

SENATE BILL REPORT

SHB 2759

As Reported By Senate Committee On:
Government Operations & Elections, February 21, 2006

Title: An act relating to the transfer of certain real property and facilities acquired, constructed, or improved using Referendum 29 or 37 bonds.

Brief Description: Authorizing the transfer of certain real property and facilities.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Ericks, Pearson, Dunshee, Sells, Roberts and Rodne).

Brief History: Passed House: 2/13/06, 96-2.

Committee Activity: Government Operations & Elections: 2/21/06 [DP].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Kastama, Chair; Berkey, Vice Chair; Roach, Ranking Minority Member; Benton, Fairley, Haugen, Kline, Mulliken and Pridemore.

Staff: Genevieve Pisarski (786-7488)

Background: In 1972, Referendum 29 authorized \$25 million in state general obligation bonds for social and health service facilities. In 1979, Referendum 37 authorized \$25 million in state general obligation bonds for facilities for the handicapped. In each case, the Department of Social and Health Services was charged with administering the proceeds and authorized to provide grants or loans to public bodies around the state, which the department did through 25-year contracts. Generally, the public bodies then leased the facilities that they acquired, constructed, or improved under these contracts to various non-profit providers of the social and health services for which the bond proceeds were intended. Various sources of funds and various forms of matching funds could be involved in these arrangements.

The referendum statutes provide for dealing with fixed assets acquired under these contracts, in the event they are no longer used for the program for which they were acquired, by authorizing them to be used for another program or transferred to another public body. The statutes do not, however, include any provisions regarding use or disposal of fixed assets once the contracts have been executed.

Some public bodies have expressed interest in continuing the use of these facilities by the non-profit providers for these purposes by continuing to lease the facilities to them or deeding the facilities to them and allowing them to sell the facilities in order to buy replacements. Some public bodies, such as non-charter counties, however, lack statutory authority to dispose of public property in this way. This authority would have to be delegated in a way that did not violate the constitutional prohibition against "lending of credit."

Summary of Bill: Without further monetary consideration, public bodies may transfer real property and facilities acquired, constructed, or improved using Referendum 29 or 37 bonds to nonprofit social service providers, in exchange for the promise to continually operate services benefitting the public on the site, subject to certain conditions. The deed transferring the property must provide for immediate reversion back to the public body if the nonprofit corporation ceases to use the property for the specified purposes. Transfers may include lease renewals.

The nonprofit corporation is authorized to sell the property transferred to it, if certain conditions are satisfied. Any sale must have the prior written approval of the department. All proceeds from the sale must be applied to the purchase price of a different property or properties of equal or greater value than the original property. Any new property must be used for the specified purposes. The new property must be available for use within one year of sale. If the nonprofit corporation ceases to use the new property for the specified purposes, the nonprofit corporation must reimburse the public entity for the value of the original property at the time of the sale. The public body must determine if the property, or the reimbursed amount, can be used by another social service program as designated by the department. Such programs will have priority in obtaining the property to ensure the purposes of the original referenda are carried out.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The providers of these services are being told that they must now pay fair market value for leases and that they can't recoup what they have invested, if they want to move to another location which would serve their clients better. Restrictions are established to assure that the property continues to be used only for the intended purposes.

Testimony Against: None.

Who Testified: PRO: Ralph Munro, Author of Referendum 37; Karen Schaeffer, Smithwright Services.