the Water Quality Account was reduced from 16 <sup>3</sup>/<sub>4</sub> % to 13%. Use of tobacco is expected to continue to decrease, further decreasing revenue to the Water Quality Account.

**Exhibit D - 14  
Tobacco Taxes Revenue History: 1996-2004**



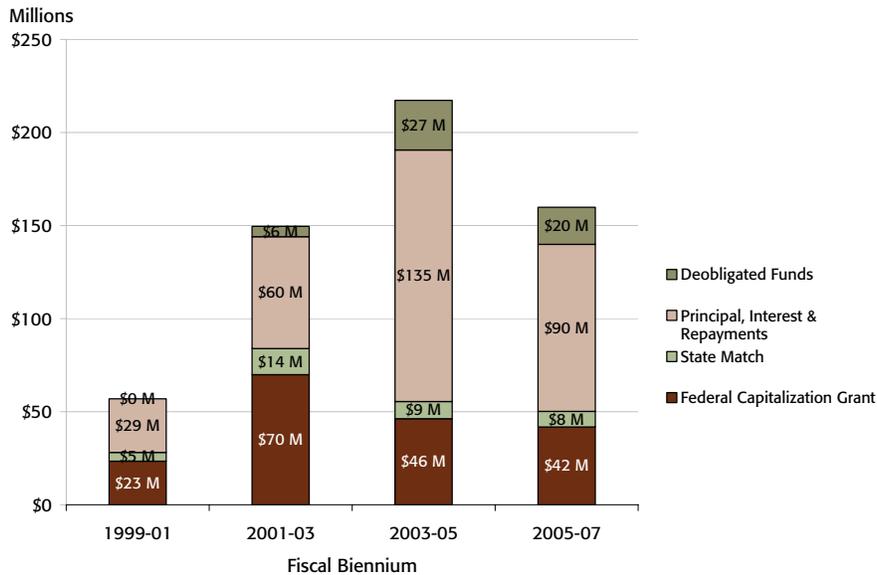
Source: WA DOR and Berk & Associates, 2005

The original intent was that the program would receive \$90 million per biennium, all from cigarette taxes. If tax receipts were short of that, the Legislature was to make up the shortfall from the State General Fund. At the present time, however, the program receives about \$38 million per biennium.

**5.7 Water Pollution Control Revolving Fund**

The Water Pollution Control Revolving Fund (WPCRF) was established in 1988 in order for the State to participate in capital loan programs authorized under the federal Water Quality Act of 1987. The fund is capitalized from both state and federal sources. Eighty percent of new funds come to the state from EPA federal capitalized grants that are based on Congressional appropriations. The State is required to make a match of 20%, and it does so by using funds from the Water Quality Account (see Section 5.6 for discussion of the Water Quality Account). The Water Quality Act of 1987 originally established the WPCRF through 1994. However, Congress elected to continue the Fund. Currently, the President’s proposed budget aims to discontinue the Fund in 2011. See Exhibit D - 15 for the revenue history of the fund and Exhibit D - 16 for an illustration of its flow of funds.

## Exhibit D - 15 Water Pollution Control Revolving Fund Revenue History: 1999-2007



Source: WA DOE and Berk & Associates, 2005

Note: The large value for Principal, Interest & Repayment in the 2003-05 biennium stems from one large loan being paid off early when it was refinanced by a different loan program.

The WPCRF is a reimbursable program based on actual costs incurred. The loan repayment term is a maximum of 20 years. The program is not allowed to make grants, and all loans provided must have an interest rate that is below market rate. Loans are made to public bodies, which must “establish and maintain a dedicated source of revenue or other acceptable source of revenue for the repayment of the loan (RCW 90.50A.050 (3)).” This is to ensure the stability of the revolving fund and ensure it remains viable in the future.

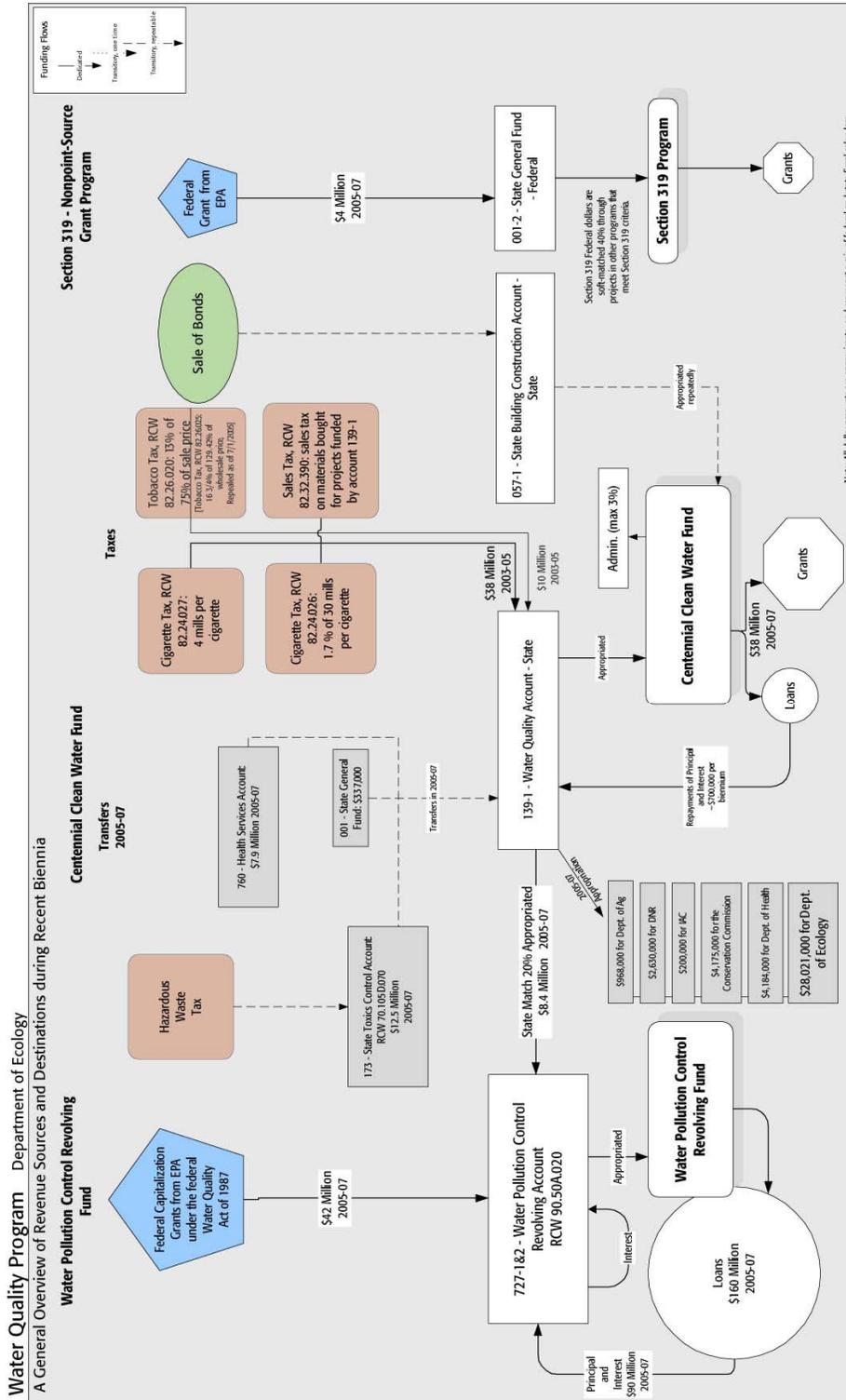
Federal rules for the WPCRF require that the State keep all principal repayments and interest earned in the WPCRF Account.

### 5.8 Section 319 – Clean Water Act

The Federal Clean Water Act Section 319 Nonpoint-Source Grant Program receives funds from an EPA grant, which is funded through the federal General Fund. For FY 2006 the program has \$1.9 million to fund programs in Washington. An illustration of the flow of funds for the program is included in Exhibit D - 16.

# Exhibit D - 16

## Funding Flows for the Water Quality Program



Source: Berk & Associates, 2005

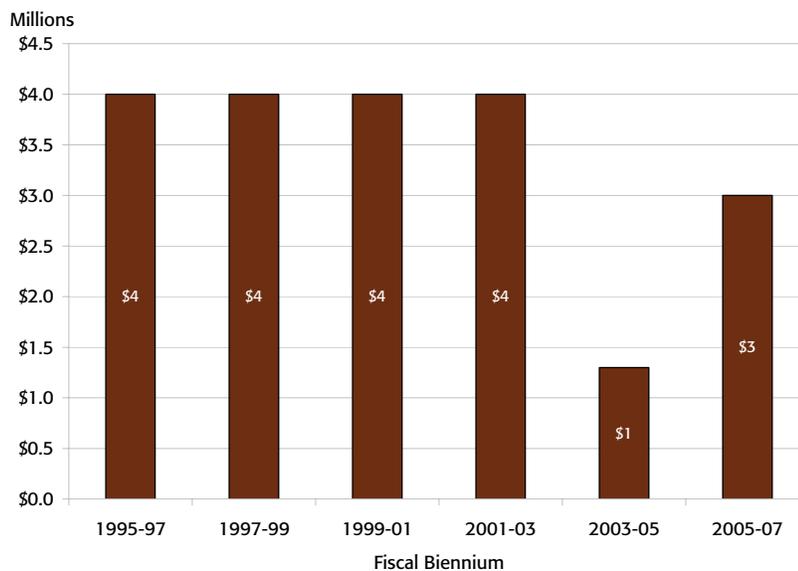
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## 5.9 Flood Control Assistance Account Program

The Flood Control Assistance Account Program (FCAAP) was created in 1984, but is similar to the Flood Control Maintenance Program which was sporadically funded between 1951 and the mid-1970's. FCAAP is funded entirely by transfers from the State General Fund, as authorized by statute and appropriated by the Legislature. The 1984 law authorizing the program included the provision that the program was to receive \$4 million per biennium. It did so until the 2003-05 biennium when the Legislature rescinded part of the biennial funding due to statewide budget constraints. After allocating the usual \$4 million, \$2.7 million was later transferred back to the State General Fund. Funding was also cut by \$1 million for 2005-07 (see Exhibit D - 17).

It is not known if the Legislature will continue to amend the authorizing statute and decrease the amount of funds provided to the program. The lack of a dedicated source of funding places the program at risk for spending cuts when general revenues are down.

**Exhibit D - 17**  
**Flood Control Assistance Account Program Revenue History: 1995-2007**



Source: WA DOE and Berk & Associates, 2005

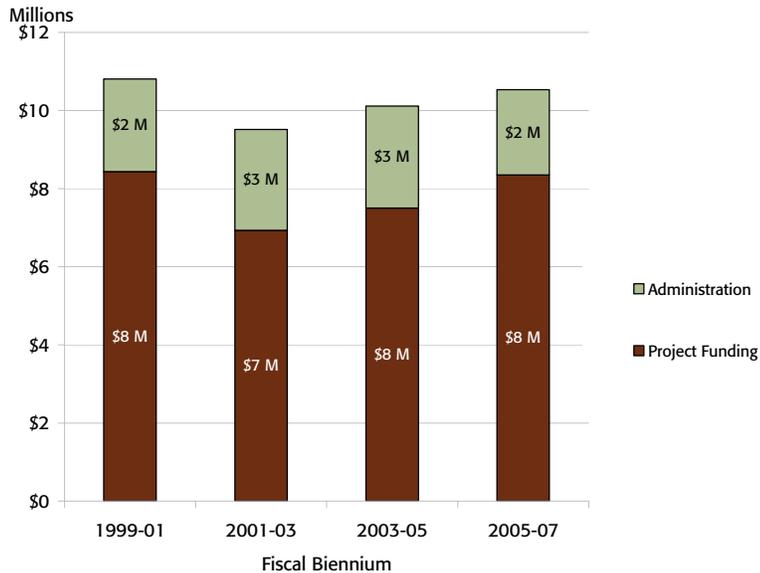
## 6.0 INTERAGENCY COMMITTEE FOR OUTDOOR RECREATION

### 6.1 Boating Facilities Program

The Boating Facilities Program (BFP) is a grant program administered by the Interagency Committee for Outdoor Recreation (IAC) and funded solely by unclaimed State gas tax on marine fuel. The BFP has received funds from this source since the program was created by a voter-approved initiative in 1964. Its receipts are affected both by the amount of gas tax collected, and by the amount of tax on marine fuel that goes unclaimed each year. Recently the program's funding has remained stable at

around \$10 million per biennium (see Exhibit D - 18). It is expected that the decrease in gas tax collection in 2005 will have a negative impact on the program's revenue.

### **Exhibit D - 18 Boating Facilities Program Revenue, by Expenditure: 1999-2007**



Source: IAC and Berk & Associates, 2005

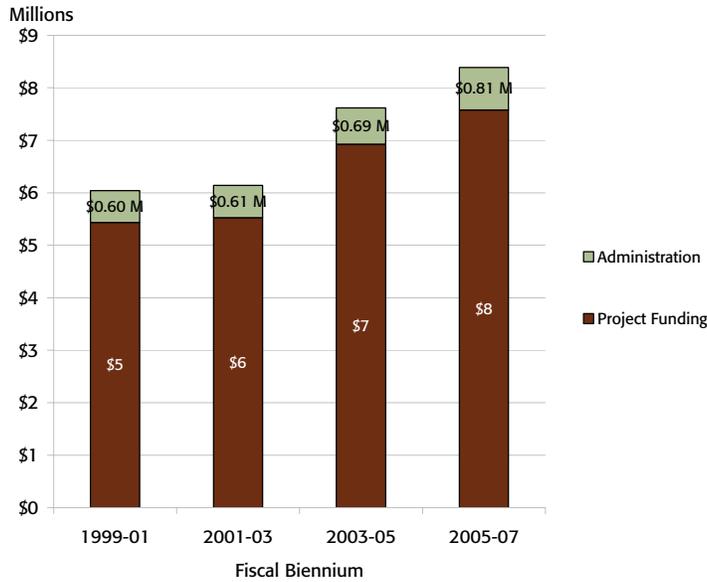
Note: several of the other IAC programs administer grants whose funds that are not allowed to be used for administrative purposes, or at least not an amount sufficient to cover the total cost of running the program. Funds in the account which receives the fuel refund, *267-1 – Recreation Resources Account (State)*, may be used by IAC for administrative purposes, per RCW 79A.25.080. The BFP has been used as an auxiliary source of administration for many of the other IAC programs. The result is that the BFP appears to spend a quarter of its revenue on administration, while in fact some of those dollars are being used to administer other programs.

## **6.2 Nonhighway and Off-Road Vehicle Activities Program**

Motor Vehicle Fuel Tax collected on off-road vehicles is distributed to several programs that fund recreational activities and facilities. The Nonhighway and Off-Road Vehicle Activities Program (NOVA) receives 58.5% of the 1% of the gas tax distributed to those programs.

NOVA has one other dedicated source of funds. The owner of an off-road vehicle (ORV) is required to purchase and display a use permit for the vehicle. The permit is good for one year and costs \$18 whether for a new permit or a renewal. The license program is administered by the Department of Licensing, which is authorized to retain a portion of the fee to cover the administration of the permit program. Any permit fee money remaining is distributed to the NOVA program.

**Exhibit D - 19**  
**Nonhighway and Off-Road Vehicle Activities**  
**Program Revenue, by Expenditure: 1999-2007**

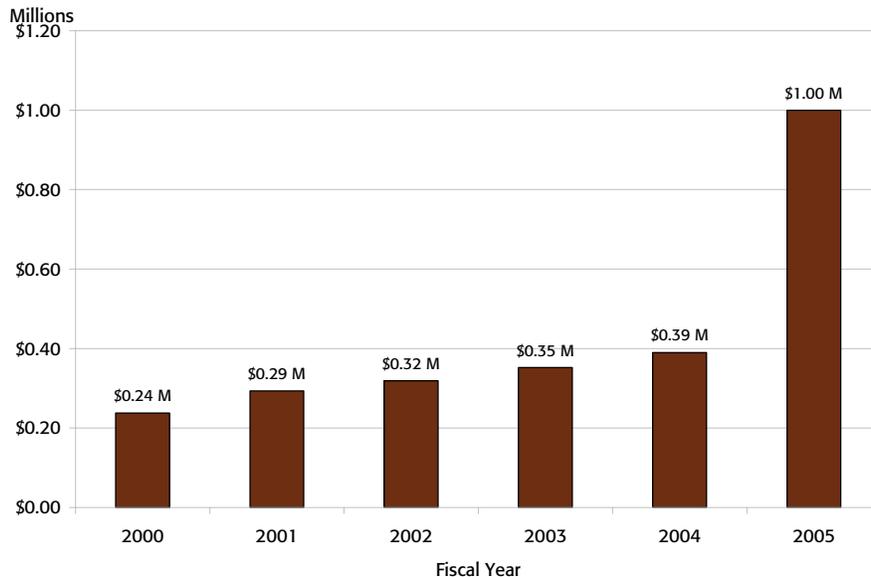


Source: IAC and Berk & Associates, 2005

Total funds for the NOVA program have been trending up for the past four biennia, as Exhibit D - 19 shows. This is the result of several causes. There has been an increase in gas tax collections over the past several years (see Exhibit D - 26), with a commensurate increase in the amount going to NOVA. There has been an increase in the number of Off-Road Vehicle permits issued, and in 2005 there was an increase in the ORV permit fees. The annual permit fee increased from \$5.00 to \$18.00, and temporary permits increased from \$2.00 to \$7.50. This has led to a near tripling in revenue from this source over the previous year (see Exhibit D - 20). Prior to this, revenue from ORV permits had been steady at about 10% of the program's income; it now contributes over one third of the program's income. While this year's increase in gasoline prices may have an impact on the number of ORV's licensed, the impact to NOVA is expected to be small and more than compensated for by the fee increase.

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**Exhibit D - 20**  
**NOVA's Revenue from Off-Road Vehicle Permit Fees: 2000-2005**



Source: IAC and Berk & Associates, 2005

### **6.3 Youth Athletic Facilities Program**

In a special election paid for by Paul Allen, voters approved Referendum 48 in 1997. The referendum authorized the sale of \$300 million in General Obligation Bonds to fund a new football stadium in Seattle. An incentive for approving the measure was a provision that a 'team affiliate' of the Seattle Seahawks (Paul Allen) would give the State \$10 million to establish a program for building athletic facilities. The Youth Athletic Facilities Program (YAF) was established within IAC to administer the program.

In addition to the \$10 million gift, the Referendum provided two other sources of income for the YAF. The first of these is the interest earned on the balance of funds in the program account. This source has so far brought in nearly \$1 million. The second source is any excess from the revenue raised to pay off the bonds. The sources of this revenue are:

- County sales tax of 0.016 percent
- County-levied stadium ticket-tax of not more than 10%
- County-levied stadium parking tax of not more than 10%
- Lottery funds: \$6 million in 1998, plus 4% increase per year until bonds are paid off

It is expected that the taxes collected will not exceed what is needed for debt retirement for many years.

The YAF has had two rounds of grants to date. All of the initial \$10 million was allocated in the first round. A second round was made possible by a combination of the interest earned by the account, and funds that became unencumbered due to some first-round projects not being brought to completion. At the present time the account balance is drawn down to where additional interest

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income will not be sufficient to fund another round of grants. The program needs to have a minimum of \$2 million available in order to conduct an effective round of grants. It is not known when that amount will again be available, so the program is on hold for the foreseeable future.

## **6.4 Boating Infrastructure Grant Program**

The Boating Infrastructure Grant Program (BIG) was previously funded by the Federal Aquatic Resources Trust Fund. In 2005 this fund was replaced by the Sport Fish Restoration and Boating Trust Fund. The Fund is administered by the U.S. Fish & Wildlife Service but its money comes primarily through federal gas tax on boat and small engine fuel. The Transportation Equity Act for the 21st Century (TEA-21), passed in 1998, increased the amount of gas tax going into the Aquatic Resources Trust Fund. That same year Congress passed the Sport Fishing and Boating Safety Act of 1998, which created the BIG grant program. It was initially funded at a total of \$32 million to be granted over four years. A new transportation act, passed in 2005, called the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), reauthorized BIG and other boating safety programs.

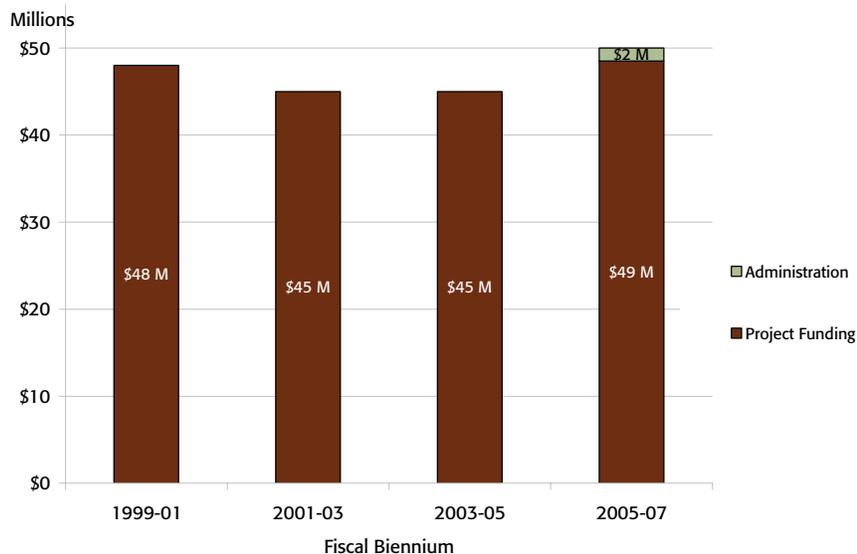
Since the program began awarding grants in 2001, Washington has received a guaranteed grant of \$100,000 per year to be re-granted based on an in-state competition. In addition, grant proposals asking for more than \$100,000 are reviewed by IAC staff and eligible applications are forwarded on to compete for other federal dollars. This is a national competition for a limited amount of grant dollars. Proposals that win at the federal level have their funds funneled through the state BIG, where it shows as additional revenue for the program. Of the approximately 30 grants awarded through the national competition to-date, Washington has been awarded two, bringing Washington's total through the BIG program to nearly \$1.5 million.

The 2005 law that changed which fund supports BIG also designates 2% of the fund's dollars to BIG and directs a third more of the federal gas tax into the new fund than went into the old. These changes will both continue the BIG project and ensure funding in the future. This increase in the per-gallon contribution to the fund should off-set the recent decreases in fuel sales due to increased prices.

## **6.5 Washington Wildlife Recreation Program**

General Obligation Bonds are the only source of funding for the Washington Wildlife Recreation Program (WWRP). Created in 1990 to preserve and protect the State's diminishing supply of non-urban land, the bond sales are authorized each legislative session to fund a prioritized list of projects submitted by the IAC. As Exhibit D - 21 shows, over the past three biennia the program has been funded at \$45 million or more.

**Exhibit D - 21**  
**Washington Wildlife Recreation Program Revenue, by Expenditure: 1999-2007**



Source: IAC and Berk & Associates, 2005

Legislation passed in 2005 made substantial changes to the program, much of which goes into effect in 2007. For example, the allocation formula will change. Proceeds from the bond sales are currently divided equally between two accounts that fund grants serving different purposes within the purview of the WWRF. Beginning in 2007 two new accounts will be created, also dedicated to funding specific types of projects. The allocation formula will change in order to fund the new accounts, but not in a way that will have a significant impact on the two existing accounts' projects.

Another change introduced in the 2005 legislation allows up to 3% of funds to be used for administration, but only for the 2005-07 biennium. This change went into effect in July 2005, but the section authorizing it expires in July 2007. The cost of running the program has been and will again be paid from the Recreation Resources Account and booked against the Boating Facilities Program.

In a couple instances the legislature has earmarked funds for projects that did not go through the grant process, but this is not a recurring practice. Similarly, there is one instance of the Legislature transferring funds to the WWRF from another program, but this is also not a recurring practice.

The program's future funding is dependent on the willingness of the Legislature to authorize the sale of General Obligation Bonds each biennium.

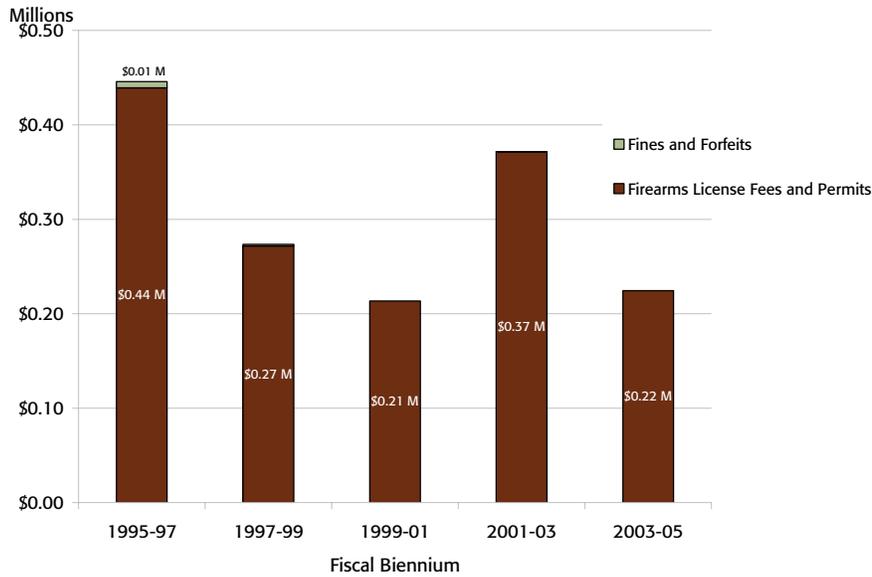
## 6.6 Firearms and Archery Range Recreation Program

The Firearms and Archery Range Recreation Program (FARR) is funded almost entirely by a single source. Per RCW 9.41.070, the Department of Licensing gives \$3 of each \$36 concealed pistol license fee and \$3 of each \$32 concealed pistol license renewal fee to 146-1 - Firearms Range

*Account (State)* to be used exclusively for the FARR. The rest of the fee is distributed among the State General Fund, the local agency that issued the license, and the agency that took the applicant's fingerprints.

Each license, including renewals, is valid for five years. The licenses used to be valid for a shorter time, but the Legislature changed it to five years. Because each license is now valid for a longer time, there are fewer license transactions taking place even though the number of total licenses issued has increased. The change in how long the license is valid and therefore in the number of license transactions was not offset by an increase in the amount of each fee going to the FARR. This led to a decrease in funding, as can be seen in Exhibit D - 22. The IAC Board responded to the decrease in funds by cutting the frequency of grant competitions from once per year to once per biennium.

### Exhibit D - 22 Firearms and Archery Range Recreation Program Revenue: 1995-2005



Source: WA OFM and Berk & Associates, 2005

The program has also received a small amount of one-time funding. For example, FARR received the revenue from the sale of guns that had been turned over during an amnesty for unlicensed guns. The program does not depend on such transient sources, however, and their overall contribution has been minor.

## 7.0 SCHOOL CONSTRUCTION ASSISTANCE PROGRAM

The School Construction Assistance Program receives revenue from many sources. A summary of those sources follows.

**Permanent Fund Investment Income (Dedicated):** Investment earnings from the use of non renewable resources such as mineral extraction, right of way agreements, reinvestment income, and the original principal from the common school fund are included.

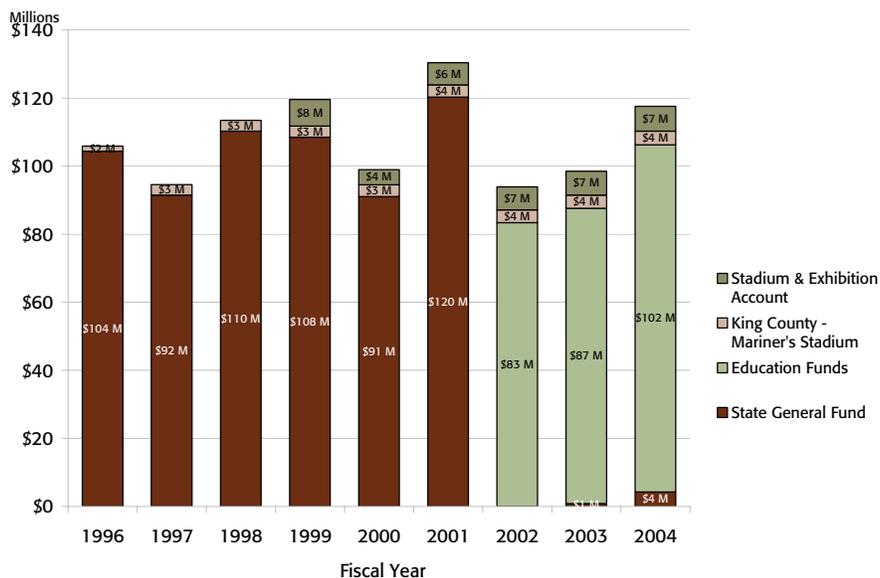
**Interest Income (Dedicated):** Interest earnings on funds deposited into the common school construction account.

**Trust Lands (Dedicated):** Revenue comes from the sale of timber, agricultural and commercial leases and other renewable and non renewable assets from trust lands.

**Federal Mineral Revenue (Dedicated):** A portion of revenue generated from the sale of minerals from federal lands in Washington.

**Education Construction Account (Appropriated):** Created with the passage of Initiative 728 in November 2000, lottery revenue is deposited into the account to fund education construction projects for both K-12 education and higher education. See Exhibit D - 23 for the history of lottery income distributions.

**Exhibit D - 23**  
**Washington's Lottery Income Distribution History: 1996-2004**



Source: Washington's Lottery and Berk & Associates, 2005

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Aside from the amount dedicated to paying off bonds sold to pay for Seahawks stadium (9.6% in 2004), lottery revenue goes to fund education. As of July 1, 2004, all lottery dollars for education go to the Education Construction Account. Prior to the passage of I-728, lottery funds went into the State General Fund.

Education Savings Account (Appropriated): This account was created to utilize savings from State agencies. Agency savings are appropriated by the Legislature.

Trust Land Transfer Program (Appropriated): Compensation from the value of timber on trust lands transferred to other public ownership. Land value is deposited into an account to purchase replacement trust land.

Bonds (Appropriated): Non-reimbursable bonds with interest paid for by the General Fund. Also, non debt-limit reimbursable bonds using a dedicated revenue source. Debt funding is appropriated by the Legislature. In past biennia, General Obligation Bonds and ECA funds have been appropriated by the Legislature to supplement dedicated revenue.

## **8.0 ECONOMIC DEVELOPMENT STRATEGIC RESERVE ACCOUNT**

The Economic Development Strategic Reserve Account (EDSRA) was created in 2005 by SB 5370. The account will be funded from one-third of unclaimed state lottery prize money. Two-thirds of unclaimed state lottery prize money is retained for use as future prize money. Any balance in the EDSRA over \$15 million will be transferred to the Education Construction Account. The Washington State Lottery has projected that approximately \$2 million will be transferred to the EDSRA in the 2005-07 biennium.

The Governor has the authority to spend the account's funds to support the Economic Development Commission (EDC) upon the recommendation of both the EDC and the Director of CTED. At least one EDC staff position will be funded from the account, as well as other EDC operational costs.

## **9.0 TAXES THAT FUND MULTIPLE SOURCES**

### **9.1 Real Estate Excise Tax**

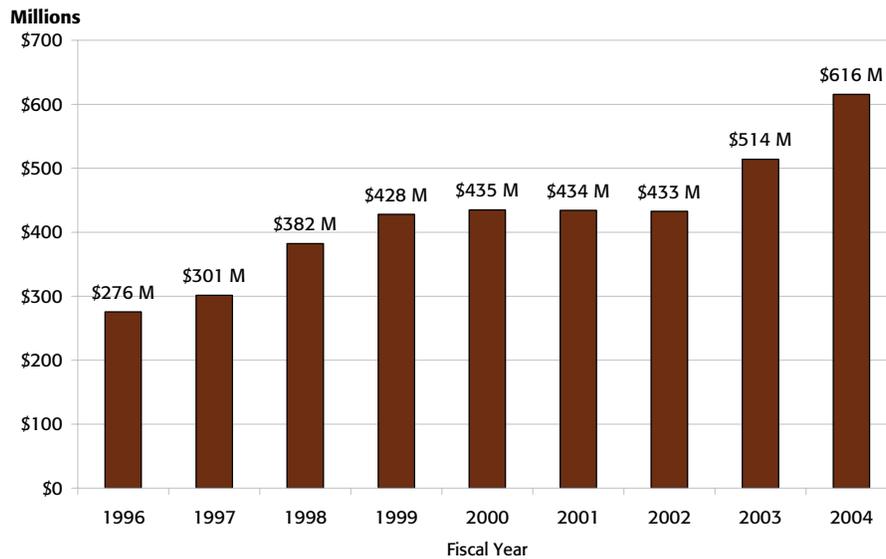
The Real Estate Excise Tax (REET) is levied on the sale price of real estate transactions. The Department of Revenue (DOR) administers the tax, but it is collected by each county's treasurer. A portion of the tax is allocated to the State, and local jurisdictions have the authority to levy their own REET, within limits set by the Legislature. The current rate for the State portion of the tax is 1.28%, and counties in combination with cities are allowed to levy up to an additional 2.5%. The highest combined rate in 2004 was 2.78% however, demonstrating that local jurisdictions are choosing not to levy the maximum amount.

Of the State portion of REET, 92.3% goes to fund basic education. The 2005 Legislature changed the amount of State collections of REET that goes to the Public Works Trust Fund (PWTF). Until August 1, 2005 the PWTF received 7.7% of the State's share of the REET; after this date it will receive 6.1% of

the State's share. The 1.6% difference is to be deposited in the City-County Assistance Account to be distributed to local jurisdictions.

Revenue from REET is dependent on the State housing market. When the number of transactions increase, and when real estate prices increase, revenue increases. As Exhibit D - 24 shows, in both 2003 and 2004 revenue increased nearly 20%, but in both 2001 and 2002 it had decreased, although less than 0.5% each year. This volatility makes forecasting difficult.

**Exhibit D - 24**  
**Real Estate Excise Tax, State Portion, Revenue History: 1996-2004**



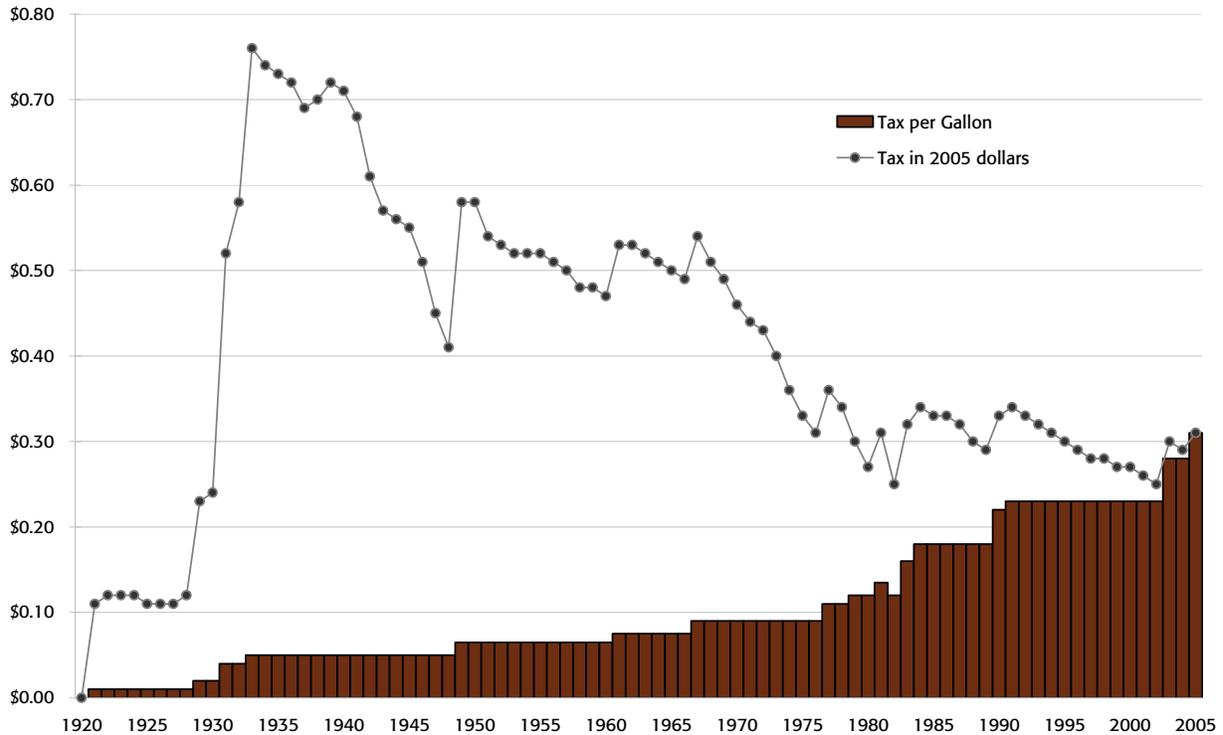
Source: WA DOR and Berk & Associates, 2005

## 9.2 Motor Vehicle Fuel Tax

The Motor Vehicle Fuel Tax (the gas tax) is a major source of revenue for Washington, ranking fourth in gross receipts after retail sales tax, the B&O tax, and State property tax. The State has had a gas tax of some kind since 1921. In 1933 refunds began to be given for fuel used off-road. The 18<sup>th</sup> Amendment to the State constitution, passed in 1944, dedicated revenue from the gas tax solely to roads. This provision is still in effect.

A 1998 law changed the tax collection point from fuel distributors to the owner of the fuel at the time it first leaves the refinery or terminal. This simplified collection because only a handful of companies now pay the tax. It also reduced opportunities to evade the tax.

**Exhibit D - 25**  
**Washington Motor Vehicle Fuel Tax Rate History: 1920-2005**



Source: WA DOR, the Bureau of Labor Statistics CPI calculator, and Berk & Associates, 2005

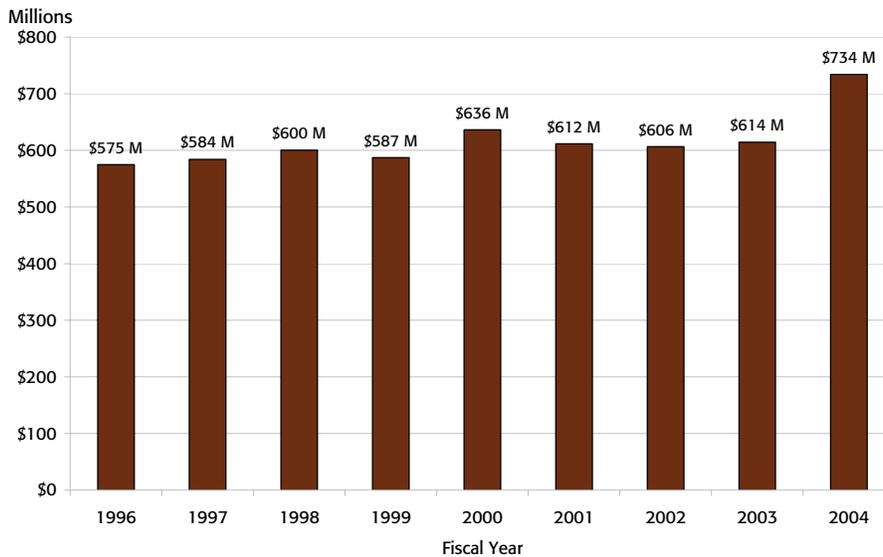
The tax rate is set by statute, and is currently 31 cents per gallon. Exhibit D - 25 illustrates the history of the gas tax rate, and its value in 2005 dollars. It shows that by historical standards, the present rate is relatively low in terms of purchasing power. In 2005 the Legislature passed a transportation bill that raised the gas tax from 28 cents to 31 cents, and authorized a further 6.5 cent increase to be phased in over three years. An initiative is on the ballot in November 2005 that would, if passed, rescind these increases.

A 5 cent per gallon increase was implemented in July 2003. This increased FY 2004 revenue by over 19% compared to the prior year (see Exhibit D - 26).

Because the tax is levied on a volume basis rather than on value, changes in consumption patterns can affect receipts regardless of the price of the gasoline. If price increases reduce demand for fuel, tax receipts fall even if the total value of the gas sold goes up. The opposite is also true. Price increases in 2005 have cut retail sales of gasoline in Washington. In July, sales were down 2.6% from July 2004. Tax receipts are consequently also down, leading to adjustments of revenue forecasts for programs that receive its funds.

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**Exhibit D - 26**  
**Washington Motor Vehicle Fuel Tax Revenue History: 1996-2004**



Source: WA DOR and Berk & Associates, 2005

Most categories of off-road use of gasoline, such as boating, farming, some aircraft operation, and industrial uses such as dyeing, are eligible for a refund of any gas tax paid. The amount due for sales tax is subtracted from the gas tax, and the remainder may be refunded or otherwise distributed as statute requires. However, recreational uses apart from boating are not eligible for refunds. The Legislature decided in the early 1970s that tax paid on gasoline used for recreational purposes on roads not supported by State funds, such as national or State forest roads, as well as taxes from gasoline used for off-road activities, should be used to provide facilities and services for these recreational activities.

The Department of Licensing (DOL) calculates how much tax was paid on marine fuel. Any marine fuel tax refunded is subtracted from the calculated amount, and remaining funds are dedicated to grants for recreational boating infrastructure. The amount paid by other recreational users, set at 1% of gas tax receipts based on a study conducted in the early 1970's, is distributed to several funds and dedicated to funding recreational facilities.

### **9.3 Hazardous Substance Tax**

The State of Washington levies a tax on the possession of hazardous substances in the state. The tax was approved by the passage of Initiative 97, the Model Toxics Control Act (MCTA), in 1988. The tax rate was set by the initiative at 70/100 of one percent (0.007) of the wholesale value of substances deemed hazardous, payable by the person or company who first possesses the substance within the state.

