



State Funding for Local Infrastructure

**Joint Legislative Study Committee on Infrastructure
and Funding Structures**

October 1, 2007

**Brian Sims, Senate Committee Services
Nona Snell, Office of Program Research**

This Presentation Will Answer Basic Question
about State Assistance for Local Infrastructure



Who? **What?**
Where?
How? **When?**
Why?

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The Presentation Will...

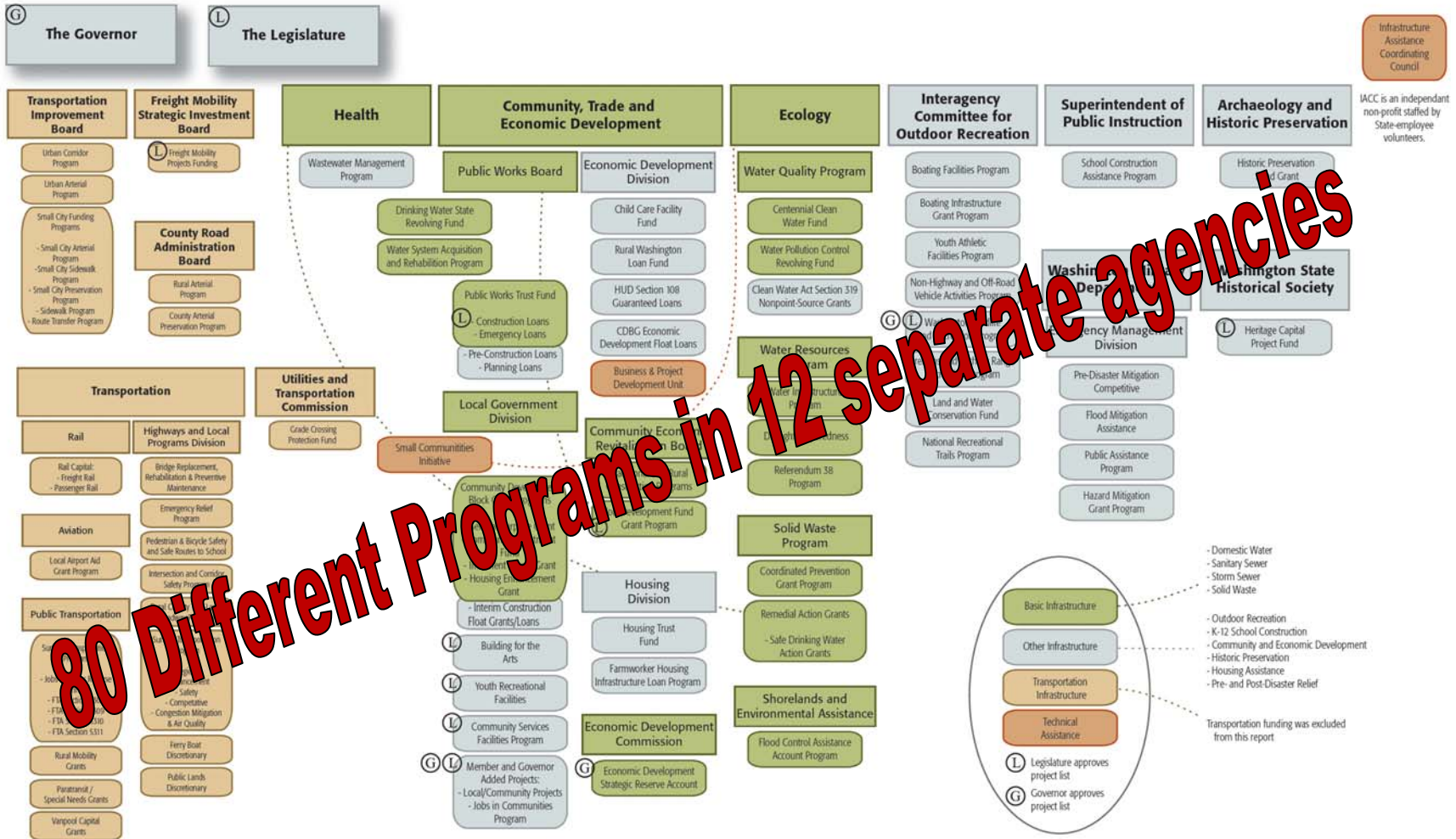
1. Describe **WHO** provides **WHAT** kinds of state financial assistance for local infrastructure.
2. Show **WHERE** the money comes from and **WHEN** the programs were started.
3. Explain **HOW** that financial assistance is provided.
4. Discuss **WHY** the state provides assistance for local infrastructure.



Who? What?

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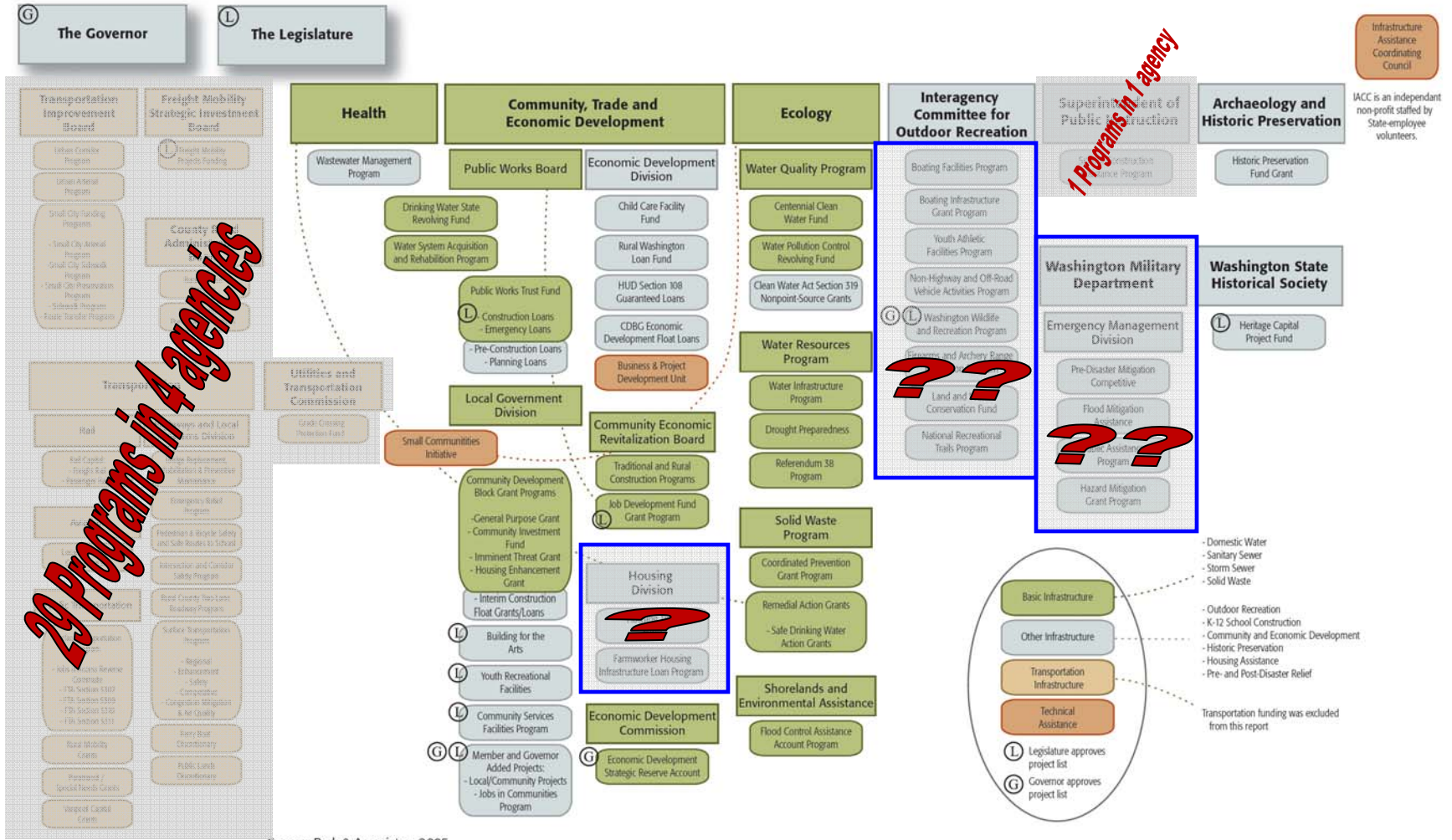
Exhibit 5
Basic Infrastructure Programs: A System of Programs Assembled Incrementally Over 30 Years



