## REVISED STAFF REPORT

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| **Agenda Items:** | 7 | **Name:** | Jeff Muhm |
| **Proposed No**.: | 2019-0425 | **Date:** | November 18, 2019 |

**COMMITTEE ACTION**

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| ***Proposed Substitute Ordinance 2019-0425.2 which would appropriate $6.9 million to the Puget Sound Taxpayers Ability Account fund, authorize 6.0 new FTEs and expenditure restrict $5,8 million, passed out of committee on November 18, 2019 with a “Do Pass” recommendation. The Ordinance was amended in committee with Amendment S1 to increase the expenditure restriction to $6.6 million and reduce the FTEs approved to 1.0 FTE.*** |

**SUBJECT**

An ordinance authorizing an appropriation new staff to implement programs and projects funded by proceeds from the Puget Sound Taxpayers Accountability Account (PSTAA).

**SUMMARY**

The proposed ordinance would allow the Department of Community and Human Services (DCHS) to hire staff necessary to implement programs and projects funded by PSTAA proceeds. The proposed ordinances would appropriate $6.9 million and 6.0 FTEs within DCHS to implement PSTAA programs and projects. The proposed ordinance also includes and expenditure restriction of $5.8 million.

Striking Amendment S1 would reduce the FTEs authorized from 6.0 to 1.0, restrict $250,000 of the appropriation to support the newly authorized FTE that would work on community engagement for and preparation of the implementation plan as required by proviso, and increase the restriction amount in the proviso from $5,881,000 to $6,666,000.

**BACKGROUND**

**Puget Sound Taxpayer Accountability Account.** The Washington state legislature created an account in the state treasury called the Puget Sound Taxpayer Accountability Account (PSTAA) 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 (known as Sound Transit 3) approved by voters in 2016. 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.

PSTAA proceeds 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 $318 million in total funding between now and 2034.

However, the funding amounts are based on the construction timeline for Sound Transit 3 projects, resulting in in an uneven distribution of funds over the period.

**Council work to date.** The Council adopted Motion 15029 on December 11, 2017 which identified principles and goals for investing PSTAA proceeds. Motion 15029 also directed Council staff to work with a consultant to better understand identified strategies for meeting those goals. The consultant transmitted to the Council an educational needs assessment which outlined educational achievement gaps for King County students in early learning, K-12 and postsecondary programs, and a strategy assessment report which used national studies to assess educational related outcomes for the strategies identified in Motion 15029. On May 20, 2019 the consultant transmitted a financial analysis of strategies identified in Motion 15029 to provide a high-level per-student estimate for each strategy.

The Council also worked in partnership with the Executive’s Office of Equity and Social Justice, to hire a consultant to conduct community outreach throughout the county. The community outreach consisted of community listening sessions designed to gather input from communities who had not had a chance to engage in previous PSTAA funding discussions and that represented targeted populations identified in Motion 15029. The team conducted 21 listening sessions, and also conducted interviews with 14 individuals with subject matter expertise in the issues of equity that face students of all ages in King County. The team’s findings were presented to the Council’s Committee of the Whole on June 3, 2019.

On August 28, 2019, the Council adoption Motion 15492 to allocate percentages of future PSTAA proceeds. Motion 15492 reserved up to seven percent of PSTAA proceeds for evaluation, administration and technical assistance and then dedicate the remaining proceeds as follows:

* 52% for programs and facilities that early learning and early interventions for children in King County. Up to 7.5% of these funds will be used to support licensed family day care providers in the form of grants not to exceed $20,000.
* 38% for programs to improve educational outcomes for school aged children and youth as well as students enrolled in postsecondary degree or certification programs through the King County Promise[[1]](#footnote-1). This funding was further dedicated as follows:
	+ 45% of these funds were dedicated to improving educational outcomes for K-12 aged children and youth.
	+ 45% of these funds were dedicated to improving connections between high school and postsecondary certifications and degrees, including trade and apprenticeship programs for youth.
	+ 10% of these funds were dedicated to funding community based organized engaged in King County Promise activities.
* 10% would be dedicated to community-based organizations that are integrated with K-12 and postsecondary systems to help close the educational opportunity gaps for children and youth.

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| **Table A – Summary of PSTAA Proceeds over life of the fund, Motion 15492 ($ in thousands)** |
| **Evaluation, Administration and Technical Support (7% of total)** |  **$22,260**  |
| **Early Childhood Allocation (52% after Evaluation, Administration and Technical Support)** |  **$153,785** |
| Dedicated to home-based care (7.5% of Early Childhood Allocation) |  $11,534  |
| **King County Promise Related Programs Allocation (38% after Evaluation, Administration and Technical Support)** |  **$112,381**  |
| Dedicated to K-12 navigation and systems alignment (45% of King County Promise Allocation) |  $50,572  |
| Dedicated to Higher Ed navigation and systems alignment (45% of King County Promise Allocation) |  $50,572  |
| Dedicated to Community Based Strategies (10% of King County Promise Allocation) | $11,238 |
| **Dedicated to Community Based Organizations that work in K-12 (10% after Evaluation, Administration and Technical Support)** | **$29,574**  |
| **Total** |  **$318,000**  |

**Implementation Plan**. Further, the Motion 15492 requested that the executive work with Council staff, stakeholders and the community to develop a plan to distribute PSTAA proceeds. This plan is requested to be transmitted by the executive to the Council by April 2020.