Hazardous substances are defined by RCW 82.21.020 as:

- 
- Substances listed in section 101(14) of the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980
  - Substances listed in 42 U.S.C. Sec. 9601(14), as amended by Public Law 99-499 on October 17, 1986
  - Pesticide products required to be registered under section 136a of the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sec. 136 et seq., as amended by Public Law 104-170 on August 3, 1996
  - Petroleum products, including plant condensate, lubricating oil, gasoline, aviation fuel, kerosene, diesel motor fuel, benzol, fuel oil, residual oil, liquefied or liquefiable gases such as butane, ethane, and propane, and every other product derived from the refining of crude oil
  - Any other substance ruled by the directory of the Department of Ecology to be a threat to human health or the environment if released into the environment

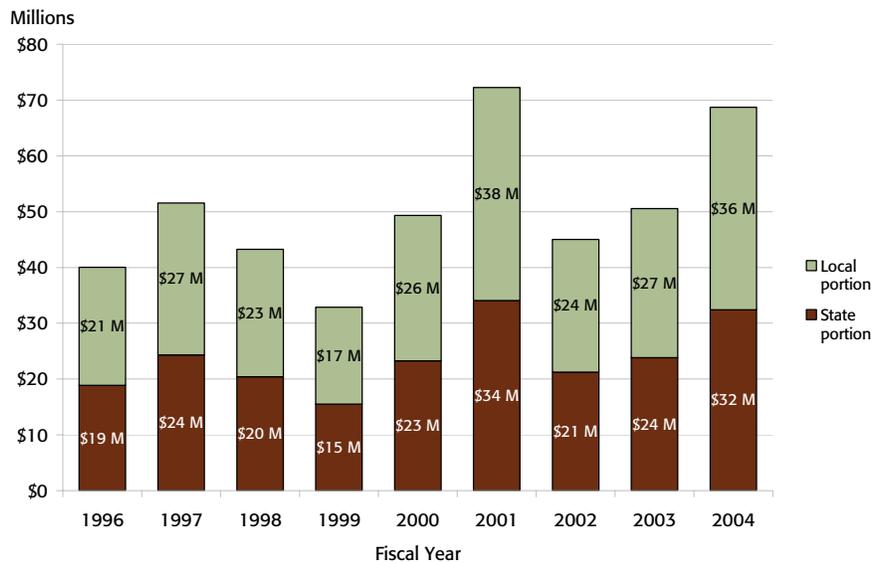
Exceptions to the above: crude oil, natural gas, alumina, certain forms of some metals, and small amounts of the above.

Revenue from the tax depends on the price of the substances taxed and the quantity of the substances brought into the State. See Exhibit D - 27 for the revenue history of the tax. Recent increases in oil prices should raise the price of products made from it, including many deemed hazardous and subject to this tax. The Department of Ecology expects revenue from the tax to increase because of this.

The funds collected are distributed to two accounts.

- State portion: thirty-three one-hundredths of one percent of wholesale value (47% of total collections) is deposited in account *173-1 - State Toxics Control Account*
- Local portion: thirty-seven one-hundredths of one percent of wholesale value (53% of total collections) is deposited in account *174-1 - Local Toxics Control Account*

**Exhibit D - 27**  
**Hazardous Substances Tax Revenue History: 1996-2004**



Source: WA DOR and Berk & Associates, 2005

Both accounts fund programs that help ensure a clean and safe environment for the citizens of the State. Funds in the accounts must be appropriated before they are eligible for use.

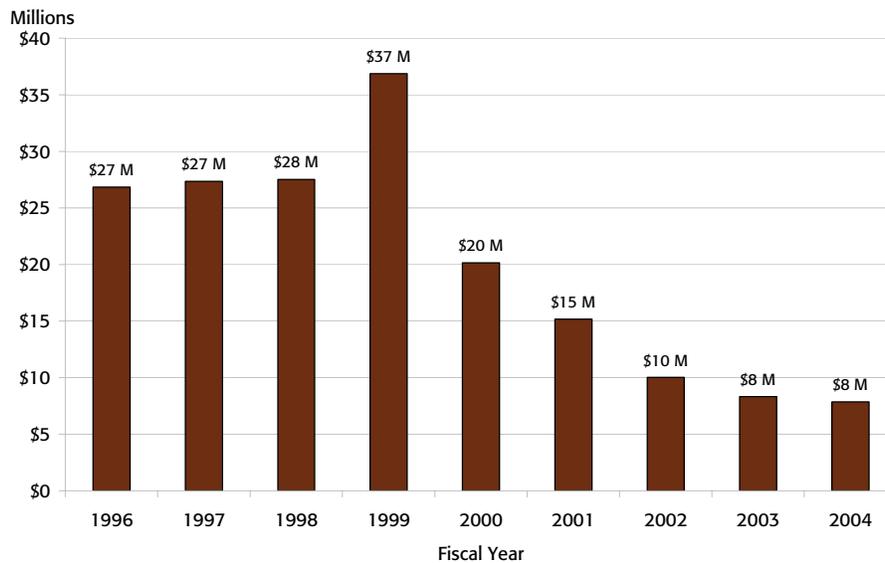
**9.4 Timber Tax**

A State Timber Excise Tax is assessed as a percentage rate of the stumpage value on timber harvested from public or private land. Both a State tax and a county tax can be collected. However, the county tax may be imposed only on timber harvested on private land. Counties received distributions of \$38.7 million from this tax in 2000. The Department of Revenue collects the revenue and the State Treasurer distributes it to the counties quarterly in February, May, August, and November, based on a complex formula related to local property tax levies (*RCW 84.33.081*). The county treasurer deposits the revenue in a county timber tax account that each county must establish. The county treasurer then distributes the revenue to taxing districts in the county based upon the district's timber assessed value and the level of the district's property tax levy.

The history of the State portion of the tax can be seen in Exhibit D - 28.

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## Exhibit D - 28 State Portion of Timber Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

The State's distribution formula outlines three priorities for revenue distribution to the taxing districts. There are minimum distribution levels that must be met with each. Priority 1 is taxing districts with voted bond or capital project excess levies. The amount is equal to the timber-assessed value of the district multiplied by the tax rate levied for payment of the bonds or capital projects.

Priority 2 is local school maintenance and operating levies. The amount distributed is equal to one-half of the timber assessed value of the district or 80 percent of the timber roll in calendar year 1983, whichever is greater, multiplied by the tax rate levied by the district for purposes other than those that may be included in Priority 1 above.

Priority 3 is all other levies, including the county general fund and road fund levies and the levies of junior taxing districts. The amount is equal to the timber assessed value of the district multiplied by the tax rate, if any, levied as a regular levy of the district or as a special levy that is not included in funding priorities 1 and 2 above.

If the timber excise is not sufficient to fund a complete priority, the funds will be prorated within the priority and the districts will each receive a percentage of the available funds. If there are revenues remaining after the Priority 3 allocation, an amount equal to 20 percent of what was distributed in the three funding priorities is placed in reserve for the following year. If there is still revenue remaining, those funds are distributed to the Priority 3 districts in a proportion equal to the original allocation percentages in that priority category.

Tax revenues collected from timber harvested on private and public lands go to both the state and local government. The tax rates are composed of a county forest tax rate of four percent and a State

---

tax rate of one percent for a total of five percent of the stumpage value. The four percent county tax revenue is distributed among local taxing districts within the county including capital projects, voter-approved bonds, school maintenance and operations, county roads, county current expense fund, libraries, and fire districts. The State's one percent share of the tax goes to the State General Fund and is used to help support various State programs, including schools and social services.

At the local level, counties are authorized to impose an excise tax on each person engaging in business as a harvester of timber on private land. This tax, based on the stumpage value of timber harvested for sale or for commercial or industrial use, is credited against the State's excise tax. The DOR certifies to the State Treasurer the amount of the excise tax collected to be distributed to participating counties each quarter.

A major change in the tax rate structure occurred in 2004 when the Legislature instituted a ten-year phase down of the State tax on timber harvest on public lands and a commensurate transfer of this tax to counties. The change does not impact the amount of tax that is paid by harvesters but will make the State and county tax rates identical for all harvests by the year 2014.

# Inventory and Evaluation of the State's Public Infrastructure Programs and Funds

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## Attachments E - I



**Office of  
Financial Management**  
State of Washington

December 16, 2005



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# **INVENTORY AND EVALUATION OF THE STATE'S PUBLIC INFRASTRUCTURE PROGRAMS AND FUNDS**

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Attachment F. Profiles of Local Infrastructure Funding in Other States

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Attachment H. Client Agency Interview Summaries

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**ATTACHMENT E**  
**AWARDS DATA AND SUMMARY ANALYSIS**



# **ATTACHMENT E**

## **AWARDS DATA AND SUMMARY ANALYSIS**

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## 1.0 OVERVIEW

Attachment E summarizes the award histories for the following subset of State's local infrastructure funding programs:

- Public Works Trust Fund (PWTF)
- Community Economic Revitalization Board (CERB)
- Community Development Block Grant Program (CDBG)
- Drinking Water State Revolving Fund (DWSRF)
- Water System Acquisition and Rehabilitation Program (WSARP)
- Centennial Clean Water Fund (CCWF)
- Water Pollution Control Revolving Fund (WPCRF)

This Attachment presents summary charts describing the number of awards and award amounts for client and project types for each program. Summary statistic tables for program award histories are included at the end of this Attachment. No distinction is made in the analysis between awards issued competitively or through budget provisions made by the legislature.

## 2.0 DESCRIPTION OF THE AWARD DATA

Award data were collected directly from the agencies that administer the programs. Requests were made for award histories for the last ten years. Time periods reported in this Attachment vary due to the availability of electronically accessible award histories or because of differing program creation dates. Programs were asked to provide the following information:

- Client name
- Year awarded
- Client type (e.g. city, county, etc.)
- Project type (e.g. water, sewer, road, etc.)
- Award amount

It is important to note that there are inconsistencies in how agencies define these elements. Careful consideration has been paid to consistently define client and project types. Generally, the client and project type analyses represent the coding reported by the program. In some cases, client and project types have been aggregated; for example, collapsing road and bridge categories as transportation. Those changes are noted in the chart notes. The award year variable should be viewed carefully because it has been defined differently by the programs:

- Public Works Trust Fund, Drinking Water State Revolving Fund, and Water System Acquisition and Rehabilitation Program awards are coded by award execution year (calendar year)
- Community Economic Revitalization Board awards are coded by application year (calendar year)
- Community Development Block Grant awards are coded by contract year (calendar year)
- Centennial Clean Water Fund and Water Pollution Control Revolving Fund awards are coded by fiscal year (State fiscal year)

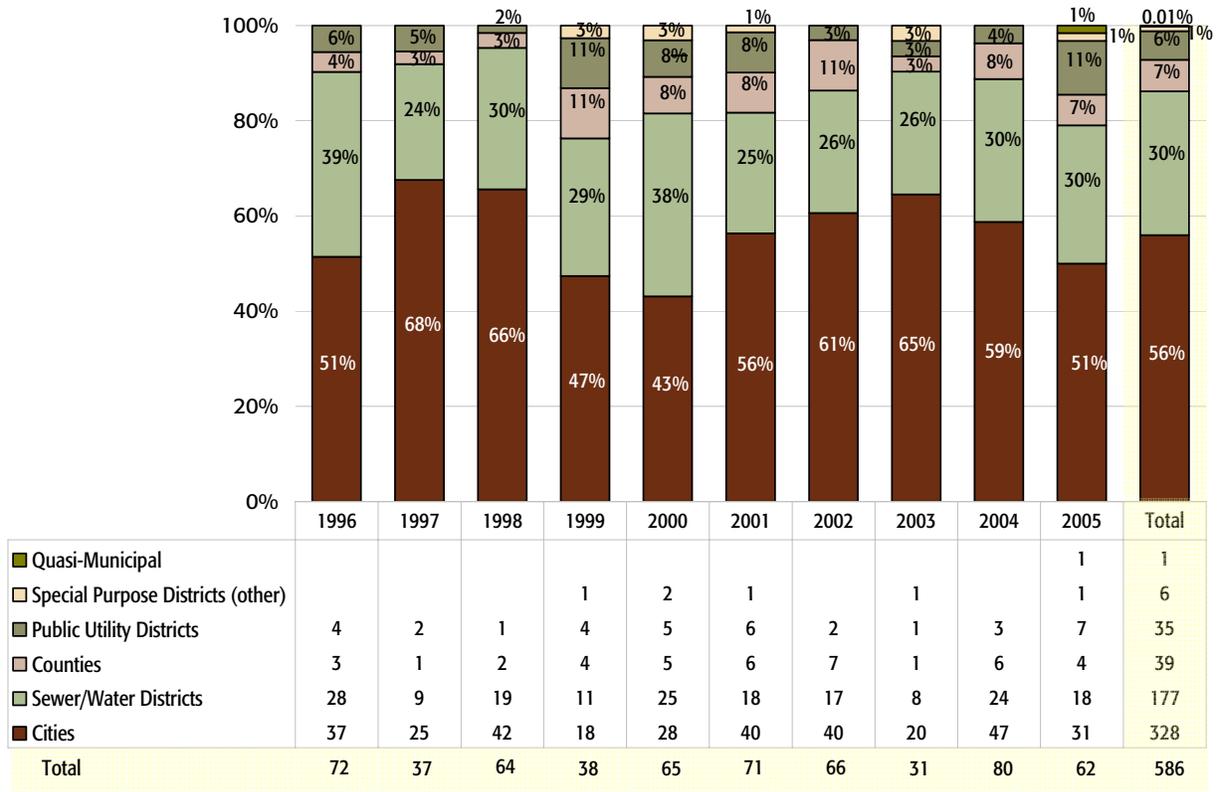
The annual award amounts cited in the Attachment differ from those in the Program Inventory for PWTF, DWSRF, WSARP, and CERB which use fiscal year awards.

### 3.0 DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

#### 3.1 Public Works Trust Fund

Exhibit E - 1 describes the number PWTF loans awarded by the Public Works Board during the ten-year period between 1996 and 2005.

**Exhibit E - 1  
Count of Public Works Trust Fund Loans by Client Type, 1996-2005**



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Special purpose districts include three awards to irrigation districts, one award to a reclamation district, one award to a flood district, and one award to a dike district.

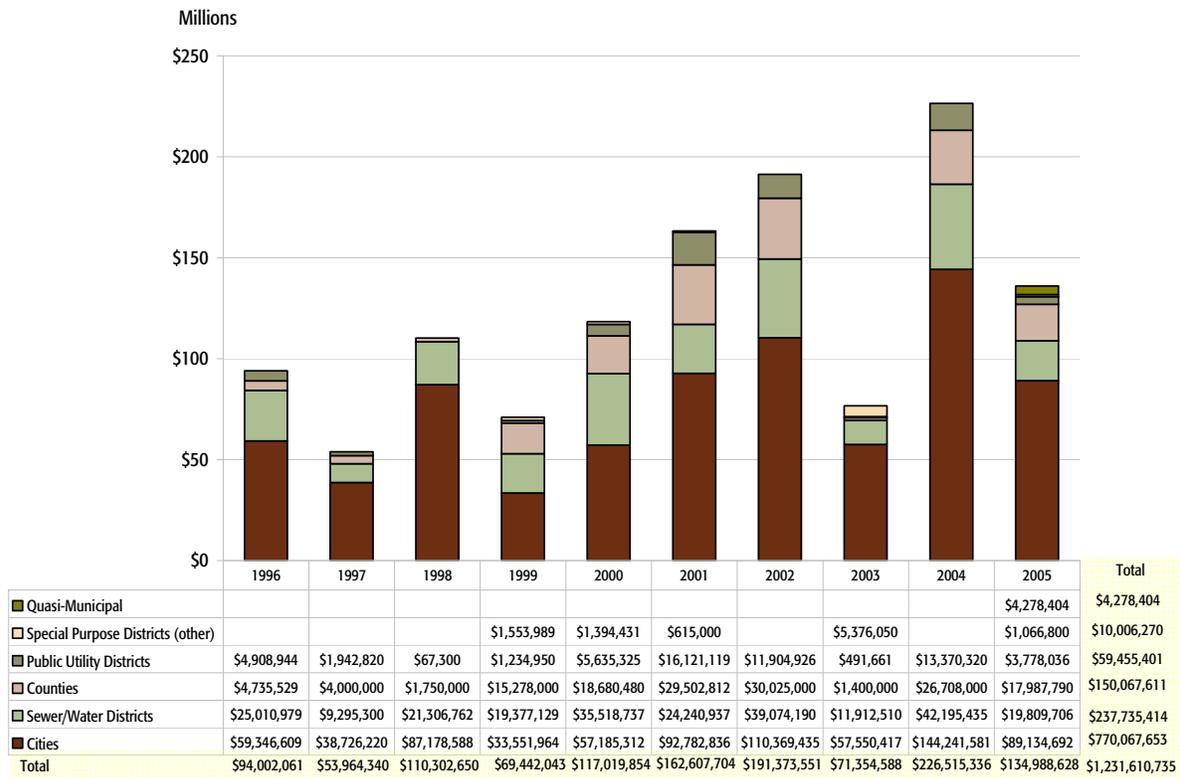
#### Summary of Loan Counts

- The number of loans awarded has varied over the time period analyzed. A maximum of 72 loans was issued in 1996 and a low of 31 loans was issued in 2003; 586 total loans were executed over the ten-year period.
- Cities are the most frequent beneficiaries, collecting 56% of the total number of loans over the ten-year period, or 328 loans. As a percentage of the annual number of loans, cities' share ranged from 68% in 1997 to 43% in 2000.

- Sewer/water districts received 30% of all loans over the ten-year period, or 177 loans. As a percentage of the annual number of loans, sewer/water districts' share ranged from 24% in 1997 to 39% in 1996.
- Counties received 7% of all loans over the ten-year period. As a percentage of the annual number of loans, counties' share ranged from 11% in 1999 and 2002 to 3% in 1997, 2000, and 2003.
- Public Utility Districts received 6% of all total number of loans. As a percentage of the annual number of loans, PUDs' share ranged from 11% in 1999 and 2005 to 2% in 1998.

Exhibit E - 2 describes client funding levels of PWTF loan awards during the ten-year period between 1996 and 2005.

### Exhibit E - 2 Amount of Public Works Trust Fund Loans by Client Type, 1996-2005



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Special purpose districts include three awards to irrigation districts, one award to a reclamation district, one award to a flood district, and one award to a dike district.

#### **Summary of Loan Amounts**

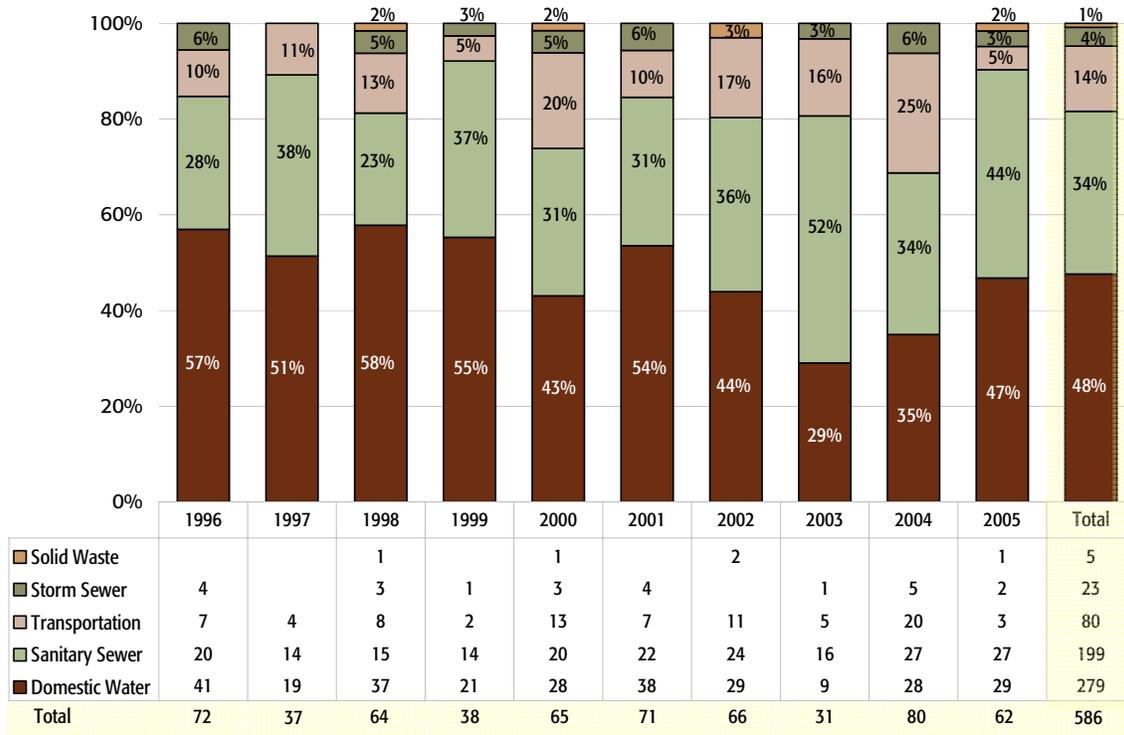
- PWTF has awarded \$1.23 billion in loans during the ten-year period. With the exception of 2003 and 2005, the annual amount of PWTF loans has trended upward since 1999, reaching a ten-year

high of \$227 million in 2004. A low of \$54 million was awarded in 1997. The average loan amount was \$2.1 million for the study period.

- Cities received the greatest dollar value of loans over the ten-year period, collecting \$770 million. The annual amount of loans to cities ranged from \$144.2 million in 2004 to \$33.6 million in 1999.
- The increase in total awards from 1999 to 2005 was concomitant with an increase in awards to cities.
- Sewer/water districts received \$237.7 million over the ten-year period. The annual amount of loans ranged from \$42.2 million in 2004 to \$9.3 million in 1997.
- Counties received \$150.1 million over the ten-year period. The annual amount of loans ranged from \$30 million in 2002 to \$1.4 million in 2003. Counties had the highest average award size, \$3.9 million per award.
- Public utility districts received \$59.5 million over the ten-year period. The annual amount of loans ranged from \$16.1 million in 2001 to \$67,000 in 1998.

Exhibit E - 3 describes the number of projects types funded by PWTF loans during the ten-year period between 1996 and 2005.

**Exhibit E - 3**  
**Count of Public Works Trust Fund Loans by Project Type, 1996-2005**



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Transportation includes both Road and Bridge projects.

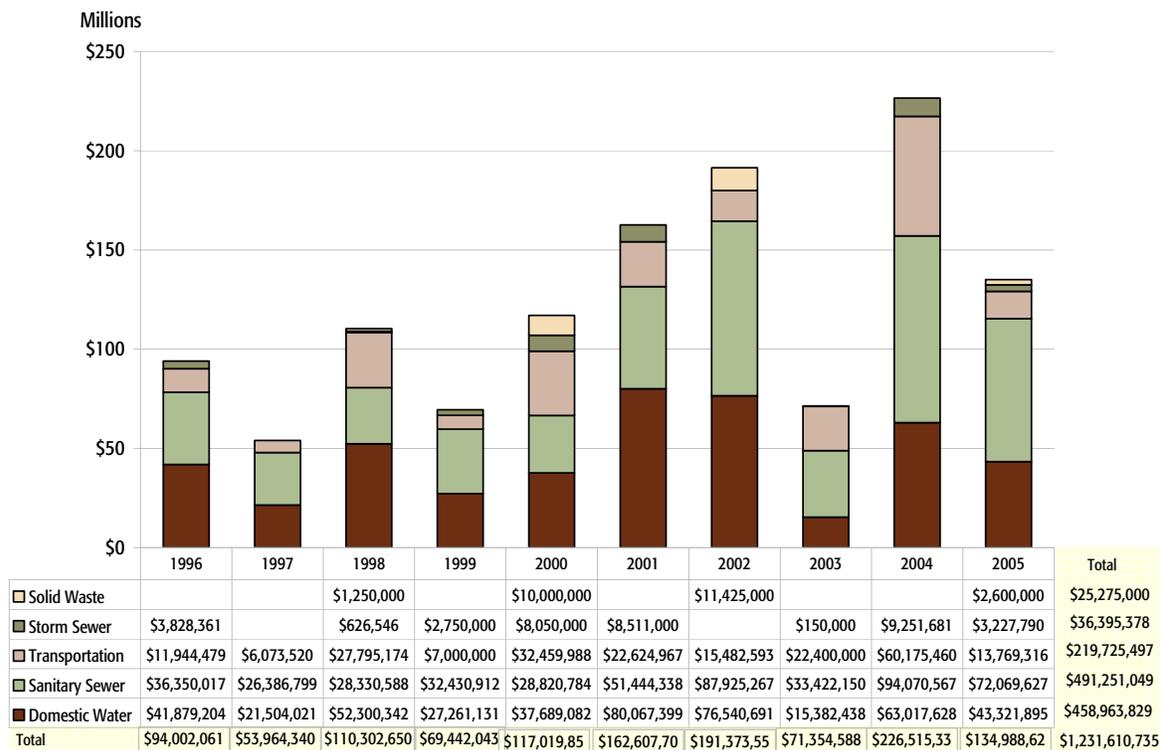
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### ***Summary of Loan Counts***

- Domestic water projects received 48% of all loan awards over the ten-year period. As a percentage of the annual number of loans, domestic water projects' share ranged from 58% of the total in 1998 to 29% in 2003.
- Sanitary sewer projects received 34% of all loan awards over the ten-year period. As a percentage of the annual number of loans, sanitary sewer projects' share ranged from 52% of the total in 2003 to 23% in 1998.
- Transportation projects received 14% of all loan awards over the ten-year period. As a percentage of the annual number of loans, transportation projects' share ranged from 25% of the total in 2004 to 5% in 1999 and 2005.
- Storm sewer and solid waste project have been funded intermittently during the time period studied.
- Storm sewer projects received 4% of all loan awards over the ten-year period. As a percentage of the annual number of loans, storm sewer projects' share ranged from 6% of the total in 1996, 2001, and 2004 to receiving no loans in 1997.
- Solid waste projects received 1% of all loan awards over the ten-year period. As a percentage of the annual number of loans, domestic water projects' share ranged from 3% of the total in 2002 to receiving no loans in 1996, 1997, 1999, 2001, 2003, and 2004.

Exhibit E - 4 describes project type funding levels by PWTF loans during the ten-year period between 1996 and 2005.

### Exhibit E - 4 Amount of Public Works Trust Fund Loans by Project Type, 1996-2005



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Transportation includes both Road and Bridge projects.

#### **Summary of Loan Amounts**

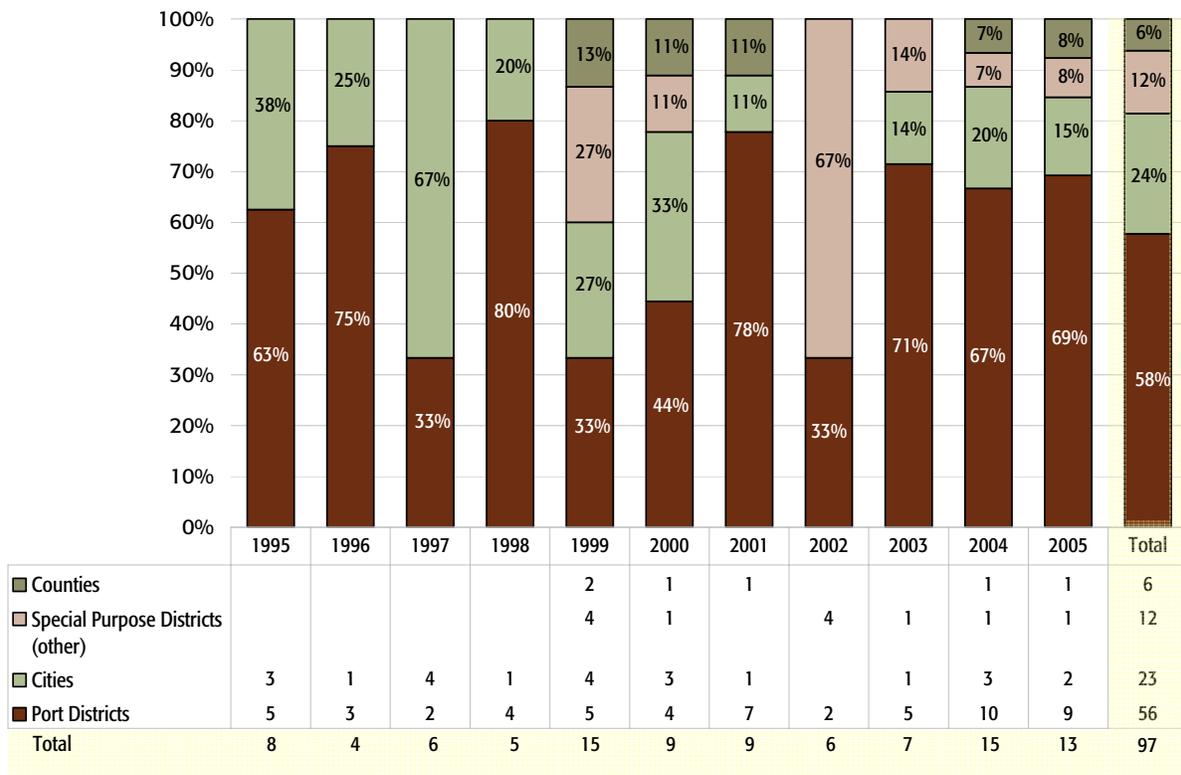
- Sanitary sewer projects received the greatest value of awards over the ten-year period, collecting \$491 million. The annual amount of loans ranged from \$94 million in 2004 to \$26 million in 1997. Sanitary sewer projects trended upward over the analysis time-frame.
- The increase in total loan amounts from 1999-2005 was concomitant with an increase in loan amounts to sanitary sewer projects.
- Domestic water projects received \$459 million over the ten-year period. The annual amount of loans ranged from \$80 million in 2001 to \$15 million in 2003.
- Transportation projects received \$220 million over the ten-year period. The annual amount of loans ranged from \$60 million in 2004 to \$6 million in 1997.
- Storm sewer projects received \$36 million over the ten-year period. The annual amount of loans ranged from \$9 million in 2005 to no awards in multiple years.

- Solid waste projects received \$25 million over the ten-year period. The annual amount of loans ranged from \$11 million in 2002 to no awards in multiple years. Solid waste projects had the highest average loan award of \$5.1 million for the analysis period.

### 3.2 Community Economic Revitalization Board

Exhibit E - 5 describes the number of awards distributed to clients by CERB during the eleven-year period between 1995 and 2005.

**Exhibit E - 5**  
**Count of Community Economic Revitalization Board Awards**  
**by Client Type, 1995-2005**



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

Note: Awards that contained a mix of loan and grant monies have been combined to represent a single CERB award. Special Purpose District (other) includes ten public development authorities, an airport, and a public utility district.

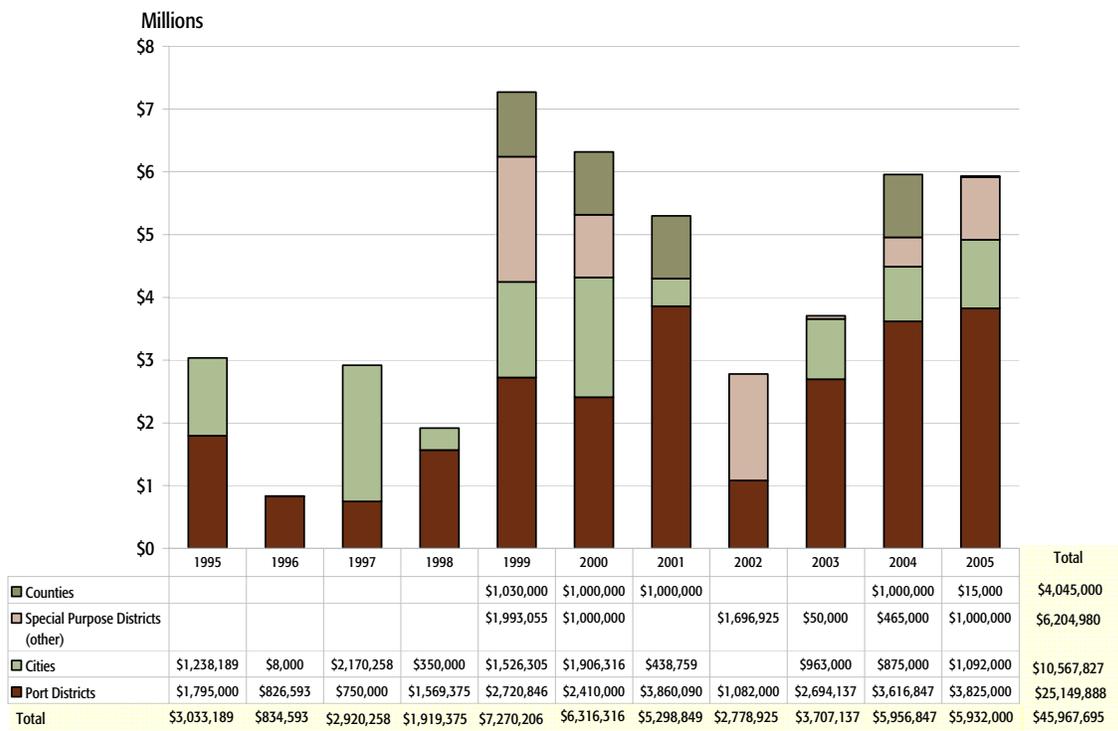
#### **Summary of Award Counts**

- Ninety-seven awards were made during the eleven-year period, 1995-2005. The number of awards varied from a maximum of 15 awards in 1999 and 2004 to a low of four awards in 1996.
- Ports have been the most frequent recipient of awards during the time period, collecting 58% of all awards. As a percentage of the annual number of awards, ports' share ranged from 80% of the total in 1998 to 33% in 1997 and 2002

- Cities collected 24% of CERB awards. As a percentage of the annual number of awards, cities' share ranged from 67% of the total in 1997 to no awards in 2002.
- Special purpose districts collected 12% of CERB awards. As a percentage of the annual number of awards, special purpose districts' share ranged from 67% of the total in 1997 to no awards in multiple years.
- Counties collected 6% of CERB awards. As a percentage of the annual number of awards, counties' share ranged from 13% of the total in 1999 to no awards in multiple years.

Exhibit E - 6 describes client funding levels by CERB during the eleven-year period between 1995 and 2005.

### Exhibit E - 6 Amount of Community Economic Revitalization Board Awards by Client Type, 1995-2005



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

Note: Awards that contained a mix of loan and grant monies have been combined to represent a single CERB award. Special Purpose District (other) includes ten public development authorities, an airport, and a public utility district.

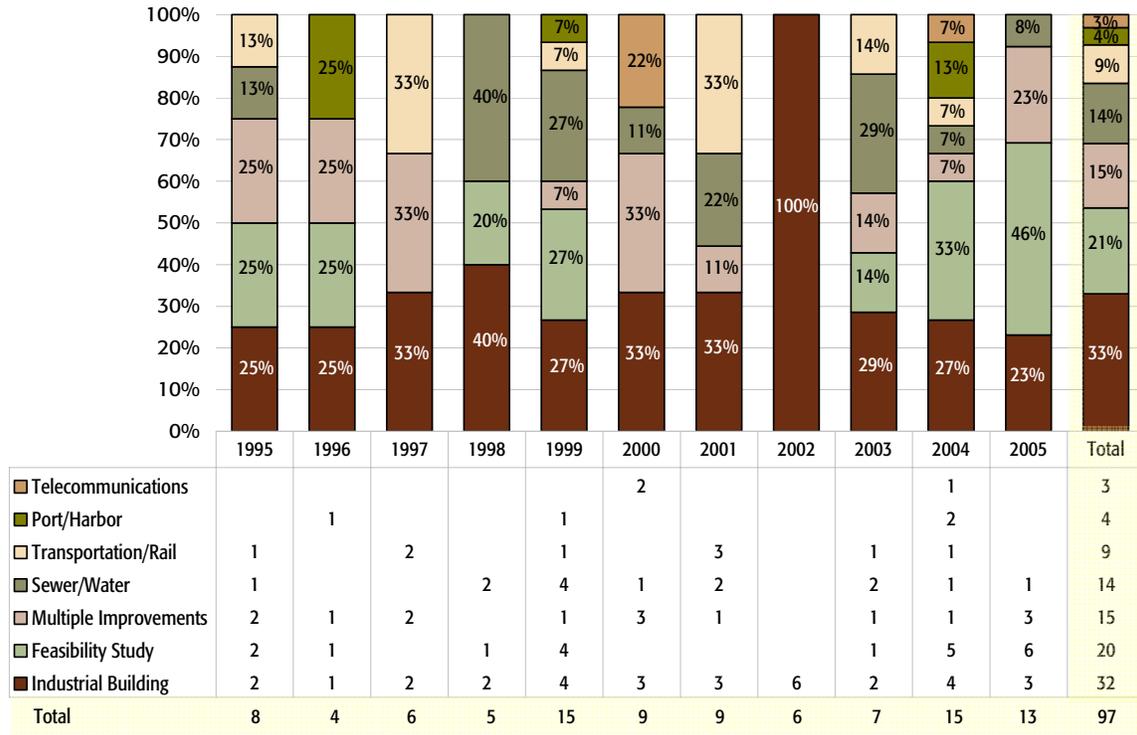
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### ***Summary of Award Amounts***

- CERB funding has varied over the eleven-year period, with \$46.0 million awarded to all client types. CERB awarded the most in 1999, \$7.3 million; and the least in 1996, \$800,000. The average CERB award for the time period studied was \$474,000.
- Ports collected the highest amount (\$25 million) during the time period. Ports were the only client type to receive funding in every year of the eleven year time frame. Annual award amounts ranged from \$3.8 million in 2005 to \$750,000 in 1997.
- Cities collected \$10.5 million during the time period studied. Annual award amounts ranged from \$1.9 million in 2000 to no awards in 2002.
- Special purpose districts collected \$6.2 million. Annual award amounts ranged from \$2 million in 1999 to no awards in multiple years.
- Counties collected \$4 million of the total amount awarded. Annual award amounts ranged from \$1 million to no awards in multiple years. Counties had the highest average award of \$674,000 per project over the analysis period.

Exhibit E - 7 describes the number of awards by project type funded by CERB during the eleven-year period between 1995 and 2005.

### Exhibit E - 7 Count of Community Economic Revitalization Board Awards by Project, 1995-2005



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

Note: Awards that contained a mix of loan and grant monies have been combined to represent a single CERB award.

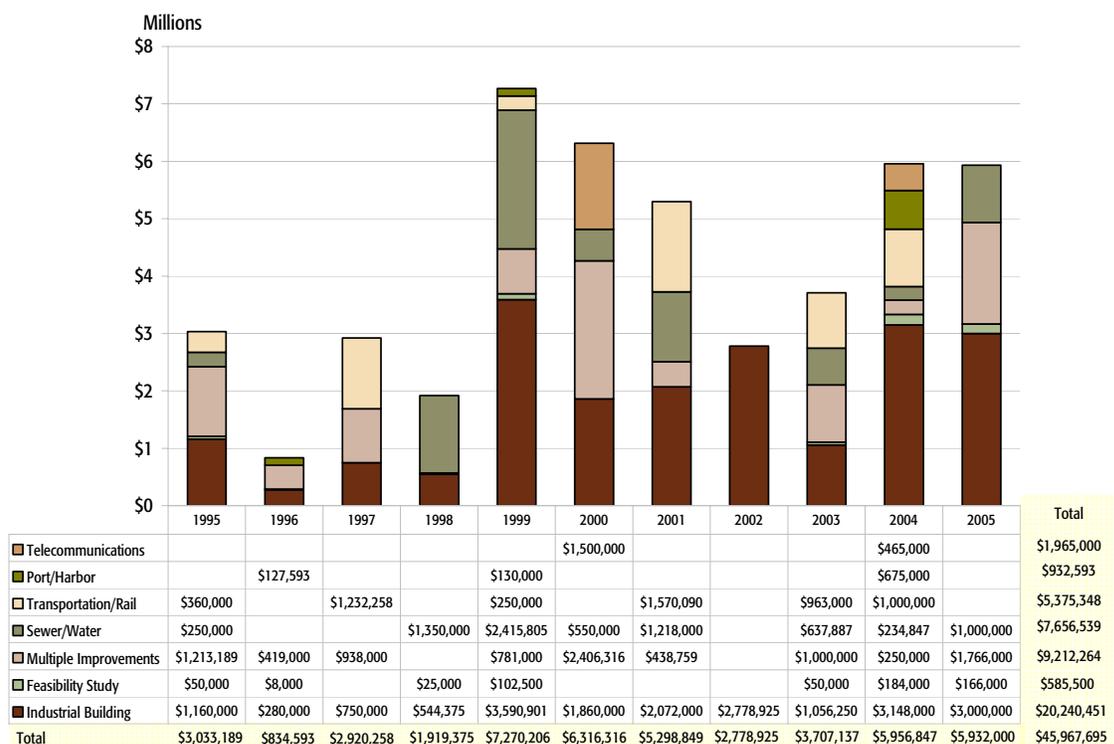
#### **Summary of Award Counts**

- Industrial buildings received the highest number of CERB awards during the eleven-year time period. Thirty-two awards, or 33% of the total number awards, went to industrial buildings. As a percentage of the number of annual awards, industrial buildings' share ranged from 100% in 2002 to 23% in 2005. With the exception of 2002, industrial buildings have been awarded a relatively consistent percentage of the total awards during the 1995 to 2005 time period.
- Feasibility studies received 21% of all awards. As a percentage of the number of annual awards, feasibility studies' share ranged from 46% of the total in 2005 to no awards in multiple years. The number of awards for feasibility studies has trended upward since 2003.
- CERB has awarded projects with multiple project elements. These projects have accounted for 15% of the total awards. As a percentage of the number of annual awards, multiple projects' share ranged from 33% of the total in 1997 and 2000 to no awards in multiple years.

- Sewer/water projects received 14% of all awards. As a percentage of the number of annual awards, sewer/water projects' share ranged from 40% of the total in 1998 to no awards in multiple years.
- A few awards have sporadically been allocated to transportation, port/harbor, and telecommunication projects during the 1995-2005 time period.

Exhibit E - 8 describes project type funding levels by CERB during the eleven-year period between 1995 and 2005.

### Exhibit E - 8 Amount of Community Economic Revitalization Board Awards by Project Type, 1995-2005



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

Note: Awards that contained a mix of loan and grant monies have been combined to represent a single CERB award.