Source: Berk & Associates, 2005

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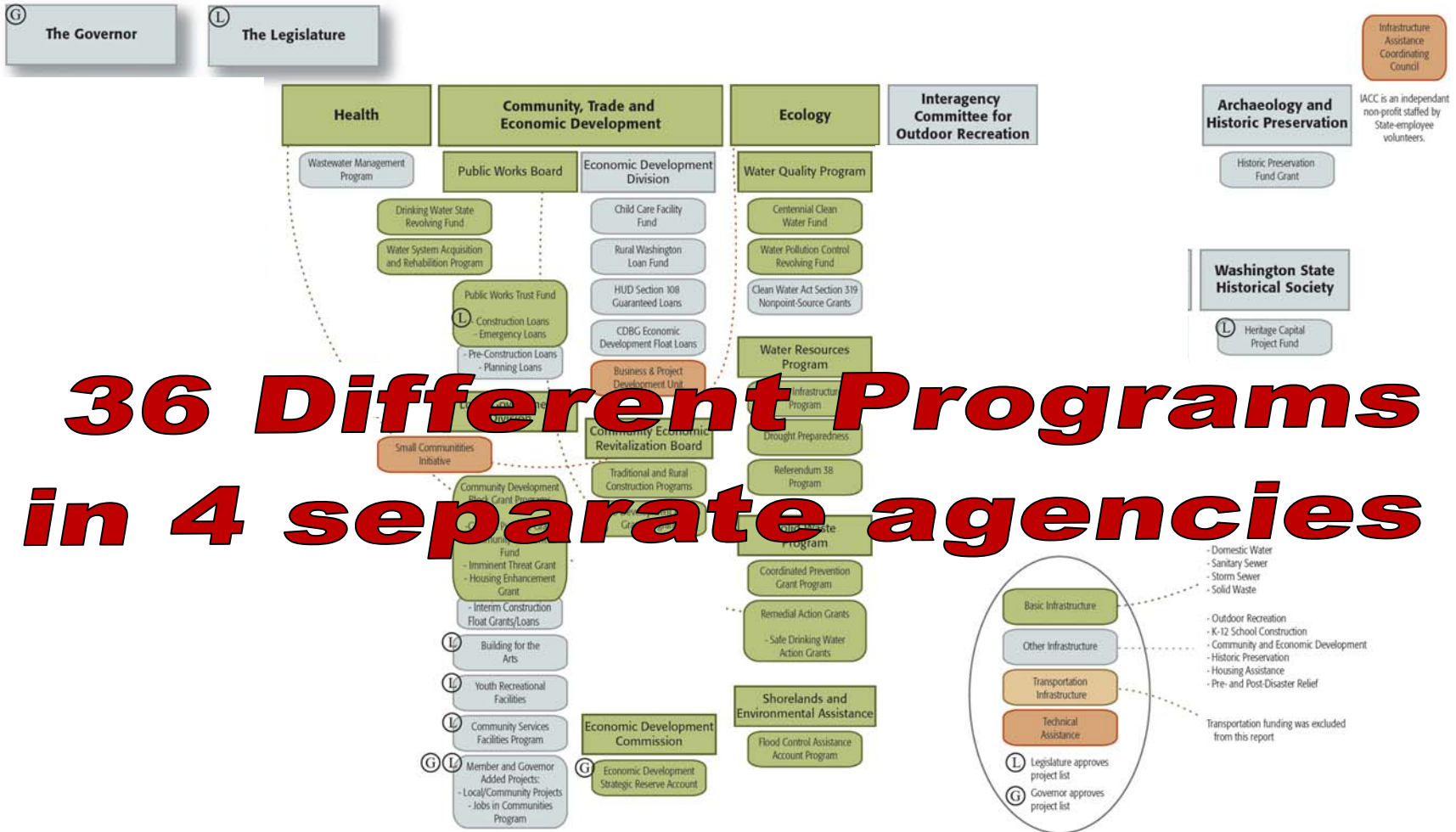
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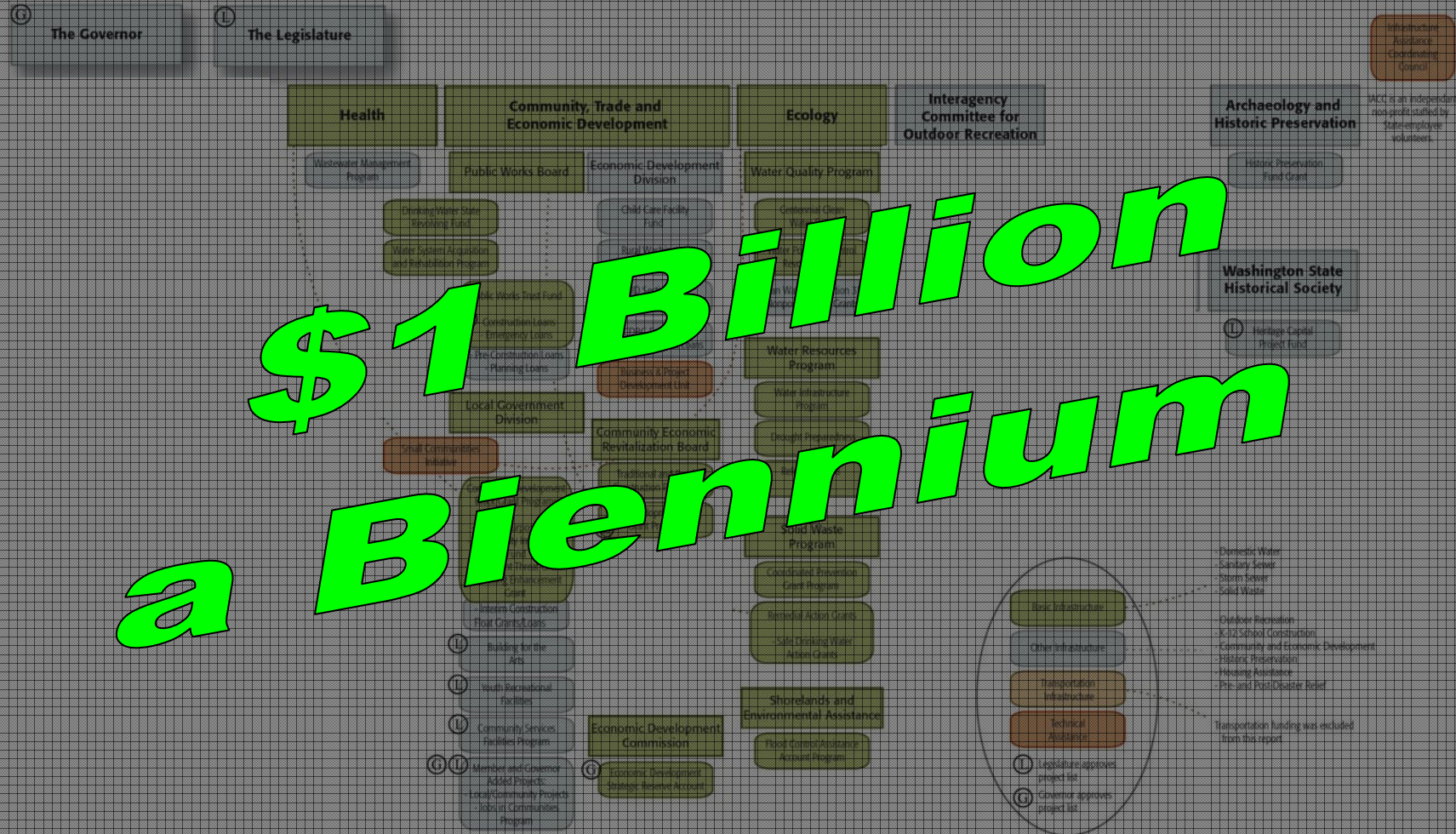
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 Basic Infrastructure Programs: A System of Programs Assembled Incrementally Over 30 Years



**\$1 Billion
 a Biennium**

Source: Berk & Associates, 2005
 State of Washington Office of Financial Management
 Inventory and Evaluation of the State's Public Infrastructure Programs and Funds

