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Investing in Infrastructure

BUILDING FOR THE FUTURE
Thoughtful Strategies Today

Infrastructure is an important investment in the growth of society, the economy and our quality of life. Infrastructure – roads, bridges, water and sewer systems, along with schools and parks – provides the essential foundation to a healthy community. Investing in well-planned, properly financed public infrastructure helps accommodate and direct quality growth to benefit the whole community.

Sufficient funding of infrastructure is a critical investment in our communities. Infrastructure provides the backbone for a community's quality of life, the framework for economic development, and lays the essential groundwork for accommodating residential, commercial, and industrial growth. Financing infrastructure projects encourages economic growth and development. The construction of these projects will encourage investments in job-producing private development, and expand the tax base.

More Growth is Coming

More than six million people are expected to live in the state within five years – an increase of more than one million people. They are staggering numbers. Nearly half of the expected population growth will come from our families having children. Other people continue moving here because of Washington's natural environment, healthy economy and good communities. To meet the demands of this growth, there needs to be a concerted effort to ensure well-planned and adequately maintained infrastructure. To do otherwise is ignoring the realities of the future. Withholding investment in infrastructure creates:

- Poorly planned communities compromising existing systems
- Leapfrog development and sprawl
- Extreme pressure on public safety needs
- Maddening traffic and unnecessary congestion

National studies confirm that America's infrastructure is woefully inadequate. In 1998, the state conducted an Infrastructure Needs Assessment that identified $8 billion in needs for the six-year planning period, but only $5 billion of funding available – leaving a $3 billion gap.

Addressing Critical Needs

The Seattle Times recently wrote that traffic threatens to halt economic growth. Gridlock adversely impacts working people both in terms of getting to and from work and in trying to enjoy the great northwest. Our state's economic vitality and our quality of life are threatened by the lack of sufficient infrastructure funding. Addressing infrastructure needs in transportation, water, sewer and other capital areas will require immediate funding for critical infrastructure projects.

Creating A Plan For The Future

Clearly there is a serious need to address many infrastructure needs today, but short-term fixes aren't the long-term solution. If we care about our quality of life, we must make plans for the tremendous growth projections we are expecting in Washington. It is irresponsible to do otherwise.

Long Term Investment Strategy

Ultimately, a long-term, coordinated, and comprehensive infrastructure investment strategy must be put in place to ensure the State of Washington can sustain and enhance both its economic vitality and its cherished quality of life. The state must provide a vision for achieving economic vitality and quality of life through coordinated and prioritized infrastructure investments. Due to limited resources to fund an ever expanding set of needs, the state should identify and reduce cost-drivers to ensure efficient use of tax-payer dollars, and determine how to effectively target our expenditures for all state programs and projects prioritized to a specified set of criteria, based on a coordinated statewide investment strategy. The should direct funds to infrastructure projects by dedicating a portion of state tax revenues from one or several sources; specifying a use for the funds; and a distribution mechanism to local jurisdictions utilizing the funds for local infrastructure needs. Current revenues derived from transportation products should be directed to transportation improvement projects. The state should exempt state sales tax on public works projects. Further, the state should encourage city, county and other public utility districts to privatize or contract for services, and ensure utility districts have a sufficient rate structure to build and maintain water, wastewater and solid-waste systems.

- **Increase investments for infrastructure to accommodate growth and facilitate quality development**
- **Prioritize the expenditures based on accommodating growth, ensuring economic vitality and providing housing opportunities**
- **Ensure effective use of tax dollars**
- **Provide a plan for accountability**

At a Crossroads

Our state's economic growth is threatened by the lack of sufficient infrastructure funding. We must provide a vision for achieving economic vitality and quality of life through a coordinated and prioritized infrastructure investment strategy. Due to limited resources to fund an ever-expanding set of needs, we should ensure efficient use of taxpayer dollars, and determine how to effectively target our expenditures and prioritize projects based upon a specified set of criteria. Further, we must increase investments in transportation and infrastructure to provide funding for critical infrastructure projects necessary to accommodate growth, such as roads, water, sewers and parks. All levels of government should coordinate infrastructure investments with projected growth needs (special purpose districts should be required to coordinate their plans for expansion, based on local growth plans).

The decisions we make today about how to manage growth and plan for a growing economy and growing families will determine our quality of life, and the kind of future we create for our children and grandchildren. Creative strategies for funding, building partnerships and stimulating cooperation will pave the way for creating a vision and a plan we can all be proud of.

Current Funding Sources

State and Federal Funding Sources: Federal funding sources primarily include federal transportation funding through TEA-21 ($180 million). State transportation funding sources include the Transportation Improvement Board ($80 million), County Road Administration Board ($30 million), and the Public Works Trust Fund ($12 million). Funding sources for sewer and storm water projects include Centennial Clean Water Fund ($30 million), Water Pollution Control ($20 million), Public Works Trust Fund ($60 million), and USDA Water and Waste Disposal Program ($12 million). Drinking water funding sources include Drinking Water State Revolving Fund ($25 million), Public Works Trust Fund ($35 million), and USDA Water and Waste Disposal Program ($12 million).

