

SENATE BILL REPORT

SB 5596

As Reported by Senate Committee On:
Ways & Means, February 25, 2019

Title: An act relating to extending the expiration date on the health sciences and services authority sales and use tax authorization.

Brief Description: Extending the expiration date on the health sciences and services authority sales and use tax authorization.

Sponsors: Senators Holy and Billig.

Brief History:

Committee Activity: Ways & Means: 1/31/19, 2/25/19 [DP, w/oRec].

Brief Summary of Bill

- Extends the expiration date by 15 years for a local sales and use tax imposed by a city or county that has created a Health Sciences and Services Authority.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Bailey, Becker, Billig, Hasegawa, Liias, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senators Frockt, Vice Chair, Operating, Capital Lead; Carlyle, Hunt, Keiser, Palumbo and Pedersen.

Staff: Jeffrey Mitchell (786-7438)

Background: In 2007, legislation was enacted enabling a city, town, or county to establish a Health Sciences and Services Authority (HSSA) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.

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.

The Washington State Student Achievement Council (Council) is responsible for approving or rejecting applications submitted by local governments for an area's designation as an HSSA. Applications to establish an HSSA were due by December 31, 2010.

By statute, only two HSSAs are authorized. An HSSA is required to be located in a county with a population under 1 million persons and located east of the crest of the Cascade Mountains.

A local jurisdiction creating an HSSA may:

- until January 1, 2023, impose a sales and use tax credited against the state sales and use tax—the tax may be imposed only by HSSAs created prior to January 1, 2010; and
- incur general indebtedness and issue general obligation bonds to finance grants and other programs and to retire the indebtedness.

An HSSA is overseen by a board of up to 14 members, and has all the general powers necessary to carry out its purposes, including hiring staff and contracting with technical experts, leveraging the HSSA's public funds with monies received from other public and private sources, and making grants to entities to promote bioscience-based economic development.

The Spokane County HSSA, was approved in 2008 and is the only jurisdiction imposing the local sales and use tax. The sales and use tax distributions to the Spokane County HSSA were about \$1.9 million for calendar year 2016. Yakima County recently adopted an ordinance creating an HSSA, but is not currently allowed under state law to impose the HSSA sales and use tax.

Summary of Bill: The expiration date for the HSSA sales and use tax is extended from January 1, 2023, to January 1, 2038.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This legislation has been very valuable and a great return on investment. The original legislation from 2007 has spurred the creation of about 450 jobs and has had about a \$70 million dollar impact over the scope of its impact so far in the life sciences sector. It is really a good fit for eastern Washington. The technology and improvements it has provided are amazing. This is a bipartisan bill. The existing HSSA has stayed true to its mission while providing an excellent return on the investment in our community. We believe that it must continue to be funded to sustain and grow the bio-health and life sciences research capacity in Spokane County in both the academic and private sphere. The program so far has been credited with bringing in over \$35 million dollars in

additional Health Sciences federal grants to the Spokane region primarily from the National Institutes of Health. For every one dollar of NIH funding it generates another dollar into our community. Therefore, the rough calculus on that is about \$70 million in economic activity, which we think is a pretty good return on investment. The HSSA has invested about \$5.7 million in research and infrastructure grants, with more planned. There has also been about \$2.6 million in access-to-care grants. Therefore, about \$8 million in HSSA funding has created about \$70 million in economic activity. The funding under this legislation supports research that addresses some of our most serious health problems. This research would not have been possible without the HSSA funding. Using the funding, we have been able to develop a platform that is very close to commercialization. Given Spokane's economically challenging environment, it would not have otherwise been possible without this funding. Our region does not have ready access at early stages to the kinds of investors that the sector needs.

Persons Testifying: PRO: Nancy Isserlis, Health Sciences and Services Authority of Spokane County; David Vachon, Iasis Molecular Sciences; Ian Goodhew, UW School of Medicine- Gonzaga University Health Partnership.

Persons Signed In To Testify But Not Testifying: No one.