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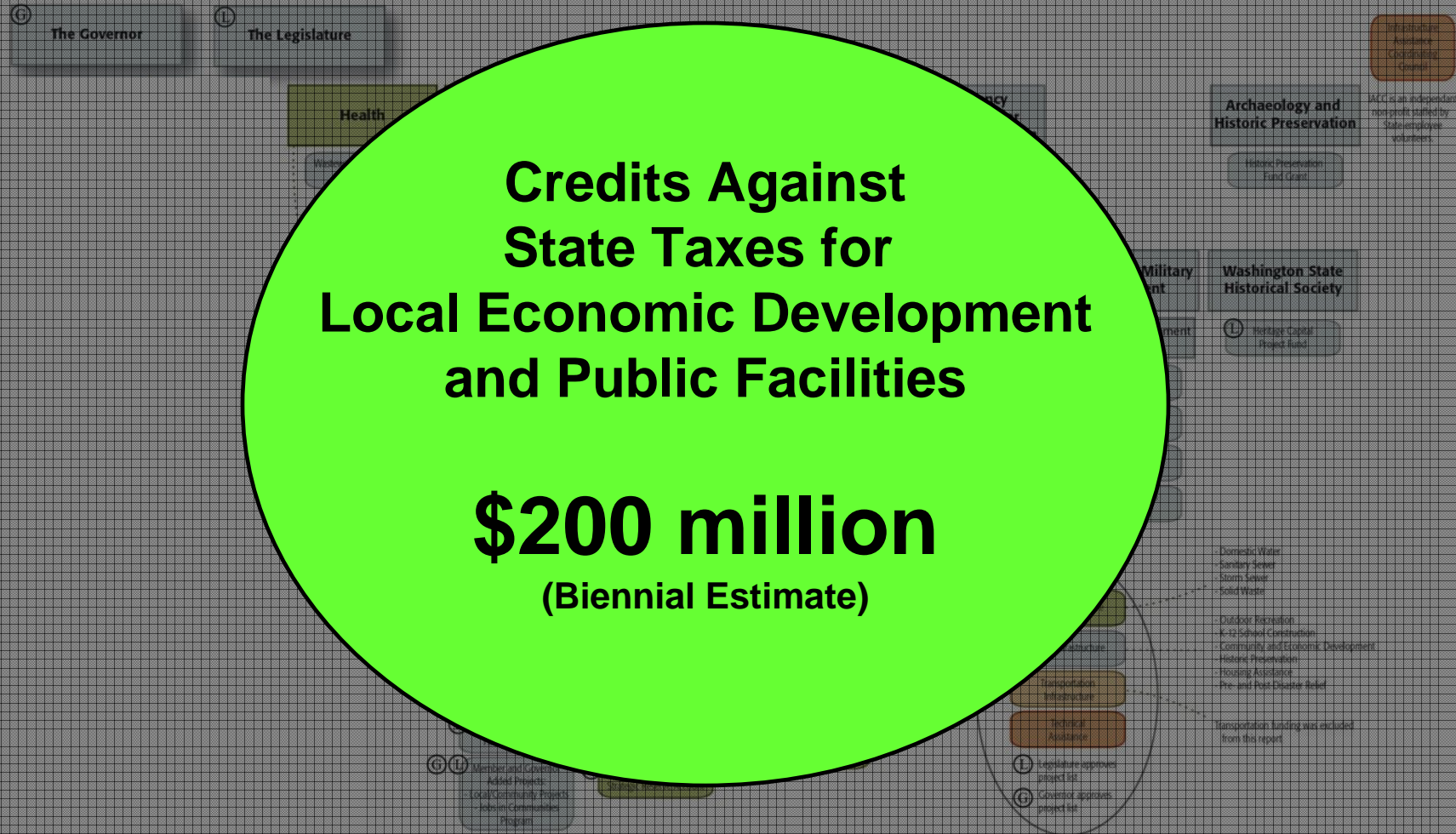
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Exhibit 5

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

**Credits Against
State Taxes for
Local Economic Development
and Public Facilities**

\$200 million
(Biennial Estimate)



Source: Berk & Associates, 2005

What's in the Infrastructure Piggy Bank?



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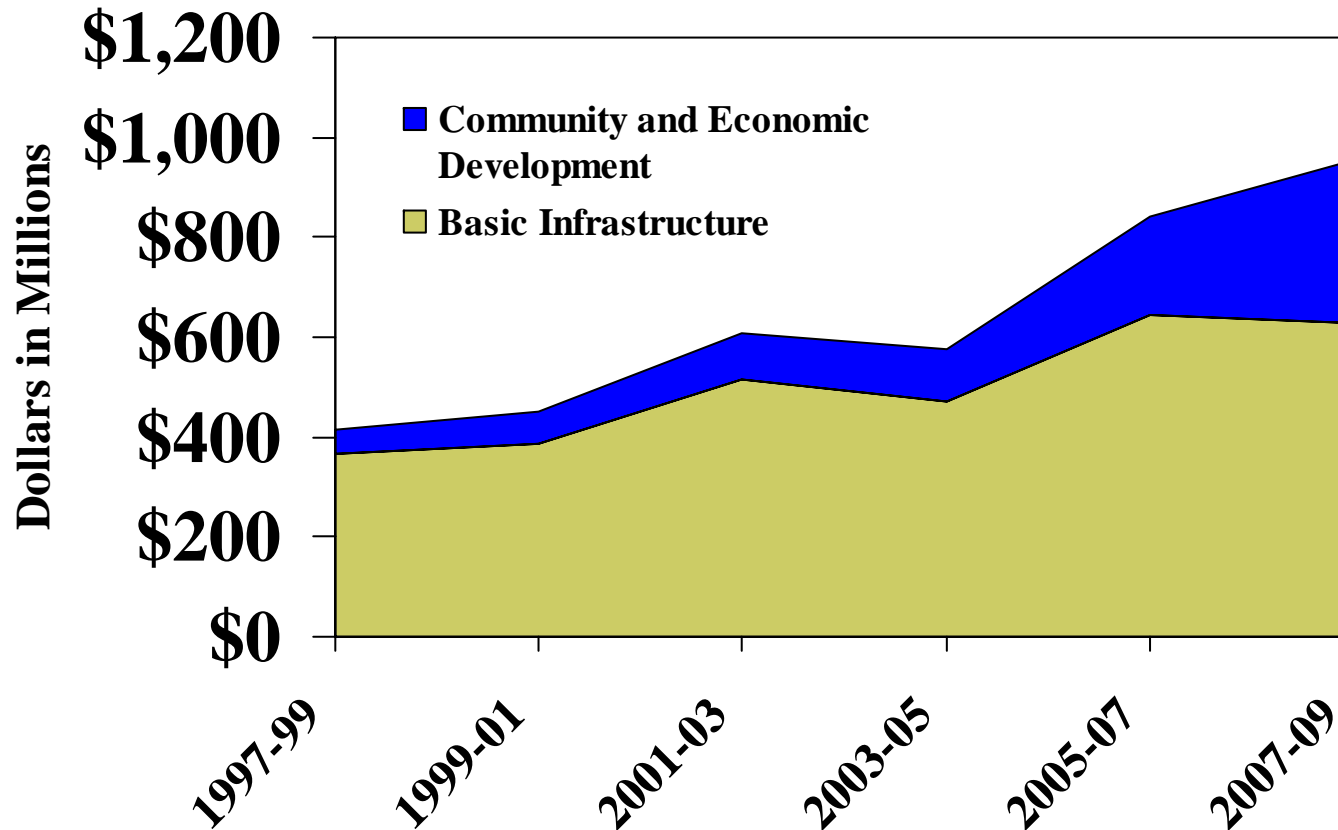
Dollars in Thousands		2005-07 Budget	2007-09 Budget
Basic Infrastructure			
CTED	Public Works Board	289,000	327,000
DOH/CTED	Drinking Water Revolving Fund	28,122	54,300
CTED	Water System Acquisition & Replacement Program	2,000	3,750
ECY	Centennial Clean Water Fund	47,500	58,875
ECY	Pollution Control Revolving Fund	239,616	140,000
ECY	Drought Preparedness*	6,600	-
ECY	Water Infrastructure Program (watershed plans)	12,000	14,000
ECY	Flood Control Assistance Account*	3,422	3,961
ECY	Coordinated Prevention Grants	14,200	25,500
ECY	Safe Drinking Water Action Grants*	3,000	3,000
	Sub Total	645,460	630,386
Community & Economic Development			
CTED	Building for the Arts	4,690	12,000
CTED	Youth Recreation Facilities	3,300	9,050
CTED	Community Services Facilities	5,345	10,147
CTED	Local Community Projects (Gov & Member Requests)	68,050	170,712
CTED	Child Care Facility Fund*	117	500
CTED	Rural Washington Loan Fund	4,127	4,127
WSHS	Heritage Capital Projects	4,664	10,000
DAHP	Historic Preservation Fund	5,000	5,500
CTED	Economic Dev Strategic Reserve Account*	4,000	4,000
CTED	CERB Traditional	20,449	20,000
CTED	Economic Dev Grants/CERB-JDF	50,000	50,000
CTED	Community Dev. Block Grants*	26,742	26,742
	Sub Total	196,484	322,778
Total		841,944	953,164
* Programs not funded through Capital Budget or allocation of larger capital budget item			