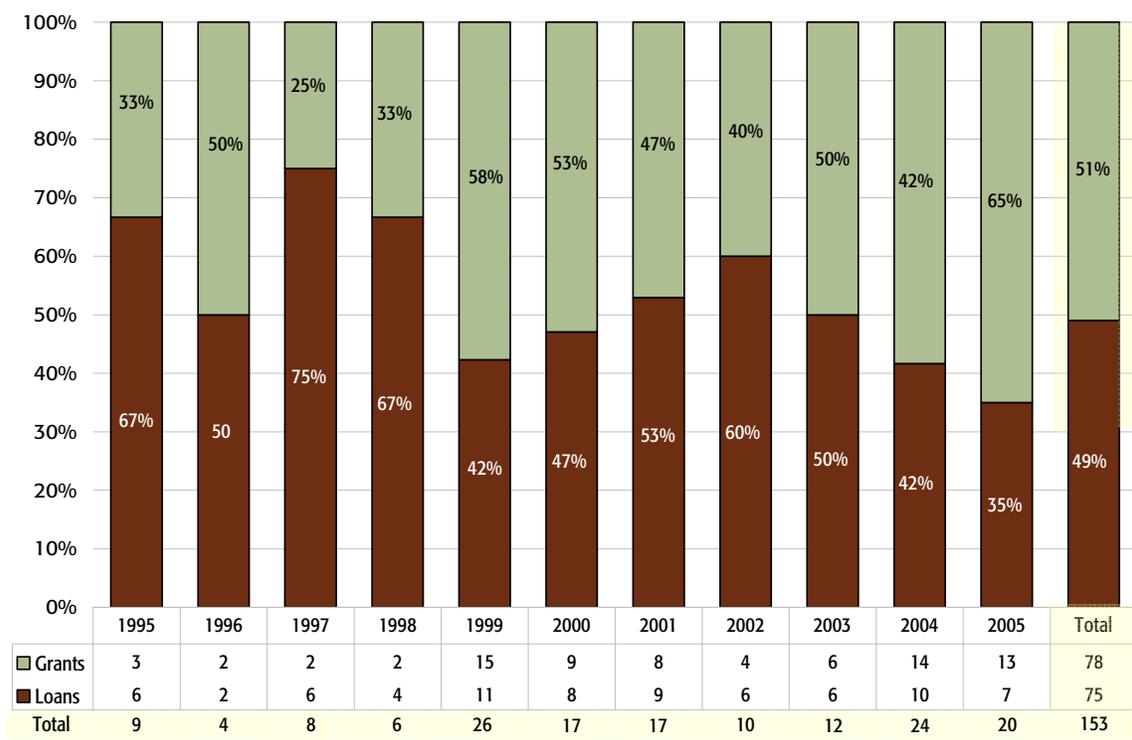
#### **Summary of Award Amounts**

- Industrial building projects have received the largest amount of CERB awards, collecting \$20 million during 1995-2005. Annual award amounts ranged from \$3.6 million in 1999 to \$280,000 in 1996. Industrial buildings are the only project type to receive funding in every year of the time period studied. The average project award was \$633,000.

- Projects with multiple improvements collected \$9.2 million over the eleven-year time period. Annual award amounts ranged from \$2.4 in 2000 to no awards in multiple years.
- Sewer/water projects collected \$7.7 million in awards over the time period. Annual award amounts ranged from \$2.4 million in 1999 to no awards in multiple years. Sewer/water projects were the highest funded project type in 1998.
- Transportation/rail projects collected a total \$5.4 million. Annual award amounts ranged from \$1.5 million in 2001 to no awards in several years.
- Feasibility studies received \$586,000 during the analysis period. The average project award was \$29,000.
- Telecommunication, port/harbor, and feasibility studies have been funded at variable amounts over the time period studied. Telecommunication projects had the highest average award of \$655,000 over the analysis period.

Exhibit E - 9 describes the number of loans awarded by CERB to different types of projects during the eleven-year period between 1995 and 2005.

**Exhibit E - 9**  
**Count of Community Economic Revitalization Board**  
**Loan and Grant Awards, 1995-2005**



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

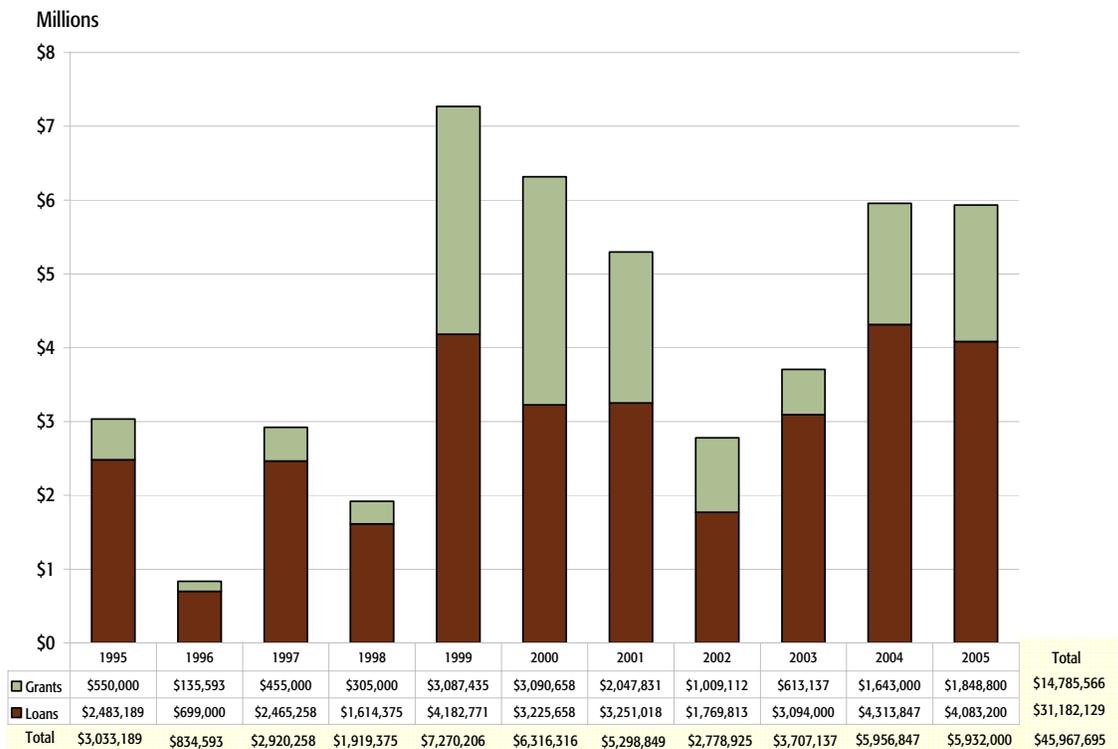
Note: A project may receive both a loan and grant from CERB. The totals in this table do not match the totals for the previous CERB tables because those tables combined loan and grant awards.

## Summary of Award Counts

- The number of grants and the number of loans is nearly equal for the 1995-2005 time period. Three more grant awards than loan awards have been made. There have been 153 total awards made by CERB over the eleven-year time period studied.
- The percentage of grants has trended upward since 2002 to 65% in 2005. As a percentage of the number of annual awards, grants' share ranged from 65% of the total in 2005 to 25% in 1997.
- As a percentage of annual awards, loans' share ranged from 75% of the total in 1997 to 35% in 2005.

Exhibit E - 10 describes the amount of loans and grants awarded by CERB during the eleven-year period between 1995 and 2005.

**Exhibit E - 10**  
**Amount of Community Economic Revitalization Board**  
**Loan and Grant Awards, 1995-2005**



Source: Community Economic Revitalization Board Award History and Berk & Associates, 2005

## Summary of Award Amounts

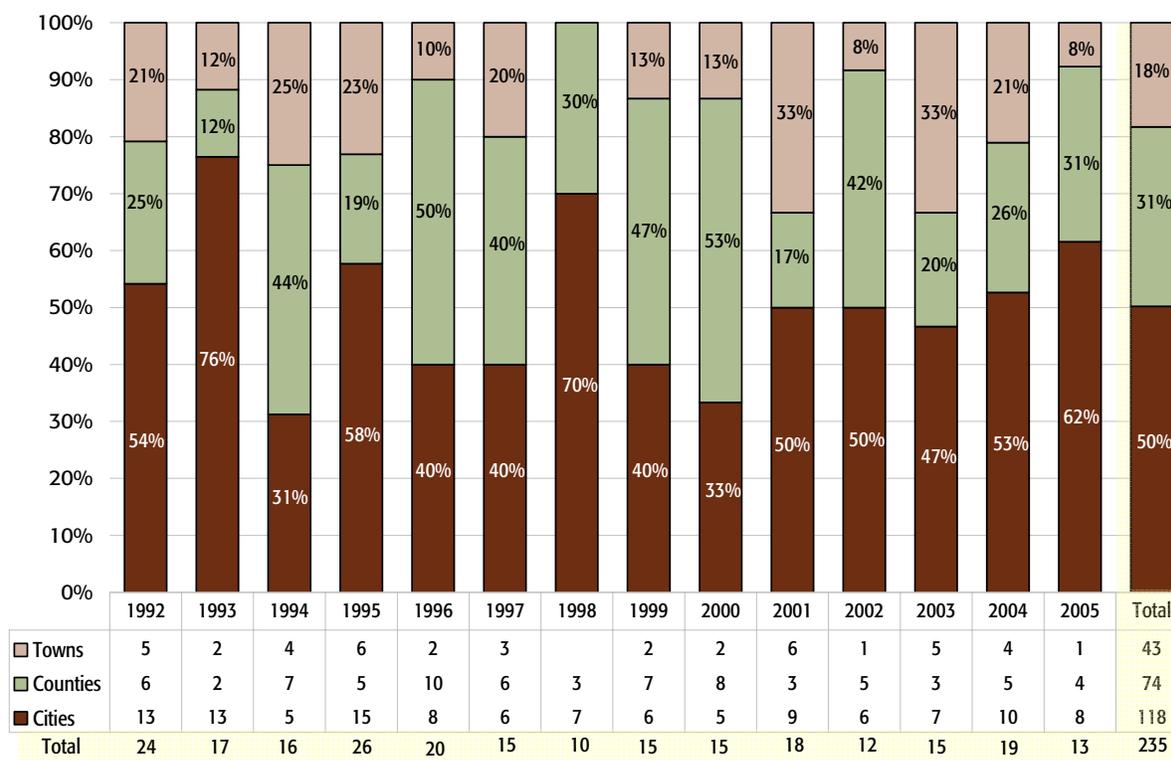
- Between loans and grants, CERB has awarded \$46 million over the 1995-2005 time period. A total of \$31.2 million in loans made up the majority of funding, compared to \$14.8 million for grants.

- Annual loan amounts have ranged from \$4.3 million in 2004 to \$700,000 in 1996. With the exception of 2002, the amount of annual loan awards has remained at consistent levels. The average loan award was for \$415,762 during the analysis period.
- Annual grant amounts have ranged from \$3.1 million in 1999 and 2000 to \$135,000 in 1996. The annual amount of grants awarded decreased from 2000 to 2003 before rebounding in 2004. The average grant award was for \$189,559 during the analysis period.

### 3.3 Community Development Block Grant Programs

Exhibit E - 11 describes the number of General Purpose Grants awarded by CDBG to different client types during the fourteen-year period between 1992 and 2005.

**Exhibit E - 11  
Count of CDBG General Purpose Grants by Client Type, 1992-2005**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

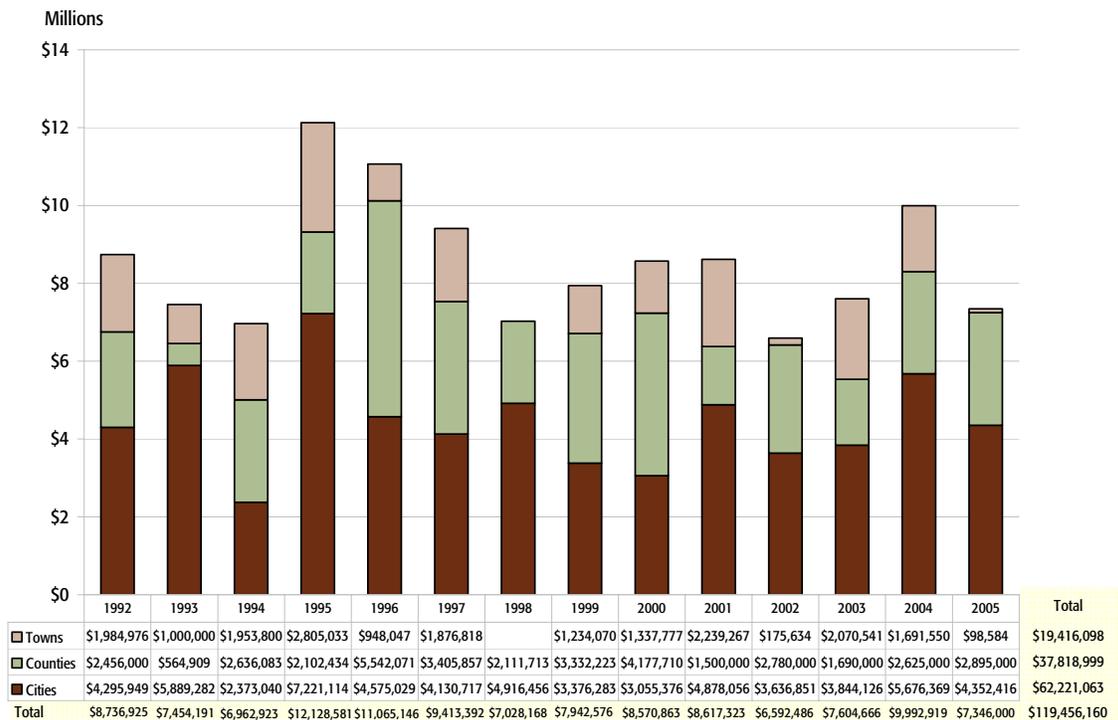
#### **Summary of Grant Counts**

- CDBG awarded 235 General Purpose Grants over the 1992 -2005 time period. After awarding a high of 26 awards in 1995, the annual number of awards trended downward; thirteen grants were awarded in 2005.
- Cities received half of the total number of grants awarded. As a percentage of annual awards, cities' share ranged from 76% of the total in 1993 to 31% in 1994.

- Counties received 31% of the total number of grant awards during the study period. As a percentage of annual awards, counties' share ranged from 53% of the total in 2000 to 12% in 1993.
- Towns received 18% of the total grant awards. As a percentage of annual awards, towns' share ranged from 33% of the total in 2001 and 2003 to no awards in 1998.

Exhibit E - 12 describes client funding levels by CDBG General Purpose Grants during the fourteen-year period between 1992 and 2005

### Exhibit E - 12 Amount of CDBG General Purpose Grants by Client Type, 1992-2005



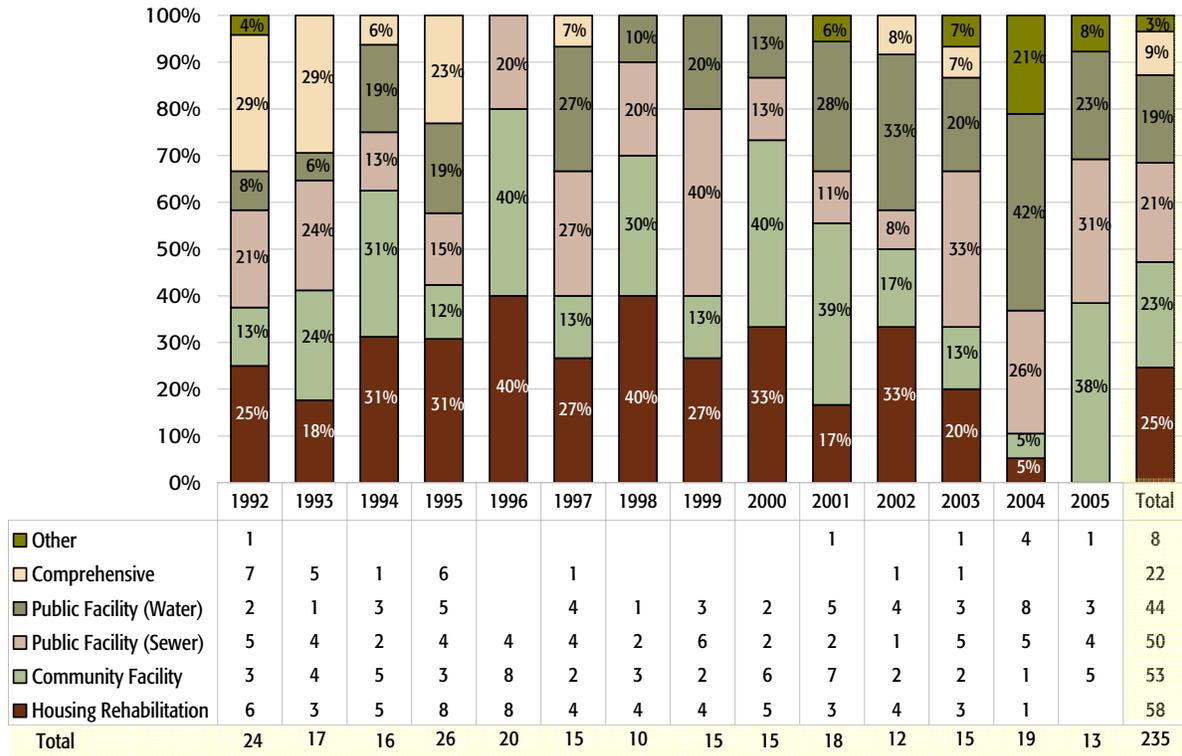
Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

#### Summary of Grant Amounts

- CDBG has awarded over \$119 million in General Purpose Grants during the 1992-2005 time period. Annual grant amounts have ranged from \$12.1 million in 1995 to \$6.6 million in 2002.
- Cities have collected the largest amount of grants, receiving \$62.2 million. Annual grant amounts have ranged from \$7.2 million in 1995 to \$2.4 million in 1994. Cities have the highest average award at \$527,000 per project.
- Counties have collected \$37.8 million over the time period. Annual grant amounts have ranged from \$5.5 million in 1996 to \$564,000 in 1993.
- Towns have collected \$19.4 million over the time period. Annual grant amounts have ranged from \$2.8 million in 1995 to no award in 1998.

Exhibit E - 13 describes the number of project types funded by CDBG General Purpose Grants during the fourteen-year period between 1992 and 2005.

**Exhibit E - 13**  
**Count of CDBG General Purpose Grants by Project Type, 1992-2005**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

Note: Comprehensive projects have multiple project types or activities.

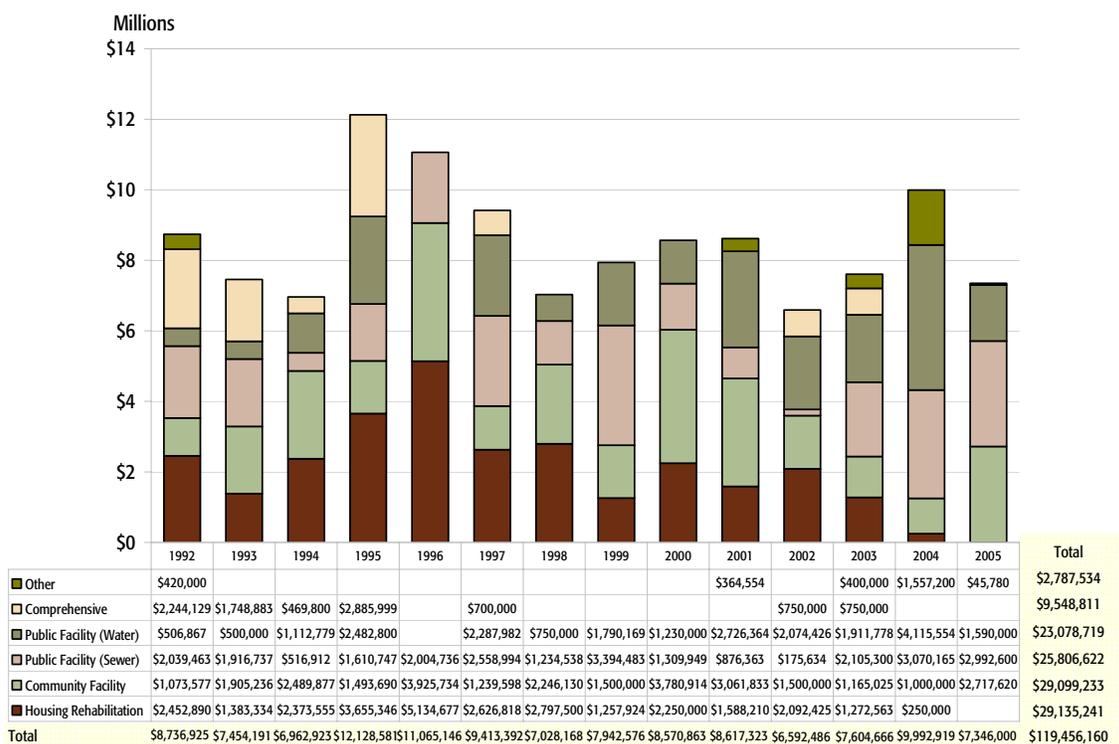
**Summary of Grant Counts**

- Housing rehabilitation projects received 25% of all grant awards during the fourteen-year period studied. As a percentage of the annual grants, housing rehabilitation projects' share ranged from 40% in 1996 and 1998 to no awards in 2005. Since receiving 8 awards in 1995 and 1996, housing rehabilitation projects have trended downward, receiving no awards in 2005.
- Community facility projects received 23% of the total number of grant awards during the time period. As a percentage of annual grants, community facilities' share ranged from 40% of the total in 1996 and 2000 to 5% in 2004.
- Public facility (sewer) projects received 21% of all grant awards.
- Public facility (water) projects received 19% of all grant awards.
- Water and Sewer projects combined to receive 40% of all grant awards. As a percentage of annual grants, combined water/sewer projects' share ranged from 68% of the total in 2004 to 26% in 2000. Water and sewer projects have trended upward since 1998.

- Comprehensive and other projects have been awarded at lower percentages. In recent years, the number of comprehensive projects has trended downward, with only three such projects funded from 1996 to 2003, and none in 2004 or 2005.

Exhibit E - 14 describes project type funding levels by CDBG General Purpose Grants during the fourteen-year period between 1992 and 2005.

### Exhibit E - 14 Amount of CDBG General Purpose Grants by Project Type, 1992-2005



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

Note: Comprehensive projects have multiple project types or activities.

### Summary of Grant Amounts

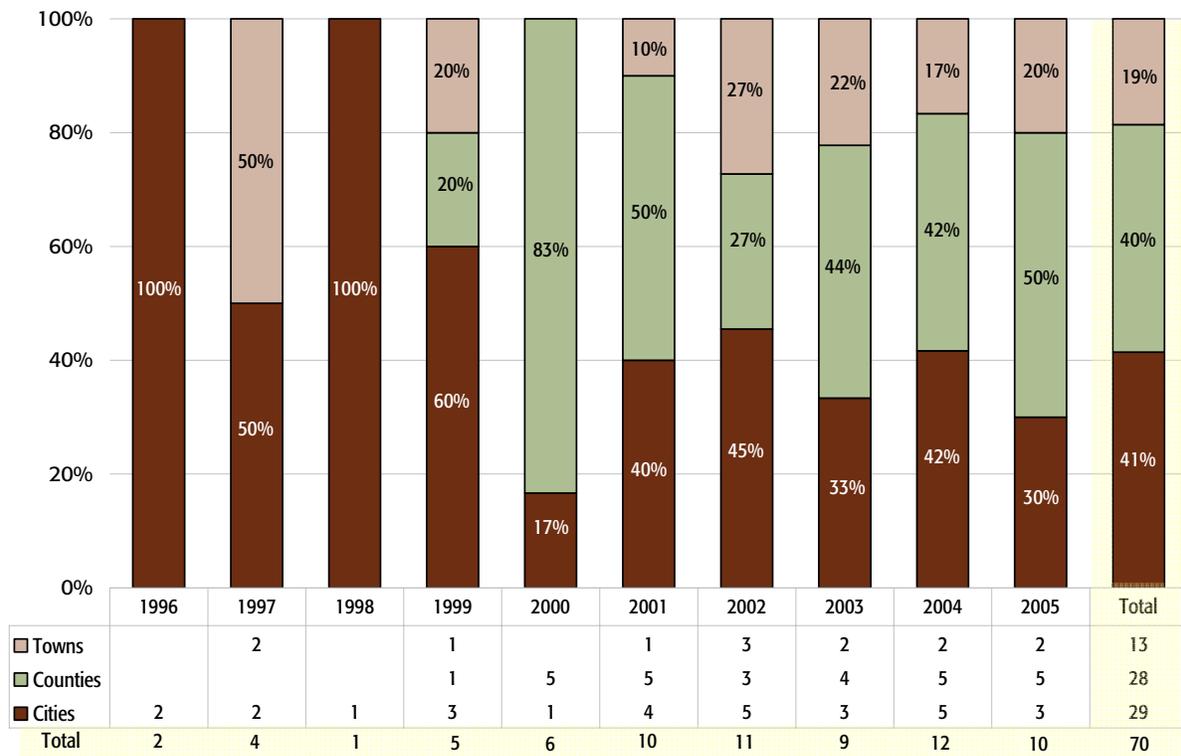
- Housing rehabilitation projects received the greatest number of grant awards, collecting \$29.1 million over the fourteen-year period. Annual grant amounts ranged from \$ 5.1 million in 1996 to no awards in 2005. The total annual amount of housing rehabilitation awards has trended downward since 1996.
- Community facilities have collected \$29.1 million. Annual grant award amounts ranged from \$3.9 million in 1996 to \$1 million in 2004. They have the highest average award amount of \$549,000 per project.

- Public facility (sewer) collected \$25.8 million over the study period. Annual grant awards amounts ranged from \$3.4 million in 1999 to \$175,000 in 2002.
- Public facility (water) collected \$23 million over the analysis period. Annual grant awards amounts ranged from \$4.1 million in 2004 to no awards in 1996.
- Combined water and sewer projects collected \$48.8 million over the study period.
- Comprehensive and other projects have been funded at relatively lower levels from 1992 to 2005.

Exhibit E - 15 describes the number of Community Investment Fund Grants awarded to clients by CDBG during the ten-year period between 1996 and 2005.

### Exhibit E - 15

#### Count of CDBG Community Investment Fund Grants by Client Type, 1996-2005



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

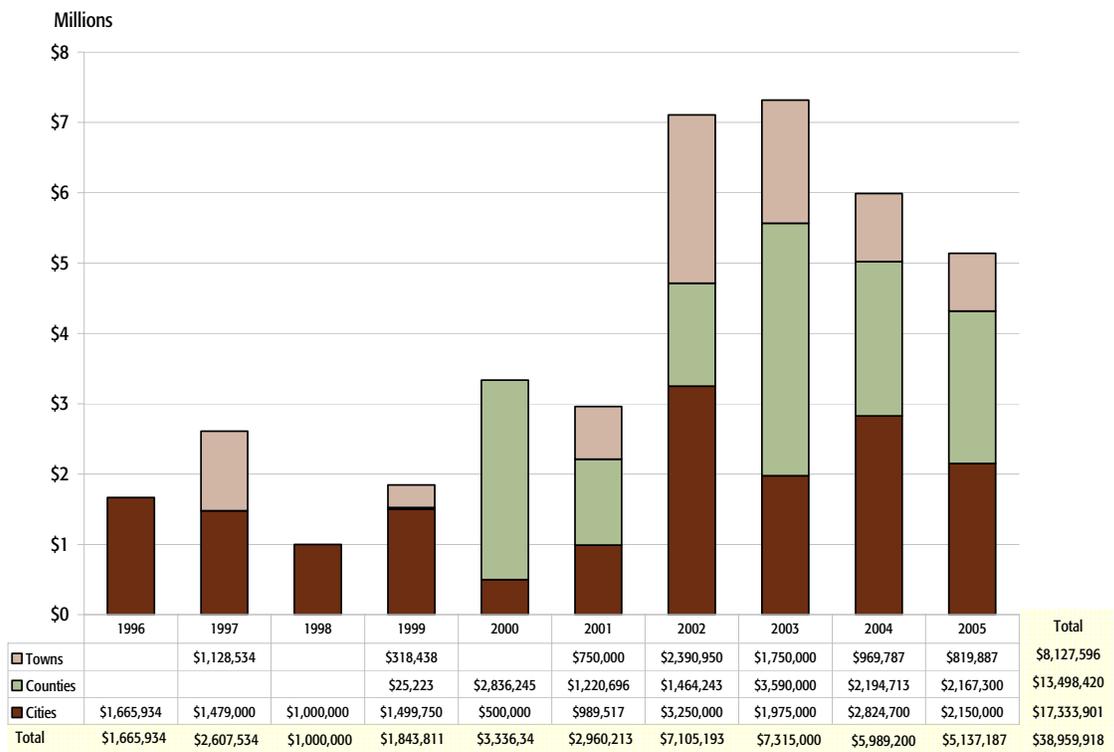
#### Summary of Grant Counts

- CDBG awarded 70 Community Investment Fund grants over the ten-year time period. The number of grant awards has trended upward since 1996.
- Cities received 41% of the total number of grants awarded during the time period. As a percentage of annual grant awards, cities' share ranged from 100% of the total in 1996 and 1998 to 17% in 2000.

- Counties received 40% of all grant awards during the time period. As a percentage of annual grant awards, counties' share ranged from 83% of the total in 2000 to no awards between 1996 and 1999.
- Towns received 19% of the total grants awarded over the study period. As a percentage of annual grant awards, towns' share ranged from 50% of the total in 1997 to no awards in multiple years.

Exhibit E - 16 describes client funding levels by CDBG Community Investment Fund grants during the ten-year period between 1996 and 2005.

**Exhibit E - 16**  
**Amount of CDBG Community Investment Fund Grants by Client Type, 1996-2005**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

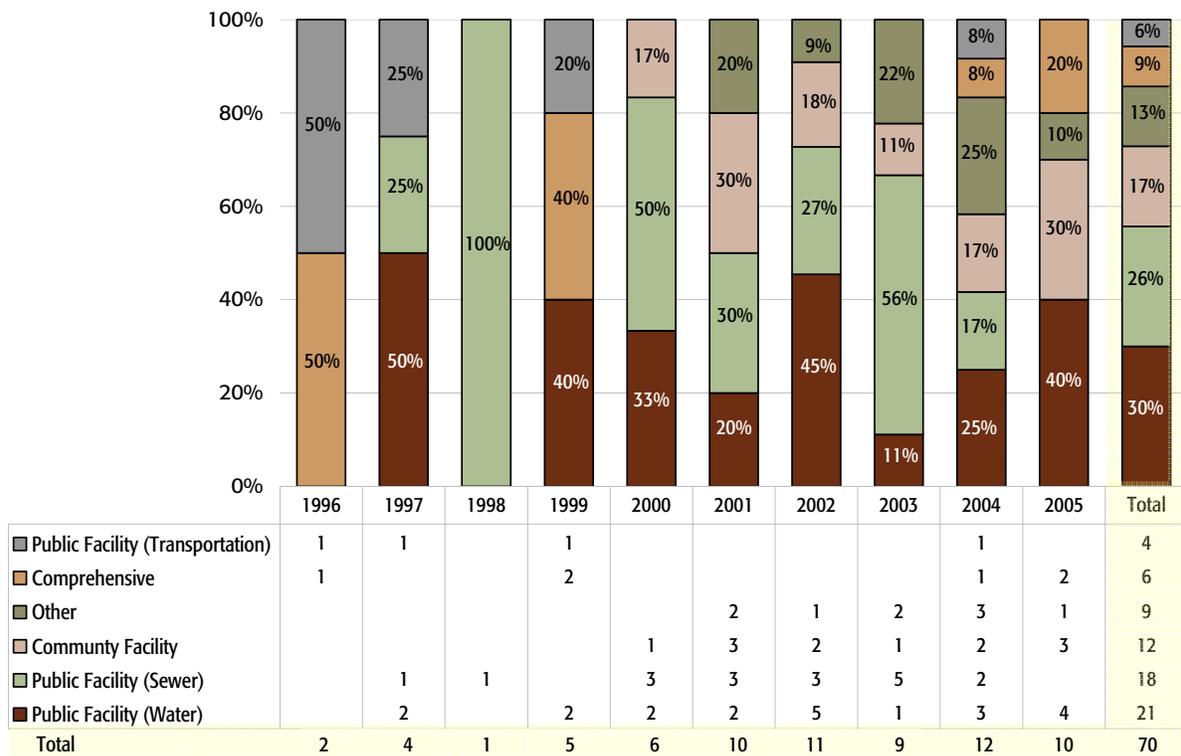
**Summary of Grant Amounts**

- CDBG has awarded \$39 million in Community Investment Fund Grants in the ten-year period between 1996 and 2005. Funding levels over the time period have trended upward.
- Cities received the largest amount, collecting \$17.3 million. Annual grant amounts ranged from \$3.3 million in 2002 to \$500,000 in 2000. Cities were the only client type to receive funding in every year of the analysis period.
- Counties collected \$13.5 million over the study period. Annual grant amounts ranged from \$3.6 million in 2003 to no awards in multiple years.

- Towns collected \$8.1 million over the analysis period. Annual grant amounts ranged from \$2.4 million in 2002 to no awards in multiple years. Towns had the highest average award of \$625,000 per project during the analysis time-frame.

Exhibit E - 17 describes the number of project types funded by the CDBG Community Investment Fund Grants during the ten-year period between 1996 and 2005.

**Exhibit E - 17**  
**Count of CDBG Community Investment Fund Grants by Project Type, 1996-2005**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

Note: Comprehensive projects have multiple project types or activities.

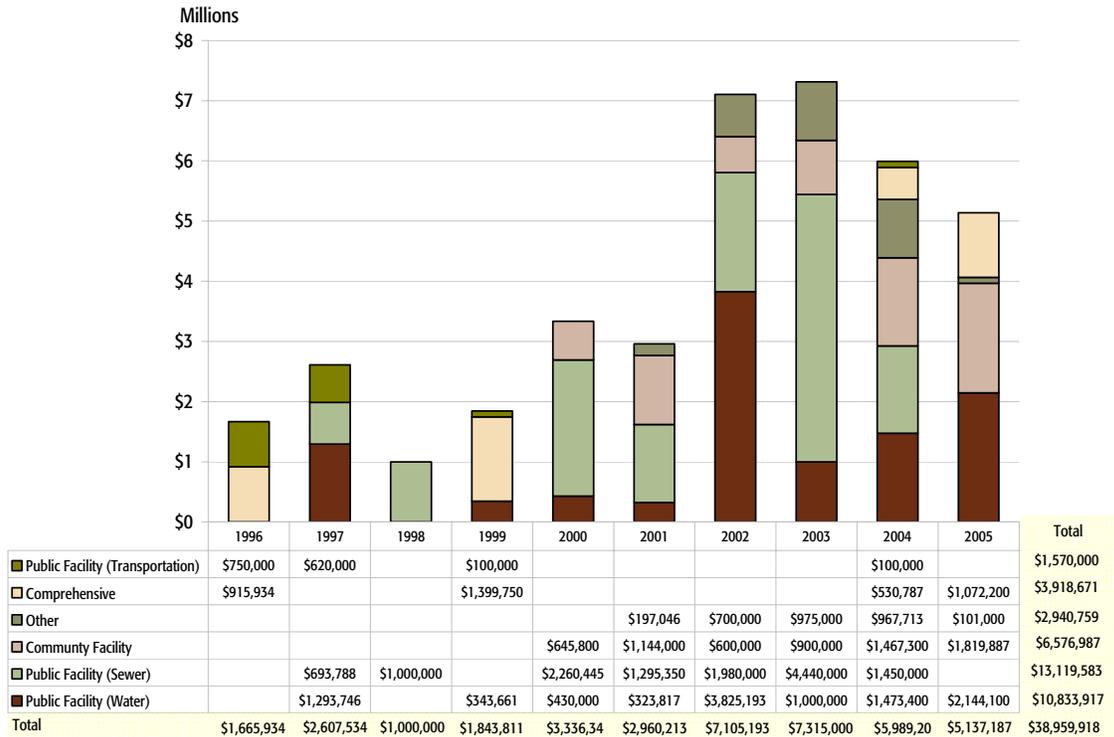
**Summary of Grant Counts**

- Public facilities (water) projects received the highest number of the total grants, amounting to 30% of Community Investment Fund Grants over the study period.
- Public facilities (sewer) projects received 26% of the total number of grants over the study period.
- Combined, water and sewer projects accounted for 56% of the total number of awards from 1996 to 2005.
- Community facilities received 17% of the total number of grant awards over the study period.
- Transportation received 6% of the total number of grant awards over the study period.

Exhibit E - 18 describes project type funding levels by CDBG Community Investment Fund Grants from the ten-year period between 1996 and 2005.

### Exhibit E - 18

#### Amount of CDBG Community Investment Fund Grants by Project Type, 1996-2005



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

Note: Comprehensive projects have multiple project types or activities.

#### **Summary of Grant Amounts**

- Public facility (sewer) projects received the highest amount of Community Investment Fund grants, collecting \$13.1 million from 1996 to 2005. Sewer projects received the highest annual award amount total of \$4.4 million in 2003. Sewer projects had the highest average award of \$729,000 per project.
- Public facility (water) received \$10.8 million over the time period. Annual grant amounts ranged from \$3.8 million in 2002 to no awards in multiple years.
- Community facilities collected \$6.6 million over the ten-year period.
- Public facility (transportation), comprehensive, and other projects were funded at relatively lower levels between 1996 and 2005.

Exhibit E - 19 describes the number of Imminent Threat Grants awarded to clients by CDBG during the thirteen-year period between 1993 and 2004.

**Exhibit E - 19**  
**Count of CDBG Imminent Threat Grants by Client Type, 1993-2004**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

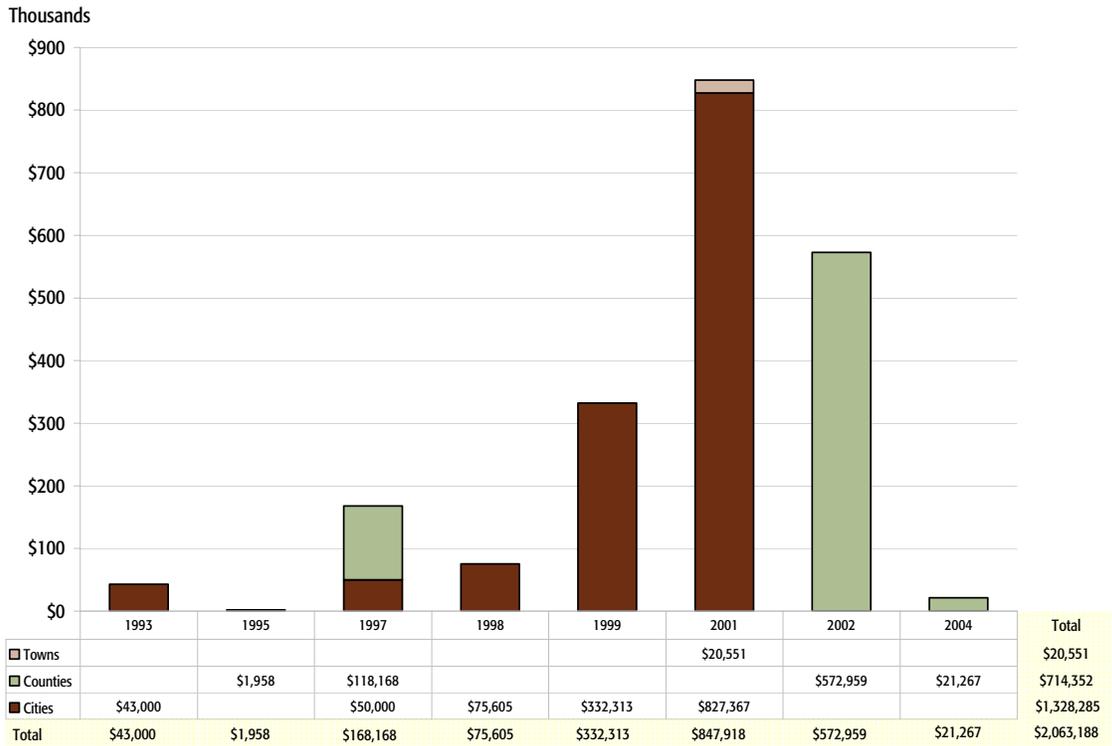
Note: No Imminent Threat Grants awarded in 1994, 1996, 2000, 2003, and 2005.

**Summary of Grant Counts**

- CDBG awarded 13 Imminent Threat Grants between 1993 and 2004, with one or two awards made each year.
- Cities were the main beneficiary, collecting 54% of the total number of grants during the time period.
- A handful of grants were sporadically awarded to counties and towns from 1993 to 2004.
- There were no grants awarded in 1994, 1996, and 2003.

Exhibit E - 20 describes client funding levels by CDBG Imminent Threat Grants during the twelve-year period between 1993 and 2004.

