

HOUSE BILL REPORT

HB 2321

As Passed House:

February 16, 2016

Title: An act relating to removing disincentives to the voluntary formation of regional fire protection service authorities by equalizing certain provisions with existing laws governing fire protection districts and by clarifying the formation process.

Brief Description: Removing disincentives to the voluntary formation of regional fire protection service authorities by equalizing certain provisions with existing laws governing fire protection districts and by clarifying the formation process.

Sponsors: Representatives Stokesbary, Reykdal, Peterson, Fitzgibbon, Tharinger and Van De Wege.

Brief History:

Committee Activity:

Local Government: 1/19/16, 1/20/16 [DP];

Finance: 2/5/16, 2/8/16 [DP].

Floor Activity:

Passed House: 2/16/16, 73-24.

Brief Summary of Bill

- Authorizes: (1) two regional fire protection service authorities (RFAs), to form an RFA; or (2) an RFA to annex an adjacent RFA.
- Requires the planning committee for an RFA to hold a public hearing on the imposition of a benefit charge if a benefit charge is proposed as part of the initial formation of the RFA.
- Protects future levy capacities of an RFA by allowing the RFA to set the amount of its regular property tax levy at the amount that otherwise would be allowed if the levy for taxes due in prior years had been set at the full amount allowed under statute.
- Authorizes an RFA to protect its tax levies from prorationing by imposing a tax levy of up to 25 cents per \$1,000 of assessed value, provided that the combined tax rate does not exceed \$10 per \$1,000 of assessed value.
- Requires the governing body of each RFA to prepare an annual fiscal accountability report.

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.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 6 members: Representatives Appleton, Chair; Gregerson, Vice Chair; Griffey, Assistant Ranking Minority Member; Fitzgibbon, McBride and Peterson.

Minority Report: Do not pass. Signed by 2 members: Representatives Taylor, Ranking Minority Member; McCaslin.

Minority Report: Without recommendation. Signed by 1 member: Representative Pike.

Staff: Michaela Murdock (786-7289).

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 12 members: Representatives Lytton, Chair; Robinson, Vice Chair; Nealey, Ranking Minority Member; Condotta, Frame, Pollet, Reykdal, Ryu, Springer, Stokesbary, Wilcox and Wylie.

Minority Report: Without recommendation. Signed by 2 members: Representatives Manweller and Vick.

Minority Report: Do not pass. Signed by 1 member: Representative Orcutt, Assistant Ranking Minority Member.

Staff: Jeffrey Mitchell (786-7139).

Background:

Regional Fire Protection Service Authorities.

Regional fire protection service authorities (RFAs) are municipal corporations, classified as junior taxing districts with independent taxing authority, created for the purpose of conducting selected fire protection functions at a regional level. Regional fire protection service authorities are formed by transferring the powers, duties, and functions of two or more adjacent fire protection jurisdictions (*e.g.*, fire protection districts, cities, port districts, and Indian tribes) to a RFA in accordance with a regional fire protection service authority plan approved by a vote of the people.

For purposes of financing an RFA, an authority may impose up to three separate regular property tax levies, each of which may not exceed 50 cents per \$1,000 of assessed value on taxable property located within the jurisdiction of the authority. Regional fire protection service authorities may also impose excess tax levies, if approved through a ballot proposition by 60 percent of voters in the authority.

In addition, an RFA may obtain revenues through the imposition of a benefit charge on personal property and improvements to real property located within the jurisdiction of the authority that have received or will receive the benefits provided by the RFA. The initial

imposition of a benefit charge must be approved by 60 percent of voters within the authority voting at an election, and expires in six or fewer years unless subsequently reapproved by voters. An authority that imposes a benefit charge may not impose all or part of the third regular property tax levy authorized by statute.

Property Taxes.

