CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1940**

Chapter 170, Laws of 2015

(partial veto)

64th Legislature

2015 Regular Session

PROPERTY TAXES--FLOOD CONTROL ZONE DISTRICTS--LEVY EXEMPTIONS

EFFECTIVE DATE: 1/1/2018

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| Passed by the House April 20, 2015  Yeas 82 Nays 13  FRANK CHOPP  **Speaker of the House of Representatives**  Passed by the Senate April 14, 2015  Yeas 43 Nays 4  BRAD OWEN  **President of the Senate** | CERTIFICATE  I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1940** as passed by House of Representatives and the Senate on the dates hereon set forth.  BARBARA BAKER  **Chief Clerk** |
| Approved May 6, 2015 2:36 PM, with the exception of Section 7, which is vetoed. | May 6, 2015 |
| JAY INSLEE  **Governor of the State of Washington** | **Secretary of State**  **State of Washington** |

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**HOUSE BILL 1940**

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AS AMENDED BY THE SENATE

Passed Legislature - 2015 Regular Session

**State of Washington 64th Legislature 2015 Regular Session**

**By** Representatives Stokesbary, Fitzgibbon, Ryu, Magendanz, Kochmar, Hargrove, Rodne, Bergquist, Hurst, Gregerson, Orwall, and Jinkins

AN ACT Relating to exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies; amending RCW 84.52.010 and 84.52.043; adding a new section to chapter 84.52 RCW; creating new sections; providing an effective date; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature finds that flooding is a critical problem in Washington. The legislature further finds that flooding can result in loss of human life, damage to property, destruction of infrastructure, and bring economic activity to a standstill. The legislature further finds that flood control zone districts offer critical services that protect our state by mitigating the devastating impacts of flooding. It is the legislature's public policy objective to maximize available financing tools to flood control zone districts to continue their important work. Therefore, it is the legislature's intent to exempt levies imposed by a qualifying flood control zone district from certain limitations upon regular property tax levies.

**Sec.**  RCW 84.52.010 and 2009 c 551 s 7 are each amended to read as follows:

(1) Except as is permitted under RCW 84.55.050, all taxes ((~~shall~~)) must be levied or voted in specific amounts.

(2) The rate percent of all taxes for state and county purposes, and purposes of taxing districts coextensive with the county, ((~~shall~~)) must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the county, as shown by the completed tax rolls of the county, and the rate percent of all taxes levied for purposes of taxing districts within any county ((~~shall~~)) must be determined, calculated and fixed by the county assessors of the respective counties, within the limitations provided by law, upon the assessed valuation of the property of the taxing districts respectively.

(3) When a county assessor finds that the aggregate rate of tax levy on any property, that is subject to the limitations set forth in RCW 84.52.043 or 84.52.050, exceeds the limitations provided in either of these sections, the assessor ((~~shall~~)) must recompute and establish a consolidated levy in the following manner:

((~~(1)~~)) (a) The full certified rates of tax levy for state, county, county road district, and city or town purposes ((~~shall~~)) must be extended on the tax rolls in amounts not exceeding the limitations established by law; however any state levy ((~~shall~~)) takes precedence over all other levies and ((~~shall~~)) may not be reduced for any purpose other than that required by RCW 84.55.010. If, as a result of the levies imposed under RCW 36.54.130, 84.34.230, 84.52.069, 84.52.105, the portion of the levy by a metropolitan park district that was protected under RCW 84.52.120, 84.52.125, 84.52.135, and 84.52.140, and the portion of the levy by a flood control zone district that was protected under section 3 of this act, the combined rate of regular property tax levies that are subject to the one percent limitation exceeds one percent of the true and fair value of any property, then these levies ((~~shall~~)) must be reduced as follows:

((~~(a)~~)) (i) The portion of the levy by a flood control zone district that was protected under section 3 of this act must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

(ii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a county under RCW 84.52.140 ((~~shall~~)) must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or ((~~shall~~)) must be eliminated;

((~~(b)~~)) (iii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the portion of the levy by a fire protection district that is protected under RCW 84.52.125 ((~~shall~~)) must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or ((~~shall~~)) must be eliminated;

((~~(c)~~)) (iv) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a county under RCW 84.52.135 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

((~~(d)~~)) (v) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the levy imposed by a ferry district under RCW 36.54.130 must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or must be eliminated;

((~~(e)~~)) (vi) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, the portion of the levy by a metropolitan park district that is protected under RCW 84.52.120 ((~~shall~~)) must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or ((~~shall~~)) must be eliminated;

((~~(f)~~)) (vii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, then the levies imposed under RCW 84.34.230, 84.52.105, and any portion of the levy imposed under RCW 84.52.069 that is in excess of thirty cents per thousand dollars of assessed value, ((~~shall~~)) must be reduced on a pro rata basis until the combined rate no longer exceeds one percent of the true and fair value of any property or ((~~shall~~)) must be eliminated; and

((~~(g)~~)) (viii) If the combined rate of regular property tax levies that are subject to the one percent limitation still exceeds one percent of the true and fair value of any property, then the thirty cents per thousand dollars of assessed value of tax levy imposed under RCW 84.52.069 ((~~shall~~)) must be reduced until the combined rate no longer exceeds one percent of the true and fair value of any property or eliminated.