**ANALYSIS**

**Appropriation Ordinance.** Proposed Ordinance 2019-0425 would appropriate 6.0 FTEs and $6.9 million of PSTAA funds anticipated to be transferred to the Country from the state from 2019 to 2020. The appropriation would be used to implement PSTAA programs and projects and fund the hiring of six new positions.

The proposed ordinance includes an expenditure restriction of $1.1 million that would be used solely to support the six new positions. DCHS has indicated each position would serve the following purposes:

* *PSTAA Lead* – This position would be responsible for ongoing policy and program management of the PSTAA investments including ongoing engagement with stakeholders, communities and private funding partners; supervise the work of all PSTAA staff; serve as liaison with Council offices and staff; work with stakeholders to leverage private funders; create documents, reports, and presentations for the investments; work closely with the Finance Team on budget and financial management. The FTE requires a high-level policy person who can work and communicate well with legislators, private funders and community stakeholders. It is anticipated this position would be filled in January 2020.
* *Early Learning Facilities Program Manager* – This position would facilitate the RFP process and manage all resulting contracts under the Early Learning Facilities Program; serve as liaison with all funded facilities partners; participate in ongoing community engagement with the Early Learning Facilities Coalition; and work closely with PSTAA Evaluation team in assessing effectiveness of programs. It is anticipated that this position would be filled in January 2020.
* *King County Promise and K-12 Program Manager* – This position would facilitate the RFP process and manage all resulting contracts under King County Promise and K-12 Program Areas; serve as liaison with all funded community and institutional partners; participate in ongoing community engagement with King County Promise and the Racial Equity Coalition; and work closely with PSTAA Evaluation team in assessing effectiveness of programs. It is anticipated this position would be filled in January of 2020.
* *Contract Monitor Accountability* – This position would work in partnership with program managers to ensure effective use of funds to meet county audit requirements. The county is required to monitor whether money granted to a community agency is being used for its contractual obligations. Activities would include ongoing site visits to contractors to ensure compliance with contract deliverables; coordinate with fiscal team to provide fiscal oversite of contracts; and provide and or coordinate technical assistance to contractors to ensure compliance. It is anticipated this position would be filled in May 2020.
* *Evaluator* – Motion 15492 requires “periodic evaluation of outcomes, equity and efficacy” of each funded strategy of the proceeds. This position would be responsible for creating and implementing large-scale evaluation frameworks, as well as supporting the development and usage of data for decision making and program quality improvement. The FTE will require a seasoned evaluator who is capable of working substantially independently within a complex and political environment. It would be seated in DCHS’ Performance Measurement and Evaluation unit but would be embedded within the larger PSTAA implementation team because success would require collaboration with the BSK evaluation team, distributed between DCHS and Public Health – Seattle & King County (PHSKC), internal program partners, and many community stakeholders. It is anticipated this position would be filled in March 2020.
* *Business and Finance Officer* – This position would be responsible for setting up program and administration budgets, setting up the accounting system for interfund transfers, receiving revenue and coding expenditures. This position would review PSTAA contracts with community based partners for compliance with County fiscal regulations, policies, and procedures; provide fiscal guidance and technical assistance to program staff and community based partners; establish invoices and procedures for timely payment for program services and other expenditures; and report periodic financial performance to program managers, department leadership, and internal and external stakeholders, including actuals to budget, projections for revenue and expenditures, financial analysis and recommendations for corrective actions as needed. It is anticipated this position would be filled in February 2020.

DCHS anticipates these staffing levels would be consistent over the estimated 15 year life of the PSTAA funding. Council staff analysis confirms that these proposed staffing levels would not exceed the 7% limit for administration and evaluation provided for in Motion 15492. DCHS also indicates that this proposed staffing level is similar to how the department fulfills its duties relating to the Best Starts for Kids levy.

The proposed ordinance also includes a proviso of the remaining appropriation ($5.8 million) requiring DCHS to transmit to the council the implementation plan called for by Motion 15492. The funds would be released once the council approves a motion accepting the implementation plan. As requested by Motion 15492, the implementation is due to the council by April 2020.

**Ordinance to Create Fund.** Proposed Ordinance 2019-0426 that would create the King County Puget Sound Taxpayer Accountability Account fund for all future revenues from the Puget Sound Taxpayers Accountability Account to be deposited. The fund would be both a first tier fund and special revenue fund. The fund would be managed by DCHS.

**AMENDMENT**

Striking Amendment S1 would reduce the FTEs authorized from 6.0 to 1.0, restrict $250,000 of the appropriation to support the newly authorized FTE that would work on community engagement for and preparation of the implementation plan as required by proviso, and increase the restriction amount in the proviso from $5,881,000 to $6,666,000.

Title Amendment T1 would support Striking Amendment S1.

1. The King County Promise is sponsored by the Puget Sound College and Career Network to provide support services for King County students to move through the K-12 systems into post-secondary programs. Please see the following for more information: <https://www.psccn.org/transition/king-county-promise> [↑](#footnote-ref-1)