

HOUSE BILL REPORT

HB 2800

As Reported by House Committee On:
Capital Budget

Title: An act relating to the capital projects surcharge.

Brief Description: Removing the capital projects surcharge on certain department of services for the blind vendors.

Sponsors: Representatives Hunt, Alexander, Romero, Hankins, Murray, Skinner, Woods, Reardon and Casada.

Brief History:

Committee Activity:

Capital Budget: 2/4/02, 2/12/02 [DPS].

Brief Summary of Substitute Bill

- Exempts certain vendors who operate cafeteria services in facilities owned and managed by the Department of General Administration from paying the capital projects surcharge beginning July 1, 2002.
- Requires the Department of General Administration to consider cafeteria space as a common area for the purpose of allocating the capital projects surcharge to other building tenants beginning July 1, 2003.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Murray, Chair; McIntire, Vice Chair; Alexander, Ranking Minority Member; Armstrong, Bush, Casada, Chase, Esser, Hankins, Hunt, Lantz, O'Brien, Ogden, Reardon, Schoesler, Veloria and Woods.

Staff: Susan Howson (786-7142).

Background:

The Department of General Administration (GA) owns and manages a number of buildings in Thurston County including the Department of Transportation building, the General Administration building, the Highway-Licenses building, the Legislative building,

the Natural Resources building, Office Building 2 (OB-2) and other buildings. The GA rents these buildings to state agencies for the delivery of programs and to conduct the state's business.

The GA's rental charge to building tenants in Thurston County includes two components: a facilities and services charge for maintenance and operations, and a capital projects surcharge or debt service charge for buildings substantially renovated since October 1994. The GA-owned buildings subject to debt service may be exempt from the capital projects surcharge. The Department of General Administration assesses these charges to building tenants based on square feet of the GA-owned space. The common areas, such as general lobby space, corridors, and restrooms, are prorated based on each agencies prorated fair share of the building.

The capital projects surcharge was created by the Legislature in 1994 to provide a mechanism for distributing capital costs among agencies and programs occupying facilities owned and managed by the GA in Thurston County primarily to improve facility decisions and to more efficiently use facilities.

The initial payment structure for this surcharge was \$1 per square foot per year beginning July 1, 1995. State law requires that the surcharge increase over time to an amount that, when combined with a facilities and services charge, equals the market rate for similar types of lease space in the area or equals \$5 per square foot per year, whichever is less. The GA building tenants are currently paying \$4 per square foot per year for the capital projects surcharge.

Proceeds from the capital projects surcharge are deposited into the Thurston County Facilities Account. These funds are subject to capital budget appropriation and may be expended for capital improvements in state facilities owned and managed by the GA in Thurston County.

The GA contracts with the Department of Services for the Blind (DSB) for cafeteria services in the GA-owned buildings in Thurston County. Cafeteria space fees include rent based upon rentable square feet, which includes maintenance and operations and also includes the capital projects surcharge or debt service charge. All cafeteria locations in the GA-owned facilities are charged for the maintenance and operations portion of the rent at a rate of \$6.72 per rentable square foot per year. Cafeteria vendors located in the GA, the Legislative, the OB-2 and the Department of Transportation buildings pay the capital projects surcharge at a rate of \$4.00 per rentable square foot per year, while cafeteria vendors at the Highway-Licences and the Natural Resources buildings do not pay the capital projects surcharge. The anchor tenants of these buildings have elected to pay for the other charge. The below chart illustrates the rates paid for cafeteria space for several buildings in Thurston County.

**Services for the Blind Cafeterias in State Owned Thurston County Buildings
2001-03 Space Rental Charges**

Cafeteria Locations	Bldg Owned by	Rentable Square Feet	Annual Rent Charge Breakdown			Total Annual Rent	Rental Rate Per Sq Foot	
			Maintenance & Operations	Capital Projects Surcharge	Debt Service			
General Admin Bldg	GA	1,327	\$8,917	\$5,308	\$0	\$14,225	\$10.72	
Legislative Bldg	GA	2,470	\$16,598	\$9,880	\$0	\$26,478	\$10.72	
OB-2	GA	2,249	\$15,113	\$8,996	\$0	\$24,109	\$10.72	
Transportation Bldg	GA	1,208	\$8,118	\$4,832	\$0	\$12,950	\$10.72	
Natural Resources Bldg	GA	3,154	\$21,195	Not applicable	Paid by Other Tenants	\$21,195	\$6.72	
Highway-Licenses Bldg	GA	868	\$5,833	Not applicable	Paid by Other Tenants	\$5,833	\$6.72	
Labor & Industries Bldg	L&I	3,961	No rent charged by L&I			\$0	\$0	
Totals		15,237	\$75,775	\$29,016	\$0	\$104,791	\$6.88	
Ecology Bldg	Ecology	2,500	Cafeteria operated by private vendor, not DSB					
Chart information provided by the Department of General Administration.								

Summary of Substitute Bill:

Beginning July 1, 2002, the Department Services for the Blind vendors who operate cafeteria services in a building owned and managed by the Department of General Administration (GA) are exempt from paying the capital projects surcharge. The GA must consider cafeteria space as a common area for purposes of allocating the capital projects surcharge to other building tenants beginning July 1, 2003.

Substitute Bill Compared to Original Bill:

The effective date for allocating the capital projects surcharge to other building tenants is

changed from July 1, 2002, to July 1, 2003.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The purpose of this legislation is to try to level the playing field for all Department of Services for the Blind (DSB) cafeteria vendors in Thurston County in regards to the rent paid to the Department of General Administration. The goal is to have a uniform policy among vendors to make the rent structure equitable. Currently there are at least two rate structures applied to cafeteria vendors. For many blind vendors, this is an economic stability bill.

Testimony Against: None.

Testified: Representative Hunt, prime sponsor; Peter Campbell, Department of Services for the Blind; and Larry Wattkinson, Blind Vendor.