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Simplest View

Dollars in Thousands		2005-07 Budget	2007-09 Budget
Basic Infrastructure			
	Wastewater & Drinking Water (some roads & bridges)	609,238	586,925
	Droughts, Floods, Streams & Toxics	36,222	43,461
	Subtotal	645,460	630,386
Community & Economic Development			
	Economic Development	78,576	78,127
	Other Community Development	117,908	244,651
	Subtotal	196,484	322,778
Total		841,944	953,164

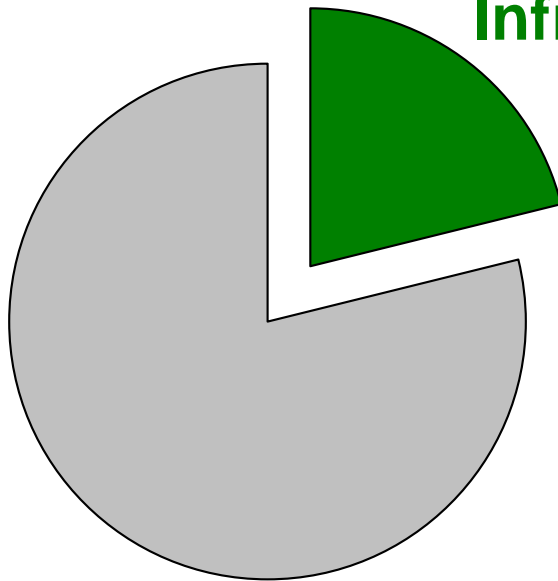
Ten-year Growth: Basic Infrastructure Doubled, Community & Economic Development up Five Fold



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What's in the Infrastructure Piggy Bank?

Infrastructure: 20% of Capital Spending



Other Capital Spending



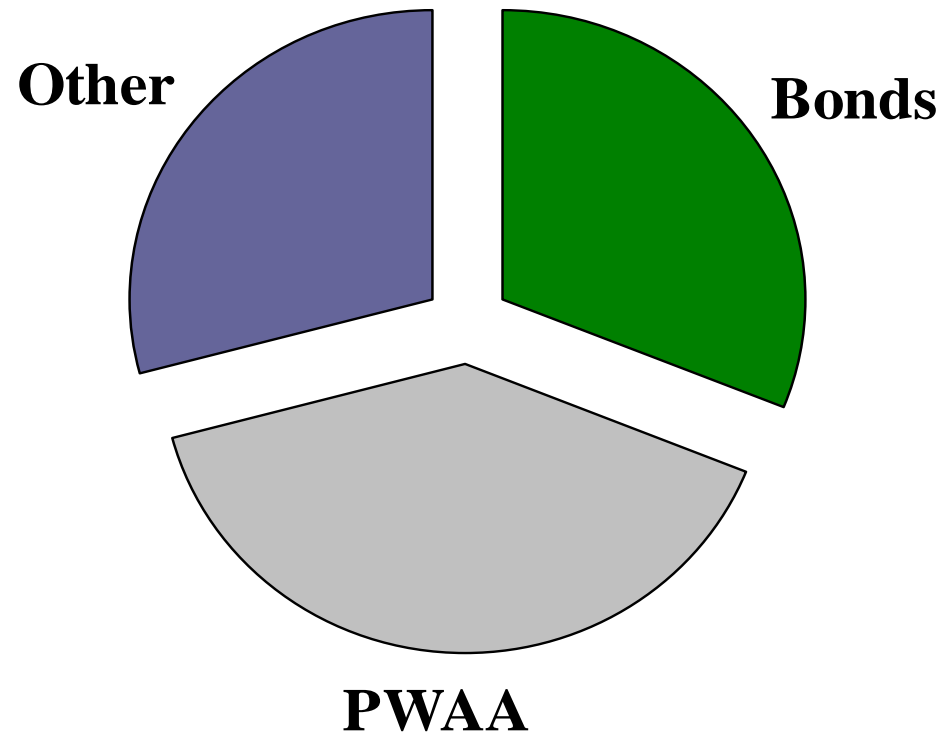


Where?

When?

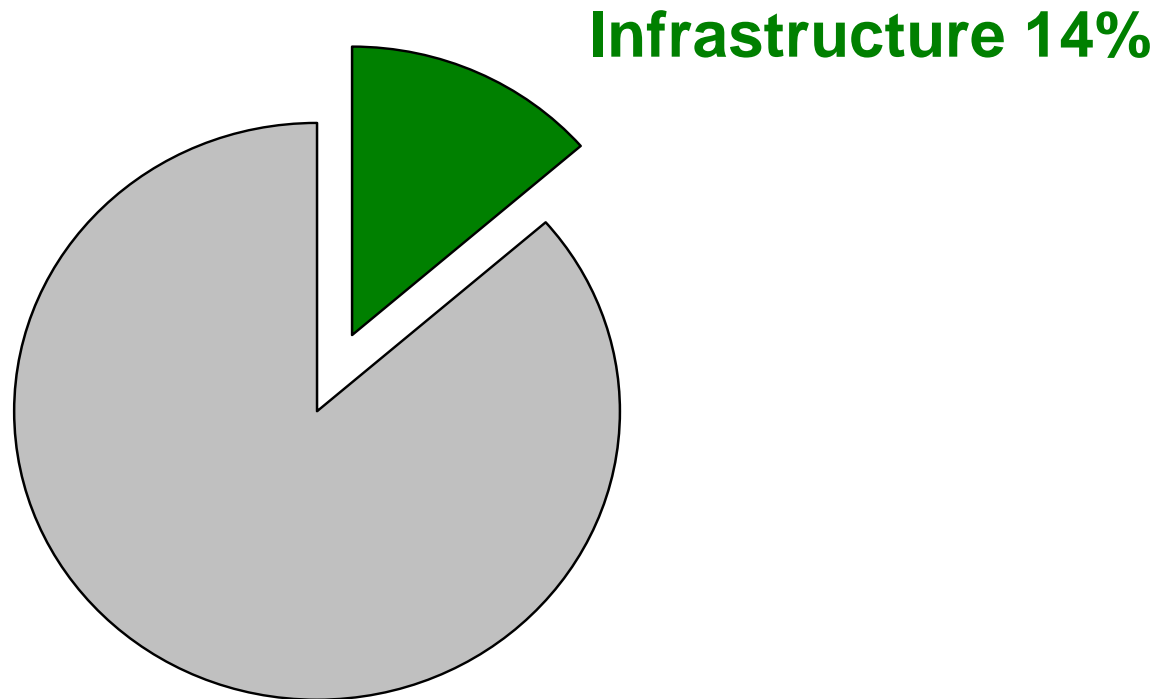
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Where does the State Money for Infrastructure come from?



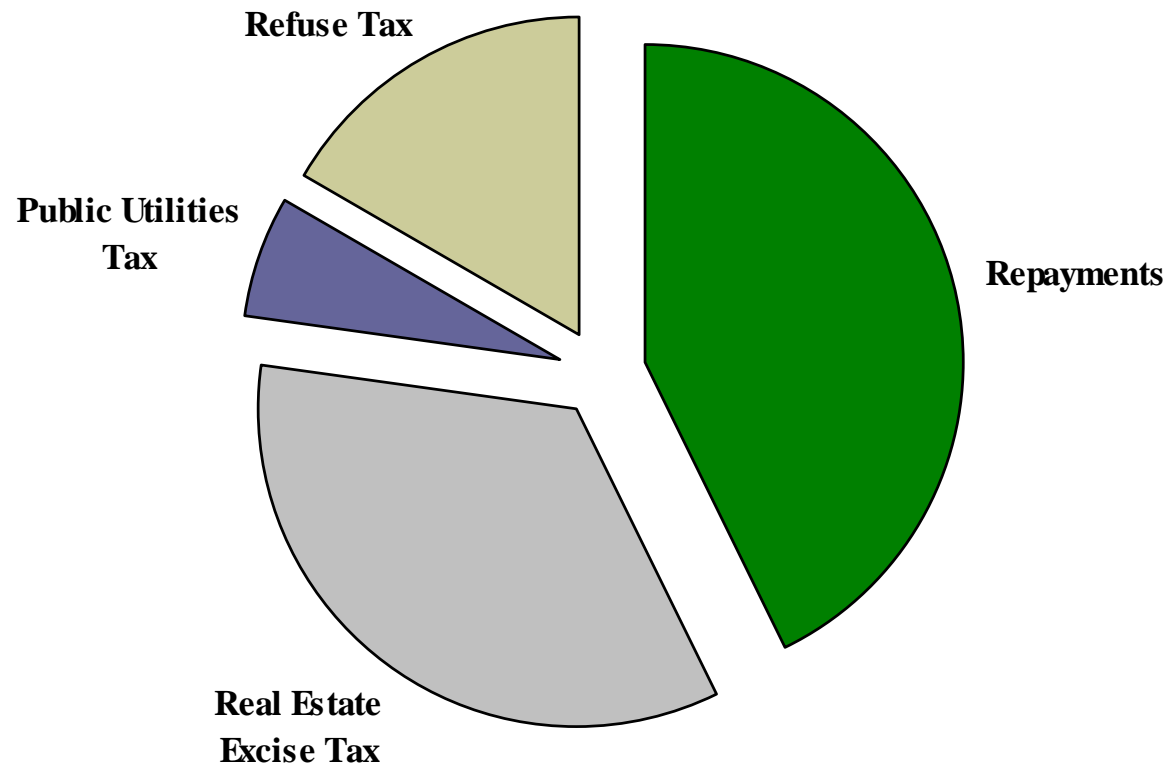
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What Slice of the Bond Budget goes to Infrastructure?



