

# HOUSE BILL REPORT

## E2SHB 1705

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### As Passed Legislature

**Title:** An act relating to the creation of health sciences and services authorities.

**Brief Description:** Creating health sciences and services authorities.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Barlow, Ormsby, Kenney and Wood).

**Brief History:**

**Committee Activity:**

Technology, Energy & Communications: 2/7/07, 2/13/07 [DPS];  
Finance: 3/5/07 [DP2S(w/o sub TEC)].

**Floor Activity:**

Passed House: 3/9/07, 68-29.  
Senate Amended.  
Passed Senate: 4/12/07, 48-0.  
House Refused to Concur.  
Senate Amended.  
Passed Senate: 4/20/07, 46-0.  
House Concurred.  
Passed House: 4/20/07, 70-28.  
Passed Legislature.

**Brief Summary of Engrossed Second Substitute Bill**

- Allows a city, town, or county to establish a Health Sciences and Services Authority to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.

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### HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Ericksen, Hankins, Hudgins, Hurst, Takko and VanDeWege.

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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.*

**Staff:** Scott Richards (786-7156).

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## HOUSE COMMITTEE ON FINANCE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 5 members: Representatives Hunter, Chair; Conway, Ericks, McIntire and Santos.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member and Roach.

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

### **Background:**

#### **Special Purpose Districts**

Special purpose districts are limited purpose local governments established to perform a specialized function separate from a city, town, or county (local government). Examples of functions include: electricity services, flood control, irrigation, parks and recreation, and water and sewer services. According to the Municipal Research and Services Center of Washington, there are an estimated 80 different special purpose districts in the state. Most often the governance structures are designated in statute. Most powers of a special purpose district are vested in a board of directors, board of trustees, or board of district directors.

#### **Business and Occupation Tax**

The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

#### **Sales and Use Tax**

The sales tax is paid on each retail sale of most articles of tangible personal property, certain services, and extended warranties. The use tax is imposed on the use of articles of tangible personal property, certain services, and extended warranties when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

#### **Washington Higher Education Coordinating Board**

The Washington Higher Education Coordinating Board (Board) is a 10-member citizen board that provides planning, coordination, monitoring, and policy analysis for higher education in Washington. Also, the Board's responsibilities include development of a statewide strategic master plan for higher education and the development of recommendations on policy and budgetary issues for consideration by the Governor and the Legislature.

### **Summary of Engrossed Second Substitute Bill:**

### **Health Sciences and Services Authority**

A city, town, or county (local government) may establish by ordinance or resolution a Health Sciences and Services Authority (Authority) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. A city and county may join together to create an Authority. "Health sciences and services" means biosciences that advance new therapies and procedures to combat disease and promote public health. The ordinance or resolution must specify the powers of the Authority, establish an administrative board, clarify the geographic boundaries of an Authority and provide investment guidelines.

An Authority has all the general powers necessary to carry out its purposes and duties such as make and execute agreements and contracts, establish special funds, hire staff, leverage the Authority's public funds with moneys received from other public and private sources, hold funds received by the Authority in trust, and make grants to entities to promote bioscience-based economic development.

### **Board**

An Authority is overseen by a board with not more than 14 members. The Authority board selects the chair. Board members must have some experience with the mission of the authority. The board members shall be appointed as follows:

- the Governor shall appoint three members;
- the county legislative authority in which the authority resides shall appoint three members;
- the mayor of the city in which the authority is created, or the mayor of the largest city within the authority if created by a county, shall appoint three members; and
- up to five additional members may be appointed by the board.

### **Liability**

Members of the board, as well as other persons acting on behalf of the Authority, are not subject to personal liability resulting from their official duties. The state, the local government that created the Authority, and the Authority are not liable for any loss, damage, harm, or other consequences resulting from grants provided by the Authority or from programs, services, research, or other activities funded with such grants.

### **Higher Education Coordinating Board**

The Higher Education Coordinating Board (Board) is authorized to approve or reject applications submitted by local governments for an area's designation as an Authority. The application shall be prescribed by the Board. Applications are due December 31, 2007 and must be processed within 60 days of submission. The Board is limited to approving one authority statewide with a population of less than one million persons. The Board may adopt any rules necessary to implement the Authority Program. By December 1, 2009, the Board must develop evaluation and performance measures in order to evaluate the effectiveness of an Authority's activities. The Director of the Board shall determine the division to review applications submitted by local governments and the division to develop criteria to evaluate the applications.

### **Debt**

A local government may incur general indebtedness, and issue general obligation bonds, to finance the grants and other programs and retire the indebtedness. The bonds issued by a local government do not constitute an obligation of Washington, either general or special.

The ordinance adopted by the local government creating the authority and authorizing the use of the excise tax indicates an intent to incur this indebtedness and the maximum amount of this indebtedness that is contemplated.

The general indebtedness incurred may be payable from other tax revenues, the full faith and credit of the sponsoring local government, and nontax income, revenues, fees, and rents from the public improvements, as well as contributions, grants, and nontax money available to the local government for payment of costs of the grants and other programs or associated debt service on the general indebtedness.

### **Sales and Use Tax**

The legislative authority of a local jurisdiction that has created an Authority may impose a sales and use tax. The tax is in addition to other taxes authorized by law and collected from those persons who are taxable by the state. The rate of the tax shall not exceed 0.020 percent of the selling price in the case of a sales tax or the value of the article used in the case of a use tax. The tax imposed is deducted from the amount of tax otherwise required to be collected or paid over to the Department of Revenue. The authority to impose an additional sales and use tax expires January 1, 2023.

### **Public Disclosure**

Financial, commercial, operations, and technical and research information and data submitted to or obtained by an Authority related to grant making is exempt from disclosure as part of the Public Records Act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed, except section 14, which, because of prior double amendments, takes effect June 30, 2008.

### **Staff Summary of Public Testimony: (Technology, Energy & Communications)**

(In support) A Health Sciences and Services Authority needs to occur in Spokane. This program will allow communities to get the infrastructure in place in order to compete nationally and globally in the health sciences arena. The proposed Institute for Systems Medicine (Institute) in Spokane is a perfect example of what this bill would support. The development of the Institute could mean a great deal for the eastern side of the state. It could provide jobs, stimulate the economy and be a major factor in improving our health care practices. This bill has the unique ability to leverage the strength in research, education and health care access. This legislation is critical to the successful launch of the Institute for Systems Medicine. This bill will create high wage jobs and improve patient outcomes.

(Opposed) None.

**Staff Summary of Public Testimony:** (Finance)

(In support) None.

(With concerns) This bill provides a Business and Operation (B&O) tax exemption for private businesses that receive grants from a health sciences and service authority. Generally, grants are subject to the B&O tax. The Department of Revenue is concerned about the precedent that this exemption would set.

(Opposed) None.

**Persons Testifying:** (Technology, Energy & Communications) Representative Barlow, prime sponsor; Mike Skinner, Washington State University; John Driscoll, Project Access; and Lewis Rumpler, Institute for Systems Medicine.

**Persons Testifying:** (Finance) (With concerns) Gil Brewer, Department of Revenue.

**Persons Signed In To Testify But Not Testifying:** (Technology, Energy & Communications) None.

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