

# HOUSE BILL REPORT

## HB 1705

---

**As Reported by House Committee On:**  
Technology, Energy & Communications

**Title:** An act relating to the creation of health sciences and services authorities.

**Brief Description:** Creating health sciences and services authorities.

**Sponsors:** Representatives Barlow, Ormsby, Kenney and Wood.

**Brief History:**

**Committee Activity:**

Technology, Energy & Communications: 2/7/07, 2/13/07 [DPS].

**Brief Summary of Substitute Bill**

- Allows a city, town, or county to establish a Health Sciences and Services Authority (Authority) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.
- Provides a business and occupation tax exemption for grants made by an Authority.
- Authorizes the Department of Revenue to provide an Authority with a percentage of proceeds generated by sales and use taxes within a city, town, or county jurisdiction.

---

### HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Ericksen, Hankins, Hudgins, Hurst, Takko and VanDeWege.

**Staff:** Scott Richards (786-7156).

**Background:**

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### **Special Purpose Districts**

Special purpose districts are limited purpose local governments established to perform a specialized function separate from a city, town, or county (local government). Examples of functions include: electricity services, flood control, irrigation, parks and recreation, and water and sewer services. According to the Municipal Research and Services Center of Washington, there are an estimated 80 different special purpose districts in the state. Most often the governance structures are designated in statute. Most powers of a special purpose district are vested in a board of directors, board of trustees, or board of district directors.

### **Business and Occupation Tax**

The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

### **Sales and Use Tax**

The sales tax is paid on each retail sale of most articles of tangible personal property, certain services, and extended warranties. The use tax is imposed on the use of articles of tangible personal property, certain services, and extended warranties when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

---

### **Summary of Substitute Bill:**

#### **Health Sciences and Services Authority**

A city, town, or county (local government) may establish by ordinance or resolution a Health Sciences and Services Authority (Authority) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. A city and county may join together to create an Authority. "Health sciences and services" means biosciences that advance new therapies and procedures to combat disease and promote public health. The ordinance or resolution must specify the powers of the Authority, establish an administrative board, clarify the geographic boundaries of an Authority and provide investment guidelines.

An Authority has all the general powers necessary to carry out its purposes and duties such as make and execute agreements and contracts, establish special funds, hire staff, leverage the Authority's public funds with moneys received from other public and private sources, hold funds received by the Authority in trust, and make grants to entities to promote bioscience-based economic development.

#### **Board**

An Authority shall be overseen by a board appointed by the sponsoring local government. Board members must reside within the jurisdiction of the local government that created the Authority. The board is responsible for selecting the chair and the adoption of bylaws or rules for their own governance. Board meetings will be held in accordance with the Open Public Meetings Act.

### **Liability**

Members of the board, as well as other persons acting on behalf of the Authority, are not subject to personal liability resulting from their official duties. The state, the local government that created the Authority, and the Authority are not liable for any loss, damage, harm, or other consequences resulting from grants provided by the Authority or from programs, services, research, or other activities funded with such grants.

### **Department of Community, Trade and Economic Development**

The Department of Community, Trade and Economic Development (Department) is authorized to approve or reject applications submitted by local governments for an area's designation as an Authority. The application shall be prescribed by the Department. Applications are due July 1, 2008. When denying an application, the Department must specify the application's deficiencies. A rejected application may be resubmitted for approval. The Department is limited to approving two authorities statewide.

The Department may adopt any rules necessary to implement the Authority Program. The Department must develop evaluation and performance measures in order to evaluate the effectiveness of an Authority's activities. The Director of the Department shall determine the division to review applications submitted by local governments and the division to develop criteria to evaluate the applications.

### **Debt**

A local government may incur general indebtedness, and issue general obligation bonds, to finance the grants and other programs and retire the indebtedness. The bonds issued by a local government do not constitute an obligation of Washington, either general or special.

The ordinance adopted by the local government creating the authority and authorizing the use of the excise tax indicates an intent to incur this indebtedness and the maximum amount of this indebtedness that is contemplated.

The general indebtedness incurred may be payable from other tax revenues, the full faith and credit of the sponsoring local government, and nontax income, revenues, fees, and rents from the public improvements, as well as contributions, grants, and nontax money available to the local government for payment of costs of the grants and other programs or associated debt service on the general indebtedness.

### **State Tax Incentives**

#### **Business and Occupation Tax**

The B&O tax does not apply to grants made by an Authority.

#### **Sales and Use Tax**

The Department of Revenue shall distribute, on a quarterly basis, to a local government with an Authority an amount equal to .015 percent of the proceeds generated by the sales and use taxes within that local government's jurisdiction during the previous quarter. The amounts received may only be used to carry out the powers and duties of an Authority or to finance and retire debt incurred, in whole or in part.

### **Public Disclosure**

Financial, commercial, operations, and technical and research information and data submitted to or obtained by an Authority related to grant making is exempt from disclosure as part of the Public Records Act.

### **Substitute Bill Compared to Original Bill:**

The substitute bill allows a city and county to jointly create an Authority.

The Director of the Department of Community, Trade and Economic Development shall determine the division to review applications submitted by local governments and the division to develop criteria to evaluate the applications. The number of authorities statewide is reduced from four to two.

The application submission date is changed from December 31, 2008 to July 1, 2008.

If an Authority is dissolved, unused assets are returned to the State Treasurer.

The sources of funding that a local government may use in paying for general indebtedness incurred in funding the activities of an Authority are specified.

---

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed, except section 14, which, because of prior double amendments, takes effect June 30, 2008.

### **Staff Summary of Public Testimony:**

(In support) A Health Sciences and Services Authority needs to occur in Spokane. This program will allow communities to get the infrastructure in place in order to compete nationally and globally in the health sciences arena. The proposed Institute for Systems Medicine (Institute) in Spokane is a perfect example of what this bill would support. The development of the Institute could mean a great deal for the eastern side of the state. It could provide jobs, stimulate the economy and be a major factor in improving our health care practices. This bill has the unique ability to leverage the strength in research, education and health care access. This legislation is critical to the successful launch of the Institute for Systems Medicine. This bill will create high wage jobs and improve patient outcomes.

(Opposed) None.

**Persons Testifying:** Representative Barlow, prime sponsor; Mike Skinner, Washington State University; John Driscoll, Project Access; and Lewis Rumpler, Institute for Systems Medicine.

**Persons Signed In To Testify But Not Testifying:** None.