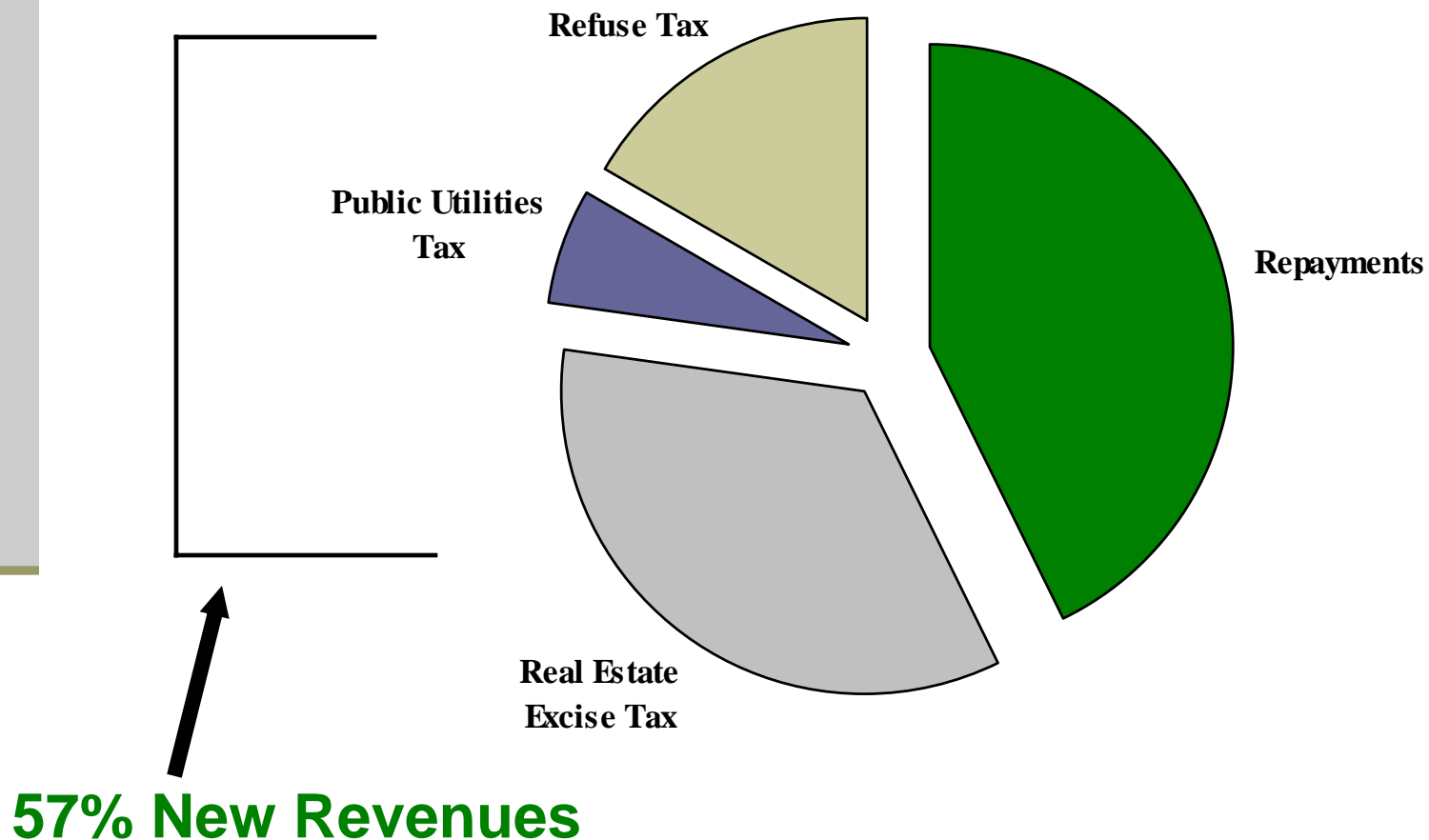
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Where does the Money for the PWAA come from?



