

SENATE BILL REPORT

SB 5525

As Reported by Senate Committee On:
Government Operations, Tribal Relations & Elections, February 17, 2011
Ways & Means, February 24, 2011

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

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

Sponsors: Senators Kilmer and Carrell.

Brief History:

Committee Activity: Government Operations, Tribal Relations & Elections: 2/15/11 [DPF],
2/17/11 [DP-WM, DNP].
Ways & Means: 2/23/11, 2/24/11 [DPS].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS, TRIBAL RELATIONS & ELECTIONS

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

Signed by Senators Pridemore, Chair; Prentice, Vice Chair; Swecker, Ranking Minority Member; Chase, Nelson and Roach.

Minority Report: Do not pass.

Signed by Senator Benton.

Staff: Sharon Swanson (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5525 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Brown, Conway, Fraser, Hatfield, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Pflug, Pridemore, Regala, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

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: 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. Revenue for the projects is generated through a new local sales and use tax, up to \$2 million per project per year, credits against the state sales and use tax, and matched with an equivalent amount of local resources. Monies collected under the local tax credited against the state tax must be matched with an amount from local public sources dedicated through December 31 of the previous calendar year to finance public improvements authorized under chapter 39.100 RCW. Eligible public improvement projects include streets, water and sewer systems, parking facilities, sidewalks, street lighting, and parks.

Summary of Bill (Recommended Substitute): The definition of public improvements is amended to include construction, maintenance, and improvement of state highways that are connected to the benefit zone, including interchanges connected to the benefit zone.

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 in the zone since the date of formation of the zone and may be applied to the year or years designated by the local government.

The definition of local public sources is amended to include federal funds. The definition of items excluded from local public sources are amended to exclude local government funds derived from the state-subsidized portion of any state loan or state grant.

The requirement that monies collected under the local tax credited against the state tax be matched with local public sources are amended to the amount from local public sources dedicated since the date the HBZ was formed.

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

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):

- Amends the definition of public improvements to include construction, maintenance, and improvement of state highways that are connected to the benefit zone, including interchanges connected to the benefit zone.
- Removes language allowing the benefit zone to change boundaries.
- Removes provisions allowing the local government to estimate local public sources.
- Local public sources may include amounts expended by a hospital in the zone since the date of formation of the zone and may be applied to the year or years designated by the local government.

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 on Original Bill (Government Operations, Tribal Relations & Elections): PRO: This bill gives additional fiscal flexibility to cities. It allows the cities to use federal dollars as part of the local match. It is very important that the City of Gig Harbor have the ability to change the project list without reforming the benefit zone. The needs of the area have changed since the creation of hospital benefit zones came about in 2006. The impact to the state will not change so there will be no additional fiscal impact to the state.

Persons Testifying (Government Operations, Tribal Relations & Elections): PRO: Rob Karlinsey, City Administrator, Briahna Taylor, Cynthia Weed, City of Gig Harbor.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: HBZ legislation has helped Gig Harbor to do public improvements. We intend to impose the local tax later this year. This bill provides changes in how the credit is applied. We support the proposed substitute. We are sensitive to the state's budget situation and have made changes to avoid impacting state revenues. We are also asking to amend local ordinances to allow changes in projects without increasing the costs; this is an improvement because it is difficult to predict all projects necessary for the term of the benefit zone. The bill also improves the HBZ program because it makes provision for the dynamics of development, which occurs in peaks and valleys. This bill will help smooth out revenues.

Persons Testifying (Ways & Means): PRO: Senator Kilmer, prime sponsor; Rob Karlinsky, Gig Harbor City Administrator.