HOUSE BILL REPORT
SHB 1155

As Amended by the Senate

Title: An act relating to sales and use tax for emergency communication systems and facilities.

Brief Description: Concerning sales and use tax for emergency communication systems and facilities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Riccelli, Ormsby and Lekanoff).

Brief History:

Committee Activity:

Finance: 1/26/21, 2/18/21 [DPS].

Floor Activity:

Passed House: 3/1/21, 56-41.

Senate Amended.

Passed Senate: 4/5/21, 29-20.

Brief Summary of Substitute Bill

- Modifies requirements related to interlocal agreements for the emergency communications systems and facilities local sales and use tax.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Berg, Vice Chair; Walen, Vice Chair; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai and Wylie.

Minority Report: Do not pass. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Stokesbary and Vick.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Nick Tucker (786-7383).

Background:

Retail Sales and Use Tax.
Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Emergency Communications Systems and Facilities Local Sales and Use Tax.
Counties may levy a sales and use tax to fund costs associated with emergency communication systems and facilities (emergency communications sales and use tax) with voter approval. The maximum tax rate is 0.2 percent. The funds must be used for costs associated with financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of emergency communication systems and facilities.

Any county with a population of more than 500,000 but less than 1.5 million and any city in that county with a population over 50,000 operating emergency communication systems and facilities must enter into an interlocal agreement to determine distribution of revenue prior to submitting the authorizing ballot to the voters. Any county with a population of more than 1.5 million must enter into interlocal agreements with its cities with populations over 50,000 regarding revenue distribution, even if a city is part of a regional communication system.

Summary of Substitute Bill:

Any county with a population over 1.5 million imposing the emergency communications sales and use tax and any city in that county with a population over 50,000 operating emergency communications systems and facilities, either independently or as a member of regional agency, must enter into an interlocal agreement to determine the distribution of revenue from the tax within 12 months of meeting the city and county population thresholds or within 12 months of the effective date of the bill, whichever is later.

Any county with a population between 500,000 and 1.5 million imposing the emergency communications sales and use tax and any city in that county with a population over 50,000 operating emergency communications systems and facilities must enter into an interlocal agreement to determine the distribution of revenue from the tax within 12 months of meeting the city and county population thresholds or within 12 months of the effective date of the bill, whichever is later.

The deadline to enter into an interlocal agreement may be extended for an additional three months with the agreement of the city and the county.

If the city and county fail to enter into an interlocal agreement within the allotted time frame, then the city or county may seek equitable apportionment of the tax in the county's superior court and that apportionment must be retroactive to when the city and county met the relevant population thresholds or the effective date of the bill, whichever is later.

EFFECT OF SENATE AMENDMENT(S):

<u>The Senate amendment:</u>

- <u>specifies that for a county with a population over 1.5 million that is required to enter into an interlocal agreement with a city to determine the distribution of the revenues from the local sales and use tax for emergency communications systems and facilities, the interlocal agreement may be entered into either independently with the city or with the city as a member of a regional emergency communications agency; and</u>
- <u>requires that in the interlocal agreement process for the local sales and use tax for emergency communications systems and facilities involving a county with a population over 1.5 million, city representation must include a representative from the mayor's office and the city council president or, for council-manager forms of government, city representation must include the city manager or the city manager's designee.</u>

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 corrects a timing technicality related to a public safety issue. This tax was originally passed on bipartisan agreement and the interlocal agreements required have never resulted in ill outcomes. When originally drafted, the population requirements were only measured when the tax is first enacted, but the population in Spokane County has grown. The lack of an interlocal agreement has left Spokane County's largest city without a seat at the table to have an input on the use of these funds. Ultimately, this bill will allow local governments to work together.

Spokane County's current use of funds does not meet the needs of its largest city, leaving the City of Spokane with a public safety problem. Without this bill, there are lives at risk as services are not being dispatched properly and mistakes are frequently made. Many changes have been implemented to cut costs and increase efficiency, but the changes are not working well. There has been a decrease in the dispatch quality and as a result, first responders are being put into danger and the quality of service to citizens has decreased.

(Opposed) The City of Spokane has had three seats at the table, but the Spokane City Council removed those seats when they were not able to agree on certain issues. Mutual aid is still being provided to the City of Spokane. The regional system has worked well so far and the system puts the needs of the community first. Response times have improved. This bill could result in two cities moving away from the regional system used in Spokane County, which would harm the existing system and create financial difficulties. This tax was passed in 2008 with the understanding that infrastructure would be built region-wide and not just as a dispatch system. This is an attempt to attack a promise made to Spokane County citizens.

Persons Testifying: (In support) Representative Riccelli, prime sponsor; Candace Mumm and Breean Beggs, Spokane City Council; Kelly Masjoan and Kyle Steinmetz, City of Spokane; Dave Kovac, Spokane Fire Department; Jim Tieken, American Federation of State, County and Municipal Employees Local 270; and Tim Archer, Spokane Firefighters.

(Opposed) Bryan Collins, Spokane Valley Fire Department; and Ozzie Knezovich, Spokane County Sheriff's Office.

Persons Signed In To Testify But Not Testifying: None.