

# SENATE BILL REPORT

## SB 5696

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As Reported by Senate Committee On:  
Agriculture, Water, Natural Resources & Parks, February 21, 2019  
Ways & Means, March 1, 2019

**Title:** An act relating to payments in lieu of real property taxes.

**Brief Description:** Concerning payments in lieu of real property taxes.

**Sponsors:** Senators Warnick and Takko.

**Brief History:**

**Committee Activity:** Agriculture, Water, Natural Resources & Parks: 2/07/19, 2/21/19 [DP-WM, w/oRec].  
Ways & Means: 3/01/19, 3/01/19 [DPS, DNP, w/oRec].

**Brief Summary of First Substitute Bill**

- Phases in a new formula for calculating payment in lieu of taxes (PILT) for lands owned by the Department of Fish and Wildlife (DFW).
- Eliminates the requirement that a county must choose between PILT or retaining amounts received from fish and wildlife violations.
- Requires the state treasurer to make PILT distributions on behalf of DFW.

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### SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Van De Wege, Chair; Salomon, Vice Chair; Warnick, Ranking Member; McCoy, Rolfe and Short.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Honeyford.

**Staff:** Karen Epps (786-7424)

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### SENATE COMMITTEE ON WAYS & MEANS

*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.*

**Majority Report:** That Substitute Senate Bill No. 5696 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Braun, Ranking Member; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Conway, Keiser, Lias, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

**Minority Report:** Do not pass.

Signed by Senators Darneille, Hasegawa, Hunt, Palumbo and Pedersen.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Mullet, Capital Budget Cabinet; Carlyle.

**Staff:** Jeffrey Mitchell (786-7438)

**Background:** DFW makes payments in lieu of taxes (PILT) on lands it owns to counties that have elected to receive it. A receiving county must distribute PILT to local taxing districts based on the location of the property. Game lands eligible for DFW PILT includes all DFW-owned tracts used for wildlife habitat and public recreational purposes. DFW buildings, structures, facilities, game farms, fish hatcheries, water access sites, tidelands, and public fishing areas are ineligible.

For the 2013-15 and 2015-17 fiscal biennia, the Legislature fixed the amount of PILT paid to each county based on the PILT received in 2009. For the 2017-2019 fiscal biennia, the Legislature set a fixed amount of PILT and then established payments to counties on a percentage basis. Prior to 2012, counties chose one of the following two formulas to calculate DFW PILT:

- the tax that would be due if the property were taxed as open space land; or
- the greater of either \$0.70 per acre or the PILT amount paid in 1984—this choice requires that PILT was received in 1984.

If a county elects to receive PILT, it must track the amount of fees, fines, and forfeitures received from fish and game violations and send an equivalent amount to the state treasurer for deposit into the state general fund. Counties need not track the fees, fines, and forfeitures information while the rate remains frozen at the 2009 level.

**Summary of Bill (First Substitute):** A new formula for calculating PILT is established. When fully phased in, the new calculation will be one-half of an amount equal to the aggregate local tax rate multiplied by the assessed value of the eligible game lands.

The new formula is phased in beginning with counties that are not currently collecting PILT—referred to as new counties.

For fiscal years 2020 through 2024, new counties will receive funding equal to 50 percent of the amount of funding generated under the new formula. For fiscal years 2025 and 2026, it increases to 75 percent, Beginning with fiscal year 2027, the new formula is fully implemented for new counties.

For counties receiving PILT as of fiscal year 2018, the 2018 payment schedule is maintained through fiscal year 2023. For fiscal years 2024 and 2025, these counties will receive 75 percent of the funding under the new formula. Beginning with fiscal year 2026, the new formula is fully implemented for current counties.

The requirement that if a county elects to receive PILT, it must remit amounts collected from fish and wildlife violations to the state is eliminated.

The state treasurer will make PILT distributions to counties as opposed to DFW.

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

- Phases in the new PILT formula.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Original Bill (Agriculture, Water, Natural Resources & Parks):** PRO: Counties, especially rural area counties, are struggling, and PILT has been an uncertainty for counties. This bill will help clarify how much PILT counties will receive from the state treasurer. The DFW PILT coalition, formed in 2015, was organized to consider some common concerns about the DFW PILT program. The state currently operates two PILT programs one by DNR and one by DFW. This bill aligns the two programs in three ways: the payments, funding, and responsibility for payments is moved to the State Treasurer's Office, counties no longer have to choose between receiving fines and fees related to DFW violations in their county or receiving PILT, and the method for calculating PILT is aligned with the DNR program by using the local open space rate to calculate PILT. These payments are critical to continuing to allow counties to provide the services that protect public health, safety, and welfare in their communities. When DFW buys land, it places a disproportionate tax burden on the local taxpayers because the land is no longer taxable. Without PILT, the local population pays the ongoing costs for services on public lands that benefit everyone. The county assessors have agreed to standardize their methodology for how PILT is calculated. A standard methodology means there will be fair PILT calculations for counties that receive DFW PILT. This bill is a fair and reasonable approach to fulfill DFW's obligation to local governments for the tax implications of DFW land ownership. This bill develops a single calculation that brings clarity and predictability to these payments and works in everyone's best interest.

**Persons Testifying (Agriculture, Water, Natural Resources & Parks):** PRO: Senator Judy Warnick, Prime Sponsor; Paul Jewell, Washington State Association of Counties; Bill Clarke, Kittitas County; Josh Weiss, Yakima County; Mo McBroom, The Nature

Conservancy; Steve Stewart, WWRC; Cynthia Wilkerson, DFW; Rick Hughes, San Juan County; Lisa Olsen, Pacific County.

**Persons Signed In To Testify But Not Testifying (Agriculture, Water, Natural Resources & Parks):** No one.

**Staff Summary of Public Testimony on Original Bill (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: A coalition has been working since 2015 and this bill really represents a culmination of those efforts over the last four years. We have collaborated with stakeholders on the policy components of the bill, even personally traveling to each county in Washington State that currently PILT, speaking with their assessors to get input on how to get this policy right. This bill does three things included in the 2013 recommendations by the Department of Revenue report to the legislature. We have put together some phasing options that spread the fiscal impacts of the bill out over eight years. These changes would cost no more than what is currently proposed in the Governor's budget. Citizens across the state benefit from increased recreational access and protected habitat for fish and wildlife. These lands still demand services that local governments provide, like access via roads and bridges, law enforcement and emergency response activities such as search and rescue and medical evacuation. While our state is well known for its outdoor recreation opportunities, the economic benefits these opportunities are concentrated in cities on things like hotels, restaurants, and retail goods, yet the responsibility falls to our counties for ensuring access to essential services remain available on both public and private land. PILT assures local residents within the county do not bear the full burden for public lands that benefit everyone. PILT is intended to share ongoing costs associated with converting private taxable lands to public ownership. Without PILT, private property owners in our counties get a tax increase when DFW purchases land. PILT also ensures every qualifying junior taxing district such as local school districts, fire districts, and hospital districts get their fair share of revenues to make certain that our teachers, firefighters, and health care providers have the resources they require to serve their communities. Without PILT, the state is placing an unfair burden on local taxpayers to shoulder the cost of services that all Washington residents enjoy.

**Persons Testifying (Ways & Means):** PRO: Paul Jewell, Washington State Association of Counties; Corey Wright, Kittitas County.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.