Property taxes are imposed by state and local governments, including RFAs. The county assessor determines the assessed value for each property in the county, and calculates the tax rate necessary to raise the correct amount of property taxes for each taxing district in the county. The assessor calculates the tax rate so that the individual district rate limit, the district revenue limit, and the aggregate rate limits are all satisfied.

The property tax bill for an individual property is determined by the county assessor by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located. The assessor then delivers the county tax roll to the county treasurer, who collects property taxes based on the tax roll starting February 15 each year.

Property Taxes – Limitations on Tax Rates.

The sum of all property tax rates is limited by the Washington Constitution to a maximum of 1 percent of true and fair value, or \$10 per \$1,000 of assessed value. Property taxes that are subject to this 1 percent limitation are referred to as regular property tax levies. The Constitution provides a procedure for voter approval for tax rates that exceed the 1 percent limit. These taxes are called "excess" levies.

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; county road levies are limited to \$2.25 per \$1,000; and city levies are limited to \$3.375 per \$1,000. These districts are known as "senior" taxing districts. Junior taxing districts, such as RFAs, also have specific rate limits.

The tax rates for most senior and junior taxing districts must fit within an overall rate limit of \$5.90 per \$1,000 of value. There is a system of prorating the various levies imposed by junior taxing districts so that the total rate does not exceed \$5.90. Statutory schedules specify the preferential order in which the various junior taxing district levies will be prorated in the event that the total tax rate exceeds the \$5.90 limit.

Some regular property tax levies of junior taxing districts are not subject to the \$5.90 aggregate rate limit. For example, emergency medical services, affordable housing, conservation futures, and portions of levies imposed by metropolitan park districts may be protected. Levies of junior taxing districts that are not subject to the aggregate rate limit will be subject to reduction though, if the levies' rates, the state property tax, and rates for other junior taxing districts subject to the \$5.90 aggregate limit exceed the constitutional limit of \$10 per \$1,000 of market value.

Property Taxes – Fire Protection Districts.

Fire protection districts (districts), categorized as junior taxing districts, are subject to the \$5.90 aggregate property tax rate limit. However, if proration becomes necessary among the

various junior taxing districts, portions of district tax levies may be protected. A district may impose up to a total of 25 cents per \$1,000 of assessed value of authorized tax levies, even if the total amount of the junior and senior tax levies exceeds the \$5.90 aggregate rate limit. This prorationing protection will be reduced, however, to the extent necessary to ensure that the aggregate tax rate does not exceed the state constitutional limit of 1 percent per \$1,000 of assessed value.

Summary of Bill:

Definition of Fire Protection Jurisdiction.

The definition of "fire protection jurisdiction" is expanded to include regional fire protection fire authorities (RFAs). As a result: (1) two or more adjacent RFAs are authorized to create an RFA; and (2) an RFA is authorized to annex an adjacent RFA.

Statute is amended to provide that no fire protection jurisdiction may participate in more than one created RFA, rather than more than one RFA.

Imposition of Benefit Charges – Public Hearing.

If a benefit charge is proposed as part of the initial formation of an RFA, the planning committee for the formation of the authority is required to hold a public hearing setting forth a proposal to impose benefit charges. The hearing must be held not fewer than 10 days, nor more than six months before the election at which the proposition to impose the benefit charge is submitted to voters.

Regular Property Taxes.

Each RFA is authorized to set the amount of its regular property tax levies at the amount that would be allowed if the tax levy for taxes due in prior years, beginning in 1986, had been set at the full amount allowed by statute. This authority to protect future levy capacity includes any levy that would have been imposed (*e.g.*, a third regular property tax levy) but for limitations resulting from the imposition of a benefit charge.

The provisions of the bill apply to property taxes levied for collection in 2017.

Prorationing Protection of Tax Levies.

If an RFA's tax levies will be prorated, the authority is authorized to protect its tax levies from prorationing by imposing up to a total of 25 cents per \$1,000 of assessed value outside of the \$5.90 per \$1,000 of assessed value limit. However, if the combined rate of regular property tax levies subject to the \$10 per \$1,000 assessed value limitation exceeds the 1 percent limit, then any protected portion of an RFA's tax levy will be reduced until the combined rate no longer exceeds 1 percent, or the protected portion is eliminated.

