

SENATE BILL REPORT

SHB 1155

As Reported by Senate Committee On:
Housing & Local Government, March 23, 2021

Title: An act relating to sales and use tax for emergency communication systems and facilities.

Brief Description: Concerning sales and use tax for emergency communication systems and facilities.

Sponsors: House Committee on Finance (originally sponsored by Representatives Riccelli, Ormsby and Lekanoff).

Brief History: Passed House: 3/1/21, 56-41.

Committee Activity: Housing & Local Government: 3/17/21, 3/23/21 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Modifies requirements related to interlocal agreements for the emergency communications systems and facilities local sales and use tax.

SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

Majority Report: Do pass as amended.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Cleveland, Lovelett and Salomon.

Minority Report: Do not pass.

Signed by Senators Fortunato, Ranking Member; Short, Assistant Ranking Member; Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Gildon, Assistant Ranking Member.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Jeff Olsen (786-7428)

Background: Retail Sales and Use Tax. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital products, or services when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Emergency Communications Systems and Facilities Local Sales and Use Tax. Counties may levy a sales and use tax to fund costs associated with emergency communication systems and facilities (emergency communications sales and use tax) with voter approval. The maximum tax rate is 0.2 percent. The funds must be used for costs associated with financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, re-equipping, and improvement of emergency communication systems and facilities.

Any county with a population of more than 500,000 but less than 1.5 million and any city in that county with a population over 50,000 operating emergency communication systems and facilities must enter into an interlocal agreement to determine distribution of revenue prior to submitting the authorizing ballot to the voters. Any county with a population of more than 1.5 million must enter into interlocal agreements with its cities with populations over 50,000 regarding revenue distribution, even if a city is part of a regional communication system.

Summary of Amended Bill: Any county with a population over 1.5 million imposing the emergency communications sales and use tax and any city in that county with a population over 50,000 operating emergency communications systems and facilities, either independently or as a member of regional agency, must enter into an interlocal agreement to determine the distribution of revenue from the tax within 12 months of meeting the city and county population thresholds, or within 12 months of the effective date of the bill, whichever is later.

Any county with a population between 500,000 and 1.5 million imposing the emergency communications sales and use tax and any city in that county with a population over 50,000 operating emergency communications systems and facilities must enter into an interlocal agreement to determine the distribution of revenue from the tax within 12 months of meeting the city and county population thresholds or within 12 months of the effective date of the bill, whichever is later.

The deadline to enter into an interlocal agreement may be extended for an additional three months with the agreement of the city and the county.

If the city and county fail to enter into an interlocal agreement within the allotted time frame, then the city or county may seek equitable apportionment of the tax in the county's superior court and that apportionment must be retroactive to when the city and county met the relevant population thresholds or the effective date of the bill, whichever is later.

EFFECT OF HOUSING & LOCAL GOVERNMENT COMMITTEE AMENDMENT(S):

- Adds that a county with a population over 1.5 million must enter into an interlocal agreement with a city either independently or as a member of a regional emergency communications agency to determine distribution of revenues from the local sales and use tax.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill corrects a timing technicality related to a public safety issue. When originally drafted, the population requirements were only measured when the tax is first enacted, but the population in Spokane County has grown and passed the population threshold. The lack of an interlocal agreement has left Spokane County's largest city disenfranchised without a seat at the table to have an input on the use of these funds. There was a regional system in place before, and the new system cannot match the previous system. Ultimately, this bill will allow local governments to work together and will lead to better public safety and a stronger regional partnership.

The City of Spokane generates a significant amount of revenue and well over 50 percent of the calls. There has been a decrease in the dispatch quality and as a result, first responders are being put into danger and the quality of service to citizens has decreased. We need to honor the spirit of the original bill, and let us not disenfranchise voters who do not have a seat at the table. The City of Spokane and the county need to negotiate the use of the emergency communications tax.

CON: In Spokane County, the Spokane Regional Emergency Communication System is a regional emergency communication system developed in collaboration with representation by all in the charter. There was not a regional system in place in Spokane prior to this system. The regional system is a model in collaboration. The City of Spokane held 30

percent of the seats on the governing board. Not funding the regional system will result in higher costs and a fragmented system. The regional system has worked well so far and the system puts the needs of the community first. Response times have improved and will continue to decrease in the future. Adopting the bill could result in duplication and delays. Voters passed the tax, passed by 82 percent for 2018-2028 to support capital needs of the system. Changing the allocation midstream in a ten year measure will undermine public trust. This issue should be dealt with in Spokane County. The funds are used for infrastructure, not dispatch. If the bill passed, Spokane County runs the risk of never having a regional system. The old system was archaic. The new regional system provides better service in rural areas, and faster response times save lives.

OTHER: King County has 12 regional emergency communication entities that support cities within the county. King County shares revenues with these regional entities through interlocal agreements. The current language in the bill appears to require a county to enter in to an interlocal agreement with a city even if there is a communications agreement with a regional entity in place already.

Persons Testifying: PRO: Representative Marcus Riccelli, Prime Sponsor; Dave Kovac, Spokane Firefighters Union; Kelly Masjoan, Fire Communications Supervisor, Spokane Fire Dept.; Jim Tieken, Local 270, Spokane City Employees; Bud Sizemore, Washington State Council of Fire Fighters; Tim Archer, President, Spokane Firefighters Union; Lori Kinnear, Spokane City Councilmember.

CON: Ozzie Knezovich, Spokane County Sheriff's Office; Bryan Collins, Spokane Valley Fire Department; Randy Johnson, Spokane County Fire District 4; Tom Jenkins, Cheney Fire Chief.

OTHER: Deb Flewelling, King County E-911 Program Office.

Persons Signed In To Testify But Not Testifying: No one.