

HOUSE BILL REPORT

HB 1147

As Reported by House Committee On:
Finance

Title: An act relating to modifying provisions of local option taxes.

Brief Description: Modifying provisions of local option taxes.

Sponsors: Representatives Hunt, Alexander, Williams, Orwall, DeBolt, Simpson and Hinkle.

Brief History:

Committee Activity:

Finance: 2/24/09, 3/2/09 [DPS].

<p>Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Eliminates anti-supplanting language in several local taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

Staff: Jeffrey Mitchell (786-7139)

Background:

Public Safety Sales and Use Tax.

This local sales/use tax was adopted in 2003. Subject to voter approval, counties may impose a tax up to 0.3 percent. At least one-third of the tax receipts must be devoted to criminal justice programs, including funding of additional police officers and the relief of congested court systems and overcrowded correctional facilities. The levying county is to retain 60 percent of the receipts and the remaining 40 percent will be distributed to cities within the county on a per capita basis. The statute requires that the use of the revenues be

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stated in the ballot proposition that goes before the voters; further, the receipts may not be used to replace existing funds for such programs. This local sales tax features another differential tax base which departs from the state sales tax base. Sales of motor vehicles are not subject to the local tax. The tax has been implemented in five counties: Kittitas, Walla Walla, Spokane, Whatcom, and Yakima.

Multi-Year Lid Lift.

Regular property tax revenue for local governments is restricted to a growth rate of 1 percent plus new construction. However, voters may approve regular property tax increases above this 1 percent amount. This voter-approved increase is referred to as a lid lift. A lid lift may be for a single year or for multiple years, but not to exceed six years. Multi-year lid lifts must be for a specific purpose and lid lift funds may not supplant (replace) existing funds used for the purpose specified in the lid lift ballot proposition.

Summary of Substitute Bill:

The anti-supplanting language is removed from the public safety sales and use tax and the multi-year lid lift statute.

Substitute Bill Compared to Original Bill:

The section modifying the chemical dependency and mental health sales and use tax is removed from the bill.

Appropriation: None.

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 is similar to House Bill 2249. However, HB 2249 only includes King County and this bill could be applied to all 38 other counties and the cities within the state. A proposed substitute bill has been suggested that takes the language from Senate Bill 5960, which would include the 0.3 percent sales tax, harmonize the definitions of criminal justice, add in fire protection, and change the authorization from voter-approved to councilmatic. It would give counties the authority to impose a utility user tax akin to the language in HB 2249. Counties have done a good job of balancing the public needs against available revenues. The Snohomish County has a priorities of government process similar to what the state used a number of years ago, which has been used in each budget since 2004 and difficult decisions have been made every year. In addition are the challenges of an economy that will force other difficult decisions during this year. HB 1147 gives counties and cities

some flexibility, and helps fulfill the objective to use available resources in the best way possible to meet the public's priorities. By supporting this bill, the Legislature will enable counties and cities to do the best job they can in being responsive at a time when the dollars are short.

(In support with concerns) Section one of the bill needs to be removed.

(Opposed) The non-supplanting wording in the original law was intentional and should not be removed, particularly in reference to chemical dependency and mental health. New services actually need intention before they can develop legs of their own. The evidence-based processes that are known to be effective and to save money have not been proven yet at the local level and they need some protection. If HB 1147 is passed, it would be difficult to protect the programs that, after much planning, are just about to be launched. It will be too tempting in this economic climate to use that funding to backfill existing programs. Supplantation will undermine the original tax that allows counties to pass this tax in the first place. It is recommended that this committee take a look at partial supplantation in this difficult financial period with a sunset. Additional flexibility for counties is needed, but the original intent of the underlying law was to allow for some innovation and allow for some new and different ways of approaching mental health services. For example, in some places that means drug courts, in other places that means enhanced chemical dependency, mental health accords, peer services, et cetera.

Persons Testifying: (In support) Scott Merriman, Association of Counties; Roger Neumaier, Snohomish County; and Jim Justin, Association of Washington Cities.

(In support with concerns) Seth Dawson, National Alliance on Mental Illness.

(Opposed) Ron Jaeger; Jonathan Rosenblum, Service Employees International Union 1199 Northwest; and David Lord, Disability Rights Washington.

Persons Signed In To Testify But Not Testifying: (In support) Don Krupp, Thurston County; and John Masterson, Washington Community Mental Health Council.

(Opposed) Brad Berry, Community Transformation Partnership.