

**Local
Infrastructure
Financing Tool
(LIFT): Lack of
Data Hinders
Evaluation and
Administration of
the Program**

Report 13-4

December 11, 2013



STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Peter Heineccius
Eric Whitaker
Fara Daun

PROJECT SUPERVISOR

Valerie Whitener

LEGISLATIVE AUDITOR

Keenan Konopaski

Copies of Final Reports and Digests are
available on the JLARC website at:

www.jlarc.leg.wa.gov

or contact

Joint Legislative Audit & Review
Committee
1300 Quince St SE
Olympia, WA 98504-0910
(360) 786-5171
(360) 786-5180 FAX

REPORT SUMMARY

LIFT Program Provides State Contributions for Local Infrastructure Projects

The Local Infrastructure Financing Tool (LIFT) is a state program designed to help local jurisdictions fund public infrastructure projects, which are in turn intended to foster economic development. LIFT projects may receive a state contribution of up to one million dollars per year for 25 years. Total state contributions are limited to \$7.5 million per year for all LIFT projects combined.

To participate in the LIFT program, local jurisdictions establish a revenue development area (RDA) and apply to the Community Economic Revitalization Board (CERB) for approval. There are currently nine LIFT projects around the state; the program is closed to further projects unless the Legislature increases the total amount of funding available for state contributions. The amount of state contribution each project receives per year is limited to the lowest amount of the following four caps:

- 1) One million dollars;
- 2) The amount of local revenue dedicated to the project;
- 3) The amount awarded to the project by CERB; or
- 4) The “state benefit” amount.

The “state benefit” amount is based on a complicated statutory formula intended to approximate increases to state property and excise tax revenues within the RDA. Statute directs each local jurisdiction to submit an annual report to CERB and the Department of Revenue (DOR) that contains the information necessary to calculate the state contribution, as well as information about the progress of its LIFT project.

Insufficient Data for JLARC Staff to Evaluate LIFT Program or Projects

In the LIFT enacting legislation (2006 E2SHB 2673), the Legislature directed JLARC to report every five years on changes to six different metrics within each RDA, and to also complete an analysis of the economic impact of expanding the LIFT program in 2028. However, the data necessary to accurately report on these metrics or to conduct an economic analysis of the projects either does not exist or may not be feasible to collect without significant additional resources. Even if the necessary data was readily available, there are significant challenges to isolating the impact of LIFT projects on the surrounding economy.

LIFT Statutes Do Not Assign Ongoing Oversight Responsibilities

The LIFT statutes do not assign either CERB or DOR with responsibility for ongoing oversight of the LIFT program. For example, there is no state agency responsible for verifying the information provided by the local jurisdictions that is used to determine the state contribution. Similarly, there is no state agency that can provide authoritative guidance to local jurisdictions if questions arise regarding statutory interpretation or program administration.

Formula for Calculating State Contributions Does Not Reflect Changes in Revenue or Economic Growth in the Project Areas

The formula to calculate the “state benefit” cap on state contributions does not measure actual changes to state tax revenues. For example, the formula captures increases in revenue from property and excise taxes, but not decreases. Additionally, the formula only captures a small portion of increases to property values, and is primarily based on whether there were large increases in retail sales. Furthermore, the amount of state contributions might depend less on the success of the project and more on the scheduling of project construction and the composition of the RDA. Finally, the data necessary to accurately calculate this formula does not currently exist.

Legislative Auditor Recommendations

The first recommendation is intended to address what JLARC staff observed about the lack of state agency oversight and guidance for the LIFT program and the operation of the current “state benefit” formula.

Legislative Auditor Recommendation 1

In consultation with local jurisdictions, the Department of Revenue and the Community Economic Revitalization Board should identify and recommend to the Legislature whether any statutory changes should be instituted that could improve: 1) oversight of the LIFT program; 2) state guidance to the local jurisdictions; and 3) the function of the “state benefit” cap to better serve the LIFT program’s purpose of encouraging economic development.

The second recommendation is based on the observation that JLARC staff will be unable to provide a meaningful evaluation of LIFT projects without substantial changes to data reporting, collection, and management practices by private businesses, local jurisdictions, and state agencies.

Legislative Auditor Recommendation 2

The Legislature should suspend future JLARC studies of the LIFT program.