

SENATE BILL REPORT

SB 5894

As Reported by Senate Committee On:
Ways & Means, February 25, 2019

Title: An act relating to clarifying that the firefighters' pension levy may continue to be levied to fund benefits under the law enforcement officers' and firefighters' retirement system.

Brief Description: Clarifying that the firefighters' pension levy may continue to be levied to fund benefits under the law enforcement officers' and firefighters' retirement system.

Sponsors: Senator Braun.

Brief History:

Committee Activity: Ways & Means: 2/18/19, 2/25/19 [DPS].

Brief Summary of First Substitute Bill

- Allows the firefighter's pension levy to continue to be levied specifically for funding medical benefits under the law enforcement officers' and firefighters' retirement system.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5894 be substituted therefor, and the substitute bill do pass.

Signed by Senators Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Bailey, Becker, Billig, Carlyle, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Staff: Jeffrey Mitchell (786-7438)

Background: Prior to the Law Enforcement Officers and Fire Fighters Retirement System (LEOFF 1) created in 1970, cities that employed full-time paid fire fighters established Municipal Firemen's Pension Boards to administer the benefits of the city's Firemen's Pension Fund. Beginning in 1970, all full-time fire fighters became members of LEOFF 1. Under LEOFF 1 the employer is responsible for paying all necessary medical services for LEOFF 1 members and retirees not payable from some other source.

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.

Cities and towns are authorized to levy a general fund property tax of \$3.375 per thousand dollars of assessed value. Approximately 44 cities and towns that have a firefighter's pension fund also levy an additional amount earmarked for this pension fund. The levy is 22.5 cents per thousand dollars of assessed value. The original version of this pension levy was enacted in 1909, pre-dating the first state administered retirement systems for law enforcement officers and firefighters by about 40 years. The pension levy is generally used to fund retirement benefits for firefighters employed prior to 1970. Current law also allows the pension levy to be used for any other municipal purpose if a report by a qualified actuary establishes all or any part of the levy is unnecessary to meet the estimated demands of the pension fund for the ensuing budget year. There is some disagreement as to whether the law allows cities and towns to continue imposing the tax if all beneficiaries are deceased.

Summary of Bill (First Substitute): Cities and towns are authorized to continue imposing the pension levy to fund medical benefits under LEOFF 1.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Clarifies that once a municipality no longer has any remaining beneficiaries under the pre-LEOFF retirement system, the local pension levy may continue to be imposed only for the payment of medical benefits under LEOFF 1.

Appropriation: None.

Fiscal Note: Available.

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

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Many cities, especially small and medium sized cities have a concern about a large LEOFF 1 financial liability in the future as retirees age. This bill is a way to use an existing levy to help cities get ahead of that liability and prepare for that obligation in the future. We currently have several firefighters where we pay a portion of their retirement benefits that are not covered under the LEOFF system because they had prior service. However, the purpose of the bill is to use the model of the firefighters' pension fund to allow cities to continue to impose the \$0.225 levy after the jurisdiction no longer has any pre-LEOFF 1 retirees. The funds would then be dedicated towards LEOFF 1 retiree costs. Our jurisdiction has 16 LEOFF 1 retirees in a town with a little over 7500 residents, so it could be a significant liability and this would greatly help.

OTHER: Cities have a significant unfunded LEOFF 1 medical liability for LEOFF 1 retirees, so we really appreciate the intent of ensuring that this pension fund tax levy could continue to cover those obligations. This area does get a little bit fuzzy because of the way the property tax rates intersect with our budget based property tax system and how the 1 percent cap has impacted things over time. Therefore, we want to make sure that the fix in

this bill takes that piece into account, and therefore we are getting the true measure of what the property tax should be for this purpose and other general fund purposes.

Persons Testifying: PRO: Senator John Braun, Prime Sponsor; Dennis Dawes, City of Chehalis; Joyce Willms, LEOFF 1 Coalition.

OTHER: Candice Bock, Association of Washington Cities.

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