**Exhibit E - 20**  
**Amount of CDBG Imminent Threat Grants by Client Type, 1993-2004**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

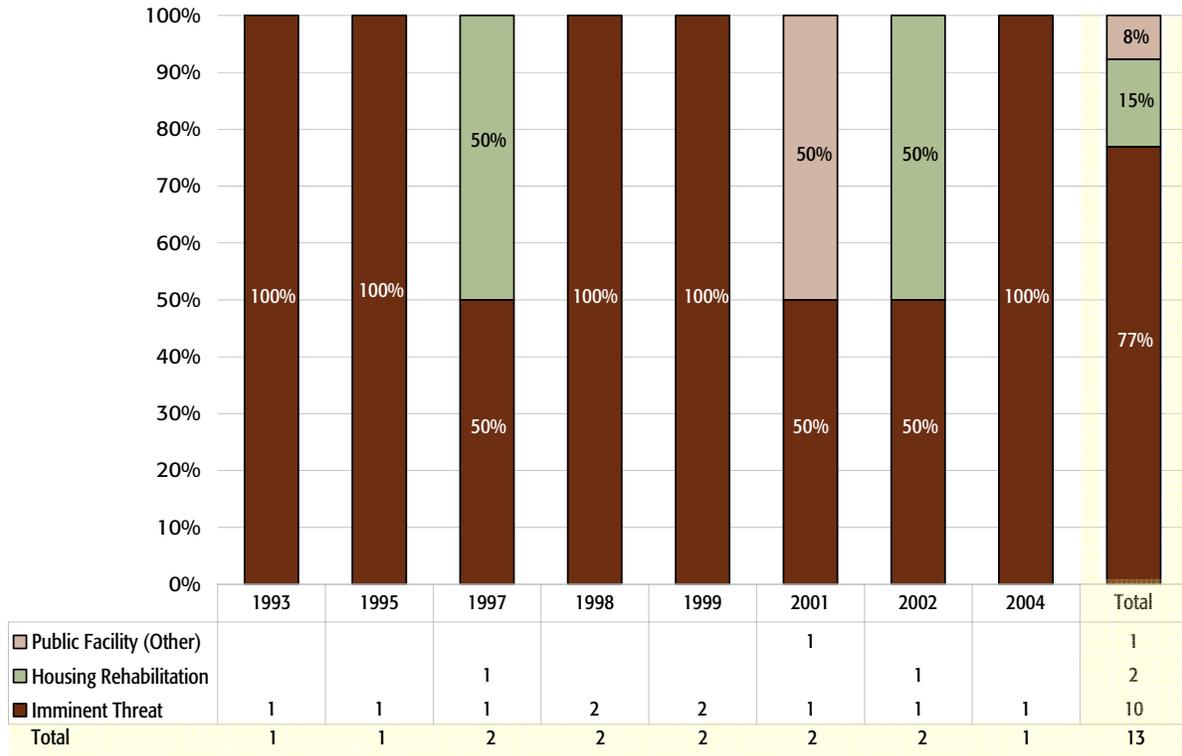
Note: No Imminent Threat Grants awarded in 1994, 1996, 2000, 2003, and 2005.

**Summary of Grant Amounts**

- CDBG awarded \$2 million in Imminent Threat Grants between 1993 and 2004. The highest award was in 2001 for \$827,367. The average award was for \$159,000.
- Cities received the largest grant amount, collecting \$1.3 million for the study period. Cities had the highest average award of \$190,000 per project.
- A town received \$20,551 for one award in 2001.
- No client type received funding in every year over the study period.

Exhibit E - 21 describes the number of project types funded by the CDBG Imminent Threat grants during the twelve-year period between 1993 and 2004.

**Exhibit E - 21**  
**Count of CDBG Imminent Threat Grants by Project Type, 1993-2004**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

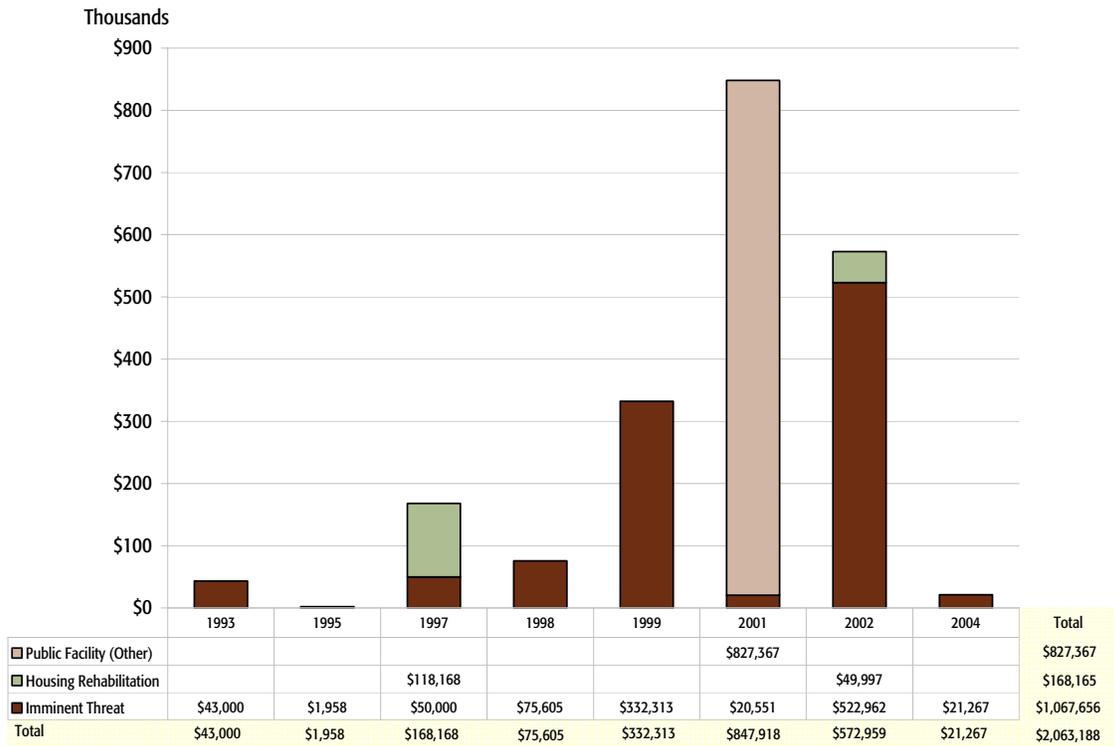
Note: No Imminent Threat Grants awarded in 1994, 1996, 2000, 2003, and 2005. Imminent threat projects encompass a broad range of project and activity types.

**Summary of Grant Counts**

- Projects categorized as imminent threat received the most frequent number of grants during the thirteen year time period, 77% of the 13 total awards.
- Housing rehabilitation and public facility (other) were awarded the remaining three grants during the study period.

Exhibit E - 22 describes project type funding levels by CDBG Imminent Threat grants during the twelve-year period between 1993 and 2004.

**Exhibit E - 22**  
**Amount of CDBG Imminent Threat Grants by Project Type, 1993-2004**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

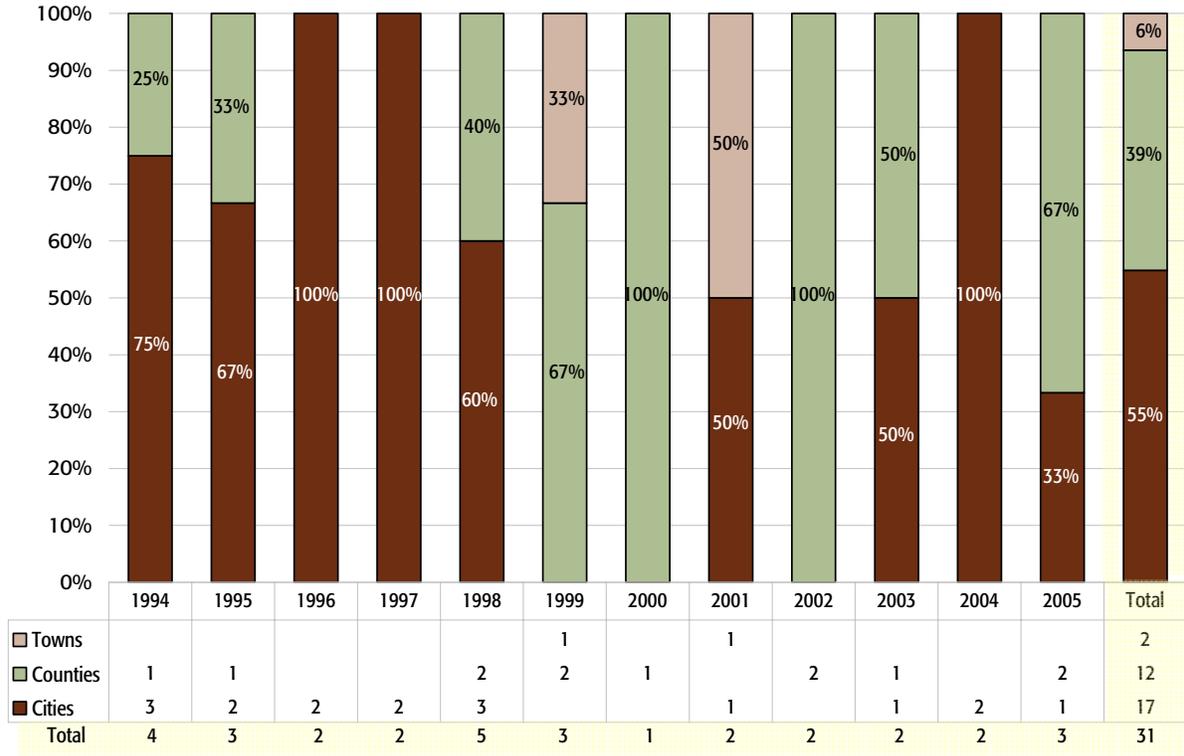
Note: No Imminent Threat Grants awarded in 1994, 1996, 2000, 2003, and 2005. Imminent threat projects encompass a broad range of project and activity types.

***Summary of Grant Amounts***

- Imminent threat projects received the largest award amount during the analysis period, collecting \$1.1 million of the total \$2.1 million awarded.
- The largest award went in 2001 to public facility (other) for \$827,000.

Exhibit E - 23 describes the number of Housing Enhancement Grants awarded to clients by CDBG during the twelve-year period between 1994 and 2005.

**Exhibit E - 23**  
**Count of CDBG Housing Enhancement Grants by Client Type, 1994-2005**



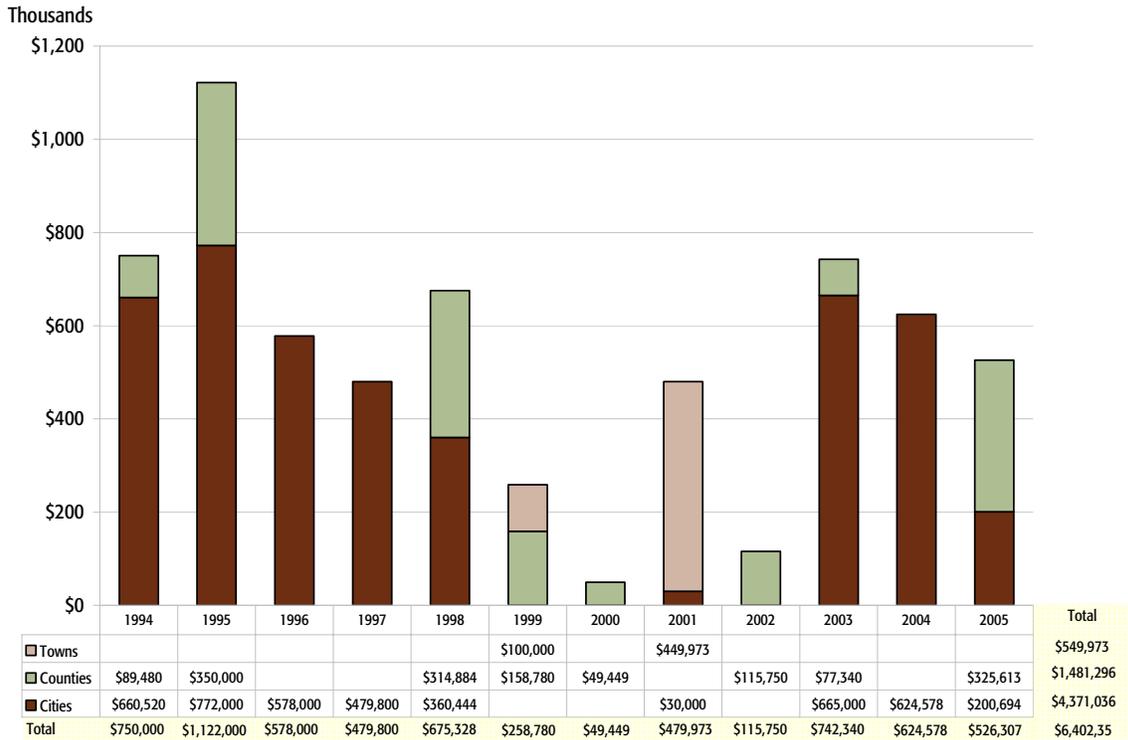
Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

**Summary of Grant Counts**

- CDBG awarded 31 Housing Enhancement Grants over the twelve-year period between 1994 and 2005. The greatest number of grants awarded in any single year during the study period was five in 1998.
- Cities received 55% of the total number of grants between 1994 and 2005.
- Towns received grants in only 1999 and 2001.

Exhibit E - 24 describes client funding levels by CDBG Housing Enhancement Grants during the twelve-year period between 1994 and 2005.

**Exhibit E - 24**  
**Amount of CDBG Housing Enhancement Grants by Client Type, 1994-2005**



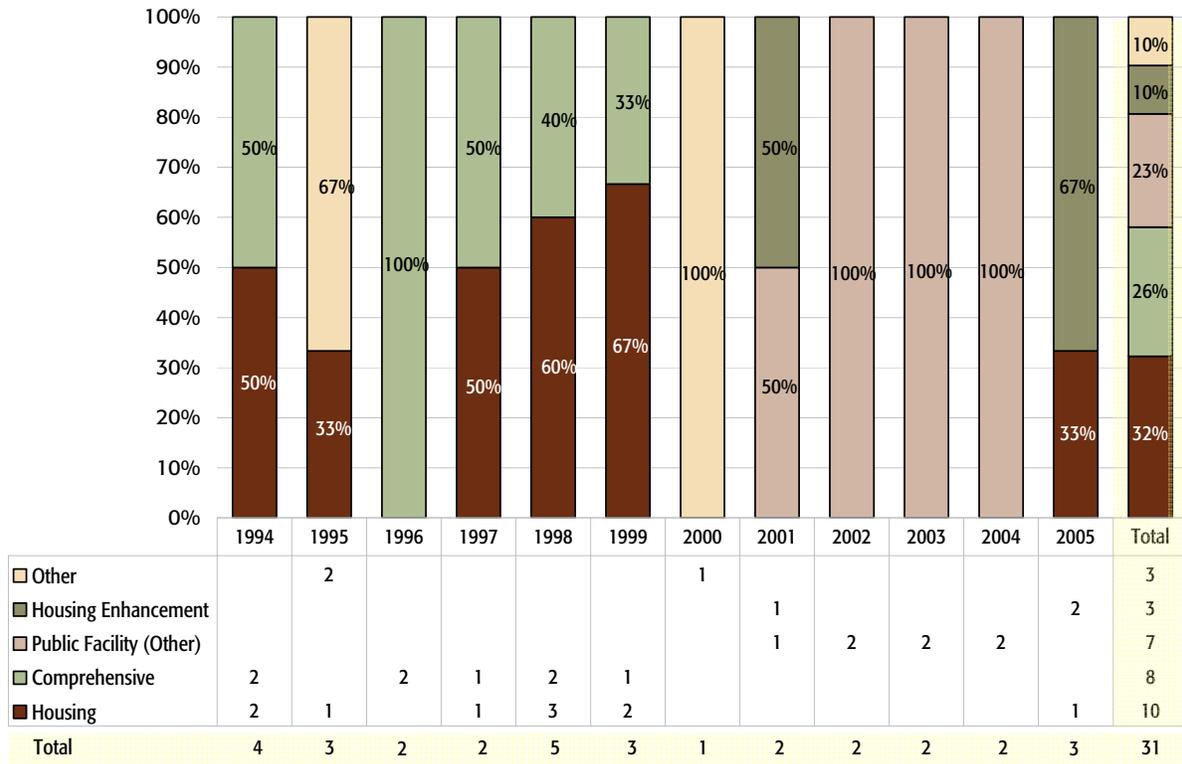
Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

**Summary of Grant Amounts**

- CDBG awarded \$6.4 million in Housing Enhancement grants over the twelve-year period. Annual award amounts ranged from \$1.1 million in 1995 to \$49,000 in 2000. Housing Enhancement awards have trended downward over that time range. The average award was \$207,000.
- Cities have been the largest beneficiary, collecting \$4.4 million over the study period.
- Counties received \$1.5 million over the twelve year period.
- Towns received \$550,000 over the analysis period.

Exhibit E - 25 describes the number of project types funded by the CDBG Housing Enhancement grants during the twelve-year period between 1994 and 2005.

**Exhibit E - 25**  
**Count of CDBG Housing Enhancement Grants by Project Type, 1994-2005**



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

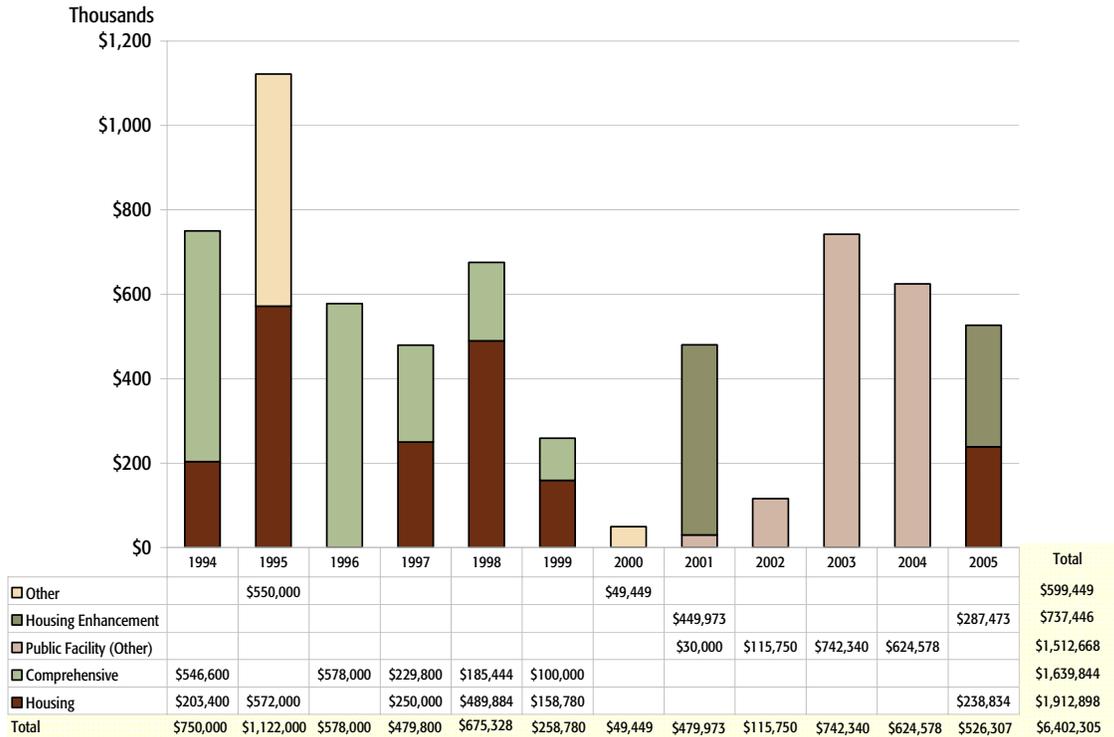
Note: Comprehensive projects have multiple project types or activities. Public facility (other) includes an array of facilities and activities.

**Summary of Grant Counts**

- Housing projects received the greatest number of grants between 1994 and 2005, collecting 32%.
- Public facility (other) received 100% of grants awarded between 2002 and 2004.
- Housing enhancement projects received 10% of the total grant awards for the study period.

Exhibit E - 26 describes project type funding levels by CDBG Housing Enhancement grants during the twelve-year period between 1994 and 2005.

### Exhibit E - 26 Amount of CDBG Housing Enhancement Grants by Project Type, 1994-2005



Source: Community Development Block Grant Program Award History and Berk & Associates, 2005

Note: Comprehensive projects have multiple project types or activities.

#### **Summary of Grant Amounts**

- Housing, comprehensive, and public facility (other) projects received nearly equal amounts of grant awards over the study period. Total award amounts ranged from \$1.9 to \$1.5 million.
- The average housing award was \$191,000 over the analysis period.
- Public facility (other) received the largest annual award amount of \$742,000 in 2003.
- Housing enhancement projects collected \$737,000 over the study period.

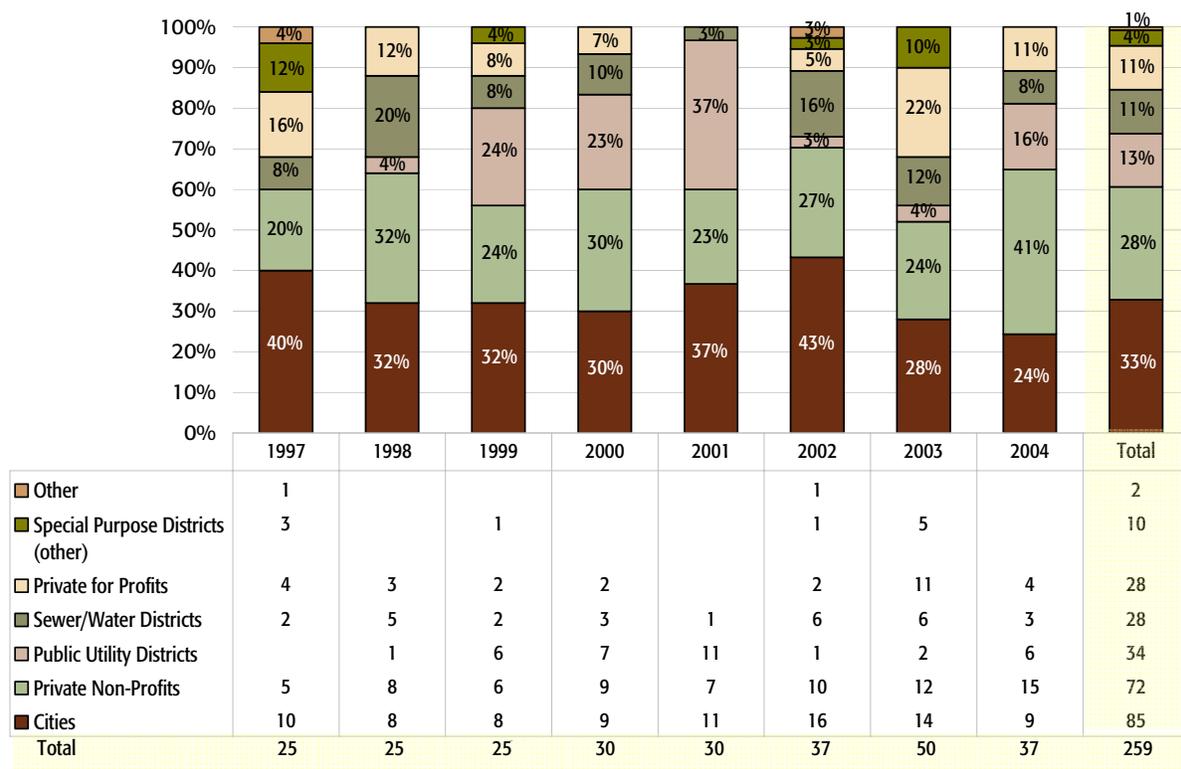
## 4.0 DEPARTMENT OF HEALTH AND DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT (JOINTLY ADMINISTERED)

### 4.1 Drinking Water State Revolving Fund

Exhibit E - 27 describes the number of DWSRF loans awarded to clients during the eight-year period between 1997 and 2004.

**Exhibit E - 27**

#### Count of 4.1 Drinking Water State Revolving Fund Loans by Client Type, 1997-2004



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Special Purpose District (other) includes seven irrigation districts, two ports districts, and a reclamation district. Other includes a county and a housing authority. Private Non-Profit includes water, home, and community associations' awards.

#### Summary of Loan Counts

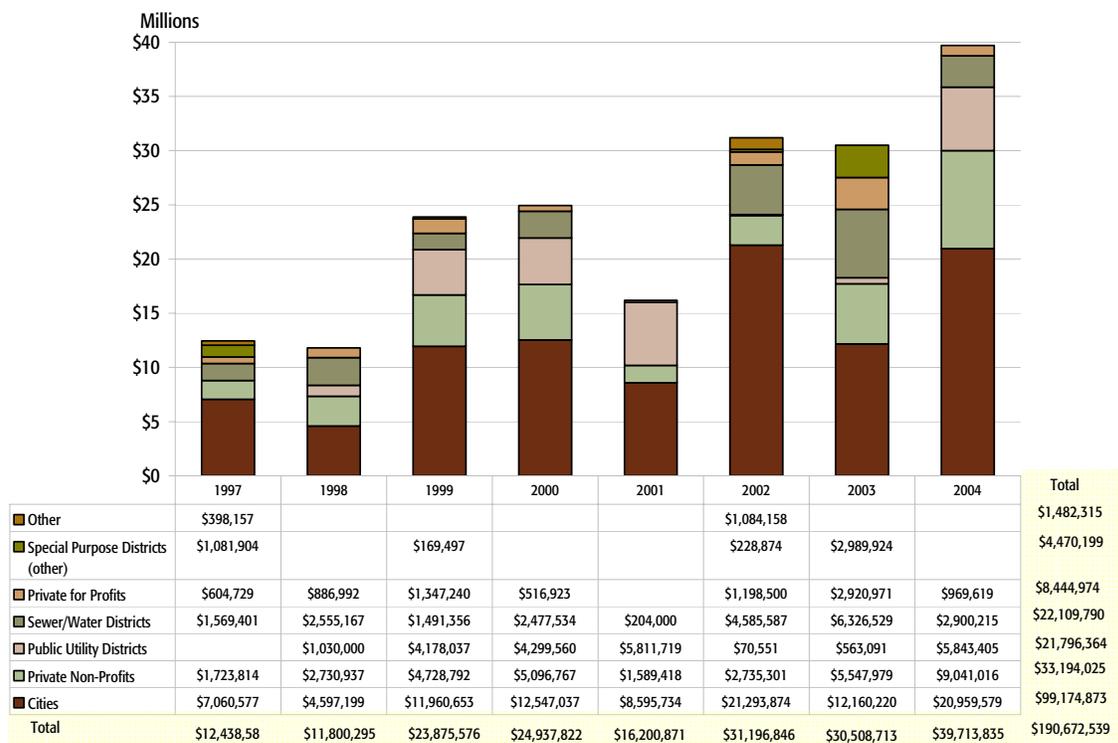
- DWSRF awarded 259 total loans between 1997 and 2004. The number of loan awards ranged from 50 in 2003 to 25 in 1997, 1998 and 1999. The number of loan awards has trended upward over the time period.
- Cities are the most frequent beneficiaries of DWSRF loans, collecting 33% over the time period. Annual city loan percentages ranged between 43% of the total in 2002 to 24% in 2004.

- Private non-profit clients received 28% of the total loans over the time period. Annual loan awards ranged from 4.1% of the total number in 2004 to 20% in 1997.
- Loans to public utility districts increased from 4% of the total annual share of awards in 1998 to 37% in 2001 before falling to 3% in 2002.
- Counties received one loan in 2002 over the analysis period.

Exhibit E - 28 describes client funding levels by DWSRF loans during the eight-year period between 1997 and 2004.

### Exhibit E - 28

#### Amount of Drinking Water State Revolving Fund Loans by Client Type, 1997-2004



Source: Public Works Board Award History and Berk & Associates, 2005

Note: Special Purpose District (other) includes seven irrigation districts, two ports districts, and a reclamation district. Other includes a county and a housing authority. Private Non-Profit includes water, home, and community associations' awards.

#### **Summary of Loan Amounts**

- DWSRF loaned \$190.7 million between 1997 and 2004. The largest annual loan total was in 2004 for \$39.7 million. The amount loaned has trended upward over the time period. Annual loan amounts ranged from \$39.7 million in 2004 to \$11.8 million in 1998. The average loan was for \$736,000.

- Cities received the largest loan amount (\$99.1 million) over the analysis period, almost triple the next highest client type. Annual loan amounts for cities ranged from \$21.0 million in 2004 to \$4.6 million in 1998. Cities had the highest average loan of \$1.2 million per project.
- Private non-profit clients collected \$33.2 million over the time period. Annual loan amounts ranged from \$9 million in 2004 to \$1.6 million in 2001.
- Counties collected a single loan award for the analysis period in 2002 for \$1.1 million.

Exhibit E - 29 describes the number and amount of project types funded by the DWSRF loans during the eight-year period between 1997 and 2004.

### Exhibit E - 29

#### Amount of Drinking Water State Revolving Fund Loan by Project Type, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004	Client Total
<b>Domestic Water</b>									
Number of Awards	25	25	25	30	30	37	50	37	259
Amount of Awards	\$12,438,581	\$11,800,295	\$23,875,576	\$24,937,822	\$16,200,871	\$31,196,846	\$30,508,713	\$39,713,835	\$190,672,539

Source: Public Works Board Award History and Berk & Associates, 2005

#### Summary of Loans

- All loan awards went to domestic water projects, totaling \$190 million over eight years.

## 4.2 Water System Acquisition and Rehabilitation Program

Exhibit E - 30 describes the number and amount of grants awarded to clients by WSARP in 2004, the program's first year.

### Exhibit E - 30

#### Count of Water System Acquisition and Rehabilitation Program Awards by Client Type, 2004

	2004
<b>Public Utility Districts</b>	
Number of Awards	8
Amount of Awards	\$1,495,037
<b>Special Purpose Districts</b>	
Number of Awards	4
Amount of Awards	\$1,831,565
<b>Cities</b>	
Number of Awards	2
Amount of Awards	\$673,398
<b>Year Total</b>	
Number of Awards	14
Amount of Awards	\$4,000,000

Source: Public Works Board Award History and Berk & Associates, 2005

Note: Special Purpose District includes three sewer/water districts and one irrigation district awards.

---

**Summary of Award Counts**

- WSARP awarded 14 grants in 2004 totaling \$4 million.
- Public utility districts received 57% of the total number of WSARP grants in 2004.
- Special purpose districts had the highest average grant award of \$485,000 per project.

Exhibit E - 31 describes the number and amount of project types funded by the WSARP grants in 2004.

**Exhibit E - 31**  
**Amount of Water System Acquisition and Rehabilitation Program Awards**  
**by Project Type, 2004**

	2004
<b>Domestic Water</b>	
Number of Awards	14
Amount of Awards	\$4,000,000

Source: Public Works Board Award History and Berk & Associates, 2005

**Summary of Award Amounts**

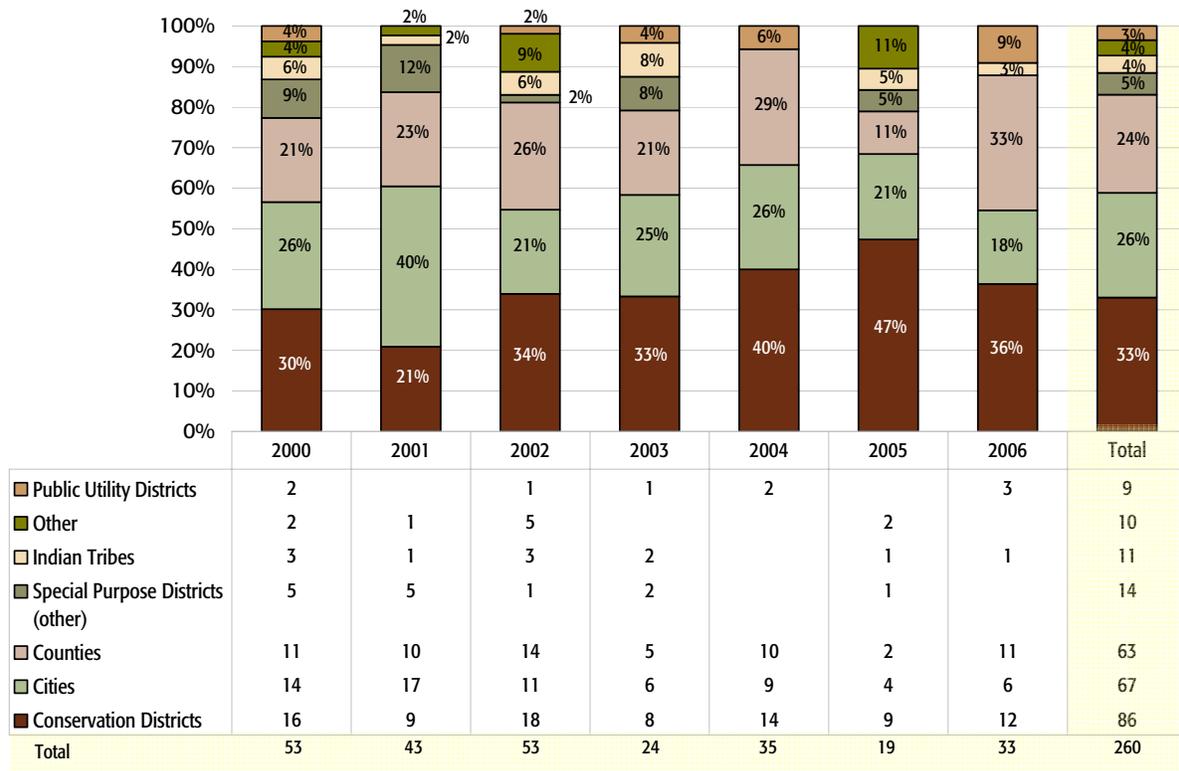
- All grant awards went to domestic water projects.
- The average project award was \$286,000.

## 5.0 DEPARTMENT OF ECOLOGY

### 5.1 Centennial Clean Water Fund

Exhibit E - 32 describes the number of awards to clients by CCWF during the seven-year period between 2000 and 2006.

**Exhibit E - 32**  
**Count of Centennial Clean Water Fund Awards by Client Type, 2000-2006**



Source: Department of Ecology Water Quality Program Award History (2000-2006) and Berk & Associates, 2005

Note: Other includes five State University awards, two alliance awards, one salmon enhancement group award, one salmon recovery board award, and one State department award. Special Purpose District (other) includes four sewer/water districts, four health districts, three boards, two reclamation districts, and one port.

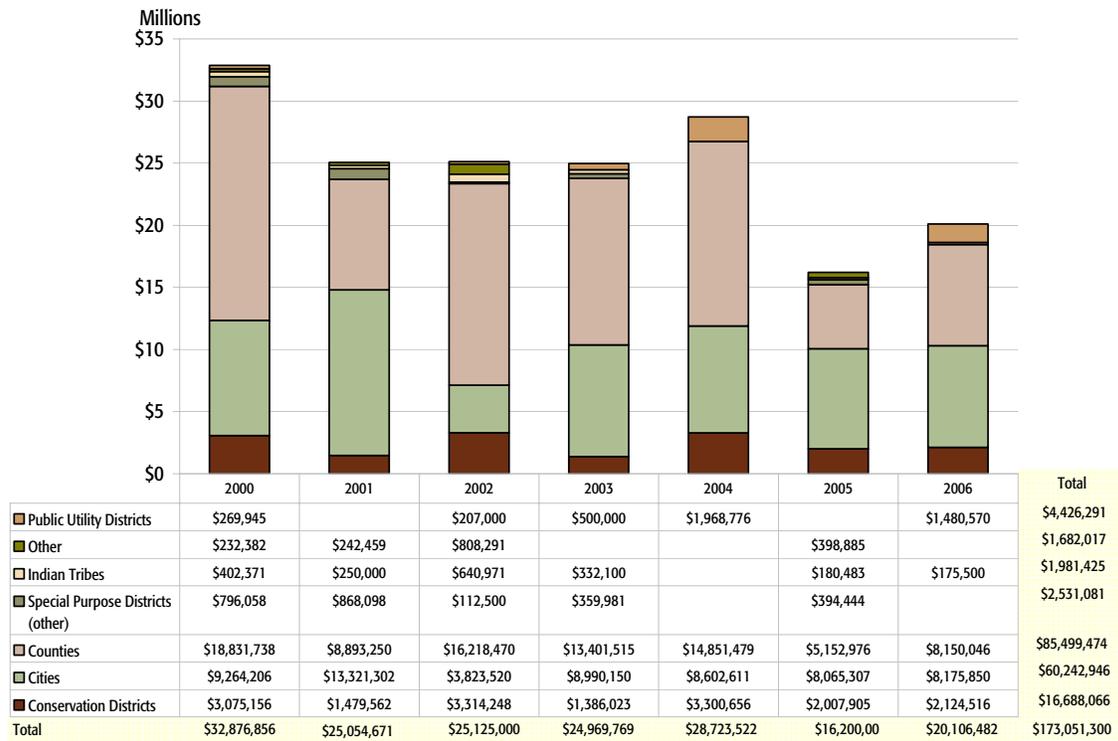
#### **Summary of Award Counts**

- CCWF made 260 awards over the seven-year time period. Annual award numbers ranged from 53 in 2000 and 2002 to 19 in 2005. The number of CCWF awards has trended downward over the study period.
- Conservation districts are the most frequent beneficiaries, collecting 33% of the total number awards over the analysis period. The percentage of annual awards these districts received ranged from 47% of the total in 2005 to 21% in 2001.

- Cities received 26% of the total number of awards over the analysis period. The percentage of annual awards to cities ranged from 40% of the total in 2001 to 18% in 2006.
- Counties received 24% of the total number of awards over the analysis period. The percentage of annual awards ranged from 33% of the total in 2006 to 11% in 2005.
- Tribes received 4% of the total number of awards over the analysis period. The percentage of annual awards ranged from 8% of the total in 2003 to no awards in 2004.
- Public utility district received 3% of the total number of awards over the analysis period, collecting seven awards.

Exhibit E - 33 describes client funding levels by CCWF awards during the seven-year period between 2000 and 2006.

### Exhibit E - 33 Amount of Centennial Clean Water Fund Awards by Client Type, 2000-2006



Source: Department of Ecology Water Quality Program Award History (2000-2006) and Berk & Associates, 2005

Note: Other includes five State University awards, two alliance awards, one salmon enhancement group award, one salmon recovery board award, and one State department award. Special Purpose District (other) includes four sewer/water districts, four health districts, three boards, two reclamation districts, and one port.

## Summary of Award Amounts

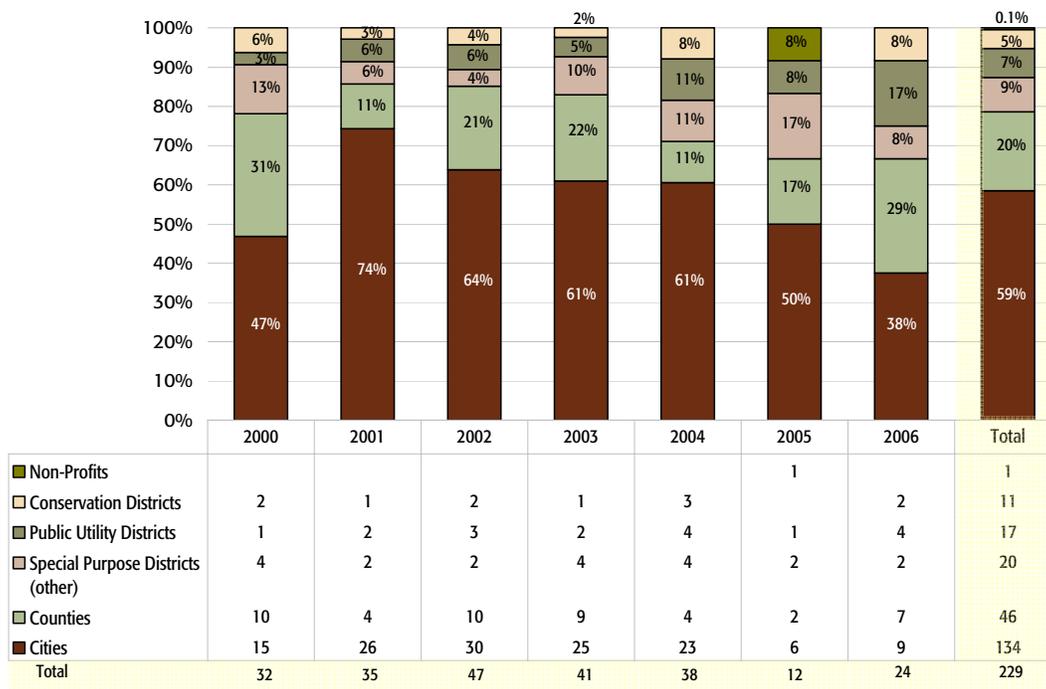
- CCWF awarded a total of \$173.1 million between 2000 and 2006. Annual award amounts ranged from \$32.9 million in 2000 to \$16.2 million in 2005. Annual award amounts have trended slightly downward over the analysis period. The average award for the study period was \$666,000.
- Counties received the largest amount of CCWF awards, collecting \$85.5 million over the seven year time period. Annual award amounts ranged from \$18.8 million in 2000 to \$5.2 million in 2005. Counties have the highest average award of \$1.4 million per project for the study period.
- The amount awarded to counties has concomitantly trended downward with the total amount of CCWF awards over the study period.
- Cities received \$60.2 million over the time period. Annual award amounts ranged from \$13.3 million in 2001 to \$3.8 million in 2002.
- Public utility districts received \$4.4 million in total awards over the time period.
- Tribes received \$2.0 million in total awards over the time period.

## 5.2 Water Pollution Control Revolving Fund

Exhibit E - 34 describes the number of WPCRF loans awarded to clients during the seven-year period between 2000 and 2006.

### Exhibit E - 34

#### Count of Water Pollution Control Revolving Fund Loans by Client Type, 2000-2006



Source: Department of Ecology Water Quality Program Award History (2000-2006) and Berk & Associates, 2005

Note: Special Purpose District (other) includes awards to nine sewer/water districts, three health districts, two irrigation districts, two boards, one dike district, and one port district.

