# HOUSE BILL REPORT
# ESB 5289

**As Reported by House Committee On:**
Trade & Economic Development

**Title:** An act relating to public facilities in rural counties.

**Brief Description:** Expanding the definition of "public facilities" for purposes of the use of certain revenues in rural counties.

**Sponsors:** By Senators T. Sheldon and Gardner.

**Brief History:**

**Committee Activity:**

Trade & Economic Development: 3/27/01, 3/29/01 [DPA].

**Brief Summary of Engrossed Bill**
**(As Amended by House Committee)**

- Clarifies the use of the proceeds from the 0.08 percent local option sales and use tax for public facilities that create or retain private sector jobs in rural counties.
- Revises the definition of "public facilities" to prohibit financing of electric generation or distribution facilities.

## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives Van Luven, Republican Co-Chair; Veloria, Democratic Co-Chair; Dunn, Republican Vice Chair; Eickmeyer, Democratic 1st Vice Chair; Fromhold, Democratic 2nd Vice Chair; Ahern, Jackley, Mulliken, O'Brien, Pflug and Woods.

**Staff:** Kenny Pittman (786-7392).

**Background:**

In 1997 the Legislature authorized a local option sales and use tax for public facilities in distressed counties. A distressed county could impose a 0.04 percent local option sales and use tax with the tax being credited against the state's 6.5 percent sales and use tax.

Therefore the consumer does not see an increase in the amount of tax paid on the transaction. The revenue from the distressed county local option sales and use tax must be used to finance public facilities. A public facility was not defined. A distressed county was defined as a county with an average unemployment rate that exceeds the state's unemployment rate by 20 percent for the previous three-year period as determined by the employment security department (23 counties were eligible under that definition).

In 1999 the Legislature revised the distressed county local option sales and use tax program by: (1) changing the eligibility from distressed counties to rural counties; (2) increasing the local option sales and use tax rate from 0.04 percent to 0.08 percent for rural counties; (3) defining what is a public facility for purposes of the program; and (4) requiring that the public facilities must be listed as an item on the county's overall economic development plan, or the economic development section of the county's comprehensive plan, or the comprehensive plan of a city, or the county's or city's capital facilities plan.

A public facility is defined to mean bridges; roads; domestic and industrial water, sanitary sewer, and storm sewer facilities; earth stabilization; railroad; electricity; natural gas; buildings; structures; telecommunications, transportation, and commercial infrastructure; and port facilities.

A rural county is defined as a county with a population density of less than 100 persons per square mile as determined by the office of financial management (31 counties are eligible to levy the 0.08 percent local option sales and use tax under the rural definition).

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**Summary of Amended Bill:**

The local option sales and use tax for public facilities in the rural counties program is revised to clarify and exclude the type of expenditures that can be financed with proceeds from the program.

The financing of public facilities is clarified to include the acquisition, construction, alteration, expansion or improvement of eligible public facilities that create or retain private sector jobs. The definition of public facilities is revised to exclude electric generation or distribution facilities. The financing of costs related to public facilities is allowed and defined to include development costs such as permitting, project design, feasibility studies, site planning and financing analysis.

Obsolete language regarding the January 1, 2000, date that the larger rural counties can start levying the 0.08 percent local option sales and use tax is deleted.

**Amended Bill Compared to Engrossed Bill:**

The amendment requires that moneys from the 0.08 percent local option sales and use tax must be used for infrastructure projects that create or retain private sector jobs.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** This would clarify the use of the moneys for infrastructure improvements that support economic development in the state's rural counties. The new language would improve the program and help the rural counties in determining what are eligible costs.

**Testimony Against:** None.

**Testified:** (In support) Senator Sheldon, prime sponsor; and Scott Taylor, Washington Public Ports Association.