

HOUSE BILL REPORT

SSB 5525

As Reported by House Committee On: Ways & Means

Title: An act relating to hospital benefit zones that have already formed.

Brief Description: Concerning hospital benefit zones that have already formed.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kilmer and Carrell).

Brief History:

Committee Activity:

Ways & Means: 3/30/11, 3/31/11 [DPA].

Brief Summary of Substitute Bill (As Amended by House)

- Modifies the hospital benefit zone program.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended. Signed by 27 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Staff: Jeffrey Mitchell (786-7139).

Background:

In 2006 the Legislature authorized counties, cities, and towns to finance public improvements in a defined area with a new form of tax increment financing. The defined area, called a benefit zone, must include a hospital that has received a certificate of need. Local governments may establish a hospital benefit zone (HBZ) to finance public infrastructure improvements. The state contribution for the projects is provided through a new local sales

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and use tax, which is credited against the state sales and use tax. The sales and use tax credit is limited to \$2 million per year per project. The state contribution must be matched with an equivalent local contribution, referred to as local public sources, dedicated in the prior calendar year. "Local public sources" that count towards the local contribution includes private monetary contributions, assessments, dedicated local government funds, and tax allocation revenues. "Local public sources" does not include local government funds derived from any state loan or state grant, any local tax that is credited against the state sales and use taxes, or any other state funds. Eligible public improvement projects include streets, water and sewer systems, parking facilities, sidewalks, street lighting, and parks.

Summary of Amended Bill:

The definition of public improvements is amended to include construction, maintenance, and improvement of state highways that are within the benefit zone, including interchanges.

A local government may modify the public improvements to be financed with the use of HBZ financing by amending the enabling ordinance and holding a public hearing, provided that the total cost of the public improvements is not increased.

Local public sources may include amounts expended by a hospital to finance public improvements in the HBZ since the date of formation of the zone and may be applied to the year or years designated by the local government.

Local public sources that are unused with respect to meeting the local match requirement in any year may be carried forward.

The definition of items excluded from local public sources is amended to exclude only the the state-subsidized portion of any state loan or state grant.

A city, town, or county is not required to expend the local tax credited against the state taxes imposed under a HBZ in the fiscal year in which the taxes are received.

Amended Bill Compared to Substitute Bill:

The provision allowing federal funds to count towards the local match requirement is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is about HBZs that have already formed. The City of Gig Harbor is the only city to have a HBZ. This bill allows the city to use revenues in a way that is efficient and meets the city's needs. This bill is about providing the City of Gig Harbor with the flexibility to use the revenue as opposed to making changes to the state sales tax credit. The credit will remain the way that it is. We need some technical changes to the bill. Capital project expenditures come in different amounts from year to year. It comes in peaks and valleys. We cannot control the timing of local public sources. This bill will go a long way in smoothing out the peaks and valleys. The limit on the state's share will remain unchanged.

(Opposed) None.

Persons Testifying: Briahna Taylor and Rob Korlinsey, City of Gig Harbor.

Persons Signed In To Testify But Not Testifying: None.