HB 2057 - Providing for Public Facilities

In January 1988, the Joint Committee on the Washington State Convention and Trade Center reported to the Legislature that full state funding, expanded meeting space and additional marketing were needed for the Center to have the greatest long-term benefit to the state. Prior to the Joint Committees' report, the project was to be completed as a private/public partnership.

As a result of the report, the Legislature authorized completion of the Washington State Convention and Trade Center with full state funding and ownership. It also authorized expansion and conversion of some of the space set aside for retailing to provide additional meeting rooms. Further, the special Seattle/King County hotel/motel tax surcharge was eliminated and replaced by a tax increase to fund additional Convention Center marketing and to minimize additional borrowing from the state.

Additional general obligation (G.O.) bonds to be repaid from Seattle-King County hotel/motel tax revenues are authorized for the following:

- $20.0 million to complete construction of the facility
- $13.0 million for conversion of retail space to additional meeting rooms
- $ 0.3 million to secure the Eagles Building
- $13.3 million for expansion
- $10.4 million for purchase of the McKay parcel, located adjacent to the facility

$57.0 million in new G.O. bonds

During the 1987 legislative session, $28 million was appropriated for project completion and related costs. (Now, as a result of project changes, only $20 million of this amount will be used.) Because it was expected that these costs would be funded by a private developer, no corresponding general obligation bonds were authorized.

This year, however, based on the decision to complete the Center without a private developer, bonds were authorized as indicated above. Further, the appropriation from the Center's capital account was increased by $29 million, for a total of $57 million, to correspond to the new total state bond authorization. These adjustments allowed for expansion, conversion, securing the Eagles building and purchase of the MacKay parcel.

The Seattle/King County hotel/motel tax rates are changed to the following:

	Surrounding Seattle	King County
Through 6/30/88	5%	2%
7/1/88 through 12/31/88	6%	2.4%
1/1/93 until state debt is eliminated	7%	2.8%
Thereafter	6%	2.4%

The Legislature made a number of changes in statutes designed to assist the Spokane area in constructing a new coliseum. A "public facilities district" is authorized to be created in Spokane County by the City and County of Spokane if approved by local voters. A 2% hotel/motel tax is authorized for the district. A surcharge of up to $.50 on admissions is authorized for the district. Proceeds from these two taxes are to be used for a Spokane coliseum. A special property tax is authorized with voter approval for district use. Debt capacity of ⅜ of 1 percent of the district's assessed valuation is authorized without voter approval, and an additional 1 ¼ percent authorized with voter approval. Also, one million dollars is appropriated to the Department of Community Development for the Spokane coliseum. This money must be repaid if the district has not authorized bonds for construction of the facility by the end of 1991.

Finally, the Legislature increased or made more flexible the hotel/motel taxes levied by a number of counties and cities. Pierce and Thurston Counties are authorized to impose a three percent hotel/motel tax for constructing and maintaining a pool in Pierce County and an Olympic Academy in Thurston County. A two percent hotel/motel tax is authorized for Yakima County and cities in Yakima County. A three percent hotel/motel tax is authorized for the City of Ocean Shores. These taxes are not credits against the state sales tax. The City of Bellevue is authorized to use the proceeds from their special three percent hotel/motel tax for bonded indebtedness. Lewis County may use their hotel/motel tax revenues for a tourist destination steam railway.

E2SHB 1835 - Tri-Cities Diversification and Job Loss Mitigation

The Legislature directed several state agencies and local organizations to implement a coordinated program of economic diversification and job loss mitigation efforts in the Tri-Cities area. The impetus for this undertaking was the U.S. Department of Energy's January, 1988 decision not to restart the Hanford N Reactor. A 1987 Department of Energy study estimates that this shut-down will lead to 8,000 lost jobs by 1991, and that by 1996 a total of 13,800 jobs will be eliminated. Several initiatives included in the diversification effort are found in a study of the Tri-Cities economy authorized by the Legislature and conducted by the state Department of Trade and Economic Development in 1987. The 1988 Legislature provided $1.76 million in state funds for programs to assist the Tri-Cities area.

The programs include contracts for specific economic and agribusiness development efforts by local organizations. The Department of Trade and Economic Development is directed to administer these contracts in consultation with a 15-member Tri-cities Diversification Board appointed by the Governor. Other program initiatives include: (1) three faculty at the Tri-Cities University Center specializing in business development, agribusiness development, and wine industry research respectively; (2) a study of potential for using heat from existing nuclear facilities for industrial applications; (3) enhanced job training, job search and support assistance through the Employment Security Department, and (4) enhanced Department of Community Development programs in the Tri-Cities. The definition of "distressed area" used to determine eligibility for state assistance is expanded for one year to include a metropolitan area in which unemployment for the previous year exceeds the state average by at least twenty percent.

The bill also provides an exemption from civil damages, except in cases of gross negligence or willful misconduct, for persons appointed by the state emergency response commission who serve on the state hazardous planning committee. The exemption is limited to suits that result from acts or omissions in the development, review or implementation of hazardous material incident response plans.

