SENATE BILL REPORT
SB 6187

As Reported By Senate Committee On:
Economic Development & Telecommunications, May 22, 2001

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: Senators T. Sheldon, Honeyford, Hargrove and Rasmussen.

Brief History:
Committee Activity: Economic Development & Telecommunications: 5/22/01 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TELECOMMUNICATIONS

Majority Report: Do pass.
Signed by Senators T. Sheldon, Chair; B. Sheldon, Vice Chair; Haugen, Rossi and Stevens.

Staff: Andrea McNamara (786-7483)

Background: The state Legislature has authorized a number of local options sales and use tax programs to assist local jurisdictions in carrying out a variety of county and municipal purposes. One such program, enacted in 1997, is a local option tax for public facilities in rural counties.

Public facilities are defined for the purposes of the program to include the following types of infrastructure: bridges, roads, domestic and industrial water facilities, sewer, storm sewer, and earth stabilization facilities, railroads, electricity, natural gas, buildings, structures, telecommunications and transportation, or commercial infrastructure, and port facilities. To qualify as a public facility eligible for the program, the facility must be listed as an item in a city or county's official economic development plans or capital facilities plans.

The maximum allowable tax rate may not exceed 0.08 percent and is deducted from the amount of tax the state would otherwise receive in sales and use taxes. Thirty-one counties have participated in the program since it started, generating nearly $12.5 million of local revenue for public facilities in rural counties. No county program can last for more than 25 years.

The Legislature passed ESB 5289 during the 2001 Regular Session, which would have made a number of changes to how the money could be used. The bill was vetoed by the Governor based on objections to one of the changes.

Summary of Bill: The rural county local option sales tax program for public facilities is modified to clarify and expand the allowable purposes for which the moneys can be used.

The financing of public facilities is clarified to include the acquisition, construction, rehabilitation, alteration, expansion or improvement of public facilities for the purpose of creating or retaining private-sector jobs and to exclude certain electricity facilities. The financing of related costs is also allowed and defined to include a variety of development costs such as permitting, project design, feasibility studies, site planning and financing analysis.

The electricity-related purposes for which the money may be used are limited. The money may not be used for financing distribution or transmission facilities on premises that currently receive electric service or that extend beyond the legal boundary of an undeveloped site. The money also may not be used to finance electric generation facilities that would supply electricity for use beyond the legal boundary of the development site.

None of the .08 percent money may be provided to any public or private electric utility for the purpose of financing a public facility project for electricity generation, transmission, or distribution.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Allowing counties to use the .08 money for pre-development costs such as planning and permitting is an important clarification of the program, particularly for smaller rural counties that cannot afford even to investigate some economic development opportunities. The requirement for private sector job creation or retention is also an important clarification to be sure the money is used for economic development projects rather than general government purposes. The restrictions on using the money for electricity-related projects is appropriate because those projects are more appropriately financed through electric rates not general sales tax dollars. Public electric utilities should not be able to use .08 money to finance new infrastructure that duplicates or competes against private electric utilities.

Testimony Against: Concerns: The original SB 5289 was more flexible and helpful to counties than the amended version and than this bill, which restricts counties that might want or need to include electricity generation as part of their economic development planning. Public utility districts may seek to use these funds to finance retail telecommunications activities.

Testified: Scott Taylor, WPPA (pro); Heidi Pehl, Port of Chehalis (pro); Rosemary Williamson, Verizon (concerns); Aaron Jones, WRECA (concerns); Steve Johnson, WA PUD Assn. (concerns); Paul Parker, WA State Assn. of Counties (pro w/concerns); Collins Sprague, AVISTA Corp. (pro); Kathleen Collins, PacifiCorp (pro); Ron Newbry, WA Econ. Dev. Assn. (pro).