## STAFF REPORT

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| **Agenda Item:** | 7 | **Name:** | Jeff Muhm |
| **Proposed No**.: | 2019-0245 | **Date:** | June 17, 2019 |

**SUBJECT**

A motion identifying future allocations from proceeds from the Puget Sound Taxpayers Accountability Account to priority educational areas and requesting the executive to develop a plan to allocate proceeds within the priority educational areas.

**SUMMARY**

Motion 2019-0245 (Motion) identifies three priority educational areas, early learning; K-12 education for vulnerable and underserved youth; and college, career and technical education for the future allocation of proceeds from the Puget Sound Taxpayers Accountability Account (PSTAA). The Motion contemplates assigning percentages of future PSTAA proceeds to the priority educational areas; however, the Motion, as introduced, leaves these percentages blank. The Motion also identifies underserved populations to priorities within the priority educational areas when distributing future PSTAA proceeds.

Further, the Motion requests 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 within six months of the effective date of the motion.

**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 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.

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 2033.

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| **Estimated Distributions Puget Sound Taxpayer Accountability Account ($in 000, source Sound Transit, March 2019)** |
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| **Year** | **King**  | **Pierce** | **Snohomish** | **Total** |
| 2018 | $0 | $0 | $0 | $0 |
| 2019 | $798 | $305 | $197 | $1,300 |
| 2020 | $9,840 | $3,758 | $2,427 | $16,026 |
| 2021 | $14,426 | $5,510 | $3,558 | $23,494 |
| 2022 | $17,358 | $6,630 | $4,281 | $28,269 |
| 2023 | $14,254 | $5,444 | $3,516 | $23,213 |
| 2024 | $16,064 | $6,135 | $3,962 | $26,161 |
| 2025 | $15,894 | $6,070 | $3,920 | $25,884 |
| 2026 | $23,547 | $8,993 | $5,808 | $38,349 |
| 2027 | $32,188 | $12,293 | $7,939 | $52,420 |
| 2028 | $42,115 | $16,085 | $10,387 | $68,587 |
| 2029 | $37,819 | $14,444 | $9,328 | $61,591 |
| 2030 | $28,773 | $10,989 | $7,097 | $46,859 |
| 2031 | $23,304 | $8,900 | $5,748 | $37,953 |
| 2032 | $27,633 | $10,553 | $6,815 | $45,002 |
| 2033 | $14,057 | $5,369 | $3,467 | $22,893 |
| 2034 | $0 | $0 | $0 | $0 |
| **Total** | **$318,071** | **$121,478** | **$78,450** | **$518,000** |

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.

**Allowable Uses.** The state law relating to the use of PSTAA proceeds was updated during the 2019 legislative session (SSB 5851) to make it clear that PSTAA proceeds could be used for both educational programs and facilities:

“Counties may use distributions from the account only to improve educational outcomes in early learning, K-12, and higher education including, but not limited to, for facilities and programs for children and youth that are low-income, homeless, or in foster care, or other vulnerable populations.” (SSB 5851)

SSB 5851 also included a provision to allow PSTAA proceeds to start endowments to improve educational outcomes in early learning, K-12 and higher education.

PSTAA funds cannot be bonded to build facilities, or any other reason, under state law.

**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 community listening sessions designed to gather input from communities who had not had a chance to engage in subsequent 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.

**ANALYSIS**

Motion 2019-0245 (Motion) identifies the same three priority educational areas previously identified by the Council in Motion 15029for the future allocation of proceeds from the Puget Sound Taxpayers Accountability Account (PSTAA) including:

* early learning;
* K-12 education for vulnerable and underserved youth; and
* and college, career and technical education.

The Motion contemplates assigning percentages of future PSTAA proceeds to the priority educational areas; however, the motion, as introduced, leaves these percentages blank. It is anticipated that the council will amend these provisions at a future date.

The Motion also identifies the same underserved populations that were previously identified by the Council in Motion 15029 to priorize within the priority educational areas when distributing future PSTAA proceeds which include:

* children and youth or color;
* children and youth in families with low-income; children or youth who are homeless, in the foster care system or in the child welfare system;
* children or youth who are involved in the juvenile justice system; or otherwise vulnerable children or youth.

Further, the Motion requests 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 within six months of the effective date of the motion. The Motion specifically requests the plan to include:

* a governance structure to include, but not limited to, periodic evaluation of outcomes, equity and efficacy of Puget Sound Taxpayer Accountability Account proceed investments, and potential advisory groups to inform the Council on on-going and changing educational needs in King County throughout the life of the Puget Sound Taxpayer Accountability Account;
* criteria for allocating proceeds and for what duration;
* a financial plan based on the most recent revenue estimates from Sound Transit for the life of the account; and
* policies for potential investment of Puget Sound Taxpayer Accountability Account proceeds in facilities.

**ATTACHMENTS**

1. Proposed Motion 2019-0245