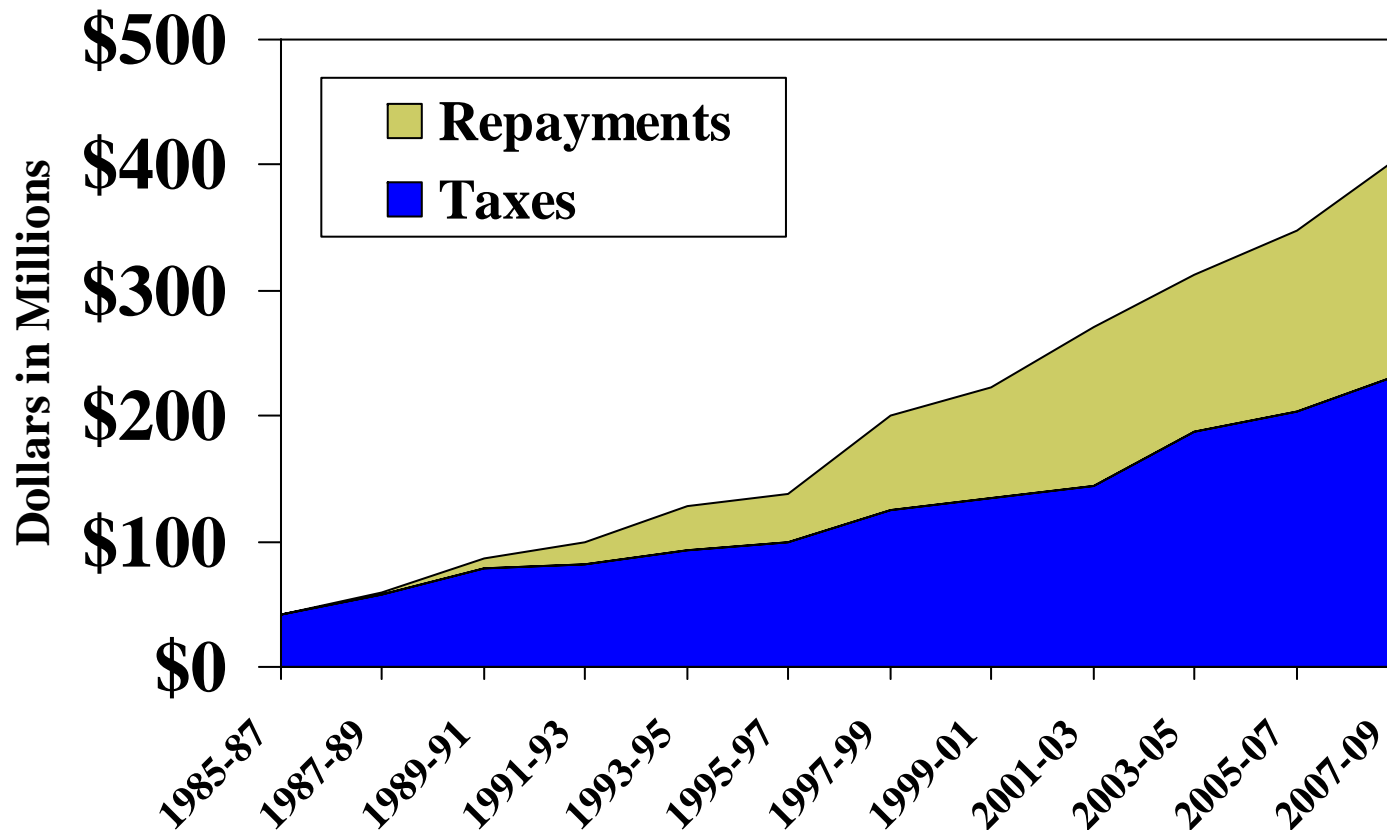
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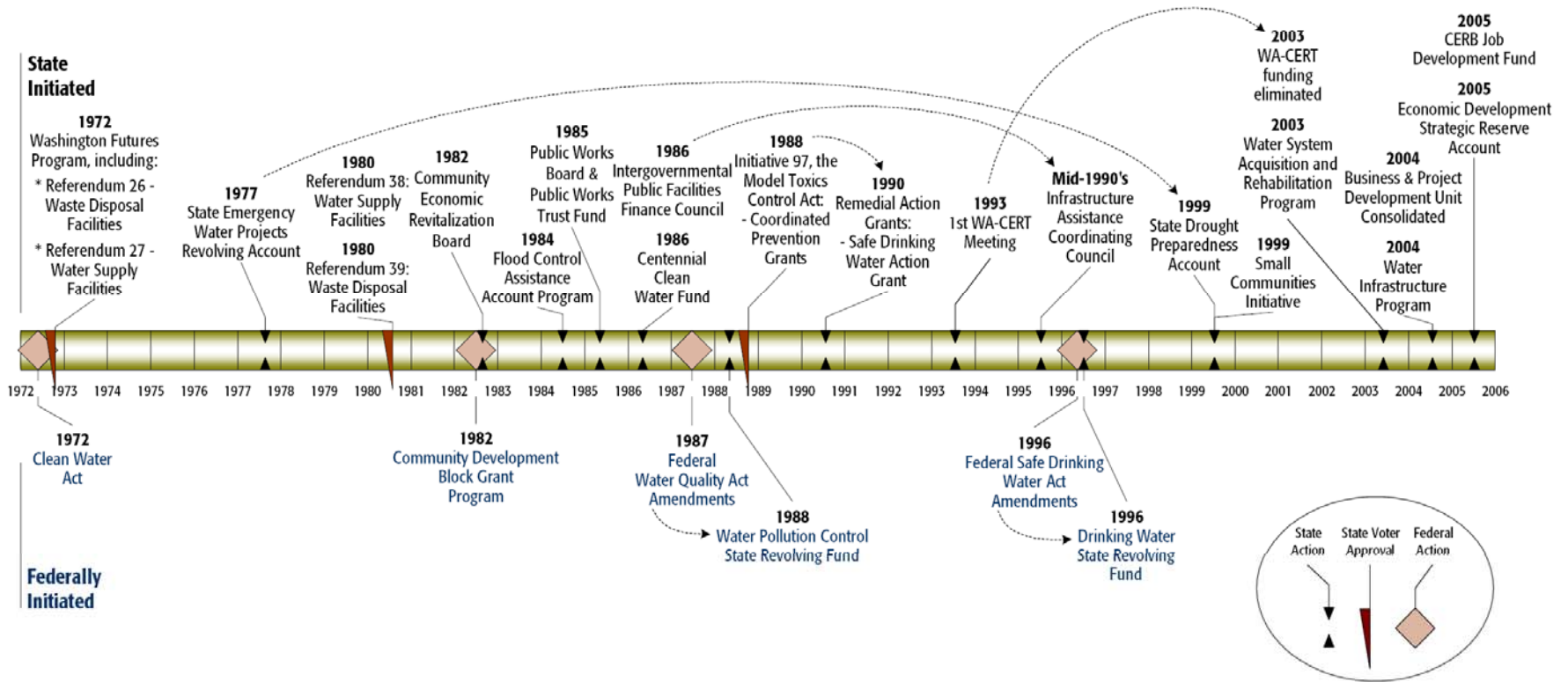
How have revenues for PWAA loans grown?



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When were Infrastructure Programs Started?

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





How?

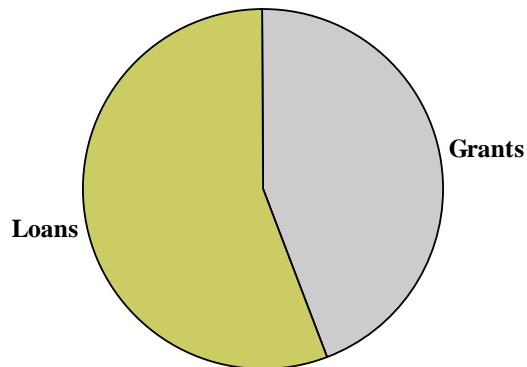
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How is State Assistance for Local Infrastructure provided?

Dollars in Thousands		2007-09 Budget	Loans	Grants
Basic Infrastructure				
	Wastewater & Drinking Water (some roads & bridges)	586,925	522,300	64,625
	Droughts, Floods, Streams & Toxics	43,461	-	43,461
	Subtotal	630,386	522,300	108,086
Community & Economic Development				
	Economic Development	78,127	10,127	68,000
	Other Community Development	244,651	250	244,401
	Subtotal	322,778	10,377	312,401
Total		953,164	532,677	420,487

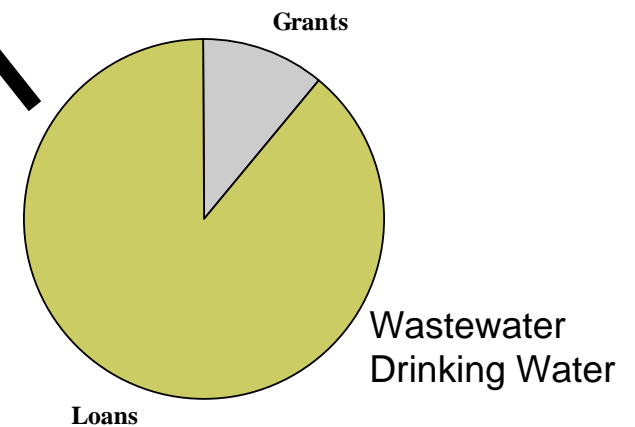
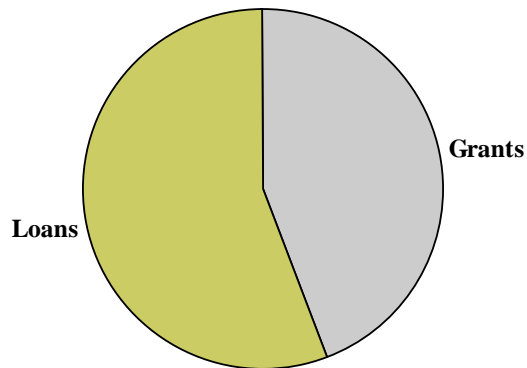
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Basic Infrastructure			
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Community & Economic Development			
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How is State Assistance for Local Infrastructure Provided?

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How does a Low Interest Loan Help?

Let's say you want to buy a house for \$400,000



How does a Low Interest Loan Help?

OK. Let's say you want to buy a house for \$400,000



How does a Low Interest Loan Help?

Even with 20% Down, the monthly payment takes too much of your monthly income. What to do?

	Traditional Mortgage (On your own)
Down Payment	\$80,000
Financed	\$320,000
Loan Terms	6.4% 30 yrs
Monthly Payment	\$2,002

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How does a Low Interest Loan Help?

Rich Relatives!

	Traditional Mortgage (On your own)
Down Payment	\$80,000
Financed	\$320,000
Loan Terms	6.4% 30 yrs
Monthly Payment	\$2,002



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How does a Low Interest Loan Help?

Aunt Effie offers a low interest **LOAN**

	Traditional Mortgage (On your own)	Aunt Effie's Deal
Down Payment	\$80,000	\$80,000
Gift		
Financed	\$320,000	\$320,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs
Monthly Payment	\$2,002	

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How does a Low Interest Loan Help?

Uncle Bob wants to give you a **GRANT**
For a bigger down payment

	Traditional Mortgage (On your own)	Aunt Effie's Deal	Uncle Bob's Deal
Down Payment	\$80,000	\$80,000	\$80,000
Gift			\$100,000
Financed	\$320,000	\$320,000	\$220,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs	6.4% 30 yrs
Monthly Payment	\$2,002		

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How does a Low Interest Loan Help?

The deals are essentially the same

	Traditional Mortgage (On your own)	Aunt Effie's Deal	Uncle Bob's Deal
Down Payment	\$80,000	\$80,000	\$80,000
Gift			\$100,000
Financed	\$320,000	\$320,000	\$220,000
Loan Terms	6.4% 30 yrs	3.2% 30 yrs	6.4% 30 yrs
Monthly Payment	\$2,002	\$1,384	\$1,376

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How does a Low Interest Loan Help?