STATE EMPLOYEE'S HEALTH INSURANCE

One of the major issues facing the 1988 Legislature, was the rapid increase in the cost of providing health insurance benefits to state employees. Health care costs throughout the United States have risen significantly over the past two years resulting in substantial premium increases to continue coverage. The State Employees Insurance Board (SEIB) faced this situation with its current contract with Blue Cross which expires June 30, 1988. The cost of renewal greatly exceeded the funds available for the state's insurance contribution for each employee. The Legislature dealt with the short term problem of funding for the next insurance contract by appropriating additional funds and it recognized the importance of taking steps to control health care costs in the future by creating a Washington State Health Care Authority.

Increased Insurance Contribution

In August 1987, Blue Cross informed the SEIB that the level of utilization of medical and dental benefits by state employees would require a 43% premium increase beginning July 1, 1988. This was subsequently updated in December to a 54% increase. In combination with the contributions for life and long-term disability insurance, this meant a premium of $271.70/month as compared to the current $176.71/month.

In response to this proposed increase, the House and Senate jointly hired the firm of Coopers and Lybrand to review and evaluate: (1) the state's administrative and

management structure for the provision of health benefits, (2) the SEIB health care plan and the proposed Blue Cross rate increase, and (3) short and long term alternatives to the current benefit plan structure. The Coopers and Lybrand report, issued in February, 1988, formed the basis for the Legislature's action during the 1988 session.

Effective July 1, 1988, the state's monthly insurance contribution for each employee will increase from the $167 to $224.75. It is the Legislature's intent that deductibles and/or copayments increase so as to require greater financial participation by state employee's in the use of their health care benefits. It is also the Legislature's intent that increases not be so great as to create hardship for employees.

Because of the long standing policy of providing the same level of insurance contribution for K-12 employees as state employees, the K-12 contribution was also increased to $224.75/month effective October 1, 1988.

ESHB 2038 - Washington State Health Care Authority

The Coopers and Lybrand report stated that health care costs will continue to rise and that the rate increase from Blue Cross for the SEIB contract was an indicator of where health care costs are heading. The report further stated that the state needed to develop a coordinated health care program and that lacking such a program, the state would be unable to head off future financial crises concerning the funding of health care services.

The Legislature took the first step in developing a coordinated health care program by enacting ESHB 2038. This bill, which created the Washington State Health Care Authority, makes significant changes in the way state employee's health care benefits are developed and managed. In addition, steps will be taken to begin analyzing all state-purchased health care.

The Health Care Authority replaces the State Employees Insurance Board effective October 1988. A State Employee's Benefits Board is created within the Authority and is responsible for designing and approving benefit plans for state employees. The Authority is to: (1) administer benefits programs for state employees, (2) analyze state purchased health care and explore options for cost-containment and alternative delivery systems, (3) analyze public and private health care interaction, and (4) provide technical and administrative assistance to the Benefits board.

The Authority is to conduct two studies. The first, due December 1, 1989, is to analyze the provision of health care benefits to K-12 employees. The second, due December 1, 1990, will review all state purchased health care programs, provide a plan to improve efficiency, control costs and maintain or improve access to state programs, and provide recommendations on structural changes in the state's health care delivery system.

HB 2046 - Relating to Hospital Reimbursement

The 1987-89 operating budget assumed the Department of Social and Health Services (DSHS) would begin purchasing hospital services through a new competitive bid process. Contractually agreed to competitive bids were expected to contain the growth of the medical assistance budget, saving at least $14 million in state funds.

Washington's Hospital Commission is authorized to review and approve all negotiated hospital rates. In 1987, the Commission adopted a rule exempting DSHS negotiated hospital rates from Commission review and approval. On February 29, 1988, Thurston County Superior court invalidated the Hospital Commission rule exempting DSHS negotiated rates from Commission review and approval.

In response to the court's action, the Legislature exempted hospital rates negotiated with DSHS from Commission review and approval in House Bill 2046. The legislation specifies that nothing in the Hospital Commission's statutes limits the ability of DSHS to negotiate hospital rates pursuant to a federally approvable state plan under Title XIX of the federal Social Security Act (Medicaid).

2SSB 6221 - Establishing a Statewide AIDS Program

The Legislature established a statewide Acquired Immunodeficiency Syndrome (AIDS) program through 2SSB 6221. The program includes mandatory annual AIDS education in each school district beginning no later than the 5th grade. The governing bodies of colleges, universities, and vocational schools are required to make AIDS information available to new students.

Persons convicted of sex offenses, persons convicted of crimes involving the use of hypodermic needles, and those convicted of prostitution will be tested and counseled upon sentencing. A comprehensive AIDS treatment network was established. The network will be coordinated through six regional health districts. Local health departments will be responsible for implementing the AIDS network statewide.

The Department of Social and Health Services was provided $4.3 million in state funds and $1.6 million in federal and other funds to carry out the provisions of 2SSB 6221. The University of Washington received $200,000 in state funds to lease space for an AIDS clinic and the Superintendent of Public Instruction was provided $314,000 in state funds for activities related to AIDS education in the common schools.