

HOUSE BILL REPORT

ESSB 5300

As Reported By House Committee On:
Local Government

Title: An act relating to cities and towns.

Brief Description: Amending and adding provisions affecting cities and towns.

Sponsors: Senate Committee on State & Local Government (originally sponsored by Senators Patterson, Horn, Haugen, Gardner and Honeyford).

Brief History:

Committee Activity:

Local Government: 3/25/99, 4/1/99 [DPA].

Brief Summary of Engrossed Substitute Bill
(As Amended by House Committee)

- Makes numerous technical and other changes to city and town statutes.
- Creates an allocation and appointment system for locally imposed gross receipts taxes.
- Specifies economic development is an authorized purpose with regard to a city's voter approved additional indebtedness.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 6 members: Representatives Mulliken, Republican Co-Chair; Doumit, Democratic Vice Chair; Mielke, Republican Vice Chair; Ericksen; Fisher and Fortunato.

Staff: Caroleen Dineen (786-7156).

Background:

Numerous statutes govern various administrative aspects of local government, including statutes:

- specifying payment of medical policies' or plans' costs is not considered additional compensation to public employees or to elected county, school district or specified special district officials; and
- requiring cities and towns to transmit copies of final budgets and modifications to the Association of Washington Cities.

A code city with a population of at least 2,500 creating a planning agency under code statutes is required to establish a board of adjustment, and smaller code cities may establish such a board. With some exceptions, a board of adjustment may hear and decide a variety of actions, including zoning variance applications, conditional use permits, and appeals of local administration and enforcement orders and decisions. Appeals of board of adjustment decisions must be filed in superior court pursuant to the writ procedure within 10 days from the date of action.

Other statutes relate to city and towns as well as other government entities:

Public Meetings. The Open Public Meetings Act specifies procedures for notice, meetings and executive sessions of public agency governing bodies. A special meeting may be called by a public agency governing body's presiding officer or a majority of its members. Certain city statutes provide a special meeting may be called by the mayor or by a specified number of council members.

State Environmental Policy Act (SEPA). SEPA requires local governments and state agencies to prepare an environmental impact statement if proposed legislation or other major action may have a probable significant, adverse impact on the environment. The Department of Ecology (DOE) has adopted SEPA rules which define "categorical exemptions" or categories of actions not considered major actions significantly affecting environmental quality and not subject to SEPA environmental review requirements.

Leasehold Excise Taxes. The State Treasurer is required to distribute local leasehold excise taxes to counties and cities on a bimonthly basis.

Local Gross Receipts Taxes. A business and occupation (B&O) tax is an excise tax levied on the gross proceeds of sale or the gross income of a business. State and local governments impose B&O taxes on various business classifications with varying tax rates.

Document Recording. Documents presented to the county auditor for recording must satisfy specific format requirements, with certain exceptions.

Indebtedness Limitation. The statutory authorized levels of indebtedness vary for different types of local governments. A county, city, or town may incur general indebtedness in an amount not exceeding 1.5 percent (without voter approval) and 2.5

percent (with voter approval) of the value of taxable property within its boundaries. A city or town may incur additional voter approved indebtedness of up to 2.5 percent of the value of taxable property within its boundaries to finance water, sewer, and electrical systems and to acquire or develop open space and park facilities.

Summary of Amended Bill:

A variety of changes are made to statutes related to city and town administration:

- elected city officials are included within the list of elected local officials for whom the payment of medical policy or plan costs is not considered additional compensation; and
- numerous references to the Association of Washington Cities in budget statutes are replaced with references to the Municipal Research Council or its designee.

The appeal period for board of adjustment decisions is increased from 10 to 21 days.

Other changes related to cities and towns include:

Public Meetings. Certain city statutes specifying special meeting procedures are amended to authorize a majority of the council to call a special meeting, as is permitted by the Open Public Meetings Act.

SEPA. Exemptions to SEPA requirements are added for disincorporation of a city or town and reduction of city or town limits.

Leasehold Excise Taxes. For earnings in the local leasehold excise account accrued through July 31, 1999, the State Treasurer is required to disburse earnings to counties and cities proportionate to the tax amount collected annually on behalf of each county and city. After July 31, 1999, the State Treasurer is required to disburse such earnings to counties and cities on a bimonthly basis.

Local Gross Receipts Taxes. An allocation and apportionment system is created for locally imposed B&O taxes:

- extracting, manufacturing or processing for hire activities are subject to a gross receipts tax in the local jurisdiction in which the activities occur and must be apportioned between or among jurisdictions if the activities occur in more than one jurisdiction;

- retail or wholesale sales are subject to gross receipts taxes in the local jurisdiction where the sale takes place and parameters for determining the location of a sale for purposes of the tax are specified; and
- services are subject to gross receipts taxes in the local jurisdiction where the services are primarily performed and must be apportioned between or among jurisdictions if substantial service activities occur in more than one jurisdiction.

Credits for manufacturing and retail or wholesale sales are authorized for persons performing multiple activities in multiple local jurisdictions for the tax portion previously subject to a local gross receipts tax.

Document Recording. Reduced illustrative exhibits labeled "reduced for recording" are exempt from the point type requirement for original documents if the original exceeds the maximum size allowed for recording.

Indebtedness Limitation. A city or town may incur additional voter approved indebtedness not to exceed 2.5 percent of taxable property value for capital facilities associated with economic development as well as for other authorized purposes.

Amended Bill Compared to Engrossed Substitute Bill: The amended bill deletes the provisions changing references from "qualified electors" to "qualified registered voters" in certain annexation statutes. The amended bill also adds the provisions related to apportionment and allocation of local gross receipts taxes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: (In support) This bill is mostly housekeeping. The additional indebtedness provision allows Leavenworth and other cities to take advantage of economic development opportunities without state assistance or increased taxes.

(In support with amendment) Because there is currently no mechanism for voter action on city assumption of a water-sewer district, the bill should include a provision to subject these assumptions to referendum.

Testimony Against: None.

Testified: (In support) Ron Rosenbloom, Association of Washington Cities.

(In support with amendment) Joe Daniels, Washington Association of Sewer-Water Districts.