

# SENATE BILL REPORT

## SB 5599

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As of February 28, 2013

**Title:** An act relating to the taxing authority of public facilities districts.

**Brief Description:** Concerning the taxing authority of public facilities districts.

**Sponsors:** Senators Fain, Baumgartner, Billig, Harper, Fraser and Cleveland.

**Brief History:**

**Committee Activity:** Ways & Means: 2/19/13.

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Dean Carlson (786-7305)

**Background:** Public facilities districts (PFDs) are municipal corporations with independent taxing authority and are taxing districts under the Washington State Constitution. There are two enabling statutes: one for counties (County PFDs) and another for cities and joint arrangements between a group of cities or a county and one or more cities (City PFDs). Governance provisions are spelled out for these districts.

County PFDs may be created in any county. The boundaries of a County PFD are co-extensive with the boundaries of the county. Many County PFD provisions were modified as part of the baseball stadium legislation in 1995. County PFDs may construct, improve, or remodel sports facilities, entertainment facilities, convention facilities, or regional centers as defined below. County PFDs may be funded through a combination of: (1) charges and fees for the use of facilities by organizations; (2) taxes on admission charges; (3) taxes on vehicle parking charges; (4) voter-approved sales and use taxes; (5) credits against the state sales and use tax; (6) lodging taxes; (7) voter-approved property taxes; and (8) bonds. King County contains one County PFD created for the purpose of the construction, maintenance, and operation of Safeco Field, the baseball stadium.

State law authorizes a PFD to impose a local sales and use tax of up to 0.033 percent to finance regional centers. Regional centers are defined to include convention and conference centers and special events facilities, such as facilities for community events, sporting events, trade shows, and artistic performances. This tax is not an additional tax for consumers, and it does not change the overall retail sales or use tax rate. Rather, the receipts are credited against the state 6.5 percent tax, and therefore the burden is shifted to the state general fund.

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Authority to levy the tax is limited to districts that were created by certain dates and commenced the construction, improvement, or rehabilitation of eligible projects prior to certain dates.

Once imposed, the tax may remain in place until bonds that finance the construction of the facility are retired, but in no case may the tax be levied for longer than 25 years. In order to utilize the state-credited tax receipts, the statute requires that public or private matching funds be obtained for the project. First levied in August 2000, the tax is currently funding 24 projects throughout the state.

**Summary of Bill:** The 25-year maximum period in which the sales and use tax credit against the state tax can be imposed is changed to 40 years.

Once imposed, the tax is authorized to remain in place until bonds that finance the construction, as well as the improvement, rehabilitation, or expansion of the facility are retired.

**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:** PRO: We will be seeking an amendment that if a PFD were to go through a refinance, it does not nullify the sales tax credit. This tool helped us construct a conference center and to renovate the historic Columbia Theater. Our PFD participated in a master plan for expansion of the property around the convention center. We are trying to figure out how to pool our resources with private investment to make this happen. Our annual cash flow has been impacted significantly since 2008. If the economy does not pick up we may have to refinance. Without the extension we cannot move forward on future improvements. We leveraged the sales tax rebate with about \$7 million of local money. We saved an art deco building with this funding and use it for an arts center. We serve 60,000 people each year. The Lynwood convention center just finished our most successful year. We leveraged this into about \$20 million of economic impact. There are 24 PFDs throughout the state. None of us predicted the length and depth of the recession.

**Persons Testifying:** PRO: Joe McIalwain, Edmonds PFD; Nelson Graham, Cowlitz County PFD; Grant Dull, Lynwood PFD; Jim Hedrick, Assn. of WA State PFDs.