

HOUSE BILL REPORT

SHB 2348

As Passed Legislature

Title: An act relating to county hospital funding.

Brief Description: Concerning county hospital funding.

Sponsors: House Committee on Finance (originally sponsored by Representatives Street, Chopp, Taylor, Fitzgibbon, Berry, Orwall, Davis, Alvarado, Farivar, Macri, Ryu, Riccelli and Ormsby).

Brief History:

Committee Activity:

Local Government: 1/24/24, 1/26/24 [DP];

Finance: 1/30/24, 2/5/24 [DPS].

Floor Activity:

Passed House: 2/9/24, 56-41.

Senate Amended.

Passed Senate: 2/29/24, 31-18.

House Concurred.

Passed House: 3/5/24, 59-36.

Passed Legislature.

Brief Summary of Substitute Bill

- Authorizes counties that establish hospitals to use county money, levy taxes, and issue bonds to pay, finance, or refinance capital expenses related to the hospital.
- Changes the tax imposed by counties who own hospitals to an additional regular property tax outside the county general levy.
- Expands the allowable uses of funds from the county hospital property tax to include operations and capital expenses of the hospital and any outpatient clinics operated by the hospital, and for payment of principal and interest on bonds issued for those purposes.

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.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 6 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Goehner, Ranking Minority Member; Berg, Griffey and Riccelli.

Minority Report: Without recommendation. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

Staff: Elizabeth Allison (786-7129).

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Berg, Chair; Street, Vice Chair; Chopp, Ramel, Santos, Springer, Thai and Wylie.

Minority Report: Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard and Wilcox.

Staff: Rachelle Harris (786-7137).

Background:

A county legislative authority is authorized to establish, provide, and maintain hospitals. For this purpose, counties may:

- purchase or lease real property or use county-owned land;
- erect all necessary buildings, make repairs and improvements, and alter existing buildings for the use of the hospital;
- use county money, levy taxes, and issue bonds to raise money to cover the cost of procuring the site of the hospital, constructing and operating the hospital, and for maintaining the hospital; and
- accept and hold in trust any grant of land, gift or bequest of money, or any donation for the benefit of the hospital.

If a county hospital is established, the county may levy a tax in an amount up to 50 cents per \$1,000 of assessed value, in any year, for the maintenance of the hospital.

Summary of Substitute Bill:

Counties are authorized to use county money, levy taxes, and issue bonds to pay, finance, or refinance the cost of, rather than cover the cost of, procuring the site for a hospital, constructing and operating costs, and maintenance, and for outpatient clinics operated by the hospital. Counties may also use county money, levy taxes, and issue bonds for hospital capital expenses.

The tax a county that establishes a hospital may impose is changed to an additional property tax levy in an amount up to 20 cents per \$1,000. Only counties with a population over 2 million may impose the additional property tax levy. In addition to maintenance, the revenue may be used for the operation and capital expenses of the hospital and to pay the principal and interest on bonds issued for such purposes. The tax is not subject to aggregate regular levy rates and is not subject to the 1 percent levy growth limit for the first year the tax is imposed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony (Local Government):

(In support) Harborview Hospital recently proposed a set of renovations and seismic retrofits to modernize the hospital. Before COVID-19, the estimated cost was \$1.75 billion. Since then, inflation has taken off and the project requires an additional \$1 billion. Harborview is a gem of a hospital. It is in the heart of downtown Seattle and all communities are experiencing housing crises. Harborview serves homeless folks by providing \$130 million in charity care, and an additional \$200 million in undercompensated care. Forty percent of the people who go to Harborview are outside of King County. Harborview is the only Trauma One hospital not only in Washington, but in the Pacific Northwest. People come from neighboring states for care. Harborview has a partnership with the University of Washington School of Medicine. Residents from the school do training at Harborview. Other hospitals have bonding and levy ability that Harborview does not have access to. Any county-owned hospital can fund maintenance, but money cannot be used for operating costs, capital expenses, or debt servicing. This bill is targeted in how it is written and only King County will be affected because Harborview is the only county-owned hospital. Due to the same impacts seen by the state, Harborview cannot cover its current costs. There are increased costs stemming from COVID-19 and there is not currently a solution. Harborview does not currently have a dedicated revenue source, and this bill would provide funding for the hospital. Harborview has significant fiscal needs. Harborview is asking the state for operating expenses from the state budget. Communities in King County and outside are in dire need of additional beds. This bill will allow Harborview to expand its number of beds and increase its acute care services.

(Opposed) None.

Staff Summary of Public Testimony (Finance):

(In support) Harborview is a safety net for the county and for the state and region as a

whole. It has a unique place and provides charity care. It is the only level one trauma care center in the region, so the services provided are wide and regional. Harborview is county-owned and does not have the same revenue stream as a public hospital districts. The current tax can go to the maintenance of the hospital; this expands it to go to capital expenses and ongoing operations. There is currently no solution to the revenue shortfalls Harborview has, but this bill allows a separate dedicated revenue source. King County does not have banked capacity within its current levy. This bill allows King County to use a new levy to cover the operating expenses for the hospital. Supporting the psychiatric beds and other services Harborview provides is important. The respite beds are very much needed.

(Opposed) This bill eliminates limits on property taxes. We should not have taxing authority without limits because this will end up being just like Sound Transit. No government should be able to go above 1 percent without voter approval.

Persons Testifying (Local Government): Representative Chipalo Street, prime sponsor; Michael White, Office of the King County Executive; Rashi Gupta, University of Washington Medicine; and Heather Gates, Harborview Respite Program.

Persons Testifying (Finance): (In support) Representative Chipalo Street, prime sponsor; Michael White; Ian Goodhew; Meredith Kriebel, Harborview Respite Program; and Nicole Gomez.

(Opposed) Tim Eyman

Persons Signed In To Testify But Not Testifying (Local Government): None.

Persons Signed In To Testify But Not Testifying (Finance): Meredith Kriebel.