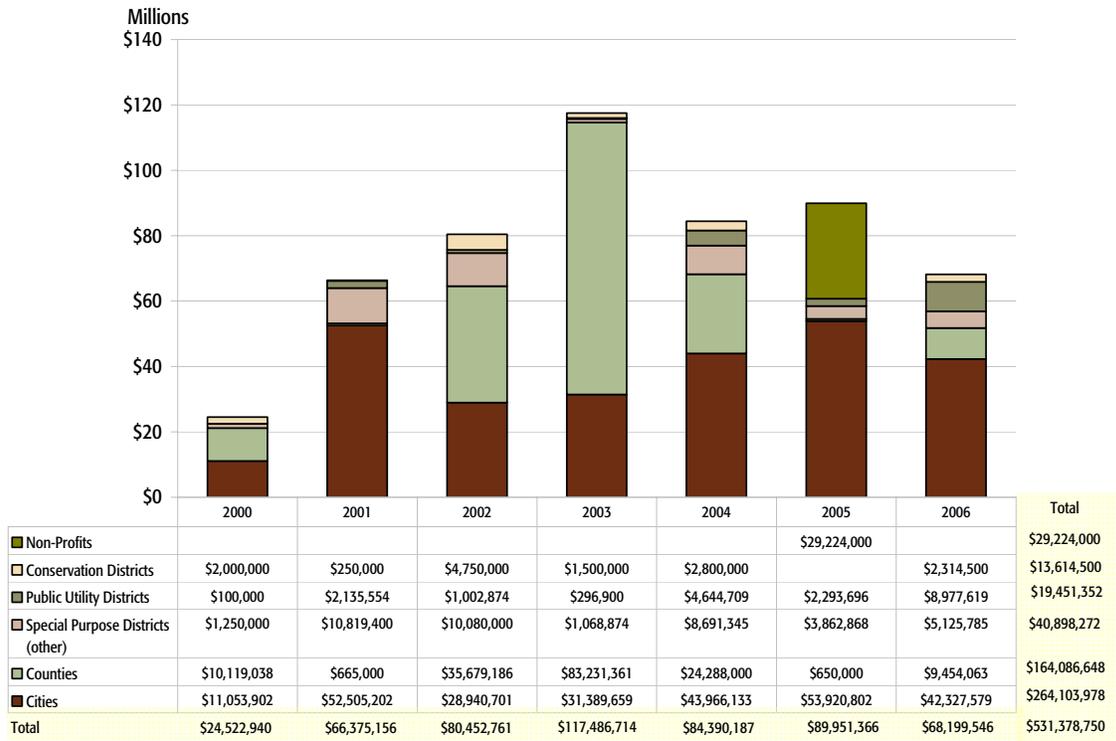
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### ***Summary of Loan Counts***

- WPCRF made 229 loans over the seven year time period. The number of annual loans ranged from 47 in 2002 to 12 in 2005.
- Cities received the highest share of awards over the analysis period, collecting 59% of the total number of loans. The percentage of annual loan amounts ranged from 74% of the total in 2001 to 38% in 2006.
- Counties received 20% of the total number of awards. The percentage of annual loan amounts ranged from 31% of the total in 2000 to 11% in 2001.
- Public utility districts received 7% of the total number of awards over the time period.
- Conservation districts received 5% of the total number of awards over the time period.

Exhibit E - 35 describes client funding levels by WPCRF loans during the seven-year period between 2000 and 2006.

### Exhibit E - 35 Amount of Water Pollution Control Revolving Fund Loans by Client Type, 2000-2006



Source: Department of Ecology Water Quality Program Award History (2000-2006) and Berk & Associates, 2005

Note: Other Special Purpose District includes awards to nine sewer/water districts, three health districts, two irrigation districts, two boards, one dike district, and one port district.

#### **Summary of Loan Amounts**

- WPCRF awarded a total of \$531.4 million in loans over the seven-year time period. Annual award amounts ranged from \$117.5 million to \$24.5 million in 2000 over the time period. Annual award amounts trended upward from 2000 to 2003 before turning downward. The average loan was \$2.3 million during the period analyzed.
- Cities received the largest total loan amount, collecting \$264.1 million over the time period. Loan amounts to cities have trended upward over the time period.
- Counties received \$164.1 million over the time period. Annual loan amounts ranged from \$83.2 million in 2003 to \$650,000 in 2005.
- Excluding the single loan to a non-profit client, counties had the highest average loan of \$3.6 million per project for the study period.

- 
- Conservation districts received \$13.6 million in loans between 2000 and 2006.
  - A quasi-municipal client, LOTT (Lacey, Olympia, Tumwater, and Thurston County Alliance), received a \$29.2 million loan in 2005.

# 6.0 PROGRAM AWARD SUMMARY TABLES

## Exhibit E - 36

		Public Works Trust Fund Awards by Client Type, 1996-2005										Client Total
City		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Number of Awards	37	25	42	18	28	40	40	40	20	47	31	328
Amount of Awards	\$59,346,609	\$38,726,220	\$87,178,588	\$33,551,964	\$57,185,312	\$92,782,836	\$2,319,571	\$2,759,236	\$57,550,417	\$144,241,581	\$89,134,692	\$770,067,653
Average Award	\$1,603,962	\$1,549,049	\$2,075,681	\$1,863,998	\$2,042,333	\$2,319,571	\$2,877,521	\$3,068,970	\$2,877,521	\$3,068,970	\$2,875,313	\$2,347,767
Minimum Award	\$25,461	\$77,900	\$117,000	\$237,899	\$137,900	\$120,700	\$54,817	\$104,000	\$54,817	\$104,000	\$100,000	\$25,461
Maximum Award	\$7,000,000	\$7,000,000	\$10,000,000	\$7,000,000	\$7,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Sewer/Water Districts</b>												
Number of Awards	28	9	19	11	25	18	17	8	24	18	177	
Amount of Awards	\$25,010,979	\$9,295,300	\$21,306,762	\$17,823,140	\$34,124,306	\$23,625,937	\$39,074,190	\$6,536,460	\$42,195,435	\$18,742,906	\$237,735,414	
Average Award	\$893,249	\$1,032,811	\$1,121,409	\$1,620,285	\$1,364,972	\$1,312,552	\$2,298,482	\$817,058	\$1,758,143	\$1,041,273	\$1,343,138	
Minimum Award	\$73,736	\$124,334	\$181,300	\$365,640	\$87,119	\$104,967	\$153,000	\$212,500	\$234,124	\$113,334	\$73,736	
Maximum Award	\$3,500,000	\$2,100,000	\$4,748,625	\$6,208,160	\$7,000,000	\$3,254,000	\$10,000,000	\$1,936,050	\$10,000,000	\$4,154,970	\$10,000,000	
<b>County</b>												
Number of Awards	3	1	2	4	5	6	7	1	6	4	39	
Amount of Awards	\$4,908,944	\$4,000,000	\$1,750,000	\$15,278,000	\$18,680,480	\$29,502,812	\$30,025,000	\$1,400,000	\$26,708,000	\$17,987,790	\$59,455,401	
Average Award	\$1,578,510	\$4,000,000	\$875,000	\$3,819,500	\$3,736,096	\$4,917,135	\$4,289,286	\$1,400,000	\$4,451,333	\$4,496,948	\$3,847,887	
Minimum Award	\$110,000	\$4,000,000	\$500,000	\$1,278,000	\$500,000	\$897,812	\$900,000	\$1,400,000	\$1,200,000	\$2,445,790	\$110,000	
Maximum Award	\$3,703,529	\$4,000,000	\$1,250,000	\$7,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$1,400,000	\$10,000,000	\$10,000,000	\$10,000,000	
<b>Public Utility District</b>												
Number of Awards	4	2	1	4	5	6	2	1	3	7	35	
Amount of Awards	\$4,908,944	\$1,942,820	\$67,300	\$1,234,950	\$5,635,325	\$16,121,119	\$11,904,926	\$491,661	\$13,370,320	\$3,778,036	\$59,455,401	
Average Award	\$1,227,236	\$971,410	\$67,300	\$308,738	\$1,127,065	\$2,686,853	\$5,952,463	\$491,661	\$4,456,773	\$539,719	\$1,698,726	
Minimum Award	\$159,030	\$390,950	\$67,300	\$108,515	\$363,000	\$286,855	\$1,904,926	\$491,661	\$3,427,000	\$95,950	\$67,300	
Maximum Award	\$3,709,090	\$1,551,870	\$67,300	\$608,400	\$2,100,000	\$10,000,000	\$10,000,000	\$491,661	\$6,257,320	\$2,000,000	\$10,000,000	
<b>Special Purpose Districts</b>												
Number of Awards				1	2	1	1	1	1	1	6	
Amount of Awards				\$1,553,989	\$1,394,431	\$615,000	\$5,376,050	\$5,376,050	\$5,376,050	\$5,376,050	\$1,066,800	\$10,006,270
Average Award				\$1,553,989	\$697,216	\$615,000	\$5,376,050	\$5,376,050	\$5,376,050	\$5,376,050	\$1,066,800	\$1,667,712
Minimum Award				\$1,553,989	\$344,431	\$615,000	\$5,376,050	\$5,376,050	\$5,376,050	\$5,376,050	\$1,066,800	\$344,431
Maximum Award				\$1,553,989	\$1,050,000	\$615,000	\$5,376,050	\$5,376,050	\$5,376,050	\$5,376,050	\$1,066,800	\$5,376,050
<b>Year Total</b>												
Number of Awards	72	37	64	38	65	71	66	31	80	61	585	
Amount of Awards	\$94,002,061	\$53,964,340	\$110,302,650	\$69,442,043	\$117,019,854	\$162,647,704	\$191,373,551	\$71,354,588	\$226,515,336	\$130,710,224	\$1,227,532,349	
Average Award	\$1,305,584	\$1,458,496	\$1,723,479	\$1,827,422	\$1,800,305	\$2,290,813	\$2,899,599	\$2,301,761	\$2,831,442	\$2,142,791	\$2,098,004	
Median Award	\$813,012	\$952,600	\$948,850	\$1,118,475	\$1,050,000	\$1,376,192	\$1,341,725	\$1,128,400	\$2,037,950	\$1,074,900	\$1,177,350	
Minimum Award	\$25,461	\$77,900	\$67,300	\$108,515	\$87,119	\$104,967	\$30,268	\$54,817	\$104,000	\$95,950	\$25,461	
Maximum Award	\$7,000,000	\$7,000,000	\$10,000,000	\$7,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	

Source: Public Works Board Award History (1996-2005) and Berk & Associates, 2005  
 Note: One 2005 award of \$4,278,404 to a quasi-municipal client (LOTT) is not shown in the table but is included in the yearly and program totals. Special purpose districts include three awards to irrigation districts, one award to a reclamation district, a flood district, and one award to a dke district.

**Exhibit E - 37**

**Public Works Trust Fund Awards by Project Type, 1996-2005**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Domestic Water</b>											
Number of Awards	41	19	37	21	28	38	29	9	28	29	279
Amount of Awards	\$41,879,204	\$21,504,021	\$52,300,342	\$27,261,131	\$37,689,082	\$80,067,399	\$76,540,691	\$15,382,438	\$63,017,628	\$43,321,895	\$458,963,829
Average Award	\$1,021,444	\$1,131,791	\$1,413,523	\$1,298,149	\$1,346,039	\$2,107,037	\$2,639,334	\$1,709,160	\$2,250,630	\$1,493,858	\$1,645,032
Minimum Award	\$33,200	\$95,049	\$67,500	\$108,515	\$87,119	\$104,967	\$45,000	\$54,817	\$104,000	\$95,950	\$33,200
Maximum Award	\$7,000,000	\$4,428,000	\$7,000,000	\$6,208,160	\$7,000,000	\$10,000,000	\$10,000,000	\$8,755,000	\$6,257,320	\$10,000,000	\$10,000,000
<b>Sanitary Sewer</b>											
Number of Awards	20	14	15	14	20	22	24	16	27	27	199
Amount of Awards	\$36,350,017	\$26,386,799	\$28,330,588	\$32,430,912	\$28,820,784	\$51,444,338	\$87,925,267	\$33,422,150	\$94,070,567	\$72,069,627	\$491,251,049
Average Award	\$1,817,501	\$1,884,771	\$1,888,706	\$2,316,494	\$1,441,039	\$2,338,379	\$3,663,553	\$2,088,884	\$3,484,095	\$2,669,245	\$2,468,598
Minimum Award	\$110,000	\$77,900	\$226,000	\$439,650	\$180,000	\$322,825	\$294,840	\$212,500	\$234,124	\$100,000	\$77,900
Maximum Award	\$6,117,700	\$7,000,000	\$7,000,000	\$7,000,000	\$3,654,000	\$10,000,000	\$10,000,000	\$9,250,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Transportation</b>											
Number of Awards	7	4	8	2	13	7	11	5	20	3	80
Amount of Awards	\$11,944,479	\$6,073,520	\$27,795,174	\$7,000,000	\$32,459,988	\$22,624,967	\$15,482,593	\$22,400,000	\$60,175,460	\$13,769,316	\$219,725,497
Average Award	\$1,706,354	\$1,518,380	\$3,474,397	\$3,500,000	\$2,496,922	\$3,232,138	\$1,407,508	\$4,480,000	\$3,008,773	\$4,589,772	\$2,746,569
Minimum Award	\$584,850	\$449,995	\$500,000	\$2,000,000	\$500,000	\$712,139	\$302,268	\$1,400,000	\$400,000	\$827,316	\$30,268
Maximum Award	\$3,703,529	\$3,284,640	\$10,000,000	\$5,000,000	\$7,000,000	\$10,000,000	\$2,975,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
<b>Storm Sewer</b>											
Number of Awards	4		3	1	3	4		1	5	2	23
Amount of Awards	\$3,828,361		\$626,546	\$2,750,000	\$8,050,000	\$8,511,000		\$150,000	\$9,251,681	\$3,227,790	\$36,395,378
Average Award	\$957,090		\$208,849	\$2,750,000	\$2,683,333	\$2,127,750		\$150,000	\$1,850,336	\$1,613,895	\$1,582,408
Minimum Award	\$25,461		\$168,300	\$2,750,000	\$1,050,000	\$615,000		\$150,000	\$250,000	\$782,000	\$25,461
Maximum Award	\$3,100,000		\$279,538	\$2,750,000	\$4,195,800	\$4,055,500		\$150,000	\$4,196,056	\$2,445,790	\$4,196,056
<b>Solid Waste</b>											
Number of Awards			1		1		2			1	5
Amount of Awards			\$1,250,000		\$10,000,000		\$11,425,000			\$2,600,000	\$25,275,000
Average Award			\$1,250,000		\$10,000,000		\$5,712,500			\$2,600,000	\$5,055,000
Minimum Award			\$1,250,000		\$10,000,000		\$1,425,000			\$2,600,000	\$1,250,000
Maximum Award			\$1,250,000		\$10,000,000		\$10,000,000			\$2,600,000	\$10,000,000
<b>Year Total</b>											
Number of Awards	72	37	64	38	65	71	66	31	80	62	586
Amount of Awards	\$94,002,061	\$53,964,340	\$110,302,650	\$69,442,043	\$117,019,854	\$162,647,704	\$191,373,551	\$71,354,588	\$226,515,336	\$134,988,628	\$1,231,610,753
Average Award	\$1,305,584	\$1,458,496	\$1,723,479	\$1,827,422	\$1,800,305	\$2,290,813	\$2,899,599	\$2,301,761	\$2,831,442	\$2,177,236	\$2,101,725
Median Award	\$813,012	\$932,600	\$948,850	\$1,118,475	\$1,050,000	\$1,376,192	\$1,341,725	\$1,128,400	\$2,037,950	\$1,074,900	\$1,177,350
Minimum Award	\$25,461	\$77,900	\$67,500	\$108,515	\$87,119	\$104,967	\$302,268	\$54,817	\$104,000	\$95,950	\$25,461
Maximum Award	\$7,000,000	\$7,000,000	\$10,000,000	\$7,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000

Source: Public Works Board Award History (1996-2005) and Berk & Associates, 2005

**Exhibit E - 38**

**Community Economic Revitalization Board Awards by Client Type, 1995-2005**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Port</b>												
Number of Awards	5	3	2	4	5	4	7	2	5	10	9	56
Amount of Awards	\$1,795,000	\$826,593	\$750,000	\$1,569,375	\$2,720,846	\$2,410,000	\$3,860,090	\$1,082,000	\$2,694,137	\$3,616,847	\$3,825,000	\$25,149,888
Average Award	\$359,000	\$275,531	\$375,000	\$392,344	\$544,169	\$602,500	\$551,441	\$541,000	\$538,827	\$361,685	\$425,000	\$449,105
Minimum Award	\$25,000	\$127,593	\$250,000	\$25,000	\$25,000	\$150,000	\$70,090	\$432,000	\$56,250	\$14,000	\$20,000	\$14,000
Maximum Award	\$750,000	\$419,000	\$500,000	\$1,000,000	\$1,298,827	\$1,000,000	\$1,000,000	\$650,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,298,827
<b>City</b>												
Number of Awards	3	1	4	1	4	3	1		1	3	2	23
Amount of Awards	\$1,238,189	\$8,000	\$2,170,258	\$350,000	\$1,526,305	\$1,906,316	\$438,759		\$963,000	\$875,000	\$1,092,000	\$10,567,827
Average Award	\$412,730	\$8,000	\$542,565	\$350,000	\$381,576	\$635,439	\$438,759		\$963,000	\$291,667	\$546,000	\$459,471
Minimum Award	\$25,000	\$8,000	\$438,000	\$350,000	\$22,500	\$500,000	\$438,759		\$963,000	\$25,000	\$92,000	\$8,000
Maximum Award	\$750,000	\$8,000	\$750,000	\$350,000	\$1,000,000	\$781,316	\$438,759		\$963,000	\$800,000	\$1,000,000	\$1,000,000
<b>Special Purpose District</b>												
Number of Awards					4	1		4	1	1	1	12
Amount of Awards					\$1,993,055	\$1,000,000		\$1,696,925	\$50,000	\$465,000	\$1,000,000	\$6,204,980
Average Award					\$498,264	\$1,000,000		\$424,231	\$50,000	\$465,000	\$1,000,000	\$517,082
Minimum Award					\$25,000	\$1,000,000		\$216,913	\$50,000	\$465,000	\$1,000,000	\$25,000
Maximum Award					\$781,000	\$1,000,000		\$666,178	\$50,000	\$465,000	\$1,000,000	\$1,000,000
<b>County</b>												
Number of Awards					2	1	1			1	1	6
Amount of Awards					\$1,030,000	\$1,000,000	\$1,000,000			\$1,000,000	\$15,000	\$4,045,000
Average Award					\$515,000	\$1,000,000	\$1,000,000			\$1,000,000	\$15,000	\$674,167
Minimum Award					\$30,000	\$1,000,000	\$1,000,000			\$1,000,000	\$15,000	\$15,000
Maximum Award					\$1,000,000	\$1,000,000	\$1,000,000			\$1,000,000	\$15,000	\$1,000,000
<b>Year Total</b>												
Number of Awards	8	4	6	5	15	9	9	6	7	15	13	97
Amount of Awards	\$3,033,189	\$834,593	\$2,920,258	\$1,919,375	\$7,270,206	\$6,316,316	\$5,298,849	\$2,778,925	\$3,707,137	\$5,956,847	\$5,932,000	\$45,967,695
Average Award	\$379,149	\$208,648	\$486,710	\$383,875	\$484,680	\$701,813	\$588,761	\$463,154	\$529,591	\$397,123	\$456,308	\$473,894
Median Award	\$385,000	\$203,797	\$491,129	\$350,000	\$253,805	\$710,000	\$500,000	\$460,417	\$500,000	\$299,000	\$92,000	\$438,759
Minimum Award	\$25,000	\$8,000	\$250,000	\$25,000	\$22,500	\$150,000	\$70,090	\$216,913	\$50,000	\$14,000	\$15,000	\$8,000
Maximum Award	\$750,000	\$419,000	\$750,000	\$1,000,000	\$1,298,827	\$1,000,000	\$1,000,000	\$666,178	\$1,000,000	\$1,000,000	\$1,000,000	\$1,298,827

Source: Community Economic Revitalization Board Award History (1995-2005) and Berk & Associates, 2005  
 Note: Special Purpose District includes ten public development authorities, an airport, and a public utility district.

**Exhibit E - 39**

**Community Economic Revitalization Board Awards by Project Type, 1995-2005**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Industrial Building</b>												
Number of Awards	2	1	2	2	4	3	3	6	2	4	3	32
Amount of Awards	\$1,160,000	\$280,000	\$750,000	\$544,375	\$3,590,901	\$1,860,000	\$2,072,000	\$2,778,925	\$1,056,250	\$3,148,000	\$3,000,000	\$20,240,451
Average Award	\$580,000	\$280,000	\$375,000	\$272,188	\$897,725	\$620,000	\$690,667	\$463,154	\$528,125	\$787,000	\$1,000,000	\$632,514
Minimum Award	\$410,000	\$280,000	\$250,000	\$44,375	\$462,055	\$150,000	\$230,000	\$216,913	\$56,250	\$348,000	\$1,000,000	\$44,375
Maximum Award	\$750,000	\$280,000	\$500,000	\$500,000	\$1,298,827	\$1,000,000	\$1,000,000	\$666,178	\$1,000,000	\$1,000,000	\$1,000,000	\$1,298,827
<b>Feasibility Study</b>												
Number of Awards	2	1		1	4				1	5	6	20
Amount of Awards	\$50,000	\$8,000		\$25,000	\$102,500				\$50,000	\$184,000	\$166,000	\$585,500
Average Award	\$25,000	\$8,000		\$25,000	\$25,625				\$50,000	\$36,800	\$27,667	\$29,275
Minimum Award	\$25,000	\$8,000		\$25,000	\$22,500				\$50,000	\$14,000	\$15,000	\$8,000
Maximum Award	\$25,000	\$8,000		\$25,000	\$30,000				\$50,000	\$50,000	\$45,000	\$50,000
<b>Multiple Improvements</b>												
Number of Awards	2	1	2		1	3	1		1	1	3	15
Amount of Awards	\$1,213,189	\$419,000	\$938,000		\$781,000	\$2,406,316	\$438,759		\$1,000,000	\$250,000	\$1,766,000	\$9,212,264
Average Award	\$606,595	\$419,000	\$469,000		\$781,000	\$802,105	\$438,759		\$1,000,000	\$250,000	\$588,667	\$614,151
Minimum Award	\$463,189	\$419,000	\$438,000		\$781,000	\$625,000	\$438,759		\$1,000,000	\$250,000	\$92,000	\$92,000
Maximum Award	\$750,000	\$419,000	\$500,000		\$781,000	\$1,000,000	\$438,759		\$1,000,000	\$250,000	\$1,000,000	\$1,000,000
<b>Sewer/Water</b>												
Number of Awards	1			2	4	1	2		2	1	1	14
Amount of Awards	\$250,000			\$1,350,000	\$2,415,805	\$550,000	\$1,218,000		\$637,887	\$234,847	\$1,000,000	\$7,656,539
Average Award	\$250,000			\$675,000	\$603,951	\$550,000	\$609,000		\$318,944	\$234,847	\$1,000,000	\$546,896
Minimum Award	\$250,000			\$350,000	\$162,000	\$550,000	\$478,000		\$137,887	\$234,847	\$1,000,000	\$137,887
Maximum Award	\$250,000			\$1,000,000	\$1,000,000	\$550,000	\$740,000		\$500,000	\$234,847	\$1,000,000	\$1,000,000
<b>Transportation/Rail</b>												
Number of Awards	1		2		1		3		1	1		9
Amount of Awards	\$360,000		\$1,232,258		\$250,000		\$1,570,090		\$963,000	\$1,000,000		\$5,375,348
Average Award	\$360,000		\$616,129		\$250,000		\$523,363		\$963,000	\$1,000,000		\$597,261
Minimum Award	\$360,000		\$482,258		\$250,000		\$70,090		\$963,000	\$1,000,000		\$70,090
Maximum Award	\$360,000		\$750,000		\$250,000		\$1,000,000		\$963,000	\$1,000,000		\$1,000,000
<b>Port/Harbor</b>												
Number of Awards		1			1					2		4
Amount of Awards		\$127,593			\$130,000					\$675,000		\$932,593
Average Award		\$127,593			\$130,000					\$337,500		\$233,148
Minimum Award		\$127,593			\$130,000					\$250,000		\$127,593
Maximum Award		\$127,593			\$130,000					\$425,000		\$425,000
<b>Telecommunications</b>												
Number of Awards					2					1		3
Amount of Awards					\$1,500,000					\$465,000		\$1,965,000
Average Award					\$750,000					\$465,000		\$655,000
Minimum Award					\$500,000					\$465,000		\$465,000
Maximum Award					\$1,000,000					\$465,000		\$1,000,000
<b>Year Total</b>												
Number of Awards	8	4	6	5	15	9	9	6	7	15	13	97
Amount of Awards	\$3,033,189	\$834,593	\$2,920,258	\$1,919,375	\$7,270,206	\$6,316,316	\$5,298,849	\$2,778,925	\$3,707,137	\$5,956,847	\$5,932,000	\$45,967,695
Average Award	\$379,149	\$208,648	\$486,710	\$383,875	\$484,680	\$701,813	\$588,761	\$463,154	\$529,591	\$397,123	\$456,308	\$473,894
Median Award	\$385,000	\$203,797	\$491,129	\$350,000	\$253,805	\$710,000	\$500,000	\$460,417	\$500,000	\$299,000	\$92,000	\$438,759
Minimum Award	\$25,000	\$8,000	\$250,000	\$22,500	\$150,000	\$150,000	\$70,090	\$216,913	\$50,000	\$14,000	\$15,000	\$8,000
Maximum Award	\$750,000	\$419,000	\$750,000	\$1,000,000	\$1,298,827	\$1,000,000	\$1,000,000	\$666,178	\$1,000,000	\$1,000,000	\$1,000,000	\$1,298,827

Source: Community Economic Revitalization Board Award History (1995-2005) and Berk & Associates, 2005  
 Note: Multiple improvements include projects combining at least two types of improvements

**Exhibit E - 40**

**Community Economic Revitalization Board Awards, Loan and Grants, 1995-2005**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
<b>Loans</b>												
Number of Awards	6	2	6	4	11	8	9	6	6	10	7	75
Amount of Awards	\$2,483,189	\$699,000	\$2,465,258	\$1,614,375	\$4,182,771	\$3,225,658	\$3,251,018	\$1,769,813	\$3,094,000	\$4,313,847	\$4,083,200	\$31,182,129
Average Award	\$413,865	\$349,500	\$410,876	\$403,594	\$380,252	\$403,207	\$361,224	\$294,969	\$515,667	\$431,385	\$583,314	\$415,762
Minimum Award	\$250,000	\$280,000	\$75,000	\$44,375	\$26,000	\$75,000	\$14,018	\$74,074	\$54,000	\$140,847	\$19,000	\$14,018
Maximum Award	\$750,000	\$419,000	\$750,000	\$1,000,000	\$998,827	\$850,000	\$1,000,000	\$650,000	\$850,000	\$1,000,000	\$800,000	\$1,000,000
<b>Grants</b>												
Number of Awards	3	2	2	2	15	9	8	4	6	14	13	78
Amount of Awards	\$550,000	\$135,593	\$455,000	\$305,000	\$3,087,435	\$3,090,658	\$2,047,831	\$1,009,112	\$613,137	\$1,643,000	\$1,848,800	\$14,785,566
Average Award	\$183,333	\$67,797	\$227,500	\$152,500	\$205,829	\$343,406	\$255,979	\$252,278	\$102,190	\$117,357	\$142,215	\$189,559
Minimum Award	\$25,000	\$8,000	\$175,000	\$25,000	\$22,500	\$75,000	\$56,072	\$142,839	\$2,250	\$14,000	\$15,000	\$2,250
Maximum Award	\$500,000	\$127,593	\$280,000	\$280,000	\$751,413	\$500,000	\$500,000	\$333,184	\$200,000	\$265,000	\$475,000	\$751,413

Source: Community Economic Revitalization Board Award History (1995-2005) and Berk & Associates, 2005

**Exhibit E - 41**

**Community Development Block Grant Program, General Purpose Awards by Client Type, 1992-2005**

City	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>City</b>															
Number of Awards	13	13	5	15	8	6	7	6	5	9	6	7	10	8	118
Amount of Awards	\$4,295,949	\$5,889,282	\$2,373,040	\$7,221,114	\$4,575,029	\$4,130,717	\$4,916,456	\$3,376,283	\$3,055,376	\$4,878,056	\$3,636,851	\$3,844,126	\$5,676,369	\$4,352,416	\$62,221,063
Average Award	\$330,458	\$453,022	\$474,608	\$481,408	\$571,879	\$688,453	\$702,351	\$562,714	\$611,075	\$542,006	\$606,142	\$549,161	\$567,637	\$544,052	\$527,297
Minimum Award	\$6,867	\$100,000	\$384,522	\$203,168	\$71,407	\$535,920	\$585,000	\$199,870	\$493,427	\$22,500	\$296,131	\$207,653	\$40,900	\$45,780	\$6,867
Maximum Award	\$500,000	\$500,000	\$500,000	\$915,281	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>County</b>															
Number of Awards	6	2	7	5	10	6	3	7	8	3	5	3	5	4	74
Amount of Awards	\$2,456,000	\$564,909	\$2,636,083	\$2,102,434	\$5,542,071	\$3,405,857	\$2,111,713	\$3,332,223	\$4,177,710	\$1,500,000	\$2,780,000	\$1,690,000	\$2,625,000	\$2,895,000	\$37,818,999
Average Award	\$409,333	\$282,454	\$376,583	\$420,487	\$554,207	\$567,643	\$703,904	\$476,032	\$522,214	\$500,000	\$556,000	\$563,333	\$525,000	\$723,750	\$511,068
Minimum Award	\$194,000	\$158,883	\$16,912	\$204,000	\$350,923	\$252,062	\$611,713	\$102,000	\$250,000	\$250,000	\$420,000	\$440,000	\$250,000	\$110,000	\$16,912
Maximum Award	\$500,000	\$406,026	\$500,000	\$500,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$1,000,000
<b>Town</b>															
Number of Awards	5	2	4	6	2	3	2	2	2	6	1	5	4	1	43
Amount of Awards	\$1,984,976	\$1,000,000	\$1,953,800	\$2,805,033	\$948,047	\$1,876,818	\$1,234,070	\$1,337,777	\$2,239,267	\$2,239,267	\$175,634	\$2,070,541	\$1,691,550	\$98,584	\$19,416,098
Average Award	\$396,995	\$500,000	\$488,450	\$467,506	\$474,024	\$625,606	\$617,035	\$668,888	\$373,211	\$373,211	\$175,634	\$414,108	\$422,887	\$98,584	\$451,537
Minimum Award	\$73,577	\$500,000	\$469,800	\$320,000	\$195,047	\$549,937	\$500,000	\$587,777	\$41,455	\$41,455	\$175,634	\$138,324	\$83,062	\$98,584	\$41,455
Maximum Award	\$500,000	\$500,000	\$500,000	\$500,000	\$750,000	\$750,000	\$734,070	\$750,000	\$673,494	\$673,494	\$175,634	\$721,778	\$830,000	\$98,584	\$830,000
<b>Year Total</b>															
Number of Awards	24	17	16	26	20	15	10	15	15	18	12	15	19	13	235
Amount of Awards	\$8,736,925	\$7,454,191	\$6,962,923	\$12,128,581	\$11,065,146	\$9,413,392	\$7,028,168	\$7,942,576	\$8,617,323	\$8,617,323	\$6,592,486	\$7,604,666	\$9,992,919	\$7,346,000	\$119,456,160
Average Award	\$364,039	\$438,482	\$435,183	\$466,484	\$553,257	\$627,559	\$702,817	\$529,505	\$571,391	\$478,740	\$549,374	\$506,978	\$525,943	\$565,077	\$508,324
Median Award	\$466,383	\$500,000	\$499,520	\$498,583	\$572,344	\$650,298	\$748,065	\$600,000	\$500,000	\$528,835	\$546,213	\$500,000	\$591,500	\$480,000	\$500,000
Minimum Award	\$6,867	\$100,000	\$16,912	\$203,168	\$71,407	\$252,062	\$585,000	\$102,000	\$250,000	\$22,500	\$175,634	\$138,324	\$40,900	\$45,780	\$6,867
Maximum Award	\$500,000	\$500,000	\$500,000	\$915,281	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$1,000,000

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005

## Exhibit E - 42

### Community Development Block Grant Program, General Purpose Awards by Project Type, 1992-2005

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Housing Rehabilitation</b>															
Number of Awards	6	3	5	8	8	4	4	4	5	3	4	3	1		58
Amount of Awards	\$2,452,890	\$1,383,334	\$2,373,555	\$3,655,346	\$5,134,677	\$2,626,818	\$2,797,500	\$1,257,924	\$2,250,000	\$1,588,210	\$2,092,425	\$1,272,563	\$250,000	\$250,000	\$29,135,241
Average Award	\$408,815	\$461,111	\$474,711	\$456,918	\$641,835	\$656,704	\$699,375	\$314,481	\$450,000	\$529,403	\$523,106	\$424,188	\$250,000	\$250,000	\$502,332
Minimum Award	\$20,124	\$433,334	\$384,522	\$204,000	\$409,684	\$549,937	\$585,000	\$199,870	\$250,000	\$436,203	\$502,000	\$272,563	\$250,000	\$250,000	\$20,124
Maximum Award	\$500,000	\$500,000	\$500,000	\$500,000	\$750,000	\$750,000	\$750,000	\$490,054	\$500,000	\$652,007	\$592,425	\$500,000	\$250,000	\$250,000	\$750,000
<b>Community Facility</b>															
Number of Awards	3	4	5	3	8	2	3	2	6	7	2	2	1	5	53
Amount of Awards	\$1,073,577	\$1,905,236	\$2,489,877	\$1,493,690	\$3,925,734	\$1,239,598	\$2,246,130	\$1,500,000	\$3,780,914	\$3,061,833	\$1,500,000	\$1,165,025	\$1,000,000	\$2,717,620	\$29,099,233
Average Award	\$357,859	\$476,309	\$497,975	\$497,897	\$490,717	\$619,799	\$748,710	\$750,000	\$630,152	\$437,405	\$750,000	\$582,513	\$1,000,000	\$543,524	\$549,042
Minimum Award	\$73,577	\$406,026	\$489,877	\$493,690	\$71,407	\$589,300	\$746,130	\$750,000	\$450,000	\$22,500	\$750,000	\$415,025	\$1,000,000	\$98,584	\$22,500
Maximum Award	\$500,000	\$500,000	\$500,000	\$500,000	\$750,000	\$650,298	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$1,000,000	\$895,000	\$1,000,000
<b>Public Facility (Sewer)</b>															
Number of Awards	5	4	2	4	4	4	2	6	2	2	1	5	5	4	50
Amount of Awards	\$2,039,463	\$1,916,737	\$516,912	\$1,610,747	\$2,004,736	\$2,558,994	\$1,234,538	\$3,394,483	\$1,309,949	\$876,363	\$175,634	\$2,105,300	\$3,070,165	\$2,992,600	\$25,806,622
Average Award	\$407,893	\$479,184	\$258,456	\$402,687	\$501,184	\$639,748	\$617,269	\$565,747	\$654,975	\$438,182	\$175,634	\$421,060	\$614,033	\$748,150	\$516,132
Minimum Award	\$262,000	\$416,737	\$16,912	\$203,168	\$198,047	\$464,197	\$611,713	\$102,000	\$559,949	\$250,000	\$175,634	\$182,665	\$182,665	\$382,000	\$16,912
Maximum Award	\$500,000	\$500,000	\$500,000	\$500,000	\$750,000	\$750,000	\$622,826	\$750,000	\$750,000	\$626,363	\$175,634	\$692,368	\$1,000,000	\$1,000,000	\$1,000,000
<b>Public Facility (Water)</b>															
Number of Awards	2	1	3	5	6	4	1	3	2	5	4	3	8	3	44
Amount of Awards	\$506,867	\$500,000	\$1,112,779	\$2,482,800	\$2,287,982	\$750,000	\$750,000	\$1,790,169	\$1,230,000	\$2,726,364	\$2,074,426	\$1,911,778	\$4,115,554	\$1,590,000	\$23,078,719
Average Award	\$253,433	\$500,000	\$370,926	\$496,560	\$571,996	\$596,723	\$615,000	\$584,273	\$615,000	\$545,273	\$518,606	\$637,259	\$514,444	\$530,000	\$524,516
Minimum Award	\$6,867	\$500,000	\$128,779	\$482,800	\$252,062	\$750,000	\$750,000	\$314,939	\$480,000	\$300,000	\$296,131	\$440,000	\$41,754	\$110,000	\$6,867
Maximum Award	\$500,000	\$500,000	\$500,000	\$500,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$745,200	\$748,295	\$750,000	\$850,000	\$1,000,000	\$1,000,000
<b>Comprehensive (Multiple Categories)</b>															
Number of Awards	7	5	1	6	1	1					1	1			22
Amount of Awards	\$2,244,129	\$1,748,883	\$469,800	\$2,885,999	\$700,000	\$700,000					\$750,000	\$750,000			\$9,548,811
Average Award	\$320,590	\$349,777	\$469,800	\$481,000	\$700,000	\$700,000					\$750,000	\$750,000			\$434,037
Minimum Award	\$10,286	\$100,000	\$469,800	\$320,000	\$700,000	\$700,000					\$750,000	\$750,000			\$10,286
Maximum Award	\$500,000	\$500,000	\$469,800	\$915,281	\$700,000	\$700,000					\$750,000	\$750,000			\$915,281
<b>Other</b>															
Number of Awards	1									1			4	1	8
Amount of Awards	\$420,000									\$364,554			\$1,557,200	\$45,780	\$2,787,534
Average Award	\$420,000									\$364,554			\$389,300	\$45,780	\$348,442
Minimum Award	\$420,000									\$364,554			\$40,900	\$45,780	\$40,900
Maximum Award	\$420,000									\$364,554			\$675,000	\$45,780	\$675,000
<b>Year Total</b>															
Number of Awards	24	17	16	26	20	15	10	15	15	18	12	15	19	13	235
Amount of Awards	\$8,736,925	\$7,454,191	\$6,962,923	\$12,128,581	\$11,065,146	\$9,413,392	\$7,028,168	\$7,942,576	\$8,570,863	\$8,617,323	\$6,592,486	\$7,604,666	\$9,992,919	\$7,346,000	\$119,456,160
Average Award	\$364,039	\$438,482	\$435,183	\$466,484	\$553,257	\$627,559	\$702,817	\$529,505	\$571,391	\$478,740	\$549,374	\$506,978	\$525,943	\$565,077	\$508,324
Median Award	\$466,383	\$500,000	\$499,320	\$498,583	\$572,344	\$650,298	\$748,065	\$600,000	\$500,000	\$528,835	\$545,213	\$500,000	\$591,300	\$480,000	\$500,000
Minimum Award	\$6,867	\$100,000	\$16,912	\$203,168	\$71,407	\$252,062	\$585,000	\$102,000	\$250,000	\$22,500	\$175,634	\$138,324	\$40,900	\$45,780	\$6,867
Maximum Award	\$500,000	\$500,000	\$500,000	\$915,281	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$1,000,000

Source: Community Development Block Grant Award History (1992-2005) and Berk & Associates, 2005  
 Note: Other includes Public Facility (Fire), Public Facility (Transportation), Public Facility (Other), and Economic Development activities

**Exhibit E - 43**

**Community Development Block Grant Program, Community Investment Fund Awards by Client Type, 1996-2005**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>City</b>											
Number of Awards	2	2	1	3	1	4	5	3	5	3	29
Amount of Awards	\$1,665,934	\$1,479,000	\$1,000,000	\$1,499,750	\$500,000	\$989,517	\$3,250,000	\$1,975,000	\$2,824,700	\$2,150,000	\$17,333,901
Average Award	\$832,967	\$739,500	\$1,000,000	\$499,917	\$500,000	\$247,579	\$650,000	\$658,333	\$564,940	\$716,667	\$597,721
Minimum Award	\$750,000	\$620,000	\$1,000,000	\$100,000	\$500,000	\$96,700	\$200,000	\$225,000	\$100,000	\$500,000	\$96,700
Maximum Award	\$9115,934	\$859,000	\$1,000,000	\$742,500	\$500,000	\$500,000	\$1,100,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,100,000
<b>County</b>											
Number of Awards				1	5	5	3	4	5	5	28
Amount of Awards				\$25,223	\$2,836,245	\$1,220,696	\$1,464,243	\$3,590,000	\$2,194,713	\$2,167,300	\$13,498,420
Average Award				\$25,223	\$567,249	\$244,139	\$488,081	\$897,500	\$438,943	\$433,460	\$482,086
Minimum Award				\$25,223	\$80,000	\$100,346	\$334,243	\$750,000	\$250,000	\$101,000	\$25,223
Maximum Award				\$25,223	\$1,020,803	\$385,000	\$750,000	\$1,000,000	\$850,000	\$700,000	\$1,020,803
<b>Town</b>											
Number of Awards		2		1		1	3	2	2	2	13
Amount of Awards		\$1,128,534		\$318,438		\$750,000	\$2,390,950	\$1,750,000	\$969,787	\$819,887	\$8,127,596
Average Award		\$564,267		\$318,438		\$750,000	\$796,983	\$875,000	\$484,894	\$409,944	\$625,200
Minimum Award		\$434,746		\$318,438		\$750,000	\$640,950	\$750,000	\$439,000	\$300,000	\$300,000
Maximum Award		\$693,788		\$318,438		\$750,000	\$1,000,000	\$1,000,000	\$530,787	\$519,887	\$1,000,000
<b>Year Total</b>											
Number of Awards	2	4	1	5	6	10	11	9	12	10	70
Amount of Awards	\$1,665,934	\$2,607,534	\$1,000,000	\$1,843,411	\$3,336,245	\$2,960,213	\$7,105,193	\$7,315,000	\$5,989,200	\$5,137,187	\$38,959,918
Average Award	\$832,967	\$651,883	\$1,000,000	\$368,682	\$556,041	\$296,021	\$645,927	\$812,778	\$499,100	\$513,719	\$556,570
Median Award	\$832,967	\$656,894	\$1,000,000	\$318,438	\$572,900	\$234,500	\$700,000	\$900,000	\$453,150	\$546,044	\$586,100
Minimum Award	\$750,000	\$434,746	\$1,000,000	\$25,223	\$80,000	\$96,700	\$200,000	\$225,000	\$100,000	\$101,000	\$25,223
Maximum Award	\$9115,934	\$859,000	\$1,000,000	\$742,500	\$1,020,803	\$750,000	\$1,100,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,100,000

Source: Community Development Block Grant Award History (1992-2005) and Bek & Associates, 2005

