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## Appropriations Committee

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### HB 1791

**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 Summary of Bill

- Expands uses of the Puget Sound Taxpayer Accountability Account (PSTAA) to facilities and programs for improving educational outcomes
- Authorizes affected counties to bond against PSTAA distributions for facilities and to establish endowments with the distributions.

**Hearing Date:** 2/13/19

**Staff:** Kristen Fraser (786-7148).

#### 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.

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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.*

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 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 to 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.

**Summary of 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.

The RTA counties may use PSTAA distributions for debt service on bonds issued to support these facilities, and the counties may pledge PSTAA distributions for this purpose. These counties may also use distributions to start endowments to provide support for improving education outcomes in early learning, K-12, and higher education.

**Appropriation:** None.

**Fiscal Note:** Requested on February 5, 2019.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.