Local Funding Sources: Generally, counties and cities utilize General Fund Revenues, Bonds and Debt Financing (General Obligation Bonds, Revenue Bonds, "63-20" Financing, Section 108 Loan Guarantee Program), Dedicated Funding Sources for Public Facilities (Real Estate Excise Tax, Distressed Counties Sales and Use Tax), and Dedicated Funding Sources for Transportation (County Road Levy, State-shared Revenues, Motor Vehicle Excise Tax, Gas Tax, Border Cities Gas Tax, Local Option Gas Tax, Local Option Motor Vehicle Excise Tax, Employer Tax, Vehicle License Fee, Commercial Parking Tax, Transportation Benefit Districts). Water, Sewer, and Public Utility Districts utilize Rates and Charges, Property Taxes, and Bonds. Private sector funding sources are defined as fees or assessments levied in connection with a special purpose and assessed for specific projects. These mechanisms include SEPA mitigation, Local Improvement Districts, Road Improvement Districts, Developer Contributions, and Impact Fees.

Infrastructure Funding Options

Use of Current Funding Sources: Many jurisdictions have the ability to levy more funds or increase debt financing, however, they do not. Some of the unutilized or underutilized funding sources include the Real Estate Excise Tax, Utility Taxes, Local Option Transportation Taxes (Gas Tax, Employer Tax), Debt Financing, and increased reliance upon Private Sector Funding Mechanisms (e.g. Local Improvement Districts, SEPA Mitigation, Developer Contributions and Public-Private Partnerships).

Potential New Funding Options: Suggested new funding options included: modifications to existing funding sources (streamlined application process, increased loan funding for emergency needs, voter approval of bond issues, changes to MVET and gas tax allocations, and increased emphasis on maintenance , preservation, growth funding); and, new funding sources (extension of local utility tax authority, extension of the business and occupation tax authority, redistribution of construction sales tax, expansion/revision of local option authority, enterprise funding, and tax increment financing).

Potential Policy Alternatives: Suggested policy alternatives (based on other states' experience) included: Benefit Assessment Districts, Air and Land Rights Leasing, Turnkey Procurement Agreements, Liability Reform, Regulatory Reform, Privatization and Contracting, Reduced Levels-of-Service, Process Efficiencies, Project Prioritization, Reform of Prevailing Wage Laws, and Exempting Capital Facility projects from Sales Taxes.

Suggestions for Improving Capital Facilities Plans: Suggestions for improving capital facilities plans were developed to respond to the issues that were identified through the analysis of CFP's and the in-depth sampling process. These suggestions address the CFP document, the process through which CFP's are developed, and the role of the State in supporting the recommended changes.

Investing in Effective Infrastructure Strategies

Clearly, solutions are needed from the state level. However, there are a number of steps that local communities should take to address their infrastructure needs.

Capital Improvement Programs: Capital improvement programs are adopted by local governments to provide a construction schedule for planned infrastructure improvements, and identify the expected sources of funds to pay for the improvements. The plan, usually updated each year, is a guide to when and where improvements will be made. The plan provides a useful indication of long-term plans for development within the jurisdiction. Communities can set the stage for development by using a focused public investment strategy to direct growth to targeted areas by taking a more proactive role in providing infrastructure to accommodate residential, commercial and industrial development. Communities should prioritize capital facilities expenditures for strategic infrastructure investments that encourage quality housing and economic development opportunities and choices. Further, the community should coordinate infrastructure investments with projected growth needs (special purpose districts should coordinate their plans for expansion, based on local growth plans).

Tax Investment Financing: The state recently passed legislation authorizing counties, cities, towns, and port districts to create tax investment areas within their boundaries where community revitalization projects and programs are financed by designating a portion of the regular property taxes imposed by local governments within the tax increment area. The projects financed by property tax increment financing must be expected to encourage private development and increase the fair market value of real property within the tax increment area. Private development that is anticipated to occur within the tax increment area as a result of the public improvements must be consistent with the comprehensive plan.

Community revitalization projects include infrastructure improvements, such as: street and road construction and maintenance; water and sewer system construction; sidewalks and streetlights; parking, terminal and dock facilities; storm water and drainage systems; and park and recreation facilities. In addition, community revitalization programs may include environmental analysis, professional management, planning, and promotion, management and promotion of retail trade activities, maintenance and security for common areas, and historic preservation.

A county, city, town, or port district may use a portion of their regular property tax collections to pay principal and interest on general obligations issued to finance the community revitalization projects. Regular property taxes imposed by all local governments within the tax increment area on 75 percent of any increase in assessed valuation are designated to finance the projects. Regular property taxes imposed by local governments on the assessed valuation in the year before the tax increment area was created plus 25 percent of any increase in assessed valuation in the tax increment area are distributed to the local governments as if the area had not been created.

The creation of a tax increment area involves a number of steps, including: designating the tax increment area and the public improvements to be financed; local government taxing districts imposing at least 75 percent of the regular property taxes within this area signing written agreements approving the tax increment financing; holding a public hearing on the proposal; and adopting an ordinance establishing the tax increment finance area.

Full-Cost Pricing for Infrastructure: We should ensure utility districts have a sufficient rate structure to build and maintain water, wastewater and solid-waste systems that include operating, maintenance, capital, and debt costs for service of public utilities.