Annual Report – Regional Fire Protection Service Authorities.

The governing body of each RFA must prepare an annual fiscal accountability report. The annual report must provide certain information about the RFA, including for example: total annual revenue, by source; total annual expenditures, by category; total population, square miles, and assessed property value within the authority; and response times for the arrival of units to emergency medical incidents. The annual report must be presented and accepted at a

public meeting of the governing board by July 1 each year, posted on the authority's website, and submitted to each county, city, and town within the boundaries of the authority.

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 (Local Government):

(In support) This bill modifies existing statutes to make operating a regional fire protection fire authority (RFA) easier, and removes disincentives to forming an RFA. Fire districts do not have many reasonable or plausible ways of generating revenue. Benefit charges give RFAs flexibility that property taxes do not. Under current law, limitations placed on revenue sources decrease the long-term sustainability and efficiency that fire departments can get if they annex and merge RFAs.

This is primarily an equity bill, and it creates efficiencies for consolidation and regionalization. Fire services have wanted this for years. Back in 2004 when RFAs were first adopted, they were modeled after fire protection districts, but some things were left out of the statutes. It is perplexing why the statutory language is not the same for RFAs and fire protection districts. Fire protection districts are currently allowed to impose benefit charges, protect levies from prorationing, and use banked levy capacity. Accordingly, the authority that the bill would grant to RFAs is not unique. Prorationing protection and banked levy capacity provisions would only apply to RFAs if their benefit charge approval fails.

A bill heard by the committee last year, House Bill (HB) 1368, was very similar to this bill; however, HB 1368 contained a provision regarding approval of benefit charges, and there were some concerns about that provision. This bill does not contain that benefit charge provision.

(Opposed) Protection for RFAs from prorationing is not supported. Fire benefit charges are a unique, additional source of revenue for RFAs. No other jurisdiction can impose benefit charges. The RFAs are already the most powerful junior taxing district in the state. The RFAs do not save taxpayers any money by using both benefit charges and property taxes. We do not need RFAs joining together, because they are more expensive to taxpayers than city-run fire departments. Banked levy capacity should not be authorized for jurisdictions that have a benefit charge.

Staff Summary of Public Testimony (Finance):

(In support) This is a narrower bill than a similar one from last year. This is a bill to promote the regionalization of fire protection authorities (RFAs). This is an important government efficiency tool that recognizes economies of scale. Under current law, there are some budget planning tools available to fire districts that are not available to RFAs. The two most important aspects of the bill are the levy protection from pro rationing and the preservation of

banked capacity. This bill is aimed at promoting efficiencies and consolidation through the regionalization process. When the RFA provisions were adopted in 2004, the statutes largely mirrored the fire district provisions but a couple of things did not quite make it. This bill tries to rectify that by making things more uniform. It is a little bit of a mini-omnibus bill. This bill does not do anything with the fire benefit charges and renewal. This is more of an equalization and administrative bill. The regionalization of fire services saved us over \$4 million. The four areas included in the bill are the areas that we have recognized as important through experience. We think these disincentives should be removed.

(Opposed) None.

Persons Testifying (Local Government): (In support) Representative Stokesbary, prime sponsor; Dylan Doty, Washington State Association of Fire Chiefs; Matthew Cowan, Shoreline Fire Department; and Ed Widdis, Snohomish County Fire District 1.

(Opposed) Eric Bernard, Rental Housing Association.

Persons Testifying (Finance): Eric Robertson, Valley Regional Fire Authority; and Dylan Doty, Washington Fire Chiefs.

Persons Signed In To Testify But Not Testifying (Local Government): None.

Persons Signed In To Testify But Not Testifying (Finance): Ed Widdis, Snohomish County Fire District 1.