

HOUSE BILL REPORT

HB 1791

As Reported by House Committee On: Appropriations

Title: An act relating to enhancing educational opportunities for vulnerable children and youth using funding distributed from the Puget Sound taxpayer accountability account.

Brief Description: Enhancing educational opportunities for vulnerable children and youth using funding distributed from the Puget Sound taxpayer accountability account.

Sponsors: Representatives Reeves, Sullivan, Springer, Senn, Frame, Fey, Appleton, Ortiz-Self, Bergquist and Goodman.

Brief History:

Committee Activity:

Appropriations: 2/13/19, 2/26/19 [DPS].

Brief Summary of Substitute Bill

- Expands uses of the Puget Sound Taxpayer Accountability Account (PSTAA) to facilities and programs for improving educational outcomes.
- Authorizes the Legislature to appropriate the PSTAA for expenditure in a county rather than a direct distribution if the county has not enacted the local mental health tax by July 1, 2019.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Ormsby, Chair; Bergquist, 2nd Vice Chair; Robinson, 1st Vice Chair; Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Jinkins, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Senn, Springer, Stanford, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Volz.

Minority Report: Do not pass. Signed by 5 members: Representatives Chandler, Dye, Hoff, Schmick and Ybarra.

Staff: Kristen Fraser (786-7148).

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.

Background:

The definition of "retail sale" excludes charges for labor or services on transportation projects owned by a municipal corporation or political subdivision. This means that local governments' transportation construction contracts are exempt from state and local sales and use taxes, though contractors pay those taxes on materials.

Under legislation enacted in 2015, a regional transit authority (RTA) must pay a sales and use tax offset fee on specified construction expenditures. The offset fee is 3.25 percent of total payments made by the RTA to construction contractors under any plan that is: (1) funded by a proposition approved by the voters after January 1, 2015; and (2) exempt from the retail sale definition. The offset fee is deposited in the Puget Sound Taxpayer Accountability Account (PSTAA) in the state treasury, and the fee ends when the RTA has paid \$518 million into the PSTAA.

The state must distribute offset fees paid into the PSTAA to counties in the RTA. Portions of King, Pierce, and Snohomish counties are within the RTA, so these counties will receive distributions from the PSTAA in proportion to their population. These counties may spend these distributions on educational services to improve educational outcomes in early learning, K-12, and higher education including, but not limited to, for youths that are low-income, homeless, or in foster care, or other vulnerable populations. To the greatest extent practicable, the counties' expenditures from the PSTAA distributions must correspond to transportation subarea equity elements used by the RTA.

The Legislature may authorize local governments to issue bonds and dedicate revenues to paying debt service on those bonds. The state constitution's prohibition on impairment of contracts applies to bonds issued by the state and local governments. This protection may affect the Legislature's ability to enact future amendments to the statutory scheme that induced bondholders to purchase the bonds.

The Legislature has authorized counties to levy a local sales and use tax of 0.1 percent for mental health treatment, chemical dependency treatment, and therapeutic courts.

In the state capital budget, the Legislature makes appropriations to the Department of Commerce for the Building Communities Fund program, which allocates state funding to local governments and nonprofit organizations to help build community facilities, subject to matching and oversight requirements.

Summary of Substitute Bill:

The RTA counties' authorized uses of the PSTAA distributions are broadened. Permitted expenditures are expanded from "educational services" to improving education outcomes, including programs or facilities for children or youth that are low-income, homeless, or in foster care, or other vulnerable populations. These counties may also use distributions to start endowments to provide support for improving education outcomes in early learning, K-12, and higher education.

If a county in the RTA has not levied the mental health tax by July 1, 2019, then the Legislature may appropriate that county's share of PSTAA revenues for expenditure in that county rather than distribute the PSTAA moneys directly to the county. The Legislature may appropriate that county's share to the Department of Commerce for appropriation either for a contract with a nonprofit community service organization to provide services that will improve educational outcomes, or to the Department of Commerce for capital facilities grants, or both. Capital grants appropriated from the PSTAA are subject to the matching and oversight requirements of the Building Communities Fund.

Substitute Bill Compared to Original Bill:

The substitute bill removes the authorization for counties to bond against PSTAA revenues. The substitute bill adds the authorization for the Legislature to appropriate a county's share of PSTAA revenues to the Department of Commerce as grants for expenditures in that county if the county has not levied the local mental health tax.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute 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) This bill will help early learning, K-12, and higher education cooperate to break down barriers to achievement. Programs are working with parents and community partners to provide a continuum of care. Foster children are at risk but have the same potential as other children, and collaborative community solutions are needed. Facilities for the Early Childhood Education and Assistance Program are a key component of improving access, and only a fraction of those who apply for awards receive them. The changes proposed in the bill will make the Puget Sound Taxpayer Accountability Account stronger and more flexible. All children should have access to physical education programs, which improve education outcomes. This is a once-in-a-generation opportunity to provide scholarships and campus support, and it can be leveraged to raise private funding. Education is a way to achieve financial goals and independence. There is lot of talk about housing displacement, but a lot of preschools are also displaced, so finding space for early learning is a challenge. There are few options for covering the costs of early learning facilities.

(Opposed) None.

Persons Testifying: David Beard, Schools Out Washington; Maureen Sorenson, Amara; Melissa Johnson, Washington State Association of Head Start and Early Childhood Education Assistance Program; Aida Sanchez-Vela, Saltwater Church and Sound Alliance;

Amy Morrison, Lake Washington Institute of Technology; and M.A. Leonard, Enterprise Community Partners.

Persons Signed In To Testify But Not Testifying: None.