## STAFF REPORT

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| **Agenda Item:** | 7 | **Name:** | Jeff Muhm |
| **Proposed No**.: | 2017-0496 | **Date:** | November 29, 2017 |

**SUBJECT:**

A motion directing staff to the King County council to draft and deliver an implementation plan to the King County Council to direct the use of funds from the Puget Sound Taxpayers Accountability Account.

**SUMMARY:**

Motion 32017-0496 directs King County Council staff to work with a consulate to draft an implementation plan to direct how funds from the Puget Sound Taxpayers Accountability Account (PSTAA) will be utilized. The motion also establishes principals to for the plan to follow and goals for the plan to achieve as well as variety of strategies to be explored while drafting the implementation plan. Council staff is also requested to work with the executive and a consultant to conduct necessary stakeholder outreach to deliver the implementation plan to Council by September 1, 2018.

**BACKGROUND:**

**Puget Sound Tax Payer Accountability Account.** The Washington state legislature created an account in the state treasury called the Puget Sound Taxpayer Accountability Account (Account) as a part of the 2015 transportation funding legislation (SB 5987). The account will be funded by a sales and use tax offset fee of 3.25% of total payments made by Sound Transit on the cost of construction projects approved by voters in 2016 known as Sound Transit 3. State law exempts projects constructed with Sound Transit 3 funds from the state sales and use tax of 6.5%. State law also requires Sound Transit to pay the offset until $518 million of payments are made to the account.

Funds from the Account are to be distributed to King, Pierce and Snohomish counties proportionally based on each county’s population that lives within Sound Transit’s jurisdictional boundaries. King County is estimated to receive $315 million in total funding between now and 2035; however, the funding amounts are based on the construction timeline for Sound Transit 3 projects and results in uneven distribution of funds over the period.

Although significant funding won’t be available until 2019, the Council adopted Motion 14923 to better understand how the funds can be used and to start the process of understanding unmet educational needs throughout King County.

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|  **Estimated Distributions** **Puget Sound Taxpayer Accountability Account** **(dollars in thousands)** |
| **Year** | **King**  | **Pierce**  | **Snohomish** | **Total** |
| **2018** |  $ -  |  $ -  |  $ -  |  $ -  |
| **2019** |  $ 4,534  |  $ 1,770  |  $ 1,135  |  $ 7,438  |
| **2020** |  $ 5,519  |  $ 2,155  |  $ 1,382  |  $ 9,055  |
| **2021** |  $ 8,556  |  $ 3,340  |  $ 2,142  |  $ 14,038  |
| **2022** |  $ 7,638  |  $ 2,982  |  $ 1,912  |  $ 12,532  |
| **2023** |  $ 9,351  |  $ 3,650  |  $ 2,341  |  $ 15,342  |
| **2024** |  $ 15,561  |  $ 6,075  |  $ 3,895  |  $ 25,531  |
| **2025** |  $ 17,105  |  $ 6,677  |  $ 4,282  |  $ 28,064  |
| **2026** |  $ 13,302  |  $ 5,192  |  $ 3,330  |  $ 21,825  |
| **2027** |  $ 26,202  |  $ 10,229  |  $ 6,559  |  $ 42,989  |
| **2028** |  $ 37,429  |  $ 14,611  |  $ 9,369  |  $ 61,410  |
| **2029** |  $ 36,398  |  $ 14,209  |  $ 9,111  |  $ 59,719  |
| **2030** |  $ 25,711  |  $ 10,037  |  $ 6,436  |  $ 42,183  |
| **2031** |  $ 29,325  |  $ 11,448  |  $ 7,341  |  $ 48,114  |
| **2032** |  $ 29,799  |  $ 11,633  |  $ 7,459  |  $ 48,892  |
| **2033** |  $ 31,662  |  $ 12,360  |  $ 7,926  |  $ 51,948  |
| **2034** |  $ 17,625  |  $ 6,881  |  $ 4,412  |  $ 28,918  |
| **2035** |  $ -  |  $ -  |  $ -  |  $ -  |
| **Total** |  **$ 315,719**  |  **$ 123,250**  |  **$ 79,032**  |  **$ 518,000**  |
| Distribution of funds based on 2015 Sound Transit service area population distribution estimates |

**Allowable Uses.** State law presents allows funding from the Account by counties to support educational services in a wide variety of educational arenas:

“Counties may use distributions form the account only for 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.” (RCW 43.79.520.)

