

# HOUSE BILL REPORT

## HB 2015

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to providing funding for the Washington state library-archives building and operations of library and archives facilities.

**Brief Description:** Providing funding for the Washington state library-archives building and operations of library and archives facilities.

**Sponsors:** Representatives Doglio, DeBolt, Dolan, Walsh, Blake, Springer, Tarleton and Pollet; by request of Secretary of State.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 2/21/19, 2/26/19 [DPS].

#### **Brief Summary of Substitute Bill**

- Authorizes a Certificate of Participation for up to \$108 million for a new State Library-Archives Building.
- Authorizes the Secretary of State (Secretary) to manage the construction and operation of the building.
- Authorizes the Secretary to enter into a land lease for up to 75 years with the Port of Olympia.
- Changes the name of the Heritage Center Account to the Library Operations Account.
- Adds a \$2 surcharge to county recordings, to be deposited in the Library-Archives Building Account.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Steele, Assistant Ranking Minority Member; Callan, Corry, Davis, Dye, Eslick, Gildon,

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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.*

Irwin, Jenkin, Leavitt, Lekanoff, Maycumber, Morgan, Riccelli, Santos, Sells, Stonier and Walsh.

**Staff:** Steve Masse (786-7115).

**Background:**

Secretary of State.

The primary duties of the Office of the Secretary of State (OSOS) include supervising state and local elections, filing and verifying initiatives and referendums, producing the state voters pamphlet, registering corporations and charities, and managing the State Archives and records. The state library and TVW are also funded through the Secretary of State.

There are a variety of documents that are filed with county auditors offices throughout the state, particularly those related to real property located in the county. The auditors charge fees for filing these documents in the public record. All archives and records management services provided by the OSOS are funded exclusively by a schedule of fees. The Secretary of State's costs for preserving and providing public access to local government archives and providing records management assistance to local government agencies have been funded by fees paid by state government agencies. County auditors and local government officials are authorized to collect certain fees for copying, recording, and searching for records. These fees are deposited into the Local Government Archives Account (Account). The Account can be used by the Secretary of State for disaster recovery, records management, archival preservation, and records protection services. An additional surcharge of \$1 per instrument recording after January 1, 2002 is deposited into the Account for debt service on the Washington State Digital Archives building. When the debt obligation on the building has been satisfied, the surcharge is then deposited half into the Centennial Document Preservation and Modernization Account, and half into the Archives and Records Management Account.

Heritage Center Account.

In 2007 the Secretary of State proposed a new Heritage Center on the Capitol Campus. The project would have been funded with a certificate of participation for up to \$110 million, and the Heritage Center Account was established with a \$3 surcharge on recording fees. The fund was to be used for debt service and operation and maintenance of the Heritage Center. In 2008 the Heritage Center Account was amended to include using excess revenues from the surcharge for use of debt service on the Heritage Center if the Heritage Center Account does not have sufficient revenue to support the required debt service. The Heritage Center project did not move forward to construction.

County Recording Fees.

The OSOS currently collects fees from recording documents including real estate transactions, marriages, and births. The Legislature authorized a portion of these fees to be used for debt service to construct a new digital archive facility located in Eastern Washington, and use of the fees to go into the Heritage Center Account. When the debt service of the Eastern Washington archive facility has been satisfied, 50 percent of the fees shall go towards the Centennial Document Preservation and Modernization Account, and 50

percent shall go into the Heritage Center Account in the event there is insufficient revenue to cover debt service for a new Heritage Center.

Alternative Financing Contracts.

Certificates of Participation (COPs) are financing instruments used to fund lease/purchase contracts. Certificates of Participation are similar to bonds in that they are sold as securities to private investors. Payments on COPs come from agency operating budgets. Unlike bonds, COP contracts are not a general obligation of the state and debt on COPs does not fall under the state debt limit. Debt service payments are subject to the availability of funds within an agency's operating budget during any given time period. Because the full faith and credit of the state is not pledged toward COP debt service payments, interest rates can be higher than for general obligation bonds.

Department of Enterprise Services.

The Department of Enterprise Services (DES) is responsible for operation and maintenance of buildings, and for entering into public works contracts to construct buildings for most state agencies. The DES owns and operates state buildings and leases the space to state agencies to pay for any debt services, and operations and maintenance. Leases from a private developer may not exceed 20 years in duration, and any lease over 10 years must be approved by the Director of the Office of Financial Management.

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**Summary of Substitute Bill:**

New Library-Archives Building.

The Washington State Library-Archives building (building) is established and replaces the existing state archives, the existing State Library, leased elections office, and the corporations and charities spaces in Thurston County. The building construction must be done with a general contractor/construction manager, with a guarantee for energy use, operations, and maintenance. The Secretary of State is authorized to enter into a COP for up to \$108 million to fund the construction. The leases from the current locations, along with the Library-Archives Building Account (Building Account), will be used for paying debt service on the COP, and the cost of operating and maintaining the building. The Library-Archives Building Account is established with a \$2 surcharge on recording fees deposited into it until the COP debt service is satisfied, and any local donations may be deposited into it. The Library-Operations Account (Operations Account) is established and moneys previously deposited into the Heritage Center Account will be deposited into the Operations Account. The Operations Account may be used for debt service on the COP, and maintenance of the Washington State Library-Archives building.

Public Works and Operations Responsibility.

The responsibility for public works contracting for the building and its operations and maintenance is transferred from the DES to the Secretary of State. In addition, the Secretary of State is authorized to enter into a lease of up to 75 years for property owned by the Port of Olympia.

**Substitute Bill Compared to Original Bill:**

The authorization for the Secretary of State to enter into a COP for up to \$108 million to fund construction of the building is removed. The authority to manage the construction contract and use General Contractor/Construction Manager with guarantees for energy use and operating costs is removed. The authority to use furnishings and fixtures on the Capitol Campus not currently in use is removed.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on February 27, 2019.

**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) Libraries and archives are very important to maintaining our history. The current Capitol Campus archives are located underground, they are not safe, and are in danger of flooding and fire. The archives collection includes the original state constitution and newspapers from before Washington statehood. The location in Tumwater is close to other state buildings, in the preferred leasing area for the state, and on the public transit line. Many locations were considered, this area is referred to as the South Capitol Campus. The project would use no additional general obligation debt than the current \$5 million appropriation for design. Current offices with leases that will be relocated to the new building will redirect those leases for debt service.

(Opposed) None.

**Persons Testifying:** Representative Doglio, prime sponsor; Ralph Munro; Pete Kmet, City of Tumwater; and Mark Neary, Office of the Secretary of State.

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