

SENATE BILL REPORT

SB 6468

As Reported by Senate Committee On:
Ways & Means, February 6, 2018

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, Frockt, Fain, Darneille, Rolfes, Walsh, Becker, Brown, Zeiger, Billig, Warnick, Honeyford, Keiser, Miloschia, O'Ban, Short and Sheldon.

Brief History:

Committee Activity: Ways & Means: 1/29/18, 2/06/18 [DPS, DNP, w/oRec].

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; \$250 million will be subject to the debt limit and \$250 will be outside of the debt limit and subject to a vote of the people.
- Provides that the bonds would be issued over ten years.
- Directs the Secretary of State to submit the bond authorization to a vote of the people.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6468 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Braun, Ranking Member; Becker, Billig, Brown, Conway, Darneille, Fain, Hunt, Keiser, Mullet, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

Minority Report: Do not pass.

Signed by Senators Bailey, Carlyle and Hasegawa.

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 Senator Palumbo.

Staff: Richard Ramsey (786-7412)

Background: The 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
- 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 is required to 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 \$250 million in state bonds subject 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 is required to 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 6468, 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 the mentally ill."

Bond proceeds must be used for community-based mental health facilities, 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.

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

- Authorizes the State Finance Committee to issue up to \$500 million in general obligation bonds to finance community-based mental health facilities; \$250 million will be subject to the debt limit and \$250 will be outside of the debt limit. The bonds would be issued over 10 years.
- Expands those to be served to include children with mental disorders.
- Authorizes the Department of Commerce, in collaboration with the Department of Social and Health Services, to administer the grant program for disbursement of bond proceeds.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on the certification of approval of the referendum in Section 301.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: People in our state deserve proper mental health care. Unfortunately, despite a good bipartisan effort over the last several years, we are still not getting there. Simply put, we are failing our most vulnerable citizens.

Creating a dedicated capital funding source for community-based behavioral facilities is an innovative and important mechanism for insuring community capacity. Community behavioral health agencies provide services for patients near their families, jobs, and support systems—keeping them out of state hospitals. The bonds will go toward facilities that are less intensive and less expensive than long-term inpatient care: evaluation and treatment, crisis triage, crisis stabilization, and detoxification. While Western State Hospital and Eastern State Hospital are part of the system, they are far from the ideal. It takes a long time to get these facilities up and operational.

Mental health and substance abuse are the intersection of public health and criminal justice system. Unfortunately, right now, they are promoting neither health nor justice. People with

mental health issues are much more difficult to police. Pierce County's 1200 person jail has 64 floridly mentally ill people. Jail is not a place to treat people with mental illness—it is akin to administering a hearing test in a bowling alley.

Washington is still 42 or 43 in the country in what we spend on mental health. Capital Budget capacity limits the full range of investments the state should be making.

CON: Mental health is clearly an area of concern. The State Treasurer is neutral on underlying policy issues. However, we have concerns on the mechanics of the \$500 million bond issue. The treasurer works closely with the Office of Financial Management on a debt model, the purpose of which is to calculate maximum sustainable borrowing and to sustain the state's excellent credit rating. Voter approval for the issuance of debt bypasses this process. Washington has the sixth highest debt on a per capital basis. Given the state's debt load, and in order to protect credit rating and low borrowing costs that these ratings afford, the state treasurer recommends these projects be within the Capital Budget appropriation process.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Paul Pastor, Pierce County Sheriff; Len McComb, Washington State Hospital Association; Michael Hatchett, Washington Council for Behavioral Health; Richard Stride, Cascade-Behavioral Healthcare Agency.

CON: Jason Richter, Deputy Treasurer, Office of the State Treasurer.

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