

# HOUSE BILL REPORT

## SSB 5722

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to the use of moneys collected from the local option sales tax to support chemical dependency or mental health treatment programs and therapeutic courts.

**Brief Description:** Concerning the use of moneys collected from the local option sales tax to support chemical dependency or mental health treatment programs and therapeutic courts.

**Sponsors:** Senate Committee on Human Services & Corrections (originally sponsored by Senators Hargrove, Morton, Stevens, Regala, Shin and McAuliffe).

#### **Brief History:**

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

Ways & Means: 3/9/11, 3/21/11 [DPA].

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

- Modifies non-supplant restrictions with respect to the local mental health and chemical dependency sales and use tax.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 24 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Seaquist, Springer, Sullivan and Wilcox.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Assistant Ranking Minority Member; Chandler and Schmick.

**Staff:** Jeffrey Mitchell (786-7139).

#### **Background:**

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*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.*

Retail sales and use taxes are imposed by the state, most cities, and all counties. 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 property, digital products, or services were acquired by the user, then use taxes apply to the value of most tangible personal property, digital products, and some services when used in this state. The state sales and use tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 3 percent, depending on the location. The average local tax rate is 2 percent, for an average combined state and local tax rate of 8.5 percent.

A county mental health/chemical dependency sales and use tax of 0.1 percent was authorized in 2005. In 2010 cities within a county of more than 800,000 were also authorized to impose the tax if the county was not imposing the tax by January 1, 2011. The proceeds of the tax must be devoted to county mental health treatment, chemical dependency, and therapeutic court programs and services. The sales and use tax has been imposed in 15 counties: Clallam, Clark, Ferry, Grays Harbor, Island, Jefferson, King, Okanogan, San Juan, Skagit, Snohomish, Spokane, Thurston, Wahkiakum, and Whatcom. Total tax collections in 2010 for all counties imposing the mental health/chemical dependency sales and use tax were approximately \$74 million. Until calendar 2010, tax receipts could not supplant (replace) existing funds being used for these programs and services. This non-supplant restriction was temporarily suspended, allowing counties and cities to redirect an amount equal to 50 percent of the tax to other uses in calendar year 2010 and then reduced by 10 percent for the following four years.

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**Summary of Amended Bill:**

The temporary suspension of the non-supplant requirement for the local mental health/chemical dependency sales and use tax is extended and modified for all jurisdictions authorized to impose the tax as follows:

For counties with a population larger than 25,000 and cities with a population over 30,000, a portion of the tax revenue may be used to supplant existing funds as follows: up to 50 percent of the tax may be used to supplant existing funds in calendar years 2011 and 2012; up to 40 percent of the tax may be used to supplant existing funds in calendar year 2013; up to 30 percent of the tax may be used to supplant existing funds in calendar year 2014; up to 20 percent of the tax may be used to supplant existing funds in calendar year 2015; and up to 10 percent of the tax may be used to supplant existing funds in calendar year 2016.

For counties with a population less than 25,000, a portion of the tax revenue may be used to supplant existing funds as follows: up to 80 percent of the tax may be used to supplant existing funds in calendar years 2011 and 2012; up to 60 percent of the tax may be used to supplant existing funds in calendar year 2013; up to 40 percent of the tax may be used to supplant existing funds in calendar year 2014; up to 20 percent of the tax may be used to supplant existing funds in calendar year 2015; and up to 10 percent of the tax may be used to supplant existing funds in calendar year 2016.

Revenues used to support the cost of a judicial officer and support staff of a therapeutic court are exempt from supplant restrictions.

**Amended Bill Compared to Substitute Bill:**

In the amended bill the temporary suspension of the non-supplant requirement is extended and modified for all counties, not just those counties imposing the tax on or after December 1, 2010.

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**Appropriation:** None.

**Fiscal Note:** Available.

**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) King County collects approximately \$45 million per year. Ferry County will get approximately \$45,000. The bill came forward from Ferry County. For the last year, Ferry County has not been able to pay for mental health services for anyone who is not Medicaid eligible. When people go into crisis, it is a six-hour round trip to get to the nearest evaluation and treatment center. Removing the supplant restrictions allows us to provide mental health services to those not covered by Medicaid. We would like to have a conversation about extending the bill to additional counties in light of state and local budget situations. We are in support of extending the time frame for everyone for a couple more years. We recognize that smaller jurisdictions may need more flexibility. Some of these smaller jurisdictions have not imposed the tax at all because of political or social considerations or other issues. If the additional supplanting flexibility will counter some of those issues, we support that. Because of the original mental health sales tax bill six years ago, jurisdictions have been able to support innovative programs that have saved lives and dollars. However, as the state's budget crisis has worsened, we support an extended suspension of the supplant restriction. The bill currently penalizes jurisdictions that have stepped up and done the right thing by already enacting the tax. These jurisdictions should benefit from an extended supplant timeline as well.

(Opposed) None.

**Persons Testifying:** Rashi Gupta, Washington Association of Counties; Seth Dawson, National Alliance on Mental Illness; and Ellie Menzies, Service Employees International Union 1199 NW.

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