

HOUSE BILL REPORT

EHB 1969

As Amended by the Senate

Title: An act relating to the exemption of flood control zone districts that are coextensive with a county from certain limitations upon regular property tax levies.

Brief Description: Concerning the exemption of flood control zone districts that are coextensive with a county from certain limitations upon regular property tax levies.

Sponsors: Representatives Hasegawa and Springer.

Brief History:

Committee Activity:

Ways & Means: 2/22/11, 2/24/11 [DP].

Floor Activity:

Passed House: 3/4/11, 75-22.

Senate Amended.

Passed Senate: 4/11/11, 42-5.

Brief Summary of Engrossed Bill

- Allows a flood control zone district that is coextensive with a county to place up to 25 cents of the district's 50 cent levy outside the \$5.90 limit to avoid prorationing.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 15 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Carlyle, Cody, Dickerson, Haigh, Hudgins, Hunt, Kagi, Kenney, Ormsby, Pettigrew, Seaquist and Springer.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Chandler, Haler, Hinkle, Parker, Ross, Schmick and Wilcox.

Staff: Jeff Olsen (786-7175).

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.

Background:

Flood Control Districts.

Flood control zone districts may be established in a county for the purpose of operating or maintaining flood or storm water control. A flood control zone district is an independent taxing authority and may receive funding from a variety of sources, including property tax receipts; rates, charges, and assessments; and debt proceeds. A flood control zone district may impose annual, nonvoter-approved regular property tax levies of up to \$0.50 per \$1,000 of assessed value.

Property Tax Levy.

The state Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). Voters within a taxing district can vote to tax themselves higher than this 1 percent limit with an excess levy.

The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example, the state levy rate is limited to \$3.60 per \$1,000 of assessed value, county general levies are limited to \$1.80 per \$1,000 of assessed value, county road levies are limited to \$2.25 per \$1,000 of assessed value, and city levies are limited to \$3.375 per \$1,000 of assessed value. These districts are known as "senior" districts. Junior districts such as fire, library, hospital, and flood control districts each have specific rate limits as well. The tax rates for most of these senior and junior districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. State statutes contain schedules specifying the preferential order in which the various junior taxing district levies will be prorated in the event that the \$5.90 limit is exceeded. Under this prorating system, senior districts are given preference over junior districts

Property Tax "Gap".

A few regular property tax levies are not placed into the \$5.90 aggregate rate limit: emergency medical service, conservation futures, affordable housing, metropolitan park districts, county ferry districts, criminal justice, fire districts, and county transit. However, these districts are subject to reduction if the rates for these districts, the state property tax, and the districts subject to the \$5.90 limit together exceed the constitutional limit of \$10 per \$1,000 of market value. These districts are in what has been called the "gap," the \$0.50 cents remaining after subtracting the \$3.60 state levy and the \$5.90 in local regular levies from the statutory \$10 limit.

As noted earlier, flood control zone districts are categorized as "junior districts" and, therefore, are subject to the statutory provisions that include districts within the \$5.90 aggregate rate limit. However, in the statutory schedule determining the order of proration, flood control districts are in the second tier of junior districts to get prorated. In the latest tax year, the King County Flood Control Zone District was subject to prorationing.

Summary of Engrossed Bill:

For taxes levied for collection in 2012 through 2017, a flood control district with boundaries coextensive with a county may place up to 25 cents of the district's 50 cent levy outside the

\$5.90 limit to avoid prorationing. The levy for such flood control districts is still within the constitutional \$10 limit. Should the \$10 limit be exceeded, a flood control district will be the first levy to be prorated.

The bill expires January 1, 2018.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment limits the exemption from the \$5.90 property tax rate limit to flood control zone districts that are coextensive with a county with a population of 775,000 or more (King and Pierce Counties).

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) With the recent drop in property values, a \$36 million per year flood control levy is at risk of being eliminated in King County. The district may also lose \$10 million in federal funds. The flood control district has a list of critical projects that are at risk. The Howard Hanson Dam repairs that have been done are only temporary and more work needs to be done.

(Opposed) None.

Persons Testifying: Representative Hasegawa, prime sponsor; Dow Constantine, King County Executive; Matt Larson, Mayor, City of Snoqualmie; Suzette Cook, Mayor, City of Kent and Flood Control Zone Advisory Committee; and Brian Murray, King County.

Persons Signed In To Testify But Not Testifying: None.