

Local Infrastructure Financing Tool (LIFT):

Lack of Data Hinders Evaluation and Administration of the Program

Proposed Final Report

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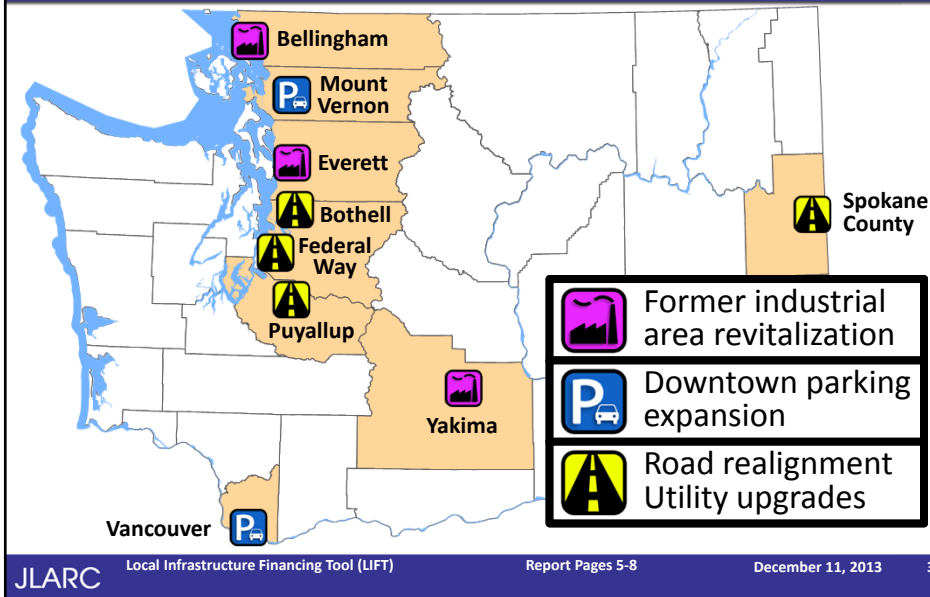
Joint Legislative Audit & Review Committee

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What is the Local Infrastructure Financing Tool (LIFT)?

- State program designed to help local jurisdictions fund public infrastructure projects, which in turn are intended to spur economic development.
 - ♦ For example: relocate highway interchange to increase access to downtown retail core.
- LIFT projects may receive state contributions of up to \$1 M per year for up to 25 years.
 - ♦ State contributions can fund infrastructure projects that are bond financed or pay-as-you-go.
 - ♦ Total state contributions for all projects combined is capped at \$7.5 M per year.

Nine LIFT Projects Located in Eight Counties



JLARC Directed to Monitor Economic Indicators and Evaluate LIFT Program in 2028

LIFT enacting legislation (2006 E2SHB 2673) directed JLARC staff to:

1. Report every five years on changes to certain measures within each RDA, starting in 2013.
 - Sales & Use Taxes
 - Property Values
 - Property Taxes
 - Employment
 - Commercial Activities
 - Housing
2. In the 2028 report, analyze the potential economic impact of expanding the LIFT program.

Data Necessary to Evaluate Program Does Not Exist or Would Not Be Feasible to Collect

- Assessors collect property values and tax data, but for JLARC staff to collect, store, and standardize this data would require substantial resources.
- Data on the other measures does not exist at the level of detail necessary for JLARC staff to evaluate the LIFT program.
 - ♦ Creating this data would require substantial changes in how private businesses and government agencies collect and manage data.
- Even if data were available, there are significant challenges to isolate impact of LIFT on economy.

Legislative Auditor Recommendation

Based on the observation that JLARC staff will be unable to provide a meaningful evaluation of the LIFT program without substantial resources and significant changes to data systems across the state:

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

OFM concurs with this recommendation.

DOR & Commerce have no comment.

Some Aspects of LIFT Statutes May Not Promote Economic Development in Practice

- These observations are not compliance issues.
- State contributions are capped by amount of “state benefit,” but the statutory formula to calculate this amount may not reflect actual revenue or economic growth. For example:
 - ♦ Captures revenue increases, but ignores decreases;
 - ♦ Ignores some property value increases;
 - ♦ Factors other than growth can greatly impact result;
 - ♦ Data to accurately calculate does not currently exist.
- Statutes also lack ongoing oversight and guidance responsibilities for state agencies.

Legislative Auditor Recommendation

In consultation with local jurisdictions, DOR and CERB 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.

Agency Responses: Identifying Possible Improvements to 1) Program Oversight

OFM, DOR, and Commerce concur with this part of the recommendation.

Agency Responses: Identifying Possible Improvements to 2) Guidance for Locals

OFM and DOR concur with this part of the recommendation.

Commerce partially concurs, noting that additional guidance without additional funding would mean other duties would not be performed.

Agency Responses: Identifying Possible Improvements to 3) “State Benefit” Cap

OFM concurs with this part of the recommendation.

DOR notes that they don’t believe they’re in a position to make recommendations regarding the function of the “state benefit” cap.

Commerce has no comment on this part of the recommendation.

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