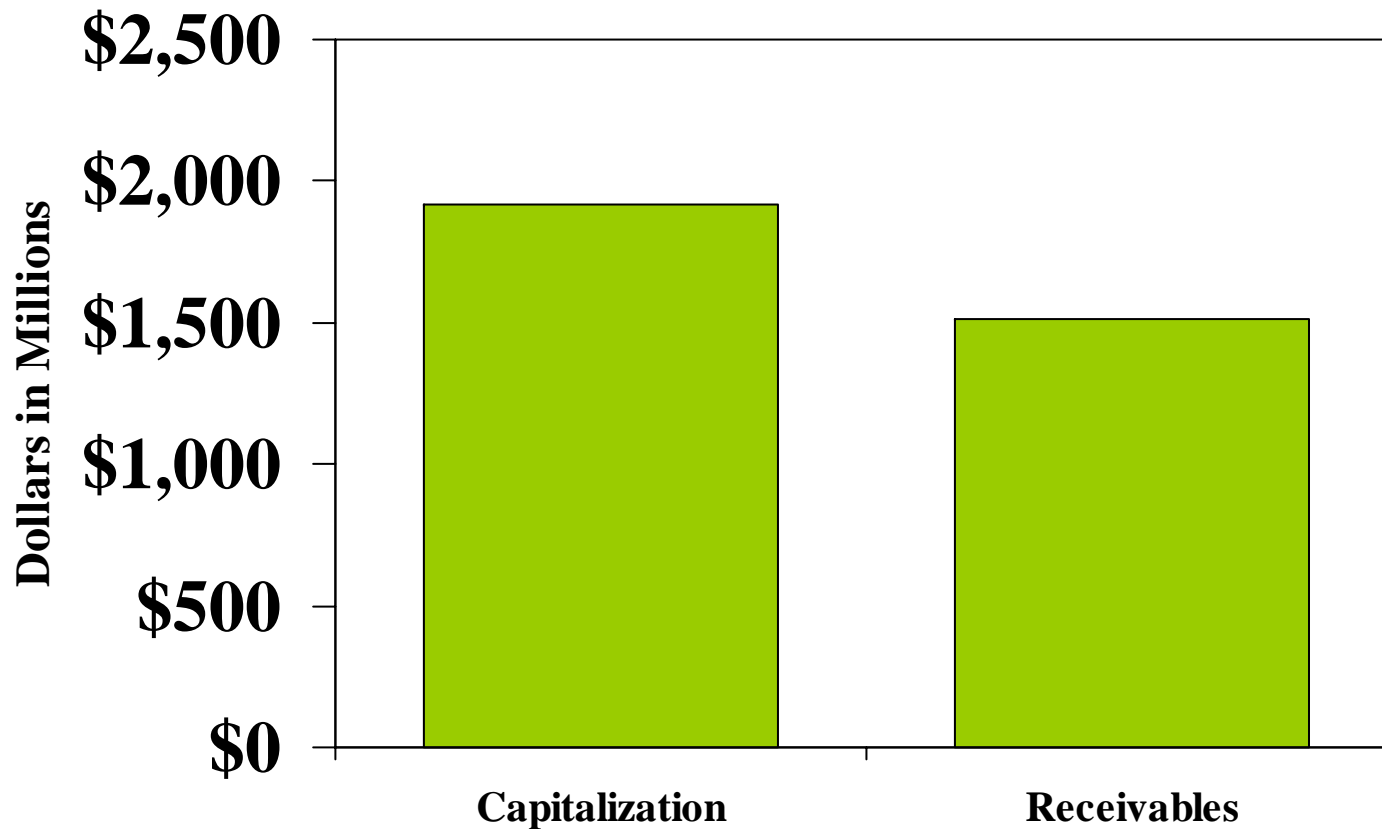
What are the two deals worth?

	Aunt Effie's Deal	Uncle Bob's Deal
Gift		\$100,000
Low Interest Loan	\$320,000	
Monthly Payment	\$1,384	\$1,376
Total Gift	\$222,000	\$225,000
Present Value	\$145,000	\$147,000

How does a Low Interest Loan Help?

		2007-09 Budget	Loans	Grants
Basic Infrastrucure				
	Wastewater & Drinking Water (some roads & bridges)	586,925	522,300	64,625
	Droughts, Floods, Streams & Toxics	43,461	-	43,461
Community & Economic Development				
	Economic Development	78,127	10,127	68,000
	Other Community Development	244,651	250	244,401
Total		953,164	532,677	420,487
Estimated Value			159,803	420,487

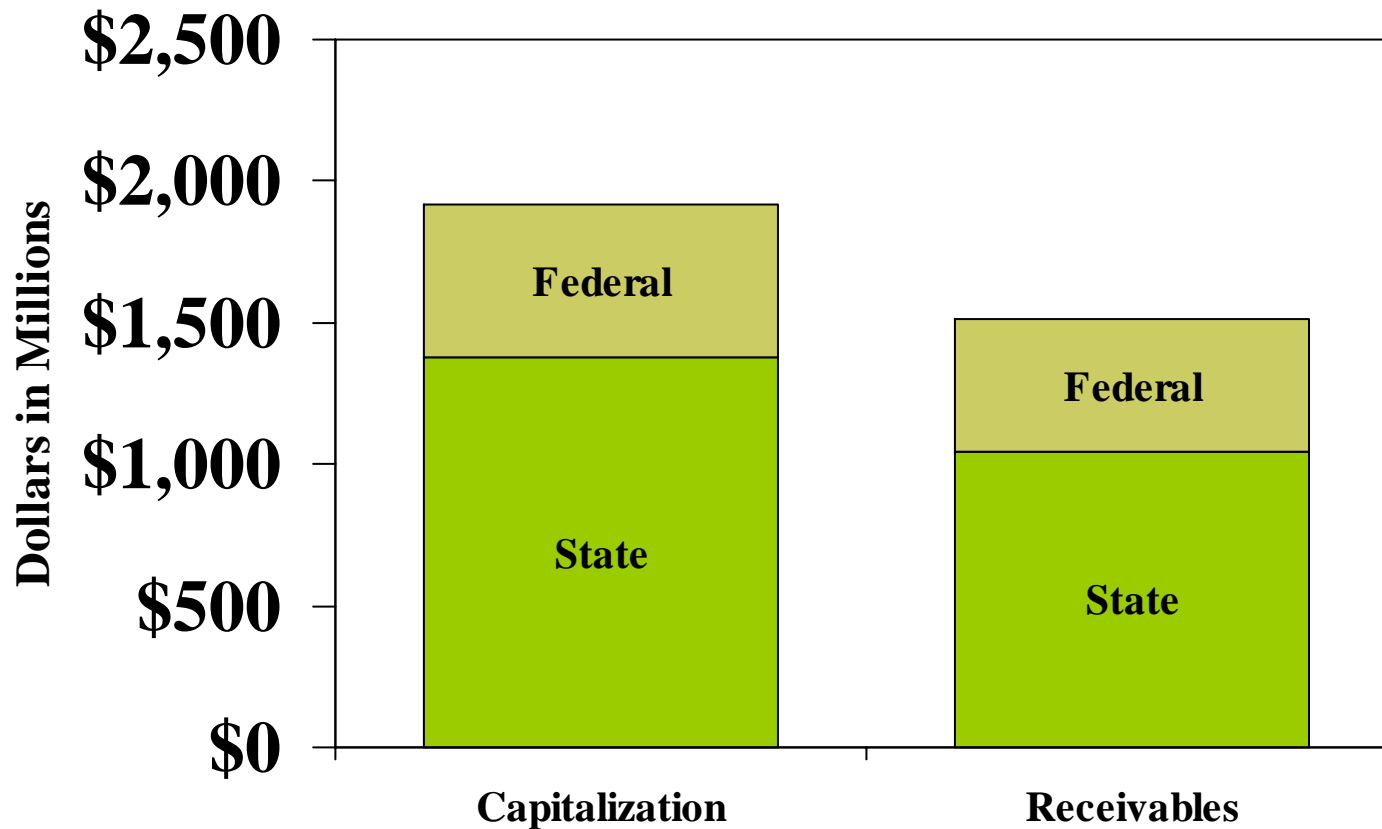
How big are the loan revolving funds?



Note: Estimates through FY 2007. Excludes 2007-09 revenues.

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Why?