**Exhibit E - 44**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Community Development Block Grant Program, Community Investment Fund Awards by Project Type, 1996-2005</b>											
<b>Public Facility (Water)</b>											
Number of Awards	2			2	2	2	5	1	3	4	21
Amount of Awards	\$1,293,746			\$343,661	\$430,000	\$3,233,817	\$3,825,193	\$1,000,000	\$1,473,400	\$2,144,100	\$10,833,917
Average Award	\$646,873			\$171,831	\$215,000	\$1,619,099	\$765,039	\$1,000,000	\$491,133	\$536,025	\$515,901
Minimum Award	\$434,746			\$25,223	\$80,000	\$123,817	\$334,243	\$1,000,000	\$327,000	\$144,100	\$25,223
Maximum Award	\$859,000			\$318,438	\$350,000	\$200,000	\$1,100,000	\$1,000,000	\$707,400	\$1,000,000	\$1,100,000
<b>Public Facility (Sewer)</b>											
Number of Awards	1		1		3	3	3	5	2		18
Amount of Awards	\$693,788		\$1,000,000		\$2,260,445	\$1,295,350	\$1,980,000	\$4,440,000	\$1,450,000		\$13,119,583
Average Award	\$693,788		\$1,000,000		\$753,482	\$431,783	\$660,000	\$888,000	\$725,000		\$728,866
Minimum Award	\$693,788		\$1,000,000		\$500,000	\$160,350	\$500,000	\$750,000	\$600,000		\$160,350
Maximum Award	\$693,788		\$1,000,000		\$1,020,803	\$750,000	\$750,000	\$1,000,000	\$850,000		\$1,020,803
<b>Community Facility</b>											
Number of Awards					1	3	2	1	2	3	12
Amount of Awards					\$645,800	\$1,144,000	\$600,000	\$900,000	\$1,467,300	\$1,819,887	\$6,576,987
Average Award					\$645,800	\$381,333	\$300,000	\$900,000	\$733,650	\$606,629	\$548,082
Minimum Award					\$645,800	\$269,000	\$200,000	\$900,000	\$467,300	\$519,887	\$200,000
Maximum Award					\$645,800	\$500,000	\$400,000	\$900,000	\$1,000,000	\$650,000	\$1,000,000
<b>Other</b>											
Number of Awards					2	2	1	2	3	1	9
Amount of Awards					\$197,046	\$700,000	\$700,000	\$975,000	\$967,713	\$101,000	\$2,940,759
Average Award					\$98,523	\$700,000	\$700,000	\$487,500	\$322,571	\$101,000	\$326,751
Minimum Award					\$96,700	\$700,000	\$700,000	\$225,000	\$250,000	\$101,000	\$96,700
Maximum Award					\$100,346	\$700,000	\$700,000	\$750,000	\$417,300	\$101,000	\$750,000
<b>Comprehensive (Multiple Categories)</b>											
Number of Awards	1			2					1	2	6
Amount of Awards	\$915,934			\$1,399,750					\$530,787	\$1,072,200	\$3,918,671
Average Award	\$915,934			\$699,875					\$530,787	\$536,100	\$653,112
Minimum Award	\$915,934			\$657,250					\$530,787	\$500,000	\$500,000
Maximum Award	\$915,934			\$742,500					\$530,787	\$572,200	\$915,934
<b>Public Facility (Transportation)</b>											
Number of Awards	1			1					1		4
Amount of Awards	\$750,000			\$100,000					\$100,000		\$1,570,000
Average Award	\$750,000			\$100,000					\$100,000		\$392,500
Minimum Award	\$750,000			\$100,000					\$100,000		\$100,000
Maximum Award	\$750,000			\$100,000					\$100,000		\$750,000
<b>Year Total</b>											
Number of Awards	2	4	1	5	6	10	11	9	12	10	70
Amount of Awards	\$1,665,934	\$2,607,534	\$1,000,000	\$1,843,411	\$3,336,245	\$2,960,213	\$7,105,193	\$7,315,000	\$5,989,200	\$5,137,187	\$38,959,918
Average Award	\$832,967	\$651,883	\$1,000,000	\$368,682	\$556,041	\$296,021	\$645,927	\$812,778	\$499,100	\$513,719	\$556,570
Median Award	\$832,967	\$656,894	\$1,000,000	\$318,438	\$572,900	\$234,500	\$700,000	\$900,000	\$453,150	\$546,044	\$586,100
Minimum Award	\$750,000	\$434,746	\$1,000,000	\$25,223	\$80,000	\$96,700	\$700,000	\$225,000	\$100,000	\$101,000	\$25,223
Maximum Award	\$915,934	\$859,000	\$1,000,000	\$742,500	\$1,020,803	\$750,000	\$1,100,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,100,000

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005  
 Note: Other includes Public Facility (Fire), Public Facility (Other), Economic Development, Housing, Micro-enterprise Loan, and Clearance of Contaminated Site activities

**Exhibit E - 45**  
**CDBG Imminent Threat Awards by Client Type, 1993-2005**

	1993	1995	1997	1998	1999	2001	2002	2004	Client Total
<b>City</b>									
Number of Awards	1		1	2	2	1			7
Amount of Awards	\$43,000		\$50,000	\$75,605	\$332,313	\$827,367			\$1,328,285
Average Award	\$43,000		\$50,000	\$37,803	\$166,157	\$827,367			\$189,755
Minimum Award	\$43,000		\$50,000	\$33,312	\$50,000	\$827,367			\$33,312
Maximum Award	\$43,000		\$50,000	\$42,293	\$282,313	\$827,367			\$827,367
<b>County</b>									
Number of Awards		1	1				2	1	5
Amount of Awards		\$1,958	\$118,168				\$572,959	\$21,267	\$714,352
Average Award		\$1,958	\$118,168				\$286,480	\$21,267	\$142,870
Minimum Award		\$1,958	\$118,168				\$49,997	\$21,267	\$1,958
Maximum Award		\$1,958	\$118,168				\$522,962	\$21,267	\$522,962
<b>Town</b>									
Number of Awards						1			1
Amount of Awards						\$20,551			\$20,551
Average Award						\$20,551			\$20,551
Minimum Award						\$20,551			\$20,551
Maximum Award						\$20,551			\$20,551
<b>Year Total</b>									
Number of Awards	1	1	2	2	2	2	2	1	13
Amount of Awards	\$43,000	\$1,958	\$168,168	\$75,605	\$332,313	\$847,918	\$572,959	\$21,267	\$2,063,188
Average Award	\$43,000	\$1,958	\$84,084	\$37,803	\$166,157	\$423,959	\$286,480	\$21,267	\$158,707
Median Award	\$43,000	\$1,958	\$84,084	\$37,803	\$166,157	\$423,959	\$286,480	\$21,267	\$49,997
Minimum Award	\$43,000	\$1,958	\$50,000	\$33,312	\$50,000	\$20,551	\$49,997	\$21,267	\$1,958
Maximum Award	\$43,000	\$1,958	\$118,168	\$42,293	\$282,313	\$827,367	\$522,962	\$21,267	\$827,367

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005

**Exhibit E - 46**  
**CDBG Imminent Threat Awards by Project Type, 1993-2005**

	1993	1995	1997	1998	1999	2001	2002	2004	Client Total
<b>Imminent Threat</b>									
Number of Awards	1	1	1	2	2	1	1	1	10
Amount of Awards	\$43,000	\$1,958	\$50,000	\$75,605	\$332,313	\$20,551	\$522,962	\$21,267	\$1,067,656
Average Award	\$43,000	\$1,958	\$50,000	\$37,803	\$166,157	\$20,551	\$522,962	\$21,267	\$106,766
Minimum Award	\$43,000	\$1,958	\$50,000	\$33,312	\$50,000	\$20,551	\$522,962	\$21,267	\$1,958
Maximum Award	\$43,000	\$1,958	\$50,000	\$42,293	\$282,313	\$20,551	\$522,962	\$21,267	\$522,962
<b>Housing Rehabilitation</b>									
Number of Awards			1				1		2
Amount of Awards			\$118,168				\$49,997		\$168,165
Average Award			\$118,168				\$49,997		\$84,083
Minimum Award			\$118,168				\$49,997		\$49,997
Maximum Award			\$118,168				\$49,997		\$118,168
<b>Public Facility (Other)</b>									
Number of Awards						1			1
Amount of Awards						\$827,367			\$827,367
Average Award						\$827,367			\$827,367
Minimum Award						\$827,367			\$827,367
Maximum Award						\$827,367			\$827,367
<b>Year Total</b>									
Number of Awards	1	1	2	2	2	2	2	1	13
Amount of Awards	\$43,000	\$1,958	\$168,168	\$75,605	\$332,313	\$847,918	\$572,959	\$21,267	\$2,063,188
Average Award	\$43,000	\$1,958	\$84,084	\$37,803	\$166,157	\$423,959	\$286,480	\$21,267	\$158,707
Median Award	\$43,000	\$1,958	\$84,084	\$37,803	\$166,157	\$423,959	\$286,480	\$21,267	\$49,997
Minimum Award	\$43,000	\$1,958	\$50,000	\$33,312	\$50,000	\$20,551	\$49,997	\$21,267	\$1,958
Maximum Award	\$43,000	\$1,958	\$118,168	\$42,293	\$282,313	\$827,367	\$522,962	\$21,267	\$827,367

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005

**Exhibit E - 47**

**Community Development Block Grant Program, Housing Enhancement Awards by Client Type, 1994-2005**

City	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>County</b>													
Number of Awards	3	2	2	2	3	2	1	1	2	1	2	1	17
Amount of Awards	\$660,520	\$772,000	\$578,000	\$479,800	\$360,444	\$49,449	\$30,000	\$30,000	\$115,750	\$665,000	\$624,578	\$200,694	\$4,371,036
Average Award	\$220,173	\$386,000	\$289,000	\$239,900	\$120,148	\$49,449	\$30,000	\$30,000	\$57,875	\$665,000	\$312,289	\$200,694	\$257,120
Minimum Award	\$20,000	\$200,000	\$206,724	\$229,800	\$48,000	\$49,449	\$30,000	\$30,000	\$15,750	\$665,000	\$276,578	\$200,694	\$20,000
Maximum Award	\$457,120	\$572,000	\$371,276	\$250,000	\$175,000	\$85,780	\$30,000	\$30,000	\$100,000	\$665,000	\$348,000	\$200,694	\$665,000
<b>Town</b>													
Number of Awards	1	1	2	2	2	1	1	2	2	1	2	2	12
Amount of Awards	\$89,480	\$350,000	\$158,780	\$314,884	\$158,780	\$49,449	\$49,449	\$115,750	\$77,340	\$77,340	\$624,578	\$325,613	\$1,481,296
Average Award	\$89,480	\$350,000	\$79,390	\$157,442	\$79,390	\$49,449	\$49,449	\$57,875	\$77,340	\$77,340	\$312,289	\$162,807	\$123,441
Minimum Award	\$89,480	\$350,000	\$73,000	\$144,000	\$73,000	\$49,449	\$49,449	\$15,750	\$77,340	\$77,340	\$276,578	\$86,779	\$15,750
Maximum Award	\$89,480	\$350,000	\$85,780	\$170,884	\$85,780	\$49,449	\$49,449	\$100,000	\$77,340	\$77,340	\$348,000	\$238,834	\$350,000
<b>Town</b>													
Number of Awards													2
Amount of Awards													\$549,973
Average Award													\$274,987
Minimum Award													\$100,000
Maximum Award													\$449,973
<b>Year Total</b>													
Number of Awards	4	3	2	2	5	3	1	2	2	2	2	3	31
Amount of Awards	\$750,000	\$1,122,000	\$578,000	\$479,800	\$675,328	\$258,780	\$49,449	\$479,973	\$115,750	\$742,340	\$624,578	\$526,307	\$6,402,305
Average Award	\$187,500	\$374,000	\$289,000	\$239,900	\$135,066	\$86,260	\$49,449	\$239,987	\$57,875	\$371,170	\$312,289	\$175,436	\$206,526
Median Award	\$136,440	\$350,000	\$289,000	\$239,900	\$144,000	\$85,780	\$49,449	\$239,987	\$57,875	\$371,170	\$312,289	\$200,694	\$175,000
Minimum Award	\$20,000	\$200,000	\$206,724	\$229,800	\$48,000	\$73,000	\$49,449	\$30,000	\$15,750	\$77,340	\$276,578	\$86,779	\$15,750
Maximum Award	\$457,120	\$572,000	\$371,276	\$250,000	\$175,000	\$100,000	\$49,449	\$449,973	\$100,000	\$665,000	\$348,000	\$238,834	\$665,000

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005

**Exhibit E - 48**

**Community Development Block Grant Program, Housing Enhancement Awards by Project Type, 1994-2005**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Client Total
<b>Housing</b>													
Number of Awards	2	1	1	1	3	2						1	10
Amount of Awards	\$203,400	\$572,000	\$250,000	\$489,884	\$158,780							\$238,834	\$1,912,898
Average Award	\$101,700	\$572,000	\$250,000	\$163,295	\$79,390							\$238,834	\$191,290
Minimum Award	\$20,000	\$572,000	\$250,000	\$144,000	\$73,000							\$238,834	\$20,000
Maximum Award	\$183,400	\$572,000	\$250,000	\$175,000	\$85,780							\$238,834	\$572,000
<b>Comprehensive (Multiple Categories)</b>													
Number of Awards	2	2	1	1	2	1							8
Amount of Awards	\$546,600	\$578,000	\$229,800	\$185,444	\$100,000								\$1,639,844
Average Award	\$273,300	\$289,000	\$229,800	\$92,722	\$100,000								\$204,981
Minimum Award	\$89,480	\$206,724	\$229,800	\$48,000	\$100,000								\$48,000
Maximum Award	\$457,120	\$371,276	\$229,800	\$137,444	\$100,000								\$457,120
<b>Public Facility (Other)</b>													
Number of Awards								1	2	2	2		7
Amount of Awards								\$30,000	\$115,750	\$742,340	\$624,578		\$1,512,668
Average Award								\$30,000	\$57,875	\$371,170	\$312,289		\$216,095
Minimum Award								\$30,000	\$15,750	\$77,340	\$276,578		\$15,750
Maximum Award								\$30,000	\$100,000	\$665,000	\$348,000		\$665,000
<b>Housing Enhancement</b>													
Number of Awards								1				2	3
Amount of Awards								\$449,973				\$287,473	\$737,446
Average Award								\$449,973				\$143,737	\$245,815
Minimum Award								\$449,973				\$86,779	\$86,779
Maximum Award								\$449,973				\$200,694	\$449,973
<b>Other</b>													
Number of Awards		2					1						3
Amount of Awards		\$550,000					\$49,449						\$599,449
Average Award		\$275,000					\$49,449						\$199,816
Minimum Award		\$200,000					\$49,449						\$49,449
Maximum Award		\$350,000					\$49,449						\$350,000
<b>Year Total</b>													
Number of Awards	4	3	2	2	5	3	1	2	2	2	2	3	31
Amount of Awards	\$750,000	\$1,122,000	\$578,000	\$479,800	\$675,328	\$258,780	\$49,449	\$479,973	\$115,750	\$742,340	\$624,578	\$526,307	\$6,402,305
Average Award	\$187,500	\$374,000	\$289,000	\$239,900	\$135,066	\$86,260	\$49,449	\$239,987	\$57,875	\$371,170	\$312,289	\$175,436	\$206,526
Median Award	\$136,440	\$350,000	\$289,000	\$239,900	\$144,000	\$85,780	\$49,449	\$239,987	\$57,875	\$371,170	\$312,289	\$200,694	\$175,000
Minimum Award	\$20,000	\$200,000	\$206,724	\$229,800	\$48,000	\$73,000	\$49,449	\$30,000	\$15,750	\$77,340	\$276,578	\$86,779	\$15,750
Maximum Award	\$457,120	\$572,000	\$371,276	\$250,000	\$175,000	\$100,000	\$49,449	\$449,973	\$100,000	\$665,000	\$348,000	\$238,834	\$665,000

Source: Community Development Block Program Award History (1992-2005) and Berk & Associates, 2005

## Exhibit E - 49

### Drinking Water State Revolving Fund Awards by Client Type, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004	Client Total
<b>City</b>									
Number of Awards	10	8	8	9	11	16	14	9	85
Amount of Awards	\$7,060,577	\$4,597,199	\$11,960,653	\$12,547,037	\$8,595,734	\$21,293,874	\$12,160,220	\$20,959,579	\$99,174,873
Average Award	\$706,058	\$574,650	\$1,495,082	\$1,394,115	\$781,430	\$1,330,867	\$868,587	\$2,328,842	\$1,166,763
Minimum Award	\$213,394	\$177,084	\$199,410	\$341,700	\$15,300	\$127,500	\$50,500	\$371,801	\$15,300
Maximum Award	\$1,030,000	\$1,030,000	\$4,080,000	\$3,060,000	\$2,203,200	\$4,080,000	\$4,040,000	\$4,040,000	\$4,080,000
<b>Private Non-Profit</b>									
Number of Awards	5	8	6	9	7	10	12	15	72
Amount of Awards	\$1,723,814	\$2,730,937	\$4,728,792	\$5,096,767	\$1,589,418	\$2,735,301	\$5,547,979	\$9,041,016	\$33,194,025
Average Award	\$344,763	\$341,367	\$788,132	\$566,307	\$227,060	\$273,530	\$462,332	\$602,734	\$461,028
Minimum Award	\$90,004	\$58,133	\$142,800	\$150,000	\$74,984	\$38,974	\$73,274	\$57,671	\$38,974
Maximum Award	\$988,800	\$1,005,816	\$2,040,000	\$2,232,780	\$324,605	\$931,770	\$1,825,564	\$1,762,450	\$2,232,780
<b>Public Utility District</b>									
Number of Awards		1	6	7	11	1	2	6	34
Amount of Awards		\$1,030,000	\$4,178,037	\$4,299,560	\$5,811,719	\$70,551	\$563,091	\$5,843,405	\$21,796,364
Average Award		\$1,030,000	\$696,340	\$614,223	\$528,338	\$70,551	\$281,546	\$973,901	\$641,070
Minimum Award		\$1,030,000	\$189,607	\$139,730	\$39,423	\$70,551	\$101,000	\$67,417	\$39,423
Maximum Award		\$1,030,000	\$1,246,440	\$1,803,360	\$1,974,720	\$70,551	\$462,091	\$3,535,000	\$3,535,000
<b>Sewer/Water District</b>									
Number of Awards	2	5	2	3	1	6	6	3	28
Amount of Awards	\$1,569,401	\$2,555,167	\$1,491,356	\$2,477,534	\$204,000	\$4,585,587	\$6,326,529	\$2,900,215	\$22,109,790
Average Award	\$784,700	\$511,033	\$745,678	\$825,845	\$204,000	\$764,265	\$1,054,422	\$966,738	\$789,635
Minimum Award	\$545,900	\$107,223	\$268,580	\$397,754	\$204,000	\$188,700	\$294,920	\$404,000	\$107,223
Maximum Award	\$1,023,501	\$999,100	\$1,222,776	\$1,651,380	\$204,000	\$2,322,163	\$3,855,925	\$1,515,000	\$3,855,925
<b>Private for Profit</b>									
Number of Awards	4	3	2	2		2	11	4	28
Amount of Awards	\$604,729	\$886,992	\$1,347,240	\$516,923		\$1,198,500	\$2,920,971	\$969,619	\$8,444,974
Average Award	\$151,182	\$295,664	\$673,620	\$258,461		\$599,250	\$265,543	\$242,405	\$301,606
Minimum Award	\$117,832	\$212,644	\$280,500	\$199,935		\$61,200	\$66,414	\$85,825	\$61,200
Maximum Award	\$216,965	\$388,626	\$1,066,740	\$316,988		\$1,137,300	\$678,892	\$446,420	\$1,137,300
<b>Special Purpose District</b>									
Number of Awards	3		1			1	5		10
Amount of Awards	\$1,081,904		\$169,497			\$228,874	\$2,989,924		\$4,470,199
Average Award	\$360,635		\$169,497			\$228,874	\$597,985		\$447,020
Minimum Award	\$245,557		\$169,497			\$228,874	\$136,182		\$136,182
Maximum Award	\$486,600		\$169,497			\$228,874	\$1,243,433		\$1,243,433
<b>Other</b>									
Number of Awards	1					1			2
Amount of Awards	\$398,157					\$1,084,158			\$1,482,315
Average Award	\$398,157					\$1,084,158			\$741,158
Minimum Award	\$398,157					\$1,084,158			\$398,157
Maximum Award	\$398,157					\$1,084,158			\$1,084,158
<b>Year Total</b>									
Number of Awards	25	25	25	30	30	37	50	37	259
Amount of Awards	\$12,438,581	\$11,800,295	\$23,875,576	\$24,937,822	\$16,200,871	\$31,196,846	\$30,508,713	\$39,713,835	\$190,672,539
Average Award	\$497,543	\$472,012	\$955,023	\$831,261	\$540,029	\$843,158	\$610,174	\$1,073,347	\$736,187
Median Award	\$358,749	\$285,722	\$816,000	\$460,326	\$263,754	\$395,556	\$327,770	\$358,749	\$395,915
Minimum Award	\$90,004	\$58,133	\$142,800	\$139,730	\$15,300	\$38,974	\$50,500	\$57,671	\$15,300
Maximum Award	\$1,030,000	\$1,030,000	\$4,080,000	\$3,060,000	\$2,203,200	\$4,080,000	\$4,040,000	\$4,040,000	\$4,080,000

Source: Public Works Board Award History (1996-2005) and Berk & Associates, 2005

Note: Special Purpose Districts include seven irrigation districts, two ports districts, and a reclamation district. Other includes a county and a housing authority.

## Exhibit E - 50

### Drinking Water State Revolving Fund Awards by Project Type, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004	Client Total
<b>Domestic Water</b>									
Number of Awards	25	25	25	30	30	37	50	37	259
Amount of Awards	\$12,438,581	\$11,800,295	\$23,875,576	\$24,937,822	\$16,200,871	\$31,196,846	\$30,508,713	\$39,713,835	\$190,672,539
Average Award	\$497,543	\$472,012	\$955,023	\$831,261	\$540,029	\$843,158	\$610,174	\$1,073,347	\$736,187
Median Award	\$358,749	\$285,722	\$816,000	\$460,326	\$263,754	\$395,556	\$327,770	\$358,749	\$395,915
Minimum Award	\$90,004	\$58,133	\$142,800	\$139,730	\$15,300	\$38,974	\$50,500	\$57,671	\$15,300
Maximum Award	\$1,030,000	\$1,030,000	\$4,080,000	\$3,060,000	\$2,203,200	\$4,080,000	\$4,040,000	\$4,040,000	\$4,080,000

Source: Public Works Board Award History (1996-2005) and Berk & Associates, 2005

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## Exhibit E - 51

### Water System Acquisition and Rehabilitation Program Awards by Client Type, 2004

2004	
<b>Public Utility District</b>	
Number of Awards	8
Amount of Awards	\$1,495,037
Average Award	\$186,880
Minimum Award	\$64,520
Maximum Award	\$375,826
<b>Special Purpose District</b>	
Number of Awards	4
Amount of Awards	\$1,831,565
Average Award	\$457,891
Minimum Award	\$19,194
Maximum Award	\$984,223
<b>City</b>	
Number of Awards	2
Amount of Awards	\$673,398
Average Award	\$336,699
Minimum Award	\$203,625
Maximum Award	\$469,773
<b>Year Total</b>	
Number of Awards	14
Amount of Awards	\$4,000,000
Average Award	\$285,714
Median Award	\$203,524
Minimum Award	\$19,194
Maximum Award	\$984,223

Source: Public Works Board Award History (1996-2005)  
and Berk & Associates, 2005

## Exhibit E - 52

### Water System Acquisition and Rehabilitation Program Awards by Project Type, 2004

2004	
<b>Domestic Water</b>	
Number of Awards	14
Amount of Awards	\$4,000,000
Average Award	\$285,714
Median Award	\$203,524
Minimum Award	\$19,194
Maximum Award	\$984,223

Source: Public Works Board Award History (1996-2005)  
and Berk & Associates, 2005

**Exhibit E - 53**  
**Centennial Clean Water Fund Awards by Client Type, 2000-2006**

	2000	2001	2002	2003	2004	2005	2006	Client Total
<b>Conservation District</b>								
Number of Awards	16	9	18	8	14	9	12	86
Amount of Awards	\$3,075,156	\$1,479,562	\$3,314,248	\$1,386,023	\$3,300,656	\$2,007,905	\$2,124,516	\$16,688,066
Average Award	\$192,197	\$164,396	\$184,125	\$173,253	\$235,761	\$223,101	\$177,043	\$194,047
Minimum Award	\$10,170	\$115,352	\$49,486	\$9,928	\$35,008	\$86,739	\$41,441	\$9,928
Maximum Award	\$250,000	\$250,000	\$250,000	\$246,580	\$498,827	\$263,127	\$250,000	\$498,827
<b>City</b>								
Number of Awards	14	17	11	6	9	4	6	67
Amount of Awards	\$9,264,206	\$13,321,302	\$3,823,520	\$8,990,150	\$8,602,611	\$8,065,307	\$8,175,850	\$60,242,946
Average Award	\$661,729	\$783,606	\$347,593	\$1,498,358	\$955,846	\$2,016,327	\$1,362,642	\$899,148
Minimum Award	\$37,500	\$18,750	\$37,500	\$429,000	\$140,625	\$198,640	\$352,607	\$18,750
Maximum Award	\$3,600,000	\$2,397,000	\$1,405,920	\$4,100,000	\$4,000,000	\$4,400,000	\$4,071,437	\$4,400,000
<b>County</b>								
Number of Awards	11	10	14	5	10	2	11	63
Amount of Awards	\$18,831,738	\$8,893,250	\$16,218,470	\$13,401,515	\$14,851,479	\$5,152,976	\$8,150,046	\$85,499,474
Average Award	\$1,711,976	\$889,325	\$1,158,462	\$2,680,303	\$1,485,148	\$2,576,488	\$740,913	\$1,357,135
Minimum Award	\$29,000	\$60,000	\$49,516	\$193,560	\$93,750	\$152,976	\$50,000	\$29,000
Maximum Award	\$12,500,000	\$5,000,000	\$7,548,500	\$7,548,500	\$7,547,044	\$5,000,000	\$5,000,000	\$12,500,000
<b>Special Purpose District</b>								
Number of Awards	5	5	1	2		1		14
Amount of Awards	\$796,058	\$868,098	\$112,500	\$359,981		\$394,444		\$2,531,081
Average Award	\$159,212	\$173,620	\$112,500	\$179,991		\$394,444		\$180,792
Minimum Award	\$11,138	\$45,000	\$112,500	\$60,000		\$394,444		\$11,138
Maximum Award	\$500,000	\$350,000	\$112,500	\$299,981		\$394,444		\$500,000
<b>Indian Tribe</b>								
Number of Awards	3	1	3	2		1	1	11
Amount of Awards	\$402,371	\$250,000	\$640,971	\$332,100		\$180,483	\$175,500	\$1,981,425
Average Award	\$134,124	\$250,000	\$213,657	\$166,050		\$180,483	\$175,500	\$180,130
Minimum Award	\$54,271	\$250,000	\$187,481	\$144,600		\$180,483	\$175,500	\$54,271
Maximum Award	\$187,500	\$250,000	\$250,000	\$187,500		\$180,483	\$175,500	\$250,000
<b>Other</b>								
Number of Awards	2	1	5			2		10
Amount of Awards	\$232,382	\$242,459	\$808,291			\$398,885		\$1,682,017
Average Award	\$116,191	\$242,459	\$161,658			\$199,443		\$168,202
Minimum Award	\$104,014	\$242,459	\$40,184			\$150,000		\$40,184
Maximum Award	\$128,368	\$242,459	\$250,000			\$248,885		\$250,000
<b>Public Utility District</b>								
Number of Awards	2		1	1	2		3	9
Amount of Awards	\$269,945		\$207,000	\$500,000	\$1,968,776		\$1,480,570	\$4,426,291
Average Award	\$134,973		\$207,000	\$500,000	\$984,388		\$493,523	\$491,810
Minimum Award	\$116,193		\$207,000	\$500,000	\$968,776		\$247,120	\$116,193
Maximum Award	\$153,752		\$207,000	\$500,000	\$1,000,000		\$983,450	\$1,000,000
<b>Year Total</b>								
Number of Awards	53	43	53	24	35	19	33	260
Amount of Awards	\$32,871,856	\$25,054,671	\$25,125,000	\$24,969,769	\$28,723,522	\$16,200,000	\$20,106,482	\$173,051,300
Average Award	\$620,224	\$582,667	\$474,057	\$1,040,407	\$820,672	\$852,632	\$609,287	\$665,582
Median Award	\$134,973	\$242,459	\$187,481	\$500,000	\$976,582	\$852,632	\$175,500	\$238,247
Minimum Award	\$10,170	\$18,750	\$37,500	\$9,928	\$35,008	\$86,739	\$41,441	\$9,928
Maximum Award	\$12,500,000	\$5,000,000	\$7,548,500	\$7,548,500	\$7,547,044	\$5,000,000	\$5,000,000	\$12,500,000

Source: Department of Ecology Award History (2000-2006) and Berk & Associates, 2005

Note: Other includes five State University, two alliances, one salmon enhancement group, one salmon recovery board, and one State department awards. Special Purpose Districts include four sewer/water districts, four health districts, three boards, two reclamation districts, and one port awards.

## Exhibit E - 54

### Water Pollution Control State Revolving Fund Awards by Client Type, 2000-2006

	2000	2001	2002	2003	2004	2005	2006	Client Total
<b>City</b>								
Number of Awards	15	26	30	25	23	6	9	134
Amount of Awards	\$11,053,902	\$52,505,202	\$28,940,701	\$31,389,659	\$43,966,133	\$53,920,802	\$42,327,579	\$264,103,978
Average Award	\$736,927	\$2,019,431	\$964,690	\$1,255,586	\$1,911,571	\$8,986,800	\$4,703,064	\$1,970,925
Minimum Award	\$150,000	\$12,500	\$13,500	\$37,337	\$30,000	\$47,553	\$320,000	\$12,500
Maximum Award	\$2,486,884	\$26,998,953	\$7,425,125	\$8,868,072	\$8,459,000	\$33,315,649	\$25,870,000	\$33,315,649
<b>County</b>								
Number of Awards	10	4	10	9	4	2	7	46
Amount of Awards	\$10,119,038	\$665,000	\$35,679,186	\$83,231,361	\$24,288,000	\$650,000	\$9,454,063	\$164,086,648
Average Award	\$1,011,904	\$166,250	\$3,567,919	\$9,247,929	\$6,072,000	\$325,000	\$1,350,580	\$3,567,101
Minimum Award	\$100,000	\$40,000	\$129,600	\$250,000	\$100,000	\$200,000	\$300,000	\$40,000
Maximum Award	\$6,559,688	\$250,000	\$17,117,000	\$57,548,363	\$14,188,000	\$450,000	\$5,000,000	\$57,548,363
<b>Special Purpose District</b>								
Number of Awards	4	2	2	4	4	2	2	20
Amount of Awards	\$1,250,000	\$10,819,400	\$10,080,000	\$1,068,874	\$8,691,345	\$3,862,868	\$5,125,785	\$40,898,272
Average Award	\$312,500	\$5,409,700	\$5,040,000	\$267,219	\$2,172,836	\$1,931,434	\$2,562,893	\$2,044,914
Minimum Award	\$100,000	\$819,400	\$80,000	\$100,000	\$48,322	\$481,050	\$1,125,785	\$48,322
Maximum Award	\$500,000	\$10,000,000	\$10,000,000	\$464,374	\$5,500,171	\$3,381,818	\$4,000,000	\$10,000,000
<b>Public Utility District</b>								
Number of Awards	1	2	3	2	4	1	4	17
Amount of Awards	\$100,000	\$2,135,554	\$1,002,874	\$296,900	\$4,644,709	\$2,293,696	\$8,977,619	\$19,451,352
Average Award	\$100,000	\$1,067,777	\$334,291	\$148,450	\$1,161,177	\$2,293,696	\$2,244,405	\$1,144,197
Minimum Award	\$100,000	\$279,812	\$50,000	\$96,900	\$213,705	\$2,293,696	\$279,413	\$50,000
Maximum Award	\$100,000	\$1,855,742	\$814,874	\$200,000	\$2,714,959	\$2,293,696	\$7,134,656	\$7,134,656
<b>Conservation District</b>								
Number of Awards	2	1	2	1	3		2	11
Amount of Awards	\$2,000,000	\$250,000	\$4,750,000	\$1,500,000	\$2,800,000		\$2,314,500	\$13,614,500
Average Award	\$1,000,000	\$250,000	\$2,375,000	\$1,500,000	\$933,333		\$1,157,250	\$1,237,682
Minimum Award	\$500,000	\$250,000	\$750,000	\$1,500,000	\$300,000		\$1,143,247	\$250,000
Maximum Award	\$1,500,000	\$250,000	\$4,000,000	\$1,500,000	\$2,000,000		\$1,171,253	\$4,000,000
<b>Quasi-Municipal</b>								
Number of Awards						1		1
Amount of Awards						\$29,224,000		\$29,224,000
Average Award						\$29,224,000		\$29,224,000
Minimum Award						\$29,224,000		\$29,224,000
Maximum Award						\$29,224,000		\$29,224,000
<b>Year Total</b>								
Number of Awards	32	35	47	41	38	12	24	229
Amount of Awards	\$24,522,940	\$66,375,156	\$80,452,761	\$117,486,794	\$84,390,187	\$89,951,366	\$68,199,546	\$531,378,750
Average Award	\$766,342	\$1,896,433	\$1,711,761	\$2,865,532	\$2,220,794	\$7,495,947	\$2,841,648	\$2,320,431
Median Award	\$499,500	\$330,000	\$964,690	\$500,000	\$690,500	\$465,525	\$732,426	\$522,500
Minimum Award	\$100,000	\$12,500	\$13,500	\$37,337	\$30,000	\$47,553	\$279,413	\$12,500
Maximum Award	\$6,559,688	\$26,998,953	\$17,117,000	\$57,548,363	\$14,188,000	\$33,315,649	\$25,870,000	\$57,548,363

Source: Department of Ecology Award History (2000-2006) and Berk & Associates, 2005

Note: Special Purpose Districts include nine sewer/water districts, three health districts, two irrigation districts, two boards, one dike district, and one port district awards.



**ATTACHMENT F**

**PROFILES OF LOCAL INFRASTRUCTURE FUNDING  
IN OTHER STATES**



## **ATTACHMENT F**

# **PROFILES OF LOCAL INFRASTRUCTURE FUNDING IN OTHER STATES**

The discussion of local infrastructure funding in Section 4.0 draws on a general literature review and selected examples from other states. This section includes fuller profiles of other states, some similar to Washington and others very different, to illustrate the range of policy options described in the body of this report.



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# INFRASTRUCTURE PRACTICES PROFILE: DELAWARE

## Summary

Delaware funds local infrastructure programs through a variety of state Departments, but has made infrastructure funding a major component of the Governor's "Livable Delaware" agenda. The state has conformed its own infrastructure spending—which in Delaware covers many projects that would fall to local governments in other states—to its growth management strategy. The principles of Livable Delaware also shape funding of local projects, through both formal criteria and the work of an inter-governmental Advisory Council.

## System Description

Delaware is a small state, about the size of King County and with less than half the population. Preservation of open space and farmland has been a policy priority in Delaware for many years, and in 2001 Governor Ruth Ann Minner tied this goal to infrastructure programming through her "Livable Delaware" growth management initiative. As Delaware's state government plays an unusually active role in building infrastructure, the first step was to develop and follow a set of *Strategies for State Policies and Spending* to promote concentrated growth. This document takes a detailed approach, specifying four Investment Levels appropriate to areas of the state with differing levels of existing development, then using fine maps to assign classify every part of the state.

Livable Delaware also extends to local governments' infrastructure projects, through the decisions of state funding programs and an Advisory Council that brings together state and local officials to coordinate on land use issues. Part of the Governor's 2005 Livable Delaware legislative agenda is the Sprawl Prevention Act, which would prohibit local governments from making water and sewer investments in areas outside of state-certified local land use plans, to discourage residential growth there. Unlike other states that provide strong policy guidance for infrastructure funding, Delaware has not taken steps to consolidate its funding programs under one agency. Livable Delaware is a "coordination initiative" led by the Office of State Planning Coordination.

## Notable Practices

The growth management strategies that guide Delaware's infrastructure funding decisions follow a "Fix It First" approach (see p. F-8); streamlined procedures for brownfield reclamation, reform of regulations that encouraged school construction in undeveloped areas, and incentives for building on local sewer systems also reflect this emphasis. The state's use of GIS and aerial photography to generate detailed geography-based policy is also notable.

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## **Achievements and Challenges**

One achievement has been increased effectiveness in the state's process for reviewing proposed land use changes. After frustrations with a process that made state review the final step, sometimes taken only days before construction was scheduled to begin, Delaware created the Preliminary Land Use Service (PLUS), a system that puts state input and coordination at the beginning of the planning process. The state has reviewed 265 changes through PLUS since February 2004, and reports that the system is working well to prevent late-stage conflicts.

A remaining challenge is the prevalence of stand-alone wastewater systems which allow dense development in rural areas the state has targeted for preservation—and can make it politically difficult to deny future infrastructure support. The proposed Sprawl Prevention Act would prohibit such systems.

## **Sources**

Interview with Ann Marie Townshend, Sussex County Planner, Delaware Office of State Planning Coordination

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*Delaware Strategies for State Policies and Spending: 5 Year Update*. Delaware Office of State Planning Coordination, 2004. <http://www.state.de.us/planning/strategies/strategies.shtml>

Office of State Planning Coordination web site: <http://www.state.de.us/planning/>

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## INFRASTRUCTURE PRACTICES PROFILE: ILLINOIS

### Summary

Illinois funds local infrastructure projects through a range of programs, and while many are geared toward economic development, most are not coordinated with one another or formally aligned with state goals. One exception is a pilot program to direct development funding to distressed communities outside of the annual grant cycle. Low-interest loans for infrastructure projects are provided through the self-funded Illinois Finance Authority.

### System Description: Experiments in Coordination

Illinois funds local infrastructure through programs in a variety of state departments and agencies including Commerce & Economic Opportunity, Housing, Natural Resources, and Environmental Protection. Coordination across programs is difficult. Use of funds is closely monitored, but the state has not emphasized performance measurement. Most infrastructure funding decisions are driven by program-specific criteria rather than any statewide priority.

The state is experimenting with coordinated grant funding by piloting a Community Revitalization Program. As a planning document describes, the state “recognizes that the enormous needs of poverty-stricken communities do not always lend themselves well to annual competitive funding cycles with limited dollars available. Frequently, these communities also lack the human resources needed to prepare competitive grant applications... For these communities, the traditional competitive grant funding represents a ‘band-aid’ approach, when what is truly needed is a thought-out comprehensive strategy from planning, to implementation to final sustainability.” Under the pilot program, a distressed community that is targeted by the state can receive certain forms of federal funding without writing its own applications. The state hopes to funnel other state and federal funds through the program in the future.

Another source of infrastructure funding in Illinois is the Illinois Finance Authority (IFA), which provides low-cost capital through programs including a Pooled Bond Program, Rural Development Loan Program, Local Government Bond Program, Housing Bond Program and Pooled Tax Anticipation Loan Program for local governments. IFA was founded in 2004 when Governor Blagojevich consolidated seven existing state finance authorities, including the Development Finance Authority, Community Development Finance Corporation and Rural Bond Bank. The consolidation improved efficiency and allowed for a more active approach; as the authority’s former Executive Director described, “Our predecessor authorities were set up as conduit agencies that responded to requests for tax-exempt and other financing needs. The new IFA will more actively seek new opportunities, open additional markets and develop useful products.”

Even greater coordination, around the policy theme of economic development, may be around the corner: Governor Rod Blagojevich is lobbying the state Legislature for his “Opportunity Returns” capital plan, which would direct state investments, including some infrastructure projects, according to ten regional plans. This is the Governor’s fourth major push for the plan in three years, however, and Legislative support is uncertain.

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## Notable Practices

Illinois has a longstanding practice of aggregating the bond debt of rural governments to provide them a lower interest rate. Formerly administered by the Rural Bond Bank, this practice continues through IFA, and is no longer confined to rural bond issuers.

## Achievements and Challenges

A major challenge for infrastructure projects aimed at economic development is found in Illinois' small farm and mining towns, many of which have been struggling economically for decades as old jobs depart without being replaced. There has been some success in using infrastructure and technical assistance to encourage neighboring towns to take a regional approach to job attraction.

## Sources

Interview with Pete Arnolds, Grant Manager, Illinois Department of Commerce and Economic Opportunity

Department of Commerce & Economic Opportunity web site: <http://www.commerce.state.il.us/dceo/>

Draft 2005 State of Illinois Consolidated Plan, Part II:

[www.ihda.org/admin/Upload/Files/add843c5-3b78-459c-871c-61091c525acc.pdf](http://www.ihda.org/admin/Upload/Files/add843c5-3b78-459c-871c-61091c525acc.pdf)

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# INFRASTRUCTURE PRACTICES PROFILE: MASSACHUSETTS

## Summary

In Massachusetts, almost all infrastructure funding programs are administered through a single state department, which takes an extremely active role in coordinating across programs and aligning local projects with an overriding set of growth management goals. Ongoing efforts focus on asset inventories, performance measurement and cooperation with applicants.

## System Description: Centralization with a Mission

Massachusetts has dramatically re-organized its system of infrastructure funding in the last two years, with the Commonwealth government taking up a uniquely central, deliberate and active role in infrastructure programming. The Office for Commonwealth Development (OCD) was established in 2003 through the merger of four departments related to growth management and infrastructure: Environmental Affairs, Housing & Community Development, Transportation and Energy. The merger was meant to help coordinate infrastructure investments for maximum effect and minimal conflict, and align those investments with the Governor's growth management goals.

With all local infrastructure programs under its roof, OCD has been working to rationalize and consolidate the various funding processes—some of which lacked any application process—in order to improve efficiency and promote “Smart Growth” principles (*see sidebar*). Under “Commonwealth Capital”, a new infrastructure funding policy, municipalities’ land use plans are scored for conformity with Smart Growth, and weighed 30% in project decisions. Other changes of note:

- Inventory. A recent complete survey and assessment of all the Commonwealth's bridges was the first of its kind, and part of a push to take stock. Agencies unresponsive to this priority have seen leadership changes.
- Performance measurement. Performance measures were introduced in the first year, and this year are becoming more specific. Massachusetts' model is the City of Baltimore's CityStats system.
- Earmark rejection. The construction of local projects “earmarked” by legislators has slowed, partly because many legislators agree with Smart Growth and partly because in Massachusetts the Governor determines which budgeted projects are actually funded (only about \$1.25 billion worth out of \$10 billion budgeted).
- Local support. New funds are available to provide communities with technical assistance and build capacity in rural jurisdictions. Commonwealth Capital has imposed new reporting requirements,

### Massachusetts' Development Principles for Smart Growth

1. Redevelop First
2. Concentrate Development
3. Be Fair
4. Restore/Enhance the Environment
5. Conserve Natural Resources
6. Expand Housing Opportunities
7. Provide Transportation Choice
8. Increase Job Opportunities
9. Foster Sustainable Business
10. Plan Regionally

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but applicants now benefit from electronic applications, joint application forms for some programs, and training opportunities.

