

SENATE BILL REPORT

SB 5537

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

Title: An act relating to expanding community-based behavioral health facilities through issuance of state bonds.

Brief Description: Expanding community-based behavioral health facilities through issuance of state bonds.

Sponsors: Senators Braun, Keiser, Darneille, Palumbo, Frockt, Rolfes, Conway, Becker, Brown, Wagoner, Warnick, Honeyford, Cleveland, Dhingra, O'Ban and Zeiger.

Brief History:

Committee Activity: Ways & Means: 2/21/19, 2/25/19 [DPS, w/oRec, DNP].

Brief Summary of First Substitute Bill

- Authorizes the State Finance Committee to issue up to \$500 million in general obligation bonds to finance community-based mental health facilities.
- Directs the secretary of state to submit the bond authorization to a vote of the people.
- Appropriates \$200 million to the University of Washington for a behavioral health teaching hospital in Seattle.
- Appropriates \$300 million to the Department of Commerce for grants to community-based behavioral health facilities.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5537 be substituted therefor, and the substitute bill do pass.

Signed by Senators Frockt, Vice Chair, Operating, Capital Lead; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Bailey, Becker, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

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.

Signed by Senators Billig and Carlyle.

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Staff: Richard Ramsey (786-7412)

Background: The State Finance Committee (committee), composed of the Governor, the lieutenant governor, and the state treasurer, is responsible for supervising and controlling the issuance of all state bonds. The committee periodically issues general obligation bonds to finance projects authorized in the capital budget. No bonds may be authorized for sale without prior legislative appropriation of the net proceeds.

General obligation bonds pledge the full faith, credit, and taxing power of the state toward payment of debt service. Funding to pay for principal and interest on those bonds is appropriated from the state general fund in the operating budget. When debt service payments are due, the state treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement funds.

Article VIII, Section 1 of the State Constitution establishes a state debt limit. The Treasurer may not issue bonds that would cause debt service to exceed 8.25 percent of general state revenue. Article VIII, Section 3 of the State Constitution authorizes the issuance of debt outside of the debt limit subject to a vote of the people via referendum. Recent bond authorizations via referenda include:

- Motor Vehicle Fuel Tax, Referendum 49—1998—\$1.9 billion;
- Stadium and Exhibition Center Authorization—1997—\$300 million;
- Waste Disposal Facilities—1980—\$450 million;
- Handicapped Facilities—1979—\$25 million; and
- Public Water Supply Facilities—1979—\$125 million.

A bond bill authorizes the committee to issue general obligation bonds up to a specific amount to finance projects in the capital budget. It specifies the amount of bonds to be issued, the account or accounts into which bond sale proceeds are to be deposited, and identifies sources and timing of debt service payments.

Summary of Bill (First Substitute): The committee is authorized to issue up to \$500 million in state general obligation bonds to finance community-based mental health facilities and to pay expenses incurred in the issuance and sale of the bonds. Proceeds from the sale of the bonds must be deposited into the Community Behavioral Health Bond Account or the Community Behavioral Health Taxable Bond Account. The state treasurer must withdraw from general state revenues the amounts necessary to make the principal and interest payments on the bonds and must deposit these amounts into the Debt-Limit General Fund Bond Retirement Account.

The committee will issue the bonds outside of the debt limit in Article VIII, Section 1 of the State Constitution, subject to approval by the voters via referendum. The state treasurer must withdraw from general state revenues the amounts necessary to make the principal and

interest payments on the bonds and must deposit these amounts into the Non Debt-Limit General Fund Bond Retirement Account.

The secretary of state must submit the bond authorization to the people, for their adoption or rejection, at the next general election to be held in the state. The ballot title shall read: "The Legislature has passed Senate Bill 5537, concerning community-based mental health facilities throughout the state. This bill would authorize bonds to expand community-based mental health facilities to serve and treat adults and children with behavioral health disorders."

Bond proceeds must be used for community-based behavioral health facilities for adults or children, including, but not limited to, evaluation and treatment centers, crisis triage and stabilization centers, less restrictive alternative step-down beds, enhanced service facilities, detoxification centers, transitional and long-term housing, and residential treatment centers.

The Department of Commerce (Commerce) is to administer grants, in collaboration with the Health Care Authority and the Department of Social and Health Services. Commerce must use criteria for evaluating grants for community-based behavioral health facilities, including:

- evidence that the services provided will reduce the demand for treatment and services at state hospitals;
- evidence that the application was developed in collaboration with one or more behavioral health organizations;
- evidence that the applicant has assessed and would meet gaps in behavioral health services in their region; and
- a commitment by the applicant to maintain the beds or facility for at least 10 years.

\$200 million is appropriated to the University of Washington for a behavioral health teaching hospital in Seattle. \$300 million is appropriated to Commerce for grants to community-based behavioral health facilities.

If the referendum authorizing the bonds is ratified, the bill will take effect January 1, 2020.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Specifies Commerce is to administer grants, in collaboration with the Health Care Authority and the Department of Social and Health Services. Commerce must use criteria for evaluating grants for community-based behavioral health facilities, including: (1) evidence that the services provided will reduce the demand for treatment and services at state hospitals; (2) evidence that the application was developed in collaboration with one or more behavioral health organizations; (3) evidence that the applicant has assessed and would meet gaps in behavioral health services in their region; and (4) a commitment by the applicant to maintain the beds or facility for at least 10 years.
- Appropriates \$200 million to the University of Washington for a behavioral health teaching hospital in Seattle.
- Appropriates \$300 million to the Commerce for grants to community-based behavioral health facilities.

- Adds an effective date. If the referendum authorizing the bonds is ratified, the bill will take effect January 1, 2020.

Appropriation: The bill contains an appropriation totaling \$500 million from various accounts.

Fiscal Note: Available.

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

Effective Date: If the referendum authorizing the bonds is ratified, the bill will take effect January 1, 2020.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The Legislature has been wrestling with the behavioral health crisis from the beginning of session and I think we're going to all be wrestling with the crisis for a considerable time. When you look at the Governor's proposed ten-year plan to address that crisis and the changes that the Legislature will likely make to that plan I believe you're going to be pinched on your debt capacity midway through the 10 years. The public understands this crisis and I believe the public would support the referendum to authorize these bonds as a step forward in addressing the crisis.

This bond authorization is an innovative and important mechanism for ensuing future investment in community capacity. Clients feel their experiences at Western State Hospital (WSH) are traumatic and that they do not receive the care they need. An evaluation and treatment center is a more healing environment and patients receive the personalized care they need. Family members have witnessed patient mistreatment at WSH that was more traumatic than the PTSD for which the patient was admitted. Staff at our evaluation and treatment center are confident patients receive therapeutic care; where at WSH patients are unmonitored. E&T centers can develop a treatment plan that is personal, effective and involves the families.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Len MC Comb, Community Health Network Of Washington; Washington State Hospital Association; Richard Stride, Cascade Mental Health/CEO; Michael Hatchett, Washington Council for Behavioral Health.

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