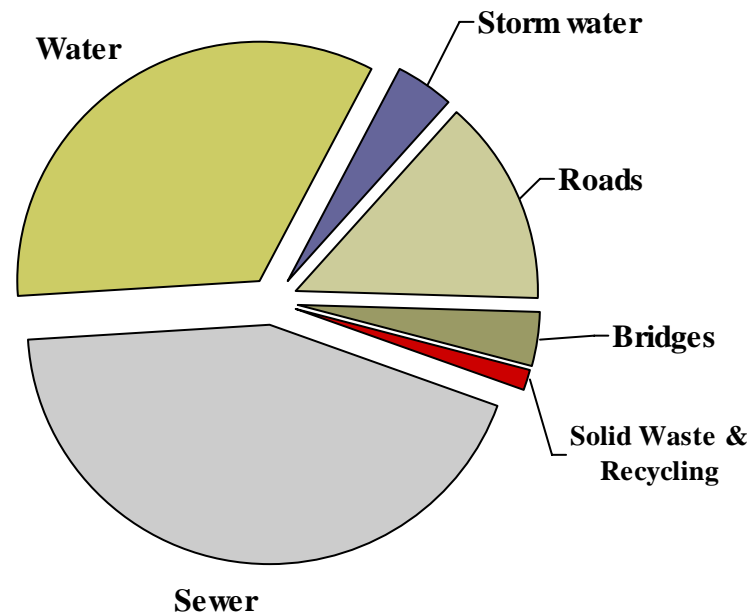
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Why does the State help pay for Local Infrastructure?

- **To help bridge the gap between a backlog of local infrastructure repairs and upgrades and the financial capacity of local government.**
- **To mitigate the financial impact of meeting higher state standards for health and safety and environmental protection.**
- **To assist community for job creation or retention, and economic and community development.**

What kinds of Gaps has the PWAA bridged?

- To help bridge a gap between a backlog of local infrastructure repairs and upgrades and the financial capacity of local government



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The “Why” drives the program: A Tale of Two Wastewater Assistance Programs

- To help bridge a gap between a backlog of local infrastructure repairs and upgrades and the financial capacity of local government

PWB provides
low interest loans
For wastewater
systems

- To mitigate the financial impact of meeting higher state standards for health and safety and environmental protection

DOE provides
low interest loans and
grants for wastewater
systems

The “Why” drives the program: A Tale of Two Wastewater Assistance Programs

- To help bridge a gap between a backlog of local infrastructure repairs and upgrades and the financial capacity of local government

PWB provides
low interest loans
For wastewater
systems

Interest rates 0-2%
based on local match

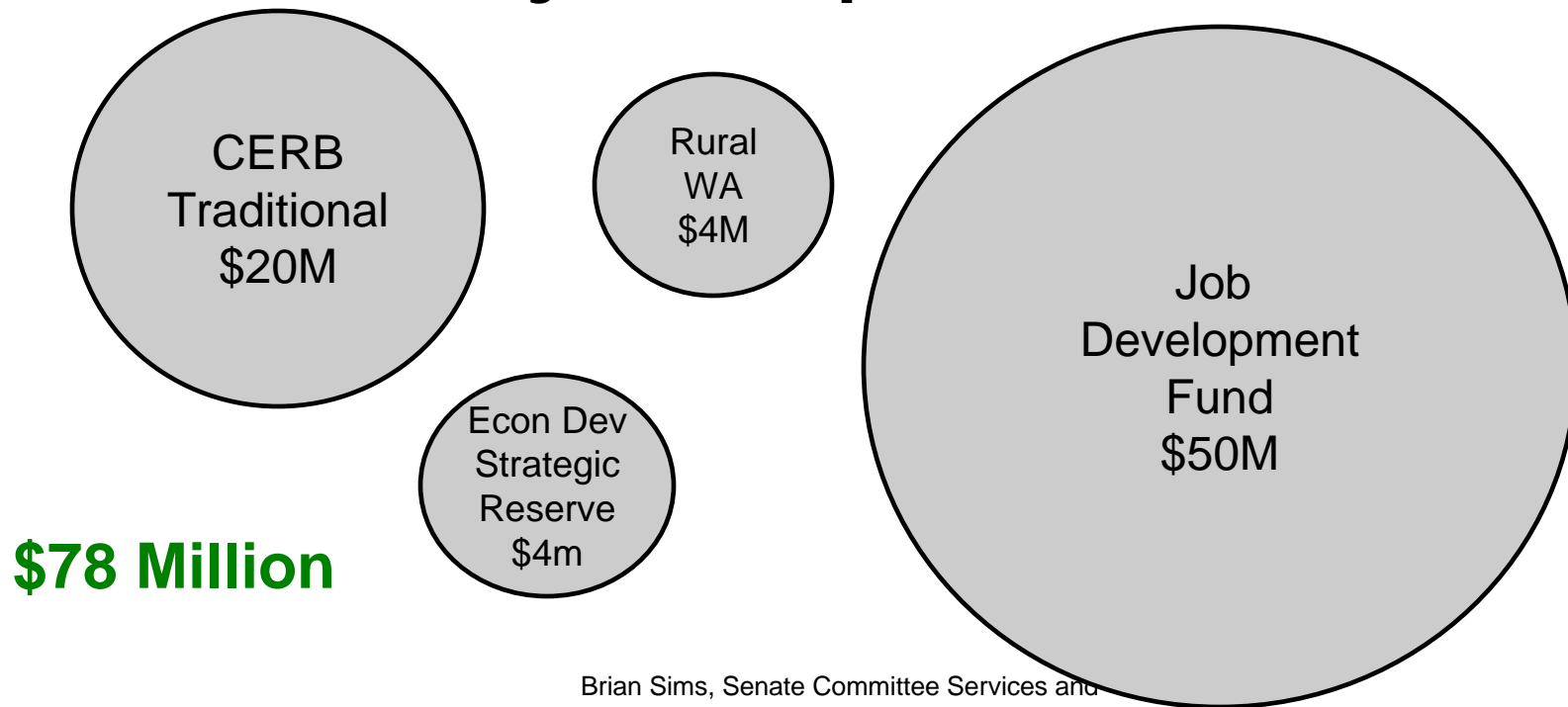
- To mitigate the financial impact of meeting higher state standards for health, safety & environmental protection

DOE provides
low interest loans and
grants for wastewater
systems

Interest rate 0% to 60% of
bond market based on
financial hardship

Why are the State's Economic Development Programs Infrastructure Programs?

- To assist community for **job creation or retention**, and economic and community development.



Why are the State's Economic Development Programs Infrastructure Programs?

- To assist **job creation or retention** and **community development**

Credits Against State Taxes for Local Economic Development and Public Facilities

\$200 million

(Biennial Estimate)

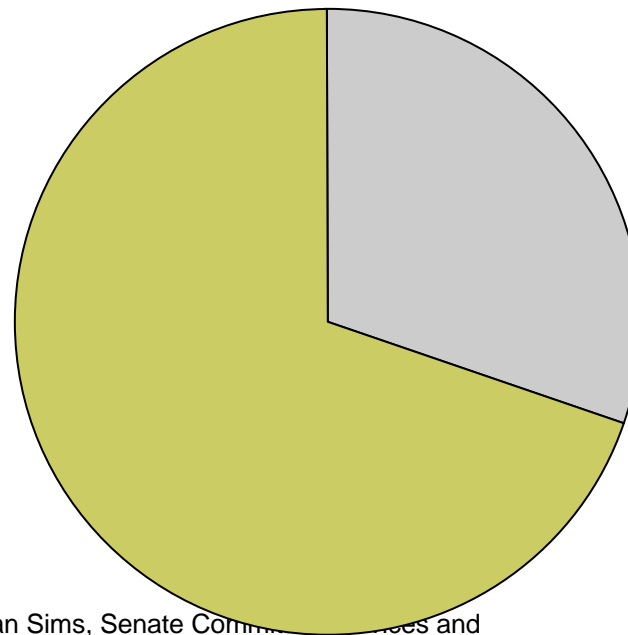
\$78 Million

Two Doors to Local Community Development Project Funding

- **To assist community for job creation or retention, and economic and **community development.****



Governor &
Legislator
Local Project
Requests



Agency
Competitive
Grant Programs

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Good Reporters always have More Questions than Answers



Who? **What?**
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Why?

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Key Questions you might want to consider...

- 1. What is the need for state assistance for local infrastructure and how is it measured?
- 2. What are the consequences of not meeting that need?
- 3. How are projects prioritized within available resources?
- 4. Are current allocations aligned with priorities?
- 5. Who pays/who should pay for different kinds of infrastructure?
- 6. What gaps and overlaps exist among the various state infrastructure assistance programs?
- 7. Are there efficiencies in accessing and administering the infrastructure assistance programs?