

SENATE BILL REPORT

SB 5024

As Reported by Senate Committee On:
Local Government, January 24, 2019

Title: An act relating to the transparency of local taxing districts.

Brief Description: Concerning the transparency of local taxing districts.

Sponsors: Senators Hasegawa and Fortunato.

Brief History:

Committee Activity: Local Government: 1/17/19, 1/24/19 [DPS, w/oRec].

Brief Summary of First Substitute Bill

- Requires certain local utility districts that serve 10,000 or more customers to disclose state and local tax rate information by September 1, 2019.
- Requires certain local utility districts with less than 10,000 but more than 5000 customers to begin disclosing tax rate information upon their next billing system update or by January 1, 2024, whichever is sooner.
- Requires tax rate information be made available upon request for services for which no billing statements are issued.
- Requires each electric utility to provide either written or electronic notice of public hearings where changes in electricity rates will be considered or approved by the Utilities and Transportation Commission or governing body.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5024 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Short, Ranking Member; Liias.

Minority Report: That it be referred without recommendation.

Signed by Senators Salomon, Vice Chair; Honeyford.

Staff: Bonnie Kim (786-7316)

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: Metropolitan Municipal Corporations. Metropolitan municipal corporations provide essential services in metropolitan areas not adequately provided by existing agencies. Authorized responsibilities include water pollution abatement and providing water supply, garbage disposal, parks and recreation, and public transportation. A metropolitan municipal corporation has levy authorization to fund the services it provides.

Public Utility Districts. A public utility district (PUD) is a type of special purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. PUDs are authorized to establish rates and charges for providing water and sewer services.

Diking, Drainage, and Sewer Improvement Districts. Sewer improvement and related districts plan, construct, and operate facilities to collect, treat, and dispose of sanitary, industrial, and other sewage. Diking improvement districts improve dikes, drains, and ditches to provide an efficient system of drainage for land within the district. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Solid Waste Collection Districts. Solid waste collection districts provide garbage and refuse collection services in unincorporated county areas when the Utilities and Transportation Commission (UTC) determines an area is not receiving adequate service. Counties are authorized to charge and collect reasonable fees for this service.

Solid Waste Disposal Districts. Solid waste disposal districts provide services in incorporated areas in counties with populations of 1 million or less. The legislative bodies of cities and towns also join by resolution. A solid waste disposal district may collect disposal fees based exclusively upon utilization by weight or volume for accepting solid wastes at a disposal site or transfer station.

Water-Sewer Districts. Water-sewer districts provide water and sewer services to incorporated and unincorporated areas. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Municipal Utilities. Cities and towns are authorized to operate waterworks, sewerage and solid waste handling systems, utilities—gas/electric, and transportation facilities. Municipal utilities may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Disclosure to Retail Electric Customers. Retail electric customers have the right to receive specified disclosures from all electric utilities, other than small electric utilities. The disclosures must include:

- credit and deposit requirements;
- rates and charges, including how to receive notice for public hearings on changes in rates;
- metering and measurement policies;
- bill payment policies;
- payment arrangement options;

- disconnection notice requirements;
- confidentiality policies for customer records;
- customer inquiry and complaint procedures; and
- an annual report.

Notice of Disclosures to Retail Electric Customers. At the time service is established and at least once a year thereafter, an electric utility must provide notice that disclosures are available upon request and without charge. This notice must either be a prominent part of each customer's bill or provided in a separate mailing.

Utilities must identify on all customer billing statements, or by a separate quarterly written notice, the various components of electricity service that customers are charged for as part of their bills, including electricity, distribution, metering, overhead, conservation investments, and taxes.

Small Electric Utilities. A small utility is defined as any consumer-owned utility with 25,000 or fewer electric meters in service, or that has an average of seven or fewer customers per mile of distribution line.

Additional Tax Information on Customer Billings. Any customer billing issued by a light or power business that serves more than 20,000 customers in Washington must include:

- the rates and amounts of taxes paid directly by the customer on products or services from the light and power business; and
- the rate, origin, and approximate amount of each tax levied on the revenue of the light and power business.

Summary of Bill (First Substitute): Beginning September 1, 2019, certain local utility districts with 10,000 or more customers must disclose the rates of state and local taxes imposed on the district, if any and the amount of any such taxes paid directly by the customer. Local utility districts with less than 10,000, but more than 5000 customers must disclose state and local tax rates upon their next billing system update or by January 1, 2024, whichever is earlier. Districts serving 5000 or less customers are encouraged but not required to disclose the above tax information on billing statements.

Disclosure requirements may be satisfied as part of a regular billing statement, by bill insert, or by newsletter. Disclosures must be issued on an annual basis, if no rate change has occurred during the previous twelve months, or within 30 days of the effective date of any subsequent rate change. Disclosures may be issued electronically to a customer or taxpayer if that is the method the customer or taxpayer typically receives billing statements or other related information from the corporation. Publication of state and local tax rate information on a public web site is encouraged but does not, by itself, satisfy the requirements of this section.

For all districts, state and local tax rate information for services for which no billing statements are issued must be made available upon the request of a taxpayer within their service boundaries. The above disclosure requirements apply to:

- metropolitan municipal corporations;
- PUDs;

- diking, drainage, and sewer improvement districts;
- solid waste collection districts;
- solid waste disposal districts;
- water-sewer districts; and
- municipal utilities.

If any of the local utility districts listed above are collecting a tax on behalf of another political subdivision, it may be reimbursed by that political subdivision for the cost of collection. In addition, all electric utilities, other than small electric utilities, must provide the following:

- written or electronic notice, in a form or manner as required by the UTC or governing body, for any public hearing when changes in electricity rates will be considered or approved by the UTC or governing body; and
- the rate of tax imposed on the electric utility by a city or town, if any, and the amount of the tax to be paid directly by the retail electric customer through the billing statement.

EFFECT OF CHANGES MADE BY LOCAL GOVERNMENT COMMITTEE (First Substitute):

- Adds bill inserts and newsletters as options to satisfy disclosure requirements.
- Requires disclosures on an annual basis or within 30 days of a rate increase.
- Requires disclosures in districts serving 5000 to 10,000 customers begin at update of their billing systems or by 2024 (previously 2023), whichever is sooner.
- Allows reimbursement for the cost of collecting a tax on behalf of another political subdivision to all affected local utility districts.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on September 1, 2019.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This is a transparency bill making the public aware when a city or other political subdivision is imposing a tax through a local utility district. This bill can be amended so that the cost of tax collection, including the additional costs to include the tax information on billing statements, passes to the city or other entity that is actually imposing the tax.

OTHER: Thurston PUD owns a few hundred water systems over six different counties and all those water systems have different billing systems. It is estimated it would cost around \$390,000 for all the PUDs to comply with this bill. Although we support transparency, we would suggest using a bill insert rather than changing the actual billing statement. Cities do not act in secret because they are subject to the Open Public Meetings Act. Cities are concerned about potential cost increases for these new billing statements. It has been

difficult for water-sewer districts to simplify their bills. Breaking out these numbers can be difficult when a district services multiple jurisdictions. It is unclear how cost allocations under the suggested amendment would function.

Persons Testifying: PRO: Senator Bob Hasegawa, Prime Sponsor.

OTHER: Bill Clarke, Washington PUD Association; Candice Bock, Association of Washington Cities; Steve Lindstrom, Sno-King Coalition.

Persons Signed In To Testify But Not Testifying: No one.