

# SENATE BILL REPORT

## SB 5465

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As Reported by Senate Committee On:  
Ways & Means, March 31, 2011

**Title:** An act relating to creating the safety net assessment to fund services for people with developmental disabilities.

**Brief Description:** Creating the safety net assessment to fund services for people with developmental disabilities.

**Sponsors:** Senators Keiser, Delvin, Kline, White, McAuliffe and Conway.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/11, 3/31/11 [DPS, DNP, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5465 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Parlette, Ranking Minority Member Capital; Brown, Conway, Fraser, Hatfield, Kastama, Keiser, Kohl-Welles, Pridemore, Rockefeller and Tom.

**Minority Report:** Do not pass.

Signed by Senators Baxter, Holmquist Newbry, Pflug and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Baumgartner and Honeyford.

**Staff:** Megan Atkinson (786-7446)

**Background:** The business and occupation (B&O) tax is Washington's largest business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state General Fund. Depending on the types of activities conducted, a business may have more than one B&O tax rate.

The state public utility tax (PUT) applies to public service businesses and is applied to the gross receipts of the business. The tax rate depends on the business classification. Classifications include distribution of water at 5.029 percent; generation and distribution of electrical power at 3.873 percent; telegraph, distribution of natural gas, and collection of

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sewerage at 3.852 percent; urban transportation and watercraft vessels at 0.642 percent; hauling of logs at 1.3696 percent; and railroads and motor transportation at 1.926 percent.

Neither the PUT nor the B&O tax permits deductions for the costs of doing business, such as payments for raw materials and wages of employees. A number of exemptions, credits, deductions, and other preferences have been enacted for specific types of business activities under the PUT and the B&O tax statutes. For example, B&O taxpayers with annual taxable service activity under \$46,667; and PUT taxpayers with annual taxable activity under \$24,000 do not have to file tax returns. Businesses that pay the PUT are exempt from the B&O tax on the same activity.

The B&O tax provides a deduction of government payments made to nonprofit businesses that provide health care services and therapeutic, diagnostic, rehabilitative, or restorative services for the care of the sick, aged, physically disabled, developmentally disabled, or emotionally disabled individuals. The PUT does not have a similar exemption.

Community residential service businesses provide habilitation, instruction, and support to persons with developmental disabilities (DD) who live in their own homes. DD community residential services include supported living, state operated living alternative, and group homes. Support provided to clients may vary from a few hours per month up to 24 hours per day of one-to-one support. Clients pay for their own rent, food, and other personal expenses.

DD community residential providers are paid a client-specific rate that includes administrative costs, transportation, direct care costs, and professional services. The direct care staff component of individual client rates are based on a benchmark rate. Data used to arrive at the determination of the benchmarks includes average wage, cost of living, and labor statistics that identified county or regional variations. In 1999 benchmark rates were segregated into three categories to reflect provider input on the differential cost of administration, operations, and direct care staff wages.

**Summary of Bill (Recommended Substitute):** Community residential service businesses are added to the public utility tax at a rate of 5.029 percent.

The revenue from the tax on community residential services is deposited into the new Community Residential Investment Account. Money in this account may be used to maintain or increase rates paid to community residential service businesses over amounts provided in the budget bill adopted in 2009 and to increase compensation to staff providing habilitative instruction and support services.

Department of Social and Health Services (DSHS) rates paid to community residential business must include reimbursement of the tax applicable to the DSHS clients.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The substitute directs all the revenue from the tax to the newly created Community Residential Investment Account where the original bill split the revenue between the new fund and the State General Fund.

The substitute expands the uses of the fund and requires that DSHS provide full reimbursement for the tax paid on the DSHS clients.

**Appropriation:** None.

**Fiscal Note:** Available.

[OFM requested ten-year cost projection pursuant to I-960.]

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: This bill will provide needed revenue to buy back a rate reduction on supported living and community vendors. Community providers for individuals with developmental disabilities experience high staff turnover because we are unable to pay competitively. There is no negative impact to this assessment because the industry is all Medicaid.

**Persons Testifying:** PRO: Scott Livengood, Alpha Supported Living Services; Cheryl Borden, Sandra Miller, Aacres Supported Living Start.