

# HOUSE BILL REPORT

## SSB 5851

---

### As Reported by House Committee On: Appropriations

**Title:** An act relating to enhancing educational opportunities for vulnerable children and youth using funding distributed from the Puget Sound taxpayer accountability account.

**Brief Description:** Enhancing educational opportunities for vulnerable children and youth using funding distributed from the Puget Sound taxpayer accountability account.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Frockt, Saldaña, Wellman and Wilson, C.).

#### **Brief History:**

##### **Committee Activity:**

Appropriations: 3/20/19, 4/1/19 [DPA].

#### **Brief Summary of Substitute Bill (As Amended by Committee)**

- Expands uses of the Puget Sound Taxpayer Accountability Account (PSTAA) to facilities and programs for improving educational outcomes.
- Authorizes the Legislature to appropriate the PSTAA for expenditure in a county rather than a direct distribution if the county has not enacted the local mental health tax by July 1, 2019.

---

### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 20 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Stokesbary, Ranking Minority Member; Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jinkins, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Sullivan, Tarleton and Tharinger.

**Minority Report:** Do not pass. Signed by 13 members: Representatives MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Dye, Hoff, Kraft, Mosbrucker, Schmick, Steele, Sutherland, Volz and Ybarra.

**Staff:** Kristen Fraser (786-7148).

---

*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 definition of "retail sale" excludes charges for labor or services on transportation projects owned by a municipal corporation or political subdivision. This means that local governments' transportation construction contracts are exempt from state and local sales and use taxes, though contractors pay those taxes on materials.

Under legislation enacted in 2015, a regional transit authority (RTA) must pay a sales and use tax offset fee on specified construction expenditures. The offset fee is 3.25 percent of total payments made by the RTA to construction contractors under any plan that is (1) funded by a proposition approved by the voters after January 1, 2015, and (2) exempt from the retail sale definition. The offset fee is deposited in the Puget Sound Taxpayer Accountability Account (PSTAA) in the state treasury, and the fee ends when the RTA has paid \$518 million into the PSTAA.

The state must distribute offset fees paid into the PSTAA to counties in the RTA. Portions of King, Pierce, and Snohomish counties are within the RTA, so these counties will receive distributions from the PSTAA in proportion to population. These counties may spend these distributions on educational services to improve educational outcomes in early learning, kindergarten through twelfth grade (K-12), and higher education including, but not limited to, for youths that are low-income, homeless, or in foster care or other vulnerable populations. To the greatest extent practicable, the counties' expenditures from the PSTAA distributions must correspond to transportation subarea equity elements used by the RTA.

The Legislature has authorized counties to levy a local sales and use tax of 0.1 percent for mental health treatment, chemical dependency treatment, and therapeutic courts.

In the state capital budget, the Legislature makes appropriations to the Department of Commerce for the Building Communities Fund program, which allocates state funding to local governments and nonprofit organizations to help build community facilities, subject to matching and oversight requirements.

---

**Summary of Amended Bill:**

The RTA counties' authorized uses of the PSTAA distributions are broadened. Permitted expenditures are expanded from "educational services" to "improving education outcomes", including programs or facilities for children or youth that are low-income, homeless, or in foster care, or other vulnerable populations. These counties may also use distributions to start endowments to provide support for improving education outcomes in early learning, K-12, and higher education.

If a county in the RTA has not levied the mental health tax by July 1, 2019, then the Legislature may appropriate that county's share of PSTAA revenues for expenditure in that county rather than distribute the PSTAA moneys directly to the county. The Legislature may appropriate that county's share to the Department of Commerce for appropriation either for a contract with a nonprofit community service organization to provide services that will

improve educational outcomes, or to the Department of Commerce for capital facilities grants, or both. Capital grants appropriated from the PSTAA are subject to the matching and oversight requirements of the Building Communities Fund.

**Amended Bill Compared to Substitute Bill:**

The amended bill adds the authorization for the Legislature to appropriate a county's share of PSTAA revenues to the Department of Commerce as grants for expenditures in that county if the county has not levied the local mental health tax.

---

**Appropriation:** None.

**Fiscal Note:** Not requested.

**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) A broad coalition of stakeholders supports this bill, including representatives from early learning, K-12, and higher education. This funding is a one-time opportunity to invest in these counties for underserved populations. The changes that permit use of the revenues for facilities and endowments will leverage funding from other sources.

(Opposed) None.

**Persons Testifying:** Jennifer Ziegler, The Ballmer Group.

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