

HOUSE BILL REPORT

ESHB 3182

As Passed House:
March 4, 2010

Title: An act relating to state mandates on political subdivisions of the state.

Brief Description: Making certain unfunded mandates optional for school districts and other political subdivisions.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Alexander, DeBolt, Armstrong, Kristiansen, Pearson, Bailey, Rodne, Johnson, Short, Dammeier, Taylor, Crouse, Nealey, Walsh, Roach, Warnick, Klippert, Parker, Ross, Haler, Fagan, Orcutt, Schmick, Angel, Smith, Shea, Ericksen and Kretz).

Brief History:

Committee Activity:

Ways & Means: 2/22/10, 2/27/10 [DPS].

Floor Activity:

Passed House: 3/4/10, 96-2.

Brief Summary of Engrossed Substitute Bill

- Modifies or makes optional certain requirements imposed by the state on local governments, including school districts' truancy obligations.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Sullivan, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick and Seaquist.

Staff: Kristen Fraser (786-7148).

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.

Political subdivisions of the state include counties, cities, towns, school districts, port districts, and special purpose districts. State laws impose a variety of obligations on these political subdivisions. Some of these requirements may impose specific obligations based on the individual type or purpose of the district. For example, state education laws contain many directives to school districts, and state growth management laws require cities and counties to undertake certain duties. Other requirements are imposed on political subdivisions as the result of generally applicable laws, such as workers' compensation.

Political subdivisions receive revenue from a variety of sources. Many political subdivisions are authorized to levy regular property taxes, and some may collect excess property tax levies. Political subdivisions may also be authorized to collect excise taxes, regulatory and user fees, and other types of revenue.

In addition, political subdivisions may receive revenue distributions from the state. The state shares some revenue streams with local governments -- for example, cities and counties receive a share of profits and taxes on state liquor sales, and a share of the state motor vehicle fuel tax. In other cases, the state may distribute State General Fund revenues to local governments under a statutory formula, as in certain criminal justice assistance distributions. In addition, the state may make direct appropriations to political divisions, such as funding appropriated for allocation to school districts or county public health districts in the 2009-11 biennial budget. In some instances, the state funding is for specific purposes; in other cases, the funding is for general use of the political subdivision.

Initiative 62 (1979), as modified by Initiative 601 (1993) and Referendum 49 (1998), requires the state in some circumstances to reimburse political subdivisions for costs imposed by the state. Specifically, if the state imposes on a political subdivision the cost of a new program or increased level of service under an existing program, the state may be obligated to reimburse the political subdivision. Under court rulings that interpret the requirement, reimbursement is necessary where the state imposes obligations that result in a measurable, quantifiable increase in the level of services to the public (*Tacoma v. State*, 1991).

Reimbursement may be made by specific appropriation, or by increases in revenue distributions that occur after January 1, 1998. The Legislature, in consultation with the Office of Financial Management, determines the costs of the new programs or increased levels of services under existing programs.

Summary of Engrossed Substitute Bill:

Certain state requirements imposed on political subdivisions are made optional or are otherwise revised.

School Districts.

State requirements regarding truancy are modified. The requirements that a school provide notice, schedule conferences, and take other steps when a student over age 7 has unexcused absences are limited to students in the sixth grade or above. Schools may take these actions for students in the fifth grade or below.

The duties of a school district in responding to a student who has five or more unexcused absences are made discretionary rather than mandatory. A school district may, but is not required to: take certain steps when a student has five unexcused absences in a month; and file a truancy petition after seven unexcused absences in a month or 10 in a year.

The duties of a school and a school district when a 6- or 7-year-old child has unexcused absences, including the duty to file a truancy petition, are made discretionary rather than mandatory.

A school may provide notice of an unexcused absence to a parent by electronic mail, and may conduct parent conferences concerning unexcused absences by telephone or in person.

Cities, Counties, and other Municipalities.

Public Works Reporting to Auditor. The requirement that cities provide reports to the State Auditor on public works and the extent to which those works are performed by city employees is made optional rather than mandatory.

Prosecutors' Reports to Governor and Liquor Control Board. The requirement that county prosecutors provide annual reports to the Governor and the Liquor Control Board is eliminated.

Surplus County Property. The requirement that surplus real or personal property in the possession of a county be sold is modified to provide counties with discretionary authority to dispose of or recycle property valued at under \$500.

Multi-Family Property Tax Exemption Reporting. The requirement that cities report to the Department of Commerce with information relating to the cost and rental of tax-exempt multi-family units is made optional rather than mandatory.

Appraisal of Tax-Exempt Property. The requirement that county assessors assess tax-exempt property is made optional rather than mandatory.

Local Government Reports on Bonds. The requirement that local governments provide annual reports to the Department of Commerce about outstanding bond debt is made permissive rather than mandatory. (Reporting by underwriters to the Department is unchanged.)

Municipalities' Reports on Energy Conservation Measures. The requirement to provide reports on energy conservation measures through December 31, 2009, is repealed.

Valuation of Tax-Exempt Property. Except as otherwise provided in law, county assessors are not required to value tax-exempt public property. (Assessors must continue to value public property that is leased to private persons.)

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) Unfunded and underfunded mandates are strangling school districts. Funding that is supposed to be used for basic education is being used to pay for unfunded requirements imposed by the state. The Okanogan School District has a list of 80 unfunded requirements. Local governments provide basic services, but shoreline and comprehensive planning requirements are expensive. Local governments should be given flexibility.

Many requirements imposed on school districts are burdensome paperwork and reporting requirements. Retiree health care and sick leave buyout requirements also impose significant requirements on school districts. \$664,000 of the district's \$9 million budget is spent on complying with state mandates. The state should consider which mandates are needed and be very clear--legislation shouldn't result in even more mandates.

In the current economic climate, many counties have budget problems. Counties have different budget issues than state and federal governments. Most local government expenditures are for public health and safety. Lewis County needs to keep an operating reserve due to the timing of property tax revenues, and the county has had to reduce personnel and services by \$2.5 million. Unfunded mandates are part of local governments' budget problems. Unfunded mandates are not always legislative in nature--some are imposed by the courts, such as the requirement to provide public defenders at arraignments. When the Legislature does provide new funding, often it is accompanied by non-supplant language, and in some cases penalties for non-compliance.

This is an opportunity for a conversation about unfunded mandates, as they can be in the eye of the beholder. There should be a process for a policy discussion--consider the model of the Citizens Commission for Performance Measurement of Tax performances.

(Commented) Reducing unfunded mandates is a top priority for school districts. Previous legislation was difficult to enact, as each statute needs to be addressed.

(Opposed) None.

Persons Testifying: (In support) Representative Alexander, prime sponsor; Becki Andrist, Okanogan County; Steve Bodner, Centralia School District; Sharon Bower, Toledo School District; Ron Averill and Bob Johnson, Lewis County; Scott Merriman, Association of Washington Counties; Debbie Wilke, Washington Association of County Officials; and Jim Justin, Association of Washington Cities.

(Commented) Barbara Mertens, Washington Association of School Administrators.

Persons Signed In To Testify But Not Testifying: None.