

SENATE BILL REPORT

SB 5616

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, February 26, 2007
Ways & Means, March 5, 2007

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

Brief Description: Creating health sciences and services authorities.

Sponsors: Senators Marr, McCaslin, Brown, Oemig, Kastama, Regala, McAuliffe, Kilmer, Berkey, Keiser, Spanel, Eide, Murray, Shin and Kohl-Welles.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/20/07, 2/26/07 [DP-WM, DNP].

Ways & Means: 3/01/07, 3/05/07 [DPS, w/oRec].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin, Murray and Prentice.

Minority Report: Do not pass.

Signed by Senators Clements, Ranking Minority Member and Holmquist.

Staff: Sherry McNamara (786-7402)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5616 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Honeyford.

Staff: Dean Carlson (786-7305)

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.

Background: The Legislature has authorized both cities and counties to create Public Facilities Districts (PFD). A PFD is a municipal corporation and a taxing authority. Its governing body is a board of directors. Washington also has an estimated 80 special purpose districts that were established to perform a specialized function separate from a city, town, or county.

The business and occupation (B&O) tax is a gross receipts tax imposed on persons conducting business activities in Washington. The retail sales tax is imposed on the buyer of goods and certain services. The use tax is a tax on the use of goods in Washington when the state's sales tax has not been paid. Use tax is due at the time the taxable goods are first used in Washington.

Sales and use tax are compliments of one another. Either the sales tax or use tax apply, not both. Use tax rates and sales tax rates are the same.

Summary of Bill: Health sciences and services authorities can be created by sponsoring local governments to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.

Sponsoring local governments can be a city, town, or county. The authority must be established by an ordinance or resolution. The ordinance must at minimum establish an administrative board for the authority, and specify the powers and duties and boundaries of the authority. Only four authorities can be created statewide.

The application for designation as a health sciences and services authority must:

- demonstrate public funds directed to the authority and its programs will leverage private resources and contributions;
- provide a plan for the development of the authority as an entity to advance as a cluster for health sciences education, research, biotechnology development, biotech product commercialization, and/or health care services; and
- demonstrate that the state has previously provided funds to health sciences and services programs or facilities in the applicant city, town, or county.

Local governments must submit applications for an area's designation as a health sciences and services authority to the Department of Community, Trade, and Economic Development (CTED) by December 31, 2008. The Director may reject or approve an application. When denying an application, the Director must specify the application's deficiencies. The decision regarding such designation as it relates to a specific local government is final; however, a rejected application may be resubmitted.

An authority can incur general indebtedness to finance its grants and programs. This indebtedness can be retired through funds distributed to the authority by the Department of Revenue (DOR).

Grants made by a health sciences and services authority are exempt from business and occupation taxes.

The Department of Revenue is required to distribute quarterly 0.015 percent of the proceeds generated by the state retail sales and use taxes within the sponsoring local government's

jurisdiction during the previous quarter. These amounts can only be used within the defined powers and duties of the authority or to retire the indebtedness.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): The B&O tax exemption for grants received by the authority is eliminated. The amount of authorities created is reduced from four to two and may not be in counties with a population of less than one million people. The 0.015 percent sales tax credited against the state portion of the sales tax is removed. A local jurisdiction imposing the tax under this act must report to the Legislature by December 10, 2011, an analysis of the effectiveness of this act. The analysis must give evidence of the effectiveness of the act on the promotion of bioscience-based economic development and the advancement of new therapies and procedures to combat disease and promote public health.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Labor, Commerce, Research & Development):
PRO: This bill would create bioscience based economic development by promoting research. Creating health science and services authorities will provide a tool for funding critical services. A nexus is created between health services innovation and health care services delivery. The health science and services authority established in this bill will utilize funding mechanisms which will enable the funding of two community initiatives in the Spokane area. This bill offers a unique combination to be able to leverage the strengths and assets of research, education and to improve health care access and the quality of care to citizens. The long-range goal is to have the financial support to improve health care.

Persons Testifying (Labor, Commerce, Research & Development): PRO: Senator Marr, prime sponsor; Lewis Ruplek, Institute for Systems Medicine; John Driscoll, Project Access.

Staff Summary of Public Testimony (Ways & Means): PRO: Spokane realizes that their economy depends on their healthcare industry. This on-going revenue stream will help to attract quality healthcare people and businesses.

OTHER: We have concerns about the business and occupation tax exemption for grants. Currently, grants given in exchange for consideration are subject to tax. We feel that this could have a snowball effect on the taxation of grants.

Persons Testifying (Ways & Means): PRO: Joe King, Jeff Gombosky, Institute for Systems Medicine.

OTHER: Gil Brewer, Department of Revenue.