

HOUSE BILL REPORT

SSB 6727

As Reported by House Committee On:
Community & Economic Development & Trade
Finance

Title: An act relating to health sciences and services authorities.

Brief Description: Concerning health sciences and services authorities.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Marr and Brown).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/18/10, 2/22/10 [DPA];
Finance: 3/18/10 [DPA].

**Brief Summary of Substitute Bill
(As Amended by House)**

- Allows a Health Sciences and Services Authority (Authority), when authorized by the local jurisdiction, to borrow money and incur debt.
- Amends the Open Public Meetings Act to allow, under certain circumstances, an Authority to conduct closed executive sessions when considering the substance of grant applications or awards.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 8 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Moeller, Parker and Probst.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt.

Staff: Chris Cordes (786-7103).

Background:

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.

Health Sciences and Services Authorities.

A city or county may establish 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.

Applications to establish an Authority were due by December 31, 2007. By statute, only one authority was to be authorized, and it was required to be located in a county with a population under 1 million persons.

A local jurisdiction that creates an Authority may:

- until January 1, 2023, impose a sales and use tax that is credited against the state portion of the tax paid to the Department of Revenue; and
- incur general indebtedness and issue general obligation bonds to finance grants and other programs and to retire the indebtedness. The bonds issued by a local government do not constitute an obligation of Washington, either general or special.

An Authority is overseen by a board of up to 14 members, and has all the general powers necessary to carry out its purposes, including hiring staff and contracting with technical experts, leveraging the Authority's public funds with moneys received from other public and private sources, and making grants to entities to promote bioscience-based economic development. The 2009-2011 state operating budget limited the use of Authority funds for staffing, technical experts, and administrative costs to no more than 10 percent of the funds received from sales and use taxes during the 2009-2011 fiscal biennium.

Financial, commercial, operations, and technical and research information and data submitted to or obtained by an Authority for grant making purposes is exempt from public disclosure under the Public Records Act to the extent that such information, if revealed, would reasonably be expected to result in private loss to the providers of the information.

The Higher Education Coordinating Board (HEC Board) is responsible for approving or rejecting applications submitted by local governments for an area's designation as an Authority. The HEC Board must also develop Authority evaluation and performance measures and report, on a biennial basis, to the Legislature, beginning December 1, 2009.

The HEC Board approved the Health Sciences and Services Authority of Spokane County (Spokane County HSSA) in 2008. The Spokane County HSSA awarded its first grants, totalling \$900,000, to two organizations in 2009, and is developing two additional grant competitions. The tax distributions collected for the Spokane HSSA was \$1,450,057 through September 2009.

Open Public Meetings Act.

The Open Public Meetings Act (OPMA) requires meetings of the governing body of a public agency be open to the public. For the purposes of the OPMA, a public agency is defined broadly and includes state boards and agencies, local governments, and special purpose districts.

During a regular or special meeting, a governing body may meet in an executive session that is closed to the public to discuss certain issues specified in statute.

Summary of Amended Bill:

The number of health sciences and services authorities that may be created is increased from one to two. Authorities must be located east of the Cascade Mountains.

Only a local jurisdiction that created an Authority before January 1, 2010, is authorized to impose the sales and use tax that is credited against the state portion of the sales tax.

When authorized by an ordinance or resolution of the local jurisdiction that created the Authority, the Authority may borrow money and incur debt. Moneys borrowed by an Authority must be secured by gifts or grants from public or private sources. The Authority may not incur an expense or liability that is the obligation of the state or local government. All Authority obligations must be paid with Authority funds.

The 10 percent limitation, imposed during the 2009-2011 fiscal biennium in the state operating budget, on the use of an Authority's sales tax revenue for staffing, technical experts, and administrative costs is made permanent.

The OPMA is amended to allow an Authority to conduct closed executive sessions when considering the substance of grant applications or awards if public knowledge of the discussion would reasonably be expected to result in private loss to the providers of the information.

Amended Bill Compared to Substitute Bill:

The striking amendment: (1) changes the due date for Health Sciences and Services Authority applications from December 31, 2007, to December 31, 2010; (2) removes a date limitation so that the HEC Board has continuing authority to adopt any necessary rules; and (3) makes a grammatical correction.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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 will allow a second HSSA in Yakima County. It is vitally important to maintaining the success of the new medical school, the Pacific Northwest University of

Health Sciences. With its emphasis on providing family practitioners to serve in rural and underserved areas, the university is a critical piece of infrastructure for the region. The new HSSA will support the infrastructure without raising taxes. Funding for the HSSA can be addressed later when the economy is more robust.

The university helps to integrate the studies of health science students in various programs at public institutions of higher education and to keep those students practicing in Washington through local community rotations. This endeavor will help attract biomedical companies to the region.

The technical changes in the bill are fully supported. It makes sense to make the cap on administrative expenditures permanent, and to allow closed executive sessions as is now allowed for the Life Sciences Discovery Fund board. The HSSA's authority to borrow money should be secured by its revenue stream. The HSSA in Spokane County has been an important part of the emerging health sciences cluster in the region.

(Opposed) None.

Persons Testifying: Senator King; Representative Johnson; Representative Hinkle; Karen Hyatt, Pacific Northwest University; Gretchen Eickmeyer, Pacific Northwest University; Brian Nelson, Pacific Northwest University; Susan Ashe, Health Sciences and Services Authority of Spokane Country; and Kelsey Gray, Health Sciences.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 5 members: Representatives Hunter, Chair; Parker, Assistant Ranking Minority Member; Conway, Santos and Springer.

Minority Report: Without recommendation. Signed by 3 members: Representatives Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta.

Staff: Jeffrey Mitchell (786-7139).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Community & Economic Development & Trade:

Summary of Amended Bill:

When authorized by an ordinance or resolution of the local jurisdiction that created the Authority, the Authority may borrow money and incur debt. Moneys borrowed by an Authority must be secured by gifts or grants from public or private sources. The Authority may not incur an expense or liability that is the obligation of the state or local government. All Authority obligations must be paid with Authority funds. An Authority may not use sales and use taxes to secure debt.

The 10 percent limitation, imposed during the 2009-2011 fiscal biennium in the state operating budget, on use of Authority funds for staffing, technical experts, and administrative costs, is made permanent.

The Open Public Meetings Act is amended to allow an Authority to conduct closed executive sessions when considering the substance of grant applications or awards if public knowledge of the discussion would reasonably be expected to result in private loss to the providers of the information.

Amended Bill Compared to Substitute Bill:

The amended bill removes language authorizing a second Authority. The amended bill also prohibits an Authority from securing debt with sales tax proceeds.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on 3/18/10.

Effective Date of Amended 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 a catalyst for bioscience research and infrastructure. The existing program needs some enhancements, which this bill makes. The Pacific Northwest University of Health Sciences (University) is the first new medical school built in the Pacific Northwest in the past 75 years. The bill will create jobs in the bioscience industry. The bill would help the University succeed. A large amount of money is needed for expensive medical equipment and this program provides money for this equipment. The Authority vehicle has been very useful so far. The bill would allow more money to be obtained up front. The reason for the provision modifying the OPMA is that there are certain proprietary concerns that should be discussed during an executive session.

(Opposed) None.

Persons Testifying: Senator Marr, prime sponsor; Representative Driscoll; and Nancy Isserlis, Health Sciences and Service Authority.

Persons Signed In To Testify But Not Testifying: None.