((~~(2)~~)) (b) The certified rates of tax levy subject to these limitations by all junior taxing districts imposing taxes on such property ((~~shall~~)) must be reduced or eliminated as follows to bring the consolidated levy of taxes on such property within the provisions of these limitations:

((~~(a)~~)) (i) First, the certified property tax levy rates of those junior taxing districts authorized under RCW 36.68.525, 36.69.145, 35.95A.100, and 67.38.130 ((~~shall~~)) must be reduced on a pro rata basis or eliminated;

((~~(b)~~)) (ii) Second, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of flood control zone districts ((~~shall~~)) other than the portion of a levy protected under section 3 of this act must be reduced on a pro rata basis or eliminated;

((~~(c)~~)) (iii) Third, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates of all other junior taxing districts, other than fire protection districts, regional fire protection service authorities, library districts, the first fifty cent per thousand dollars of assessed valuation levies for metropolitan park districts, and the first fifty cent per thousand dollars of assessed valuation levies for public hospital districts, ((~~shall~~)) must be reduced on a pro rata basis or eliminated;

((~~(d)~~)) (iv) Fourth, if the consolidated tax levy rate still exceeds these limitations, the first fifty cent per thousand dollars of assessed valuation levies for metropolitan park districts created on or after January 1, 2002, ((~~shall~~)) must be reduced on a pro rata basis or eliminated;

((~~(e)~~)) (v) Fifth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized to fire protection districts under RCW 52.16.140 and 52.16.160 and regional fire protection service authorities under RCW 52.26.140(1) (b) and (c) ((~~shall~~)) must be reduced on a pro rata basis or eliminated; and

((~~(f)~~)) (vi) Sixth, if the consolidated tax levy rate still exceeds these limitations, the certified property tax levy rates authorized for fire protection districts under RCW 52.16.130, regional fire protection service authorities under RCW 52.26.140(1)(a), library districts, metropolitan park districts created before January 1, 2002, under their first fifty cent per thousand dollars of assessed valuation levy, and public hospital districts under their first fifty cent per thousand dollars of assessed valuation levy, ((~~shall~~)) must be reduced on a pro rata basis or eliminated.

NEW SECTION. **Sec.**  A new section is added to chapter 84.52 RCW to read as follows:

A flood control zone district in a county with a population of seven hundred seventy-five thousand or more, or a county within the Chehalis river basin, that is coextensive with a county may protect the levy under RCW 86.15.160 from prorationing under RCW 84.52.010(3)(b)(ii) by imposing up to a total of twenty-five cents per thousand dollars of assessed value of the tax levy authorized under RCW 86.15.160 outside of the five dollars and ninety cents per thousand dollars of assessed value limitation under RCW 84.52.043(2), if those taxes otherwise would be prorated under RCW 84.52.010(3)(b)(ii).

**Sec.**  RCW 84.52.043 and 2009 c 551 s 6 are each amended to read as follows:

Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named ((~~shall be~~)) are as follows:

(1) Levies of the senior taxing districts ((~~shall be~~)) are as follows: (a) The levy by the state ((~~shall~~)) may not exceed three dollars and sixty cents per thousand dollars of assessed value adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county ((~~shall~~)) may not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district ((~~shall~~)) may not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town ((~~shall~~)) may not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, ((~~shall~~)) may not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection ((~~shall~~)) do not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; (i) the portions of levies by fire protection districts that are protected under RCW 84.52.125; ((~~and~~)) (j) levies by counties for transit-related purposes under RCW 84.52.140; and (k) the portion of the levy by flood control zone districts that are protected under section 3 of this act.

NEW SECTION. **Sec.**  This act applies to taxes levied for collection in 2018 and thereafter.

NEW SECTION. **Sec.**  This act takes effect January 1, 2018.

NEW SECTION. **Sec.**  This act expires January 1, 2023.

**--- END ---**

Passed by the House April 20, 2015.

Passed by the Senate April 14, 2015.

Approved by the Governor May 6, 2015, with the exception of certain items that were vetoed.

Filed in Office of Secretary of State May 6, 2015.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Section 7, House Bill No. 1940 entitled:

"AN ACT Relating to exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies."

Section 7 of House Bill No. 1940 expires the protection of flood control zone district levies from prorationing on January 1, 2023. This expiration date is problematic and restricts the flexibility of flood control zone districts to select and appropriately finance flood control projects. With the expiration date, any bonds will very likely be more expensive for flood control zone districts. There is also greater risk of insufficient revenues for flood control projects regardless of financing method in the event the levy is prorationed. To allow for maximum flexibility in financing flood control projects to protect the citizens of Washington state from flooding, I am vetoing section 7 of this bill.

For these reasons I have vetoed Section 7 of House Bill No. 1940.

With the exception of Section 7, House Bill No. 1940 is approved.