### **Notable Practice**

Massachusetts has been a pioneer in funding infrastructure according to “Fix It First,” a development philosophy adopted by a number of states, based on “prioritiz[ing] investments in roads, schools, utilities, housing and other infrastructure in a way that leverages and enhances existing assets before building new” (*Fixing it First*, NGA Center for Best Practices Issue Brief). By focusing new investments in existing infrastructure or new infrastructure in developed areas, Fix It First communities hope to promote concentrated development (by reducing sprawl and preserving open space) and increase efficiency by taking advantage of infrastructure that already exists. If a community needs a new school, for example, the Fix It First approach would be to rehabilitate a school building in a developed area rather than build a new facility in an undeveloped area, which would require the construction of connecting water lines and other infrastructure, and encourage further sprawl.

Under the Fix It First banner, OCD is targeting funds to repair bridges, redevelop the cores of aging mill towns, promote development around transit stops, and develop housing on reclaimed brownfields. Although Fix It First has efficiency benefits, in Massachusetts it is discussed primarily as a tool to prevent sprawl.

### **Achievements and Challenges**

About two-thirds of local jurisdictions have joined in the Commonwealth Capital system after its first year, and hundreds of millions of dollars in funding now flow through that single department and its “Smart Growth” filter. Internally, OCD staff report a change in bureaucratic culture toward a comprehensive, inter-agency way of thinking about common problems. (This comes in contrast to the previous system, which would allow one program to protect an undeveloped parcel while another program funded development all around it.)

Challenges remain as well. Many local jurisdictions have refused to subject their land use policies to scrutiny by the Commonwealth, and municipalities with economic problems resist scrutiny of the development projects they see as lifelines. Independent observers have called for streamlining the construction permitting system (as well as a host of changes to the way the state carries out its own infrastructure projects). Finally, there is uncertainty about the future direction of an initiative that has relied on very active and vocal leadership from the Governor, because he may not run for re-election.

### **Sources**

Interview with Robert Mitchell, Special Assistant for Sustainable Development, Office for Commonwealth Development

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[http://www.massinsight.com/docs/KMC%20Progress%20Report\\_n01\\_Infrastructure.pdf](http://www.massinsight.com/docs/KMC%20Progress%20Report_n01_Infrastructure.pdf)

2005 Report Card for Massachusetts, Governing Magazine: <http://results.gpponline.org/>

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# INFRASTRUCTURE PRACTICES PROFILE: MICHIGAN

## Summary

Efficient financial management and leveraging of the state's Water Pollution Control Revolving Fund are important elements of Michigan's approach to addressing local infrastructure needs, as is the Michigan Municipal Bond Authority (MMBA). The MMBA allows local governments to pool debt issuances and achieve lower-cost financing for infrastructure and other projects.

## System Description: Focus on Water Quality and Debt Pooling

Michigan does not have a state-controlled funding source equivalent to Washington's Public Works Trust Fund or Community Economic Revitalization Board, although local governments can utilize the Municipal Bond Authority to access lower-cost funds than they could otherwise access.

The state's revolving funds (Water Pollution Control State Revolving Fund, the Drinking Water Revolving Fund, and the Strategic Water Quality Initiative Fund) are administered through one office: the Department of Environmental Quality (DEQ), Environmental Science and Services Division, Revolving Loan and Operator Certification Section. When Michigan's Department of Health was dissolved, related responsibilities were transferred to DEQ. The two federally-supported revolving funds have been administered through DEQ since their inception: 1998 for the Water Quality State Revolving Fund and 1995 for the Drinking Water State Revolving Fund.

Staff noted significant advantages in having a single office manage programmatic administration. Clients deal with one district engineer and one project manager, rather than separate staff for water quality and drinking water issues. Additionally, efficiencies are achieved on the state side, as one staff member can be sent to meetings, rather than two. Staff stated while there is some stress on staff, who must be competent in two programs, they generally enjoy the challenge and prefer not to be limited to one program and one set of issues.

DEQ handles all programmatic environmental process components of the programs while the Michigan Municipal Bond Authority handles the financial side of program. Staff report both advantages and disadvantages to this arrangement. The greatest advantage is access to staff and attorneys with expertise in municipal finance – something that would have to be duplicated if the department were charged with financial administration. In terms of disadvantages, staff said there were challenges in aligning the work of two different agencies with different missions and priorities. MMBA staff are "spread among several programs, meaning we have to fight for our place in things." Staff also cited an initial learning period, during which MMBA staff familiarized themselves with the workings of the environmental programs. According to interviews and a review of related literature, more than 60% of Clean Water Revolving Fund programs operate with separate agencies responsible for program/environmental administration and financial administration of the program.

Community Development Block Grant funds are administered via the Housing Development Authority, with very little overlap or collaboration between these funds and the revolving loan funds. Little assistance is available to direct applicants to appropriate funding programs.

These programs receive little overarching direction from the state. The revolving loan programs are administered using a Priority Project List, in which potential projects are ranked and funded according

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to specific criteria. These criteria are established at the program level through state law and state rule, and are not part of a broader policy direction coordinating multiple programs.

### **State Revolving Funds**

In 2002, the Legislature injected additional state resources into Michigan's Pollution Control State Revolving Fund through Proposition 2 on the 2002 statewide ballot. With voter approval of this Proposition, the state gained the ability to borrow up to \$1 billion to finance water pollution control projects.

Ten percent of these funds are earmarked to create the Strategic Water Quality Initiatives Fund (SWQIF), a new revolving fund which is administered under the same process by which the Drinking Water State Revolving Fund (SRF) is administered. SWQIF funds are used to address private property connections to sewer system, which cannot be funded through the SRF. The remaining 90% of the "Prop 2" funds are earmarked to supplement the state contribution to the SRF.

To date, only two communities have drawn on the SWQIF, and none of the remaining 90% of the borrowing authorization has been tapped. With Michigan's aging waste water infrastructure and two very large projects coming in FY07 (totaling nearly \$1 billion), it is anticipated that this authorization will be utilized in the future.

### **Notable Practices – Financial Management**

Michigan prides itself on managing its revolving loan funds very frugally. The state makes no direct loans from these funds, leveraging them instead by depositing funds in a reserve account and issuing revenue bonds supported by this reserve fund and scheduled loan repayments. Depending on the comparative difference between the state's borrowing rate and the program's lending rates, the state can leverage these funds by as much as two-fold. For this reason, the state is very careful about how lending rates are set. The program has also taken advantage of recent low interest rates to refinance this debt at more advantageous terms. Michigan's Municipal Bond Authority partners with the Department of Environmental Quality to manage the financial aspects of the state's revolving loan fund programs. Michigan is also innovative with its cross-investment credit structuring, which allows the State to use available monies from one revolving fund to help cure a default in the other revolving fund. This ability provides additional security to bond holders, enabling the state to capture more advantageous terms for its leveraging bonds.

The Municipal Bond Authority (MMBA) was established in 1985 with the mission of "providing an alternative source of financing for infrastructure projects and low cost access to the public finance market for Michigan local units of government" (2004 Annual Report). The Authority handles the financial administration of the Water Pollution Control State Revolving Fund, the Drinking Water Revolving Fund, and the Strategic Water Quality Initiative Fund. The Authority also administers the Local Government Loan Program, which pools local obligations to provide competitive interest rates for long-term financing for public entities for equipment, vehicles, real property, infrastructure needs and refunding existing debt. The Authority's Revenue Note Program supports school district funding for short-term cash flow needs for operating purposes by pooling loans.

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## **Achievements and Challenges**

The state has made huge strides in water quality improvement and public health protection. In the early 1990s, Michigan embarked on a regimental approach to addressing inadequacies with its combined sewer and sanitary sewer systems, as heavy rainfalls regularly resulted in the discharge of inadequately treated or completely untreated raw sewage into the stormwater runoff system. To date, 61 communities have separated these systems, mostly with SRF assistance. Most remaining communities are working at resolving this issue. Over the course of its history, the SRF has lent out \$2.3 billion, half of which has been focused on combined sewer overflows.

A few communities are experiencing growth challenges, but the state reports its biggest challenge is staying ahead of upgrade replacement needs. The SRF is utilized by many communities for such rehab work.

## **Sources**

Interview with Chip Heckathorn, Chief, Department of Environmental Quality, Environmental Science and Services Division, Revolving Loan and Operator Certification Section

Department of Environmental Quality Grants & Loans Catalog:

<http://www.deq.state.mi.us/documents/deq-fbsd-grantsloanscatfinal05-17-04.doc>

Michigan Municipal Bond Authority 2004 Annual Report:

[http://www.michigan.gov/documents/AnnualReport2004\(MMBA\)\\_124253\\_7.pdf](http://www.michigan.gov/documents/AnnualReport2004(MMBA)_124253_7.pdf)

2005 Report Card for Michigan, Governing Magazine: <http://results.gpponline.org/>

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# INFRASTRUCTURE PRACTICES PROFILE: OREGON

## Summary

Oregon's local infrastructure programs are arrayed in almost perfect parallel to Washington's. A central policy focus on job creation and the Governor's Economic Revitalization Team provide an overarching focus and concrete interagency coordination and collaboration.

## System Description: Jobs, Jobs, Jobs

Oregon's local infrastructure investment programs parallel Washington's:

- Oregon's Economic and Community Development Department (OECD) administers several relevant programs including the Special Public Works Fund, CDBG funds, and the Safe Drinking Water Revolving Fund and Drinking Water Protection Loan Fund. These last two funds are administered jointly with the Department of Human Services, similar to the joint administration of Washington's Drinking Water Revolving Fund by the Public Works Board and the Department of Health.
- The Department of Environmental Quality administers the state's Clean Water State Revolving Fund through its Water Quality Division.

The Special Works Fund, founded about 20 years ago, is described as the "flagship program" of OECD because of its large fund size (\$145 million) and because it is closely tied to the mission of the department. The program is capitalized through lottery bond proceeds and structured as a revolving loan program targeting economic development or economic and community development projects. Any municipality can apply to help secure private sector development and job creation. Awards are primarily in the form of loans. Award sizes have increased over time, with recent projects funded at \$800,000, \$2 million and \$15 million. As noted below, the fund is leveraged by challenging some applications through the Oregon Bond Bank.

The Governor's focus on job creation and the Governor's Economic Revitalization Team (GERT) provide overarching policy focus for these programs, as well as creating opportunities for real interagency coordination and collaboration, resulting in a broad array of resources being brought to bear on priority projects. The GERT originated as the Community Solutions Team in 1997, under Governor John Kitzhaber. In 2003, Governor Ted Kulongoski renamed the group and shifted its focus from livability to economic revitalization. While local infrastructure grant and loan programs have rules for making awards, the Executive acts through the GERT to imprint his number one priority – job creation – on programmatic award decisions.

The GERT "emphasizes multi-agency coordination on projects of local and statewide significance," with the goal of ensuring there is a seamless relationship between state and local government, and a cross-agency approach to issues. By statute, different agencies have different missions, which are sometimes in conflict. Economic development agencies, for example, act to generate jobs, while the Department of Environmental Quality seeks to protect the state's air, lands and waters. GERT meetings help balance these differing missions and coordinate resources.

Directors of the following eight state agencies are members of the GERT:

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- Oregon Economic and Community Development Department
  - Oregon Department of Transportation
  - Department of Consumer and Business Services
  - Department of Land Conservation and Development
  - Department of Environmental Quality
  - Department of State Lands
  - Oregon Department of Agriculture
  - Oregon Housing and Community Services

Members of the GERT meet monthly, as do key regional representatives. These meetings are open to local and regional partners, including local government and state legislators. GERT regional representatives were described as a “huge resource” by OCEDD staff, alluding to the fact that when these individuals meet with local government, they bring a comprehensive knowledge of the state’s different options for funding infrastructure at the local level.

Oregon also employs “One Stop Meetings” during which a community can present projects to all appropriate funding agencies. This provides an opportunity to best align projects and appropriate funding streams. These meetings are held as often as once a month, on an as-needed basis.

### **Notable Practices – Outcome Orientation**

Oregon has a system of performance measures linked to the budget process. The Progress Board of the Department of Administrative Services oversees and reports on the performance of individual agencies and the state as a whole.

Oregon’s overall strategic vision is encapsulated in *Oregon Shines II*. This document highlights three key goals: 1) quality jobs for all Oregonians, 2) safe, caring and engaged communities, and 3) healthy, sustainable surroundings. Benchmarks – “high-level societal measures that gauge how Oregon is doing as a whole” – are formed around these three goals and organized into seven categories: economy, education, civic engagement, social support, public safety, community development and environment.

Annual Performance Progress Reports use key performance measure data to describe each agency’s progress towards its mission and goals. Where agency work aligns with Oregon Benchmarks, agency performance measures represent stepping stones to achieving Oregon Benchmark targets. Agencies with no direct link to Oregon Benchmarks align their performance measures exclusively with their agency’s mission and goals. Many agencies have additional measures for internal management.

Each of the eight member agencies involved in GERT, including GERT itself, track key performance measures (KPM) related to their programmatic focus. For example, Oregon’s Economic and Community Development Department is evaluated based on nine KPM ranging from total jobs created and retained to penetration rates and customer service scores. It is reported that the different performance measures for the GERT-related agencies are sufficiently in synch to avoid conflict related to local infrastructure investments, and in fact provide incentives for interagency collaboration.

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## **Notable Practices – Financial Management**

Applications to Oregon’s Special Public Works Fund are sorted into two categories: those from credit-worthy local governments are funded through the Oregon Bond Bank, while less credit-worthy applicants are funded through the loan program itself. Directing applications to these separate funding paths is described as a seamless for applicants.

Each year the Bond Bank makes two issues totaling \$60-70 million. The state contributes collateral and insures the offering, meaning local government agencies pay only the coupon rate, which is lower than they would pay if they were the primary bond issuer.

Less credit-worthy applicants who are funded through the Special Public Works Fund also receive funds at a more affordable rate than they might otherwise achieve, but not as low as the subsidized rates available through the state’s revolving loan funds.

### **Sources**

Interview with Mark Ellsworth, Regional Coordinator, Governor’s Economic Revitalization Team (GERT)

Interview with Gary Whitney, Program Specialist, Oregon Economic and Community Development Department, Community Development Division

Agency Annual Performance Progress Reports: <http://egov.oregon.gov/DAS/OPB/APPR.shtml>

Oregon Benchmarks: <http://egov.oregon.gov/DAS/OPB/obm.shtml>

*Oregon Shines II*: <http://egov.oregon.gov/DAS/OPB/docs/osII.pdf>

2005 Report Card for Oregon, Governing Magazine: <http://results.gpponline.org/>

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# INFRASTRUCTURE PRACTICES PROFILE: PENNSYLVANIA

## Summary

Pennsylvania's local infrastructure programs are administered through a number of departments. As part of a focus on redeveloping Pennsylvania's economy, infrastructure and quality of life while maximizing the impact of a strained budget, the Governor's administration has begun tracking and inventorying investments from multiple state departments, improving inter-departmental communication, and encouraging departments to collaborate.

## System Description

Governor Edward Rendell established the Governor's Economic Development Cabinet, comprised of representatives from state departments who have a role in the revitalization of the State's communities and economy, to coordinate strategic planning efforts and projects related to economic development. The departments represented include the Department of Economic and Community Development (DECD), the Pennsylvania Department of Transportation, the Department of Conservation and Natural Resources, the Department of Environmental Protection, the Pennsylvania Infrastructure Investment Authority (PENNVEST) and others.

The Governor's Economic Development Cabinet created a set of principles and criteria for state agencies to guide investment and support local growth and economic development across Pennsylvania. These principles include focusing on reuse and redevelopment of existing infrastructure, joining Massachusetts and other states with a "Fix It First" policy (see page F-8). Other guiding principles include: managing growth; increasing job opportunities and sustainable business development; enhancing the environment and Pennsylvania's recreational resources; promoting equitable business and housing development; and supporting regional planning and local implementation.

Under Governor Rendell's Economic Development Cabinet and the strategic criteria his Cabinet developed, state departments are working together to map and distribute the state's grant and loan programs, conserve Pennsylvania's agricultural resources and redevelop Pennsylvania's older cities and brownfield sites. The Governor's Economic Development Cabinet meets monthly to discuss the implementation of its strategies and how proposed local projects are best funded and planned. The administration feels that by combining resources, the right department or departments will be strategically investing in local projects.

## Notable Practices

Governor Rendell established the Economic Stimulus Package (ESP) within Pennsylvania's Department of Economic and Community Development. Governed independently by the Commonwealth Financing Authority, the ESP groups state-funded programs centered on economic development. Designed as a tool for local governments and communities, the ESP includes over \$2.3 billion in program and grant funding across 50 different programs. Areas of focus include new capital resources in small cities and communities, investments in rural, urban, and suburban sites, and programs designed to leverage funds to generate at least \$5 billion in private investment in economic and community development projects. ESP programs include PennWorks, which provides grants for projects that construct, expand or improve water and wastewater infrastructure related to economic

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development, and Business in Our Sites, which provides grants and loans to make vacant sites ready for economic development projects.

DCED has also implemented a "Single Application" process for all of its community and economic development financial assistance programs not included in the ESP. It is designed to break down the bureaucratic silos within DCED, and to award funding based on merit rather than for successful grantsmanship.

### **Sources**

Interview with Steve Drizos, Director of Commonwealth Financing Authority

Interview with Brion Johnson, Assistant Director PENNVEST

State of Pennsylvania website: <http://www.state.pa.us/>

State of Pennsylvania Press Release: <http://www.dcnr.state.pa.us/news/newsreleases/2005/1005-keystoneprinciples.htm>

Department of Community and Economic Development website: <http://www.newpa.com/>

Lawton, Raymond. Lessons from PENNVEST Applicable to the Design of a State Safe Drinking Water Revolving Loan Fund. The National Regulatory Research Institute, NRRI 97-12. 1997.  
<http://www.nrri.ohio-state.edu/dspace/bitstream/2068/288/1/97-12.pdf>

**ATTACHMENT G**

**STAKEHOLDER INTERVIEW SUMMARY**



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# **ATTACHMENT G**

## **STAKEHOLDER INTERVIEW SUMMARY**

### **1.0 INTRODUCTION AND GUIDE TO THIS SUMMARY**

- This Interview Summary encompasses the results of stakeholder interviews conducted from September through November 7, 2005. The great majority of interviews were conducted by telephone.
- The format of the Summary is that of a collection of quotes and paraphrases of interviewees' comments that have been organized by theme.
- All points made and issues identified in this Summary are those conveyed by the interviewees. To obtain useful findings, interviewees were assured that responses would not be attributed to specific individuals or organizations.

### **2.0 OVERALL CONTEXT AND EXTERNAL DRIVERS**

#### **Population Growth**

- Between 1990 and 2003 population growth in Washington's cities (people living in cities and towns) increased by 48%.
- Growth is one of the real dilemmas for the State. There are interdependent situations that are growth-driven. The whole infrastructure issue is one of them.
- Prior to the Growth Management Act (GMA), infrastructure program funds weren't available for growth. Post-GMA, agencies are required to develop capital facility plans, and once a project is on such a plan, it is eligible for certain funding. This has changed and expanded the nature of the demand for funding. It shifts priorities, too.

#### **Funding Shortages and Challenges**

- The biggest problem of all is not enough money! Only a minority of all projects get funded.
- All programs are facing challenges because of funding cutbacks.
- The biggest challenge is declining resources for infrastructure. Every one of the infrastructure programs got hit. Every program is feeling it.
- The funding capacity isn't there to meet the need.
- There are diverging arrows: needs are increasing and expectations regarding things like safe drinking water are increasing. Base funding is decreasing, as is spending power. There is a deepening gap between the needs and the capacity.
- Our organization's biggest concern is to grow the pot. With such a fragmented system, both the amount expended annually and the total need are hidden. A combined program would provide an easier roll-up of total expenditures and need, though it would result in more competition.
- People don't realize how inadequate investments are: to maintain and repair what we've got; to provide for growth; and to provide for economic development.
- We're now doing virtually nothing related to funding economic development.
- The federal government is also expecting its programs to absorb increasing administrative costs, such as salary increases and health care cost increases. So there is less federal funding generally available for program costs.

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- The Public Works Board (PWB)/CTED 1998-99 study quantified the problem. It showed the six-year need in five areas: streets, bridges, sewer, water and stormwater systems. There is an \$8 billion need, the majority of which is in cities; this was a very conservative estimate as it was based on the adopted capital facilities plans. Because cities can only include projects on the list that have identified funding sources, there are many needed projects that didn't appear on the list.
  - We are never going to have enough money – so we need to get focused and make a difference in a few places.
  - Have had a 40% growth in domestic water, sewer, drainage needs between 1998-2003 and 2005.
  - People don't realize how much the funds rely on federal funding – SRF, CDBG. Federal funding cuts are a real challenge.
  - Projects are getting more expensive: there are big increases in construction wages, and in the price of iron, concrete, and other construction materials. Plus increased environmental mitigation costs (25-33% of PWTf-funded projects go to environmental mitigation); archeology costs are increasing; permitting and homeland security costs are all increasing.
  - We should have tax increment financing in the state. It could work well if there were carefully thought out criteria to deal with the unintended consequences.
  - We've silo-ed the money more here than in other states. It would be much easier to access the funding without the silos.
  - We need to do more in infrastructure.

### **Role of Economic Development versus Basic Infrastructure**

- There is inherent tension in the system between growth-related projects and fixing the infrastructure we have.
- The programs weren't created for economic development. Yet there is more and more pressure for the programs to "do all of the above."
- There has been a big push recently for jobs, and that means economic development priorities.
- Legislators have been dealing with this in part through direct appropriations for economic development purposes.
- Our *de facto* infrastructure policies are that we fund growth and let the Viaduct fall to pieces. We put money into new facilities and we tend to let existing infrastructure go.
- Need to make sure that the state maintains respect for infrastructure that isn't glitzy, that doesn't get any respect.
- We tend to fund sexy new projects and ignore the basic infrastructure.
- We are subsidizing the state's sewer and water rate payers, we should move the money and target it to economic development.
- The State needed the new funds created this year – the CERB Job Development Fund and the Strategic Reserve Account – to provide additional money and flexibility beyond what is offered by CERB and the PWTf. They just can't move fast enough to respond to some economic development situations and opportunities.
- The Governor's Discretionary Fund is something we've needed for a long time.

### **Legislative Role and Trend Toward Direct Appropriation for Projects**

- Legislative constituencies focus on their own narrow areas of interest: GMA, economic development, etc. All are real and needed, but there also needs to be a better understanding of

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how one impacts the other; for example, how changes in rules and regulations related to growth management lead to required investment in infrastructure within the UGA.

- The current trend is to ask the Legislature for infrastructure/economic development assistance. This issue has climbed to the top of the legislative priority list for cities.
- The fact that we have inadequate programs and funding for those programs has led to the increase in direct appropriations.
- The Legislature is moving more and more toward grants to cities (direct appropriations).
- In 2001 there was \$20 million directly appropriated; in 2005 it was \$120 million.
- The Legislature's role affects award timing: you are much less nimble when you need legislative approval. The Community Economic Revitalization Board (CERB) is nimble.
- The most nimble thing of all is to go straight to the Legislature for a direct appropriation, but that's a terrible way to fund projects.
- I'm skeptical of the new focus on economic development – the efficacy and impacts of money spent on the kind of economic development projects we are funding. The real issues in economic development are in education and workforce training, that's where the real impact will be.
- The Legislature views CERB and the Public Works Trust Fund (PWTF) as being highly successful, because they have some oversight. Legislators sit on the CERB Board, and for the PWTF, they have project approval authority.
- Member-requested projects – that's a big chunk of money being expended. Some agencies had projects that were displaced by the member requests.

### **Distinction between a Funding and a Regulatory Program**

- The Department of Ecology's (DOE) primary role is as a regulator and so they view the world differently. There are many different requirements with federal funding.
- Look at a comparison of the way the two state revolving loan funds are administered – DOE runs their own process and it takes longer than the Drinking Water program administered by DOH and the PWB.
- Don't forget Congress! A good portion of these programs are driven by Congressional requirements, that affects their form and requirements.

## **3.0 POLICY AND STRATEGY ISSUES**

### **A Collection of Programs Rather than an Integrated System**

- Our model in Washington is one of decentralization and local prioritization, and hence, local control. There are 13 types of grant and loan systems reflected on the IACC website.
- Does anyone in the state know the full range of infrastructure programs? It's doubtful.
- Washington has a patchwork of programs: there is room for improvement in this.
- Don't assume that everyone has a common understanding of programs and their goals.
- These programs were created by the Legislature, and the Legislature doesn't think systematically.
- The lack of understanding of these programs translates into a willingness to fund them. For every problem identified, the Legislature has created a program to address it.
- These stovepipes get translated into a system in which local governments have multiple funding sources for certain project types. Yet it's difficult to aggregate the resources; many of them are locked in by state and federal funding streams.
- With changes in the Legislature, overall goals have been lost, with focus lost from the program's founding and original intent. Need to look at the founding statutes, especially the preambles and

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legislative histories to understand the original intent for each program. It would be useful to have a written history of the programs, their evolution and diversions of funding.

- There is room for improvement in the system – it is hard to navigate. There are different cycles for each application, for example.
- The programs fund the same things, but often for different reasons.
- Jurisdictions mix and match to get projects funded – they get in line in different places. It really has been a problem. You go to three different funds and they all want to be the funder of last resort.
- From a user perspective, you have to have knowledge and be able to piece things together.

### **Statewide Infrastructure Policy Direction**

- The state's program lacks policy direction – it's a collection of laws enacted over time.
- There is no policy direction at all – it's a "fix what's broken no matter why it's broken" approach.
- We should consider the money in these programs to be state investments. Now it is looked at as an assistance endeavor, to provide funding to agencies that don't have the money to do their projects.
- We ought to have a coordinated strategy that addresses current need and also looks to the future. Get the parts moving together to make a difference.
- We don't have a statewide infrastructure policy. We need clearer goals about infrastructure investments statewide.
- We are behind in our thinking about strategic priorities.
- We are missing an overall investment strategy.
- The vision we have for our economic future – it's not crystallized. We need the energy and focus to put something together that moves us forward. Infrastructure fits into that context.
- Let's have a unified purpose for all these programs.
- It's a camel designed by a committee – there is no overall strategy generally and no strategy to deal with a changing environment.
- There is no integration at any level. There is nothing that says: here are our needs as a state.
- The intent of the programs was that they operate separately. We don't want overlap.
- It's a "top-down, bottom-up, meet in the middle system" – a hybrid that works well. Bottom-up: requests come from the local communities, their local economic development engines. Top-down: the decisions are made at the Board level, and the Legislature votes on it in some cases. So maybe people like it because there has been enough discussion at all of these levels.
- We need to ask: what is the public benefit of this program?
- We need a better understanding of the context of capital investment in the state. Are there areas we should be investing in and we are not?
- We need to ask how much capital we are investing in. Are we being pennywise and pound-foolish?
- Each program has criteria, but you don't have integrated criteria across the programs. So it's difficult to determine appropriate outcomes for the system.
- Question: how do you create an integrated system that has certain desired outcomes?
- The opportunities for improvement are to create a strategic process to identify infrastructure as a legitimate interest – determine what the needs are, and what the implications of failing to address those needs are.
- We have limitations on our thinking about infrastructure – do you include natural systems, for example?

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- There should be a statewide strategic interest, beyond local control and local assistance. We should establish a more strategic approach to flood control, water supply and treatment, etc.
  - We need to identify how these grants strategically build to a larger vision.
  - Our policy has been to help the locals out. We do a great job providing assistance to the locals.
  - It's a locally organized system. Our philosophy is: local control and local prioritization. This is good; it encourages self-reliance – to have people take care of themselves.

### **Priorities and Program Objectives**

- The state's larger goals for infrastructure – are they being met?
- There are too many discrete pots of money out there. There's no flexibility, because the pots are set up statutorily.
- There's a sense of unease about these programs, that we've not kept a firm grip. We just don't have a handle on things. Are we frittering away resources? Before we add anything new or just keep going, we should have this evaluation.
- Understanding what you are trying to accomplish is really important. Are the programs trying to accomplish finished projects – to get to ribbon-cutting? Need to look at things from a project (accomplishment) level.
- Need a transparent policy – so people know what you are doing.
- The reason to have a strategy, a strategic plan and a strategic direction is to set priorities. That is really critical to a well-managed program.
- If you had policies, you'd look at your priorities and spend the money there.
- Priorities are important; AND you need to be able to shift them over time.
- If you established global priorities (jobs, safety), then each program would have to say: is this the best way to allocate program funding?
- The Legislature really sets priorities, and they target specific issues, one at a time.

### **Not Clear How We Define Success**

- Without an overall strategy and policy direction, it's unclear how to measure success.
- We need to say – what all do we have? And is there a better way to do this?
- The state has had success in funds distribution – that is clear.
- There is process success. There is success in process clarity and transparency. For example, how transparent is the process – is information clear and widely distributed?
- People love CERB and the PWFT – they appreciate the funding and the customer service. They also like the Interagency Committee for Outdoor Recreation (IAC) grants.
- The IAC programs have received kudos, for PRISM, and for explicit and clear methodologies. The PWTF is less successful in that regard; its process wasn't transparent and clear. The Department of Ecology's programs for water and solid waste would rank ahead of PWTF and below IAC, in terms of process success.
- A key question is how successful are the investments, are we getting what we intended? Besides helping out the local governments, can we measure what we putting out, our leverage ratios? Answer: it's been difficult to tell. How do you rate projects that won't show returns for 15 years?
- There is also management success: how well are we using banking and information technology? To what extent are agencies using paper versus more electronic means of processing applications and tracking grants?
- What are characteristics of a good program? Accountability. With the PWTF, local governments must demonstrate advanced thought on a project and their ability to maintain the infrastructure

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once constructed. This careful scrutiny of applicants generates confidence in the public and the Legislature.

- We need to figure out what were our goals, and are the programs doing the job they were intended to do.
- The IAC'S PRISM system is a pretty good system, it populates the grant management system, so managers can file on-line progress reports. It also has mapping capability – started the mapping capability for salmon. PRISM provides a nice model for the process side, and eventually could be used to integrate and build a more strategic piece.
- This study should have a recommendation that the next piece of work should be an identification of the needs. Let's see what our needs are and if there are better ways to use the money being spent.
- Are the uses we are spending the funds on the right ones?
- A well-designed and managed system would: clearly identify the needs and meet those needs; offer technical assistance to turn needs into ideas; have secured political ownership so the programs are sustainable; have transparent decision making and be accountable to key outcomes. No program can do all of those well!

### **Outcome-Based Assessment**

- Programs should be outcome based – they should make clear: what was accomplished?
- From an accountability standpoint, how do you roll this up in terms of results so you can say what you are getting for your money?
- We need to get a clear idea of the impact of these programs on a community. Maybe provide illustrative examples of where things are going well as a result.
- We need to determine how much we are spending, where it is going, and for what.
- Five years ago the accountability price tag could definitely kill a bill in the Legislature. Now, there is definitely more acceptance of the need to have accountability measures. Legislators are looking at things in terms of impacts on people and employment – the number of jobs created, what kind of jobs, etc.
- We have seen some improvements in recent years, more coordination and agencies trying to come up with performance measures. The challenge is having the staff to follow-up with project outcomes – that takes time.
- A challenge is: whose responsibility is it to report back on outcome measures? If it's a local agency responsibility, should that be a component of project funding?
- Once we create these programs, we don't look back. They are funding mostly infrastructure maintenance, rather than job creation. Government doesn't create jobs, businesses do.
- Looking across all the programs, in total – do they match up with the needs? Do they facilitate growth or help us catch up with growth? Do they improve public health? Do they attract and leverage federal dollars? Do they promote or prevent lawsuits? How do they relate to tribal governments?
- Reappropriations need attention. Can there be clear rules about that?
- Need some way of benchmarking these programs. Can we measure outcomes across programs?

### **The Role of Economic Development**

- The bill that created the Governor's Strategic Reserve Fund (Discretionary Account) was a significant change in policy for the state and a really positive one. It was a loud shot across the bow that the existing programs aren't flexible enough and are too time-consuming.

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- The difference with the Strategic Reserve Fund is its flexibility and rapidity with which funds can be deployed. We are expecting to have a large number of requests for funding.
  - This Fund can be spent on training funds, for example. That's one difference between the Fund and the CERB program.

### **Alignment with Other State Management Efforts and Initiatives**

- Should align this with the state's requirement to identify critical public facilities.
- Right now we don't look at infrastructure in an integrated way with the budget.
- Washington has a fairly advanced long-term capital budgeting process, we are considered to be among the best in the country. Every two years agencies are required to submit a ten-year plan. The Governor creates a complete ten-year plan and submits it to the Legislature. The Legislature looks at it in two-year increments.
- The Priorities of Government (POG) process is not well integrated with the rest of the accounting and reporting system. It's done at the budget level only, now.
- POG is really where the paradigm shift happened, where we said, let's look at it as a system.
- With GMAP process in place, people want to see a systematic approach to demonstrating results. We use all kinds of different measures now.
- We have mandates in place to do these things – GMAP, etc – but people don't know how. They need training.

### **Information Systems for Effective Performance Management and Outcome Measurement**

- IT systems are a huge issue. We have legacy systems, and we try not to bond for new systems. They are funded from the operating budget.
- DOE and CTED are currently involved in a joint feasibility study, with OFM, for a joint contract/loans/grants management system. The two agencies have some of the same clients and needs for information tools to effectively manage contracts.
- OFM's Roadmap project is a 6-8 year plan to improve agency financial and administrative systems. Grants and contracts is a potential area for the Roadmap project. Its current focus is on human resource systems.
- Investments in back office systems have been less than they should be, and agencies do not get the IT support that they would expect. So now there are lots of manual processes, inefficiencies, shadow systems within agency-level systems, and data that are isolated in silos.
- We need an independent database, to answer key policy questions, such as: how much are we spending on water quality? Some of these topics cut across several agencies, all of which do things differently.
- We are under-invested in verification systems. Usually we fall short in having the information to make good systematic decisions. It's an upstream fight to get the money in place to do what needs to be done.
- Building verification and monitoring systems – it's almost a cultural bias in terms of how we do and don't spend money on these systems. The accountability movement should be focused on this.

### **Communication and Key Messages**

- When you look at best practices, it's important to recognize that "infrastructure" can be defined very differently.
- We don't know what story to tell about infrastructure. We don't have a message to communicate.

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- We could do a better job of creating a common face on a single set of services.
  - The key is how it is reported to the Legislature. Don't say: we helped build 14 bridges. Speak to outcomes and impacts of those outcomes.
  - This report should provide a good picture of priorities and goals for the state's system.
  - An improvement would be defining and communicating which type of fund is used for what activities.

### **Meeting Emerging Needs**

- There are several relevant, evolving environmental changes and needs: drinking water requirements are getting tighter; stormwater issues are heightened, including dealing with oil runoff and pesticide contamination; failing septic systems and restoration of shellfish beds; preserving wildlife habitat and other systemic environmental issues.
- We just started a new program to provide grants to counties for courthouse rehabilitation. The locals have no money for this.
- Counties have tremendous need for jail funding (which they are largely funding through voted G.O. debt).
- Private water systems – they don't show up on inventories – they are "orphan systems." Municipal agencies don't have funding to fix them.
- The State Infrastructure Bank option: there is a lot of paranoia about this – concern that money will only go to high visibility projects.
- There is the issue of "old" infrastructure versus new (technology) infrastructure. Since "new" technology is in the local CFPs, the PWB should fund it. The real challenge is in high speed data transmission, even heavy industry needs this infrastructure.
- There isn't coordination at the local level. There should be an infrastructure plan or template at the local level to coordinate the tasks with the state.

## **4.0 PROGRAM OPERATIONS: SYSTEMWIDE ISSUES**

### **Program Funding**

- The programs have some overlap and none are working very efficiently because they've been at static funding levels for years. Their purchasing power has been eroded.
- Compare funding to construction cost inflation since 1990! In the last two years the latter has gone up dramatically, due to increases in concrete, steel and diesel prices. There is a shortage of Portland cement. Asphalt has gone up \$20 per ton. Steel prices increased by 50% in a two-month period. Growth in the Chinese economy is also having a big effect – it's the primary driver behind steel price increases.
- Static funding levels have resulted in a decrease in the average size of award – for example at one agency it was \$1 million in 1990, \$700,000 in 2002.
- We are seeing and feeling the cumulative effect of less and less money available everywhere.
- For example, DOE and the Department of Health have far less money from the feds, so it keeps spreading the pressure.
- Program limitations often can be traced back to federal law and its associated programmatic requirements.
- Federal and state funding for basic infrastructure is dwindling, and there is a devolution of decision-making, a shifting of obligations to the local level.

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- One of the biggest problems local governments face is “gap funding” – how to get a project to construction that has some funding, but not all that is needed.
  - There is declining funding and tremendous cost increases, so the Legislature’s solution is to spread the money around more.
  - Some Revolving Loan funds were capitalized upfront and that’s been it. In contrast, the Public Works Assistance Account is recapitalized every year – we keep making it a bigger and bigger bank.
  - It’s important to look at other infrastructure funding options, such as the cost of obtaining funds in the private market. These are the macro influences.
  - If the funding was more generic, instead of in all the different pots, it would be easier for the locals. It would create a bigger pot of money and better access to the funding.
  - There is overlap within the programs: the PWB’s Emergency Loan program is very similar to CDBG’s Emergent Threat grant – one’s federal, one’s state. The PWTF did loans similar to CERB’s, but with a slightly different client base. CERB serves port districts and tribes.

### **Inter-Program Coordination is Needed to Navigate the System**

- Everyone talks about coordination and one portal. But on the staff level there is coordination. We do talk to each other. The IACC is a convenient vehicle for that. We help clients with projects, and it’s all very informal. Most of the staff on the front lines are familiar with the other programs, so they can direct staff, especially new staff from the local jurisdictions.
- The IACC has a SWAT team approach – that is great. This model is a good place to look – it pulls teams of people together to help local jurisdictions.
- We need funding specialists that are broad gauge. Cross-pollination of staff people is important.
- Both the IACC and the Small Cities Initiative find the means to help communities package up their project needs. We may need to do more of that.
- Coordination is important for one-stop shopping. One-stop would be like the IACC, a portal – one place with an internet site that identifies the different funding options.
- It’s hard to have inter-agency coordination! It takes hard-nosed contract writing and funding provisos to get agencies to move together. It’s much easier to do your own thing.
- More interagency collaboration needed? Yes, maybe more collaboration between the Transportation Improvement Board (TIB) and PWB, so PWB could fund a portion of TIB grant-funded projects.

### **Loans versus Grants**

- Loans have a real benefit: people who are borrowing pay closer attention to their projects. But there is inherent tension between the desire for a grant versus a loan.
- Loans are easier to pay with enterprise-funded organizations, we are seeing the effects of that.
- Some of the smaller cities have trouble accessing loans.
- WSARP program – we like it. It’s a grant program for utilities. Grant money augments SRF loans; there are cases when grant funding is really important to get a project done.
- Loans are hard for small communities. So they can’t make use of PWTF too readily.
- We should generally favor loans over grants so we don’t spend down the principal, but we support some grant funds, so long as there are clear criteria which determine whether loans or grants are most appropriate.
- Small local governments need grants, not loans, so helping them that way is useful.

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- Poorer jurisdictions need more generous consideration. They are strapped and often bonded to the hilt.

### **Access to Funding**

- It is useful to have different pots of money available.
- All the programs have different timelines. We train staff at the local governments – when to apply for what.
- Jurisdictions of a certain size can't play the game; they don't have the resources to navigate the system.
- Smaller communities feel at a disadvantage in navigating the state programs. Yet there is a bias towards them – they aren't underserved at all by the programs.
- There is definitely a hole there – jurisdictions that don't have the resources to access the system. For example, the jurisdiction where the Clerk wears five hats. There is probably a need out there to help these municipalities.
- It would be very helpful to have a tool – a website – where they could start by answering: do you have a water problem? It would be a starting point to get them into the system.
- The IACC database is a start, but you have to make your way through it.
- I'm constantly amazed at the number of jurisdictions that don't avail themselves of funding.
- The complex, decentralized system favors sophisticated cities with the resources to understand and navigate the system.
- On the client side, there is staff turnover, probably 10-20% per year. So there are always new staff, and sometimes they know about the programs, sometimes they don't. So it's a constant education process, from both the state and federal perspectives.
- Are we creating a culture of haves and have nots?
- For counties, especially, infrastructure isn't easy to fund. The smart thing to do would be to bond – but there is the worry about annexation (in the UGA) and this serves as an impediment to funding/building the infrastructure.
- A structural problem with GMA, is that it leaves the counties on the hook for the bond debt even if the area is annexed.

### **Financial Management**

- What these programs really are is a finance agency, a bank.
- These programs are a cash management job. Their job is to fund infrastructure!
- How much are you obligated, expended? The reasons why an agency would have a significant cash balance include not picking enough projects, or not aggressively managing cash flow.
- The Accelerated Loan Commitment Model (ALCM) has been used by the PWTF in the past. The Drinking Water program is now emulating these practices.
- We are really running separate banks in all these programs. Could you take all the money spent running these separate processes, and use it to fund projects?
- Maybe consolidate the banking functions, e.g. making the disbursements, keeping track of revenues.
- None of the loan programs do the banking functions well. We don't need to duplicate banking functions in each agency.

### **Areas of Program Overlap and Differences**

- The programs are fundamentally different in nature. For example, the DWSRF has specific, federally-mandated goals regarding microbial risk. The State Department of Health (DOH) rates

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applications by the type of public health risk that is being addressed by the project and PWB awards the funds.

- The Centennial program and PWB funding – jurisdictions sometimes apply to both. Shouldn't we be more focused?

