

HOUSE BILL REPORT

HB 2611

As Passed House:
January 28, 2010

Title: An act relating to the disposition of existing voter-approved indebtedness at the time of annexation of a city, partial city, or town to a fire protection district.

Brief Description: Concerning annexation of a city, partial city, or town to a fire protection district.

Sponsors: Representatives Williams and Hunt.

Brief History:

Committee Activity:

Local Government & Housing: 1/20/10 [DP].

Floor Activity:

Passed House: 1/28/10, 97-0.

Brief Summary of Bill

- Authorizes a fire protection district annexing a city or partial city to use its taxing authority to impose differing levy amounts in areas within the district and such levies must be related to the preexisting indebtedness of such areas at the time of annexation.
- Requires that the proposed allocation of debt-related tax burdens related to a fire district's annexation of a city or partial city be made public through the municipality's passage of an annexation ordinance containing such tax levy information.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 11 members: Representatives Simpson, Chair; Nelson, Vice Chair; Angel, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Fagan, Miloscia, Short, Springer, Uptegrove, White and Williams.

Staff: Thamas Osborn (786-7129).

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.

Overview of Fire Protection Districts.

Fire protection districts (districts) are created to provide fire prevention, fire suppression, and emergency medical services within a district's boundaries. Districts are governed by a board of commissioners consisting of either three or five members. The districts finance their activities and facilities by imposing regular property taxes, excess voter-approved property tax levies, and benefit charges. Generally, districts serve residents outside of cities or towns, except when cities and towns have been annexed into a district or when the district continues to provide service to a newly incorporated area.

Annexation of a City by a Fire Protection District.

A city or town adjacent to a district may be annexed to such a district provided the population of the city or town does not exceed 100,000. Such annexation is initiated through the adoption of an ordinance by the legislative authority of the city or town approving annexation into the district and stating a finding that the public interest is served by such annexation. The annexation must then be authorized through the concurrence of the district's board of fire commissioners. Following such approval of the annexation, notification must be sent to the governing body of the county or counties in which both the district and city or town are located. The pertinent county legislative authorities must then call a special election in the city or town to be annexed, as well as the district, so as to allow the voters in each jurisdiction to determine the annexation issue. The annexation is complete if a majority of voters in each jurisdiction vote in favor of annexation.

In accordance with specified limitations, both the district and the city are authorized to levy taxes related to district fire protection services.

After the passage of three years following a district's annexation of a city, the city has the option of withdrawing from the district. Such withdrawal requires that the legislative body of the city approve a resolution proposing the withdrawal which is then submitted for voter approval at the next general election.

Annexation of a "Partial City" by a Fire Protection District.

A district is authorized to annex part of a city or town that is located in two counties (partial city annexation). Such annexation must meet specified substantive and procedural requirements. The substantive requirements are as follows:

- the part of the city to be annexed must be adjacent to the boundaries of the district;
- the population of the proposed annexation area must be greater than 5,000 but less than 10,000;
- that portion of the city to be annexed must lie entirely within only one of the two counties; and
- that portion of the city to be annexed must contain at least 80 percent of the population of the entire city.

The procedural requirements for the completion of a partial city annexation are the same as for the annexation of an entire city, including the approval of the governing bodies of the city and the district, as well as voter approval.

Summary of Bill:

Following the annexation of a city, town, or partial city that has preexisting, fire protection-related indebtedness, a fire protection district is granted the discretionary authority to impose differing tax levies upon various areas within the district in order to allocate responsibility for the payment of such indebtedness. A district's authority to allocate the tax burdens within different areas of the district is subject to the following terms and conditions:

- The outstanding indebtedness of the annexed municipality must have been voter-approved and incurred as the result of fire protection related capital improvements.
- Any difference in the amount of the tax levy imposed upon an annexed area must relate to the preexisting debt of that area.
- In those areas that were within the jurisdictional boundaries of the district prior to annexation, the tax levy may continue to be based upon the indebtedness of the district as it existed prior to annexation.
- The commissioners of the fire district must determine the proposed allocation of responsibility for the indebtedness of the areas encompassed by the district prior to communicating an annexation proposal to the pertinent county or counties.
- If a city, town, or partial city intends to be annexed into a district, it must do so by an ordinance that specifies how the preexisting indebtedness of both the district and the proposed annexation area will be allocated in the tax levy process.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is needed to ensure that tax burdens are equitably apportioned when a city, partial city, or town is annexed into an adjacent fire protection district (district). Absent the passage of this bill, an annexation could result in double taxation of some residents within the district due to the preexisting indebtedness of either the municipality or the annexing district. Under the bill, fire districts are authorized to apportion taxes between residents living within the pre-annexation boundaries of the districts and the residents living within the pre-annexation boundaries of the annexed municipality, so that the amount of such taxes reflect the pre-annexation indebtedness of these areas. This taxation approach would ensure that residents of one area of the post-annexation district are not shouldering the debt burdens incurred by another area of the district prior to annexation. Under current law, fire district commissioners do not have the authority to waive bonded indebtedness with respect to annexed residents, even if these residents were not originally subject to, or benefitted by, such indebtedness.

This bill stems from an issue between the City of Lacey and Fire District 3 that could result in the double taxation of some post-annexation district residents in the event the district annexes the city. This bill would ensure that this inequitable result will not occur. Annexed areas should not be subject to the pre-annexation indebtedness of a fire district.

(Opposed) None.

Persons Testifying: Representative Williams, prime sponsor; Greg Cuoio, City of Lacey; and Jim Broman, Lacey Fire District.

Persons Signed In To Testify But Not Testifying: None.