Below is further discussion on the allowable use of the funds.

* **Bonding.** Funds cannot be bonded. State law does not specifically permit bonding of the funds; and the funds are subject to appropriation by the legislature which could present obstacles if bonds supported by Account funds were proposed for sale on the municipal bond market.
* **Definition of Educational Services.** There is no statutory definition of educational services. Legal research is underway to determine if educational services includes both operating and capital aspects of educational services.
* **Leveraging Additional Funds/Public Private Partnerships.** The state law has no restrictions on the funds being used to leverage qualifying federal or private sector grants or loans. Legal analysis is underway to determine options for investing all or a portion of the funds to potentially extend the timeframe to use the funds.

**ANALYSIS**

Motion 2017-0496 sets out a process for the council initiatives director to work with a consultant, stakeholders and executive staff to develop an implementation plan to direct the expenditure of PSSTA funds. It should be noted that similar to the Youth Action Plan, youth are identified as individuals ages 16-25.

The seven broad goals put forth for PSSTA funds to meet in the motion include:

1. Ensure ever child in King County is ready for kindergarten;
2. Improve educational outcome for children and youth who are homeless, in the foster care system, in the child welfare system, involved in the juvenile justice system or otherwise vulnerable;
3. Close the opportunity gap for children and youth of color and low-income children and youth;
4. End the school to prison pipeline and reduce youth involvement in the criminal justice system;
5. Embody the King County equity and social justice goal;
6. Ensure all youth in King County are prepared to fill the jobs of the future; and
7. Build a legacy for King County that lasts beyond the duration of the funding.

While working to meet the goals listed about, Motion 2017-0496 requests staff to adhere to the following principals:

1. Maximize the impact of the funding by focusing on no more than three areas for investment;
2. Invest in programs and projects consistent with the limited duration of the funding as much as possible, such as facilities or pilot projects;
3. Prioritize programs that are evidence based or promising practices and have measurable outcomes, while also investing in innovative approaches;
4. Include funding for direct services provided by the community being served;
5. Leverage existing initiatives, programs and funding sources, such as the Youth Action Plan, the Best Starts for Kids Levy, and the Veterans, Seniors and Human Services Levy, as well as related investments by cities, the state of Washington, schools, and employers.

Motion 2017-0496 also identifies three priority areas for PSTAA funds to be focused:

1. Early learning;
2. Vulnerable children and youth; and
3. College and career training.

When conducting the community outreach to develop the implementation plan, the consultant will explore a variety of strategies including, but not limited to:

1. Providing access to post-secondary or career connected education, including advisory support or other necessary services, at a community or technical college via a guaranteed thirteenth year, "promise scholarship," program targeting homeless youth, or other program;
2. Constructing, maintaining and renovating facilities to support early learning programs;
3. Colocating early learning centers with affordable housing, including flexible, mixed-use space to meet the multiple needs of children and youth with limited access to services; and
4. Programing to support children and youth who are homeless, in the foster care system, in the child welfare system, involved in the juvenile justice system or otherwise vulnerable.

In order to meet the deadline set in Motion 2017-0496, the Council needs to hire a consultant soon as possible. In anticipation of adoption of some version of Motion 2017-0496 before the end of 2017, Council staff will work during the next two weeks to define a scope of work and issue a request for proposals (RPF) to have a consultant under contract by the end of January 2018. Initial cost estimates range between $25,000 and $50,000 and will be better understood as the scope of work is developed.

Motion 2017-496 also calls for the Council’s Committee of the Whole to conduct two town halls to hear directly from the public on potential strategies to support when allocating PSSTA funds. Quarterly updates on the progress of the implementation plan from the Council’s Initiatives Director to the Council are also requested in the motion.