### **Suggested Opportunities for Improvement: Consolidated Applications and Reporting**

- Having one information portal would be easier for cities, rather than having to go to multiple agencies.
- The one-stop shopping concept, from the client's perspective, would be great. You could dial one phone number, or access one website. It would be a clearinghouse! Conceptually it's a wonderful idea.
- We tried the joint application and one-stop shopping concept. At one point, the CDBG and PWB Emergency and Planning were together in one application. But it didn't work well, there were all sorts of requirements, including Davis-Bacon requirements. Clients wanted to access PWTF monies rather than CDBG funding, because it was easier. For a time the CERB Timber and PWTF Rural Natural Resource programs were together in one application, since both addressed infrastructure needs. Then the CERB program sunset.
- Another joint application process was around 1997-2000, the PWTF Construction and DWSRF Construction programs were put together into a single application. It was an abysmal failure. There was a big, complicated application document and clients hated it. It only lasted one cycle – it was too cumbersome and confusing to navigate. By the time you put all the program requirements together it was a one-inch thick document. It took a lot of staff time to combine the applications, and clients weren't successful in navigating the document. When the applications came in, all we did was break it in half and give the pieces to the appropriate program.
- Putting together, say, the PWB and DOE SRF programs into one application – would result in the same problem. You have federal requirements for the DOE program, and the PWB is very clear about what it wants. And by statute, we select projects, differently.
- A single port of entry and more reliance on the state to make determinations about appropriate infrastructure programs is appealing – instead of having the applicant sort through the mass of programs. The idea of one pot of money is really compelling too.
- Consistency would be a fundamental improvement. Application forms, definitions, progress reporting, criteria – we have a mish-mash, each program is different.
- More integrated intake and consolidation of the application process would be an improvement. Enable the state to put together packages from multiple fund sources versus the locals. But then you might lose the benefit of the customer-friendly, non-bureaucratic PWTF approach.
- A single application form would be good, especially for small communities that can't fill out a variety of application forms.
- Either a streamlined application process for locals or a more condensed funding stream. Both streamlining and consolidating – these are old ideas.
- Would like to see one point of intake – one application process. But, there seem to be a lot of barriers to the one-stop approach. Not sure we have pushed hard enough.
- An opportunity for improvement is in shared data collection and reporting. Where we've had successes, we've required that reporting be shared across programs.

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## **Suggested Opportunities for Improvement: More Flexible Program Funding**

- Consolidating the funding stream is an appealing idea.
- There are only so many revenue streams, so we might as well pay less attention to the origins of the funds.
- It would be good to make the programs more flexible, feather them out somewhat, so that project needs don't fall through the cracks.
- Some people say we need more local control.
- Take a local consensus approach, let the local governments say what their needs are, let the State define outcomes and best practices, and then let the local governments go to the state for funding.
- We should put everything that's green together into one green pile.
- Jurisdictions should only compete against other jurisdictions of the same size.
- The definition of infrastructure should encompass Puget Sound clean-up. The rivers and Puget Sound are both transportation and waste elimination arteries.
- We should add jail funding to the program mix.

## **Technical Assistance for Smaller Communities**

- There is a difference between small and large communities – you can make a huge difference to small communities.
- The locals want technical assistance. We don't have coordination among agencies providing technical assistance. If there is similar technical assistance it is in different silos. Consolidation or coordination would be helpful.
- The current system is so big, it is overwhelming. You can sense the frustration of small communities – they can't reach out and access these funds anymore.
- It is a balancing act – support communities that are viable and are trying to help themselves.
- We should ask as part of the funding process: do they have a tax base, are they viable and do they have the political will to do things right – are they worthy? Some jurisdictions don't have the tax base, don't have the political will to raise taxes, and have been spoon-fed to keep going.
- You can't apply urban solutions in rural areas – it just doesn't work.
- Washington Community Economic Revitalization Team (WACERT) – communities could put in a one-page application and get multiple agency review. It helped those communities without grant writers. The program has now been discontinued.

## **Challenges of Program Administered by a Board versus an Agency**

- Different organizational arrangements are possible, e.g.: the Housing Trust Fund advises on policy, but the agency makes the decisions. That's one model.
- The benefit of having a Board is that it is considered apolitical.
- The Boards have their own identity; are appointed by the Governor and can lose track of accountability to the agency. Accountability is dispersed.
- Programs that have independent Boards need strategic direction. So they need a strategic plan that says: this is what we are going to need to do our work. So the funding request is informed by some kind of strategic perspective.

## **Characteristics of a Successful, Well-Managed Program**

- Readiness to proceed is important, i.e. is the project permitted? We try to give this weight, but not so much as to disadvantage smaller communities.

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- Make sure that you are funding ready-to-go projects, demonstrated readiness to proceed.
  - System performance: at the PWB there is good information, but I am not sure what we do with that info. We are trying to figure out how to use it without it being onerous.
  - The ability to capture federal funds through matching grants and loans is important.
  - We support pre-construction planning funds, so long as they are focused on how to do something rather than whether to do it. This creates a leverage effect, allowing applicants to pursue other funding options.
  - Measure the results of the project versus grant-making efforts. Focus on the end result, not the money expended.
  - It should reward good management performance. Does the system do this? PWB has this as a founding principle.
  - A well-defined method of prioritizing applications. What are the priorities and are they clearly defined?
  - We need a consistent process across varied projects.
  - Does the program have clear statutory authority and is there truly an independent assessment and review process in making the awards?
  - The business model needs to be consistent across programs. There need to be common criteria across the board. People shouldn't be able to game the system.
  - Look at the degree of flexibility and the degree to which programs are exercising that flexibility.
  - Outdated and inadequate IT systems are a huge problem.

## **5.0 PROGRAM OPERATIONS: SPECIFIC PROGRAMS**

### **Public Works Trust Fund (PWTF) Programs**

#### **Overview of Program Perspectives**

- PWTF started in 1985 with an emphasis on its core values: reward good planning and good management. "Value-driven government" was an objective.
- The program was a whole new way of doing business – non-bureaucratic, customer-focused. Before the PWTF, cities did not have a program that treated them as equals.
- In 1985, PWTF formation was predicated on stable population growth. However, we have experienced significant growth and the program doesn't accommodate growth. This is a major drawback.
- People like it, they understand it – have heard virtually no complaints about the program.
- Program has worked pretty well. Focus has been on getting the money out.
- The PWTF has a well established track record of accountability.
- They have a huge stakeholder group.
- It's at the top of the list of efficient and effective programs.
- The PWTF has a good application process: you have to demonstrate need, ability to maintain and a responsible way to pay for it. The process is insulated from political influence: it's transparent, understandable, logical and defensible.
- PWTF has clear criteria, and the Legislature can drop projects from the list, but can't add to it or change priority.
- The program has had zero defaults in its 20-year history. The Board and staff have reviewed some projects and denied funding because they saw that the applicant would not be able to repay the loan. You need an administering board that really looks out for the taxpayer.

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- A key feature of the program is that the Legislature can only delete programs, can't add them. Since this provision was enacted, no programs have been deleted.
  - It's good that the Legislature votes on the PWTF award list, as this generates buy-in. But it takes too long. We've had as a long-standing priority to speed up the process. The process often gets caught up in politics and the shuffle, and the list is often not addressed until April or May (especially in odd-numbered years), then we miss the construction cycle, which is March-October. The Legislature has resisted efforts to speed up this process because they want to be able to put their stamp on the projects – it's good PR for them.
  - The Fund is a victim of its own success.
  - Counties don't apply for PWTF funding because they don't want to incur loans.
  - In recent years, the PWB has moved more and more toward funding special district projects; the Board has been captured by special districts.
  - Counties basically don't avail themselves of the Trust Fund. Counties save up for capital expenditures, it is against their mindset to go into debt, even securitized debt – they say that. Even though they could get relatively low-cost money through the Trust Fund.
  - Counties aren't getting a lot of PWTF funding, even though a lot of the solid waste tax revenue (flowing to the Fund) comes from the unincorporated areas.
  - The political problem is that the Legislature designed the program to accommodate city and county infrastructure needs. If the counties aren't invested in the program, we lose their political influence.
  - The state could expand PWB's purview to criminal justice and parks. The State could be a partner in funding these needs.
  - The question that arises periodically is whether they should fund environmental programs. I'm in favor of that.
  - One line of thinking is that the program is just subsidizing ratepayers, since its mostly rate-backed entities that receive the loan funding. Their funding isn't going for transportation, but not sure that they are receiving those funding applications either.
  - The programs have seen a strong migration to utilities in recent years. By its nature, it encourages utility projects versus those without obvious loan repayment source. Utilities are buying down rate-based adjustments with lower cost PWB loans.
  - PWTF is efficient and effective, except for the relatively long time it takes to get through the process.
  - The PWB, in its rating and ranking system, is trying to spread the money across the state within the six program categories. PWB has been given four priorities: public health and safety; environmental health and safety – this is a new one, added by the Legislature; system replacement/system performance; economic development. Also have a whole list of "balancing factors" from the legislature that PWB can use, but is not required to.
  - PWTF is relatively easy and quick to apply for awards. What slows it down is the Legislative approval requirement. The timeline is that applications are due in May. End of August, the Board comes out with its recommended project list, which goes to the Legislature and then the Governor signs it. Funds aren't available until May or even June some years with long legislative sessions. In some cases, a whole construction cycle has been missed.
  - But by contrast, DOE applications are due in November, for money available the following year. But, in order to apply, agencies need a facility report, which could cost \$75,000-100,000 and has to be approved by DOE before you apply.

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- Legislative approval of PWF projects is a perfunctory hearing – no one votes against it. Still, it can take two months or more for approval. So the locals can lose a construction season to process.

### **Program Funding Issues**

- It's one of the few, if not the only program with a growing fund source. So it's a target.
- It has grown from a \$17 million initial capitalization to a loan portfolio of \$1.6 billion currently. It's a huge portfolio.
- It has a huge fund balance sitting there – that's why everyone has their eyeballs on it.
- There are four revenue sources for the PWTF: a portion of the REET; public utility tax; refuse tax and loan repayments.
- The Fund was hijacked by the Legislature this year. This is despite being recognized as one of the more successful infrastructure programs in the country. The raid was sold as a job creation effort, but the fact is that cities and other jurisdictions had been accessing the Fund for water treatment plant and other basic infrastructure investment, which supports job creation.
- The Fund will recover over time (maybe by 2014 or 2015), but in the course of three biennia a total of about \$300 million will have been diverted from the cycle.
- The PWTF doesn't have enough money to get down to the fourth criterion on its list – economic development.
- About two years ago there was a raid on the PWTF for \$900,000 for a Twisp sewer project; then \$1.5 million for a sewer line extension in the Ilwaco area. These are good projects, but happened outside the normal process. Something is obviously lacking if small rate-based systems can't get the funding they need (they can't go to the PWTF because they have to repay the loan, even if it is 0%).
- PWTF is always flush; they underestimate repayment and new revenue stream, and overestimate obligated funds.
- Their model has been understating revenues received, and their loan repayment assumptions weren't connected to the amount they loaned.
- The study should examine where the money goes, and how much of the loan fund goes to administrative overhead by CTED.

### **Trends and Emerging Issues**

- In the future, PWB needs to look at their core mission – should it be expanded to enable more growth and economic development projects?
- Look at the growth rate of the Fund. It has been growing significantly, but it can't grow forever; it is limited by what jurisdictions can pay for debt service.
- The PWB will be spending time on their performance measures; that is an upcoming activity.

### **Community Economic Revitalization Board (CERB) Programs**

- CERB is a seed money program, targeted primarily at small, rural communities – these jurisdictions don't want to have to compete with larger entities in the PWTF pool, for example.
- It's the only state program that is focused on economic development infrastructure.
- CERB requires job development as a measure; and ports and counties especially like CERB.
- There is concern that smaller cities and towns underutilize their access to CERB funding. CERB could do a better job of outreach to these groups.
- The CERB program is good: we need to have some grant money available for smaller projects that won't happen without this help.

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- The program has earned a good reputation. It's one of the few programs to put out a report on program outcomes.
  - CERB has a favorable aura, but we don't have any facts. I'd like to have better answers.
  - CERB is extremely well respected – they do a terrific job. They have a lot of credibility. It helps to have legislators involved with the program.
  - The staff does a tremendous job in shifting through all the variables. I've seen the impacts – specific examples – where things are working very well. Some of the port districts have really benefited from the program's impacts.
  - There's no cookbook, it's an interactive, numbers-driven decision-making process.
  - CERB is an effective program. They keep getting legislative funding, so everyone seems comfortable with it.
  - From a budget perspective, we'd like to know more about the scope of what the funds will be spent on. There is no list of projects to approve.
  - Projects are evaluated on their merits, the Board does not weigh whether the applicant is a port or city; or, whether funds will be used to build roads or dredge a harbor. We want to know how a project adds value to a community.
  - The biggest problem with CERB is a policy problem – what is the purpose? It's an example of an agency not having a clear vision or mission.
  - CERB's mission is clear to its clients – we allow rural areas to access capital markets by providing gap funding for economic development.
  - People in the Puget Sound do not understand what CERB does since most of our clients come from rural areas. There is an urban/rural disconnect.
  - We've asked: how do you measure success, and they couldn't answer that. Most programs have some benchmarks. The CERB staff struggled with that.
  - It is a sign of success for CERB to have no loan defaults. It shows that we have invested in projects that are generating local revenue.
  - The CERB Board has four legislators sitting on it – (two from the House, two from the Senate); this is both a plus and a challenge.
  - CERB has benefited from Legislative involvement – it raises the program's profile. Some legislators are vocal advocates for protecting the program.
  - Its success is due to the process and the staff depth that's involved in the application development and review process.
  - CERB struggles because it doesn't have a sustainable funding source; there is no reliable revenue stream. This is a real limitation, a structural problem.
  - There is high demand for CERB funding. Substantial increases in funding would not decrease the quality of projects CERB funds.
  - There is always discussion about finding permanent funding for CERB – every year. The program is definitely popular – it gets good press.
  - The structural problem is that the program itself doesn't cover its underlying costs. The program is a bit cobbled together from year to year.
  - The program got MVET monies until I-695 and originally they were funded by their own loan repayments, plus state bond funds.
  - OFM tried to keep money coming back by emphasizing loans versus grants.
  - The 75/25% loan/grant limitations forces the Board to show fiscal discretion.
  - CERB has gone more and more to grants – they largely award grants now.
  - We've been giving away grants – more and more.

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- Last year we emphasized grants to fund feasibility studies, typically at \$30-50,000 per study. Loans were emphasized for capital improvements that could be supported through enterprise activities. In the long-run, this will help the stability of the program.
  - There is less and less money available for grants – this is the advantage of revolving loan funds.
  - It has a very loose process – not an especially good process. It's first in/first out for funding. If the applicants can fit into the criteria, they get funded.
  - The make-up of the Board is a strength of the program. The Board's diverse public and private sector background allows us to evaluate projects from different perspectives.
  - Need to look at their awards process – do they obligate all the money early in the biennium? Not sure there is an effort to level the spending within the fiscal period, to hold back money for good projects that come later in the year.
  - CERB meets six times per year to review applications. There are no formal fiscal measures in place to assure the availability of funding later in the application cycle. There is some concern that the 75/25% loan/grant limitation could limit the Board's ability to use grants to fund high value projects, especially when the fund level is low.
  - CERB doesn't have clear project selection criteria. What is the follow-through regarding sustained jobs, impacts? But it's not as bad as some other programs in this regard.
  - CERB staff do a comprehensive job of screening applicants. By the time the projects come before the Board, they have been rigorously vetted for their value to the community. In the last ten years, the Board has only rejected a handful of applicants.

### **Housing Trust Fund**

- It's a competitive program that awards predominantly loans; nonprofits apply for funding.
- There has been turnover and a lack of consistency in program management. The new Director has implemented changes to make it stronger.

### **Community Development Block Grant Programs**

- It's a good program – it's just so small. A total of \$16M per year and half of that goes to housing. So you are making awards of \$50,000 or \$100,000. Hard to get a project built with those amounts. They do try to use it as leveraged money and make a difference, it's just very tough.
- It is hard to evaluate because so much of it is driven by law.
- The focus is housing, infrastructure assistance, planning and economic development – a real mixed bag.
- Maybe it should just focus on housing.
- It is subject to the whims of the regulatory process; the feds want to wean themselves from it – want to move it to the Department of Commerce, where it would have a totally different focus. It would become a secondary program/source.
- The program and application process is more complicated than it used to be. It isn't simple to use.
- The program is a state-managed program with very high administrative costs – due to federal regulations and lack of creativity in state administration.
- They have found a way to take the federal standards and further bureaucratize them.
- It's the squishiest place to go for funding, there are no real criteria.

### **DOE Programs and Funds**

- DOE has tried to bring all of its grant applications together into a unitary application.
- Ecology is definitely getting there as a well-managed agency.
- The program is almost a financial extension of DOE's enforcement arm.

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- It's a big program, but getting smaller due to federal funding cutbacks.
  - It's a highly competitive program that's a huge amount of trouble to apply to for funding.
  - It has different timelines than the PWTF; some applications come to PWB because it's easier to apply.
  - The core mission of DOE should be education and regulation. The State should take the programs' financial management (banking) functions and give it to those who do it regularly and well.
  - DOE could be lots better coordinated. There are five or so water programs. No one is sure what they are getting.
  - The Ecology funds are huge – like an elephant. Its complex and has a lot of money flowing through. There is a lot of work being done. It would take someone a long while to figure out what is going on there.

### **Safe Drinking Water Program**

- The Program is a partnership between DOH and PWB; it administers mainly federal money; the account is funded through the Public Works Account. DOH is responsible for rating and ranking the projects, the PWB authorizes payments and administers the Program's finances.
- The collaboration between the PWTF and the DWSRF is good, it has created a good relationship.
- The program is an example of a good process.
- This is considered a successful program; staff work very well together.

### **Interagency Committee for Outdoor Recreation (IAC)**

- Has a customer-focused way of doing business.
- Should be considered the best managed of the programs you are studying.
- The program is well run. There is a good project selection process – good review with projects based on merit, not the importance of the applying jurisdiction. They are very careful to stretch their funds as far as possible.
- The program is well-regarded.

### **Infrastructure Assistance Coordinating Council (IACC)**

- The IACC started in 1987. It's a volunteer organization that operates on an "as it surfaces basis." We create tech teams to work with a client when there is a need. Last year we worked with about 25 teams.
- Washington is the only state that does this kind of coordinating event (the annual conference). On average 300 people per year attend, including 130-150 local jurisdictions. The tribes are also included. The first half of the conference is training, and there are 30 sessions this year. The second half focuses on programs and program information.
- If we had the staffing resources, the IACC's web site could easily be a portal. We could be an information clearinghouse instead of a database.
- The IACC was an encouraging process. It is user-friendly for local governments, so they can see what their options are for funding.
- Their focus is on providing technical assistance to agencies, and that is helpful.
- IACC is a bare-bones coalition-based program. We should make it more comprehensive.
- The IACC is a good program – a success, operated on a volunteer basis.
- The IACC is a good thing – bring people and programs together. It was probably overdue to happen.

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- The IACC is working with the TIB on a database that will identify local government needs. Hoping to have local infrastructure needs catalogued for six years, so we can identify the gaps. Its called LINAS – Local Infrastructure Needs Assessment System. It's a work in progress.

## **6.0 STRUCTURE AND ORGANIZATIONAL ISSUES**

- From about 1994-98 the infrastructure funding programs in CTED were located in one division – it was one super unit, called the Community Investment Unit. This happened when OTED and CTED merged. Then a few years later we reorganized away from that structure.
- Was there more coordination in the super unit? No, and it was more bureaucratic. You are putting apples and oranges together, and you need a hierarchy in place to manage it. Then there has to be monitoring and processes. It just becomes more cumbersome.
- Coordination is more important than consolidation. Because the programs are serving different populations.
- A cross-program look often requires deep, organic restructuring. This often best done during moments of crisis and catharsis. As daunting as it is, it's worth looking at where improvements can be made.
- To really change the system, you need to go down to its roots. But this doesn't seem like the time for this state to undertake deep change in this system.
- CTED has a complex set of programs under its purview. It's a management challenge.
- The agency has been a work in progress for 35 years. There has not been a defined strategy for how to integrate and manage all the various programs.
- CTED is the kitchen sink agency. The challenge is that its overhead comes from the PWB and other large programs.
- The new CTED management team is doing a whole lot better, across the board, in managing the agency.
- CTED has recently made PWB its own Division in the agency; this could be a precursor to organizing all infrastructure programs into one Division (or not). A key question is: what are the drivers of these programs, such that they should be housed in a particular area, for a given reason?
- The tension between the PWB and CTED is about divergent values and money.
- The PWB complaint is that there is a disconnect between CTED's costs and the administrative charges assessed. CTED has added layers of bureaucratic staff with no relationship to service delivery.
- It has been surprising how much cost can be swept into administrative overhead charges.
- In 2004, OFM asked CTED's Priorities of Government team to review its infrastructure programs and submit a proposal to reduce program costs, including consideration of a single point of entry into the process. The team responded that such an initiative wasn't appropriate, and that there should be other steps taken to coordinate and improve the programs' efficiency.
- Don't just rearrange things in the system, if there is no significant benefit to be achieved.
- The CERB program should be wrapped up into the PWTF.



## **ATTACHMENT H**

### **CLIENT AGENCY INTERVIEW SUMMARY**



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# **ATTACHMENT H**

## **CLIENT AGENCY INTERVIEW SUMMARY**

### **1.0 INTRODUCTION AND GUIDE TO THIS SUMMARY**

- This Interview Summary presents a review of interviews completed with representatives of client agencies that have applied for and received funds from the state's infrastructure programs. Interviews were conducted over the telephone during October 2005. The summary is a mix of statements and issues from the interviews that have been organized by theme.
- Interviewees were selected from the award and client lists of the Public Works Trust Fund (PWTF), Community Economic Revitalization Board (CERB), Small Community Initiative (SCI), Drinking Water State Revolving Fund (DWSRF), Water Pollution Control Revolving Fund (WPCRF), Water System Acquisition and Rehabilitation Program (WSARP), Centennial Clean Water Fund (CCWF), Community Development Block Grant Program (CDBG), and Washington Wildlife and Recreation Program (WWRP).
- While not comprehensive, the selected interviewees represent an appropriate range of organizations (e.g. towns, cities, counties, special purpose districts, tribes, and ports). Interviewees are listed in Attachment I.
- All statements and issues identified in this Summary were expressed by recipients. In order to obtain open and candid responses, interviewees were informed that comments made in the interviews would not be for attribution.

### **2.0 OVERALL CONTEXT FOR RECIPIENTS OF FUNDING**

#### **Unmet Infrastructure Needs and Funding Shortages**

- Public utility clients report that many of the state's water and sewer systems are aging and continue to be in need of repair or replacement. Many projects are unfunded, thereby contributing to the decline of those utility systems.
- There is concern among water and sewer agencies that decreases in available funding for water and sewer infrastructure will further compel state programs to prioritize funding for failing systems, leaving less funding available for maintenance projects. The Legislature's recent actions to reduce PWTF funding are expected to further limit agencies' ability to fund the range of needed projects.
- Rising construction costs and construction delays further limit how far program funds can go toward completing projects.

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- Most local and regional agencies have internal asset review procedures that result in identification of more potential projects for program funding than are submitted for review. Typically, larger-scale, and relatively more expensive projects are selected for the state's application process, leaving the smaller projects to be completed with agency funds.
  - Some interviewees suggested that increased competition for funding will result in more project applications being unfunded or denied. Thus, jurisdictions that rely on funding from the state's infrastructure programs need to think even more carefully about how they decide which projects will receive staff resources for project development and program application.
  - Projects that do not receive program funding are either delayed, resubmitted the next funding cycle, or funded internally through bonding and rate increases.
  - In some cases, jurisdictions seek direct legislative appropriations by working with their legislators.
  - Some program clients interviewed thought that program funds administered through the Department of Ecology do not recognize the connection between water quality and water quantity, treating these as separate issues, each with separate funding. There is a feeling that some potential projects are not funded, or funded at below requested levels, that could address both issues.

### **Organization and Location Differentials**

- Rural jurisdictions with lower income populations have fewer options to fund infrastructure if they cannot obtain state funding assistance. Some jurisdictions opt to pursue other federal programs that fit their needs, are less competitive, and for which they are eligible, such as the USDA's Rural Development program.
- Rural jurisdictions struggle with the internal administrative costs of applying for program funds. Interviewees noted that increased program application and monitoring requirements demand scarce staff time and resources.
- The larger urban areas tend to have more intensive internal project selection processes. State programs are one source used to fund these projects; however, most projects do not hinge on obtaining funds from these programs. Organizations in urban areas with large rate-paying populations have more options to fund their projects.
- Jurisdictions need to be aware of population growth and local inter-agency planning efforts. Growth Management requirements for integrated planning necessitates that organizations coordinate and cooperate with other agencies' plans and priorities.
- Ports pursue CERB funding for their activities, since the program provides flexibility on how and what the funds can be used for. However, Port representatives interviewed state that it is difficult to rely on CERB for funding since it does not have predictable yearly funding levels.
- Some organizations expressed a desire for state programs to expand their eligibility rules to accommodate greater access to funding opportunities. Public Utility District representatives report that they must partner with an eligible organization to receive CDBG funds. This requirement creates additional administration challenges in the coordination of the program application and monitoring processes.

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## 3.0 CLIENT EXPERIENCES WITH PROGRAMS

### Client Services

- All interviewees expressed trust that the state programs are funding the best projects. There is a sense that projects submitted for funding are critical and that the program application reviewers are doing a fair job of selecting projects based on merit.
- Jurisdictions are using the technical resources available through the programs. Application materials and guidelines are viewed as being clear and straightforward. Workshops offered by the programs were considered essential to attend, since they provide the type of up-to-date, nuanced information on elements in the application that are likely to be well reviewed.
- Program staff are well regarded and considered indispensable resources for timely information and feedback on program application and monitoring requirements.
- Clients of the PWTF expressed a high level of satisfaction with the program staff for their customer service-oriented approach. PWTF staff is viewed as having a strong understanding of the specific needs of clients in public works.
- While clients reported to be satisfied with Department of Ecology staff, some felt that program staff is less customer-oriented when compared to the PWTF staff, due to the agency's dual regulatory and funding roles.
- CERB staff are cited as being very proactive in helping shepherd projects during the application process. They are involved in project development by helping to flesh out concepts and offering suggestions to improve the application.
- Clients that have received assistance from SCI staff say that they would not be able to apply for funding without SCI staff's aid. SCI performs a valuable service by connecting small communities with funding programs and staff.

### Program "Shopping"

- Interviewees stated that projects originate from their jurisdiction's Comprehensive Plans. Projects are internally vetted to assess how they match up with various program funding goals, and the likelihood that they will be funded prior to committing resources to the application process.
- Clients reported that going to different programs for project funding has its advantages. Specifically, they like the flexibility and the ability to decide how different loan interest rates and terms may be more appropriate for a specific project. Additionally, program matching funds requirements allow clients to use program funds from one program as matching funds for another.

### Performance Status and Monitoring

- PWTF's quarterly reports are seen as being straightforward and easy to complete. The reports are viewed by clients as one of the better monitoring systems since they can be quickly filed over the internet.
- Clients of the Department of Ecology commented on the need to develop better performance measures. This includes measures that are more meaningful and tailored to the different types of projects that the agency funds, rather than a standard set of measures for all projects.
- Clients appreciated that the PWTF and Department of Ecology programs allow flexibility to alter the project after it has been selected, but before construction begins. This is advantageous since the scope of work can change depending on what is found in the engineering or water quality reports.

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- Recipients of CERB funding felt that the yearly performance monitoring on job creation requirements are appropriate given the program's goals, and do not pose a burden to complete.
  - Interviewees reported that all projects that received program funding have been completed or are in-progress.

## **4.0 APPLICATION PROCESS**

### **Application Clarity**

- Clients report that their familiarity and comfort with the various program applications and their respective processes improve each time they go through an application cycle. While website and application directions are helpful, building relationships with program staff is viewed as the best resource for resolving application questions.
- PWTF applications are considered to be the most clear of the state's programs. However, clients rely on program staff to inform them as to what types of projects might score better for a particular round of funding. These discussions tend to influence how project applications are written.
- Interviewees said that the Department of Ecology application has required applicants to provide an increasing amount of information over time, and that the application is redundant in places. New requirements could be streamlined or integrated with older sections to craft a shorter, more concise application while providing all the needed information.
- The CDBG program application is viewed as being very complex. However, applicants feel that the application manual, workshops, and program staff are useful resources in understanding the application and what is needed from the applicant.

### **Application Preparation**

- Most clients develop projects from their Comprehensive Plans and complete their applications in-house, hiring consultants to assist with grant writing or background engineering work when needed. The time and staff used to prepare an application is variable. Urban jurisdictions report that they spend more time and staff resources to complete an application than rural areas.
- PWTF applicants report that they spend between 10-80 hours of staff time to complete an application.
- Applicants to the Department of Ecology state that they need to dedicate more resources to complete its application than to complete the PWTF's, because of the Ecology application's technical and federal requirements.
- An applicant to CERB reported needing to dedicate 120-150 hours to complete their jurisdiction's application.

### **Application Dates and Award Timelines**

- Clients applying to a program for the first time felt that workshops needed to be timed to the application due dates, so that there is more time to apply what was learned in the workshops to their applications.
- Applicants reported that the timing of program application due dates is not ideal. It can be very difficult to coordinate project applications that go out to different programs, especially when those programs are used to fund the same project.

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- PWTF clients thought that award disbursements could be better timed to coincide with the construction season to allow them to submit construction bids during the slow season, and be ready to go in the construction season.
  - Some clients of the Department of Ecology suggested having the application cycle during the off-season (fall and winter) when they are not as busy working in the field.
  - CERB clients recommended a better timing sequence for award disbursement, to make funding available sooner after the project is selected. They felt that private business moves much faster than government, and with the availability of funding projects could get started faster.

### **Program Goals and Evaluation Criteria**

- In general, clients felt that the evaluation criteria used in the state programs are clearly connected to the respective program's goals.
- A client of the Department of Ecology remarked that its 1000 point scale could be simpler and updated. The criteria need to be more relevant to the type of projects being done today as opposed to in the past.
- CERB clients thought that the evaluation criteria could use more description; it is not always clear how the criteria are measured. Additionally, some clients felt that the Board's selection of projects is not the most transparent process.

### **Responses to a Consolidated Application Process**

- Currently, the burden is on the applicant to navigate interagency complexity in terms of goals, criteria, and deadlines. Even though it may require more work upfront, clients thought that they could benefit from only having to fill out one application per project. However, there was some concern expressed that whatever efficiency could be gained might be offset by the administrative complexity of dealing with different selection criteria, funding packages, and monitoring issues.
- Clients were concerned that centralized control of funding decisions may politicize the selection process, making it appear less legitimate. A consolidated application process would need to have a fair and transparent selection process. Additionally, the review process would need to have knowledgeable reviewers who could understand and cut across agency lines and politics.

### **Feedback on Denied Applications**

- Clients report that they receive quality feedback on why their application was denied. In most cases, they say that program staff proactively call or visit them before the formal award announcements are made. Program staff work with clients to review the application point-by-point, explaining how the application could have been improved. The feedback is a valuable learning tool for clients that they apply in future applications.
- Some clients say the feedback they receive from CDBG and the Department of Ecology is variable; they either don't get feedback, or are required to directly inquire as to why their project was not selected.



## **ATTACHMENT I**

### **SOURCES: INTERVIEWS CONDUCTED AND BIBLIOGRAPHY**



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# **ATTACHMENT I**

## **SOURCES: INTERVIEWS CONDUCTED AND BIBLIOGRAPHY**

### **STAKEHOLDERS INTERVIEWED**

Rep. Glenn Anderson  
Sen. Karen Fraser  
Rep. Hans Dunshee  
Sen. Mike Hewitt, CERB Board  
Rep. Fred Jarrett  
Rep. Kelli Linville  
Sen. Margarita Prentice  
Sen. Dan Swecker  
Marty Brown, Governor's Office  
Linda Byers, JLARC  
Marc Baldwin, Executive Policy Advisor, Governor's Executive Policy Office  
Pete Butkus, Assistant City Manager, City of Sammamish, former Public Works Board director  
Mary Campbell, Office of Financial Management  
Robin Campbell, Governor's GMAP Project, formerly with Office of Financial Management  
Chuck Clarke, Seattle Public Utilities  
Bill Cole, Public Works Board  
Bruce Crawford, Interagency Committee for Outdoor Recreation  
Susan Dodson, Roadmap Business Analyst, Office of Financial Management  
Ruta Fanning, Legislative Auditor, JLARC  
Stan Finkelstein, Association of Washington Cities  
Diana Gale, Chair, Public Works Board  
Cecilia Gardener, Public Works Board and Infrastructure Assistance Coordinating Council  
Steve Gorcester, Executive Director, Transportation Improvement Board  
Karl Herzog, Governor's GMAP Project, formerly with JLARC  
Susan Howson, Staff Coordinator, House Capital Budget Committee  
Katy Isaksen, Public Works Board  
Dennis Jones, Roadmap Project, Office of Financial Management  
Jim Justin, Association of Washington Cities  
John LaRocque, Children's Administration, formerly with Public Works Board  
Gary Kamimura CERB Board  
Keenan Konopaski, JLARC  
John Kounts, Washington Public Utility District Association  
Jim Lowery, formerly with Washington State Rural Council  
Steve Masse, Capital Budget Analyst, Office of Financial Management  
Jeffrey Matson, CERB Vice Chair, Commissioner, Port of Sunnyside  
Sue Mauerman, Deputy Director, Department of Community, Trade, and Economic Development  
Maureen Morris, Washington Association of Counties  
Heather Moss, Office of Financial Management, formerly with JLARC  
Isabel Munoz-Colon, JLARC

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Keith Phillips, Executive Policy Advisor, Governor's Executive Policy Office  
Kathy Rosmond, Roadmap Program Manager, Office of Financial Management  
Majken Ryherd, Chief of Staff, Rep. Frank Chopp  
Tom Saelid, Office of Financial Management  
G.S. 'Duke' Schaub, Director, Government Affairs, State & National, Association of General Contractors  
Hal Schlomann, Executive Director, Washington Association of Sewer and Water Districts  
Brian Sims, Senate Ways & Means Committee, Capital Budget  
Rick Slunaker, Assistant Director, Government Affairs, Association of General Contractors  
Tracey Taylor, House Committee on Economic Development, Agriculture and Trade  
Dick Thompson, former director, Office of Financial Management  
Dennis Townsend, CERB Board  
Tom Trulove, CERB Chair, Eastern Washington University  
Mike Woods, Office of Financial Management, formerly with Public Works Board

## **AGENCY STAFF INTERVIEWED**

Lisa Ayers, Management Analyst, General Administration, Pacific County  
Bob Bandarra, District Manager, Hazel Dell Sewer District  
Lisa Dustin, Shoreline Parks and Recreation  
Dick Fitzwater, General Manager, Karcher Creek Sewer District  
Glenn Golay, Treasurer, Birch Bay Water and Sewer District  
Karl Heinecke, Mayor, City of South Bend  
Bob Hennessey, Strategic Advisor to the Director, Seattle Public Utilities  
Roxy Hunter, Grants Administrator, Klickitat County PUD  
Tom Knuckey, Managing Engineer, Engineering, City of Bremerton  
Ken Kukuk, General Manager, Skagit County PUD  
Carl McCrary, Manager, Public Works Department, City of Kalama  
Mary Ann Ness, Grants Administrator, Wastewater Division, King County  
Dick Price, General Manager, Stevens County PUD  
Doug Quinn, General Manager, Clark County PUD  
Tim Simpson, General Manager, Asotin County PUD  
Debbie Snell, Properties and Development Manager, Port of Whitman County  
Dodd Snodgrass, Economic Development Specialist, Port of Bellingham  
Pat Stevenson, Environmental Manager, Stillaguamish Tribe  
David Stahlheim, Director, Community Development, City of Wenatchee  
Richard Visser, Watershed Steward Biologist, Region 3, U.S. Department of Fish and Wildlife  
Ilene Wertchow, Clerk Treasurer, Town of Lyman

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## **PROGRAM INVENTORY: STAFF INTERVIEWS**

### ***Basic Infrastructure Funding Programs***

#### **Public Works Trust Fund (Construction and Emergency programs)**

Rhonda Campbell, Office Manager  
Cecilia Gardener, Project Selection Manager  
Leslie Hafford, Acting Executive Director  
Enid Melendez, Client Service Representative

#### **Community Economic Revitalization Board, Rural, Traditional, and Job Development Fund Programs**

Dara Fredericksen, Managing Director, Community Economic Assistance Center  
Kate Engle Rothschild, CERB Program Manager

#### **Water System Acquisition and Rehabilitation Program**

Rhonda Campbell, Office Manager  
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Cecilia Gardener, Project Selection Manager  
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Enid Melendez, Client Service Representative, Division of Drinking Water, Department of Health

#### **Drinking Water State Revolving Fund**

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#### **Community Development Block Grant Programs**

Lee Elliott, Community Development Block Grant Budget Manager  
Steven K. Washington, Managing Director for Community Development Programs, Local Government Division, Department of Community, Trade and Economic Development

#### **Community Investment Fund Community Development Block Grant Program**

Janice Roderick, CDBG Project Manager, Local Government Division, Department of Community, Trade and Economic Development

#### **General Purpose & Imminent Threat Community Development Block Grant Programs**

Bill Prentice, CDBG Project Manager, Local Government Division, Department of Community, Trade and Economic Development

#### **Centennial Clean Water Fund**

Jeff Nejedly, Policy Administrative Unit Supervisor, Water Quality Program, Department of Ecology

#### **Section 319**

Jeff Nejedly, Policy Administrative Unit Supervisor, Water Quality Program, Department of Ecology

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**Drought Preparedness Account**

Doug McChesney, Ecology Drought Coordinator, Water Resources Program, Department of Ecology

**Coordinated Prevention Grant Program**

Dave Giglio, Budget Planner, Solid and Hazardous Waste, Department of Ecology

**Flood Control Assistance Account Program**

Dan Sokol, Flood Plain Manager, Shorelands and Environmental Assistance Program, Department of Ecology

**Referendum 38, Water Supply Facilities**

Ray Newkirk, Grants Coordinator, Water Resources Program, Department of Ecology

**Safe Drinking Water**

Diane Singer, Environmental Specialist and Grants Coordinator, Solid Waste Program, Department of Ecology,

**Water Pollution Control Revolving Fund**

Brian Howard, Financial Manager, Water Quality Program, Washington State Department of Ecology,

**Youth Athletic Facility Account Program, Boating Facilities Program, Boating Infrastructure Grant Program, Non-Highway and Off-Road Vehicle Activities Program, Washington Wildlife Recreation Program, and the Firearms and Archery Range Recreation Program**

Marguerite Austin, Manager of the Recreation & Habitat Section, Project Services Division, Interagency Committee for Outdoor Recreation

***Other Infrastructure Funding Programs*****Bond Cap Allocation**

Yvette Lizee-Smith, Program Manager, Local Government Division, Department of Community, Trade, and Economic Development

**Building for the Arts**

Daniel Aarthun, Program Manager, Local Government Division, Department of Community, Trade and Economic Development

**Child Care Facility Fund**

Tom Stilz, Program Manager, Economic Development Division, Department of Community, Trade and Economic Development

**Community Services Block Grant Program**

Will Graham, Managing Director, Community Services Division, Department of Community, Trade and Economic Development

Marijo Olsen, Assistant Director, Community Services Division, Department of Community, Trade and Economic Development

**Community Services Facilities Program**

Steve Salmi, Program Coordinator, Local Government Division, Department of Community, Trade and Economic Development

**Farmworker Housing Infrastructure Loan Program**

Janet Abbett, Program Manager, Housing Division, Department of Community, Trade and Economic Development

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**Hazard Mitigation Grant Program**

Chuck Hagerhjelm, Mitigation Section Manager, Military Department

**Heritage Capital Project Fund**

Garry Shalliol, Director, Washington State Historical Society

**Historic Preservation Fund Grant**

Loren Doolittle, Grants Manager, Certified Local Government, Program Department of Archaeology & History

**Housing Trust Fund**

Doug Hunter, Program Manager, Housing Division, Department of Community, Trade and Economic Development

**Public Assistance Program**

Donna Voss, Deputy State Coordinating Officer, Military Department

**Small Communities Initiative**

Cathi Reed, Program Manager, Local Government Division, Department of Community, Trade and Economic Development

**Wastewater Management Program**

Brad Avey, Wastewater Management Program Supervisor, Environmental Health, Division Department of Health

**Youth Recreational Facilities Program**

Jason Zittel, Program Assistant, Local Government Division, Department of Community, Trade and Economic Development

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### **Department of Community, Trade and Economic Development**

Steve Washington, Managing Director, Community Development Programs

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### **Department of Health**

Terry Davis, Manager of Financial & Administrative Services

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### **Interagency Committee for Outdoor Recreation**

Marguerite Austin, Manager, Project Services Division, Recreation & Habitat Section

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### **Department of Licensing**

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### **Washington Lottery**

Lyn Matson, Budget Manager

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## **ASSESSMENT OF OTHER STATES: INTERVIEWS CONDUCTED**

### **Delaware**

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Brad Stevenson, Program Manager, Arizona Department of Commerce

Ann Marie Townshend, Sussex County Planner, Delaware Office of State Planning Coordination

### **Illinois**

Pete Arnolds, Grant Manager, Illinois Department of Commerce and Economic Opportunity

### **Massachusetts**

Robert Mitchell, Special Assistant for Sustainable Development, Massachusetts Office for  
Commonwealth Development

### **Michigan**

Chip Heckathorn, Chief, Michigan Department of Environmental Quality, Environmental Science and  
Services Division, Revolving Loan and Operator Certification Section

### **Oregon**

Mark Ellsworth, Regional Coordinator, Governor's Economic Revitalization Team (GERT)

### **Pennsylvania**

Steve Drizos, Director of Pennsylvania Commonwealth Financing Authority

Brion Johnson, Deputy Executive Director for Project Management Pennsylvania Infrastructure  
Investment Authority (PENNVEST)

### **General**

George Ames, U.S. EPA

Nancy Connery, Vice President, Public Affairs Renaissance Integrated Solutions

Ron Faas, Professor Emeritus, Washington State University

Richard Little, Director, Keston Institute for Infrastructure, University of Southern California

Daniel I. Steinborn, Clean Water State Revolving Fund Specialist, Grants & Strategic Planning Unit, U.S.  
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