

SENATE BILL REPORT

SHB 2006

As Reported by Senate Committee On:
Local Government, March 28, 2017

Title: An act relating to providing cities and counties flexibility with existing resources.

Brief Description: Providing cities and counties flexibility with existing resources.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Koster, Lytton, Springer, Volz, Senn, Tharinger, Fey, Stokesbary, Appleton, Nealey, Chapman and Ormsby).

Brief History: Passed House: 3/07/17, 87-10.

Committee Activity: Local Government: 3/21/17, 3/28/17 [DPA, DNP].

Brief Summary of Amended Bill

- Removes prohibitions on supplanting existing local government expenditures with proceeds from a locally imposed 0.1 percent sales and use tax dedicated to mental health and substance abuse.
- Allows all county authorities to seek voter approval for the criminal justice regular levy.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended.

Signed by Senators Short, Chair; Takko, Ranking Minority Member; Palumbo and Sheldon.

Minority Report: Do not pass.

Signed by Senator Angel, Vice Chair.

Staff: Bonnie Kim (786-7316)

Background: Mental Health/Chemical Dependency Sales and Use Tax. A locally imposed county mental health/chemical dependency sales and use tax of 0.1 percent was authorized in 2005. The proceeds of the tax must be devoted to county mental health treatment, chemical dependency, and therapeutic court programs and services.

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.

With certain limited exceptions, tax receipts cannot be used to supplant—replace—existing funds being used for these programs and services. Revenues used to support the cost of a judicial officer and support staff of a therapeutic court are exempted from supplant restrictions. Also exempted from the supplant restrictions are revenues used to replace previously lapsed federal funding for the operation or delivery of certain services.

Counties with a population larger than 25,000 or a city with a population over 30,000 who initially impose the tax after December 31, 2011, may supplant a portion of existing funding for the first five years after adoption. The amounts permitted to be supplanted range from 50 percent—first three years—of collections to 25 percent—years four and five—of collections.

For calendar years 2010 through 2016, a portion of the tax receipts were partially and temporarily allowed to supplant existing funds being used for these programs and services. The amount of supplanting permitted depended on the calendar year, size of the jurisdiction, and when the local option tax was imposed. Counties with both a population of not more than 25,000 and who imposed the tax prior to January 1, 2012, were provided the greatest ability to supplant funding.

Every county that authorizes the tax must establish and operate a therapeutic court component for dependency proceedings designed to be effective for the court's size, location, and resources.

The sales and use tax has been imposed in 23 counties: Clallam, Clark, Columbia, Cowlitz, Ferry, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Okanogan, Pacific, San Juan, Skagit, Skamania, Snohomish, Spokane, Thurston, Wahkiakum, Walla Walla, and Whatcom.

In 2010, cities within a county of more than 800,000 were also authorized to impose the tax if the county did not impose the tax by January 1, 2011. Tacoma is the only city that collects the sales tax under this provision.

Total tax collections in 2015 for all counties and cities collecting the mental health/chemical dependency sales and use tax was approximately \$114 million.

Property Tax. Property taxes are imposed by state and local governments. Unless a specific exemption applies, all real and personal property in the state is subject to property tax each year based on its value. The county assessor determines assessed value for each property and calculates property taxes. The property tax bill for an individual property is determined by multiplying the assessed value of the property by the tax rate for each taxing district in which the property is located.

Generally, the aggregate of all tax levies upon real and personal property by the state and all taxing districts may not exceed one percent of the true and fair value of the property. Also, in general, the aggregate levies of junior taxing districts and senior taxing districts, other than the state, may not exceed \$5.90 per \$1,000 of assessed valuation.

Criminal Justice Regular Property Tax. Counties with a population of 90,000 or less are authorized to impose a regular property tax of up to \$0.50 per \$1,000 of the assessed value of property in the county. The funds are to be used for criminal justice purposes only. Criminal justice is not defined in the statute. The levy is not subject to the \$5.90 per \$1,000 of assessed value limitation that applies to other junior and senior districts, but is subject to the 1 percent of true and fair value limitation. Tax may be imposed for up to six consecutive years, but only after a voter approval of 60 percent on the proposition at a general or special election.

Summary of Amended Bill: Mental Health/Chemical Dependency Sales and Use Tax. The prohibition on supplanting existing local government expenditures with proceeds from a locally imposed 0.1 percent sales and use tax dedicated to mental health and substance abuse is eliminated. Provisions allowing supplanting of funds in certain circumstances are also eliminated as the bill generally allows supplanting of existing local government funds. Various time-limited provisions applying only to previous biennia are removed.

Criminal Justice Regular Property Tax. All counties are permitted to seek voter approval for the criminal justice levy. Criminal justice is defined, by reference as meaning, activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil or juvenile justice system occurs, including domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates.

EFFECT OF LOCAL GOVERNMENT COMMITTEE AMENDMENT(S):

- Removes a section which would have allowed jurisdictions to use revenue generated with a voter-approved levy lid lift to supplant existing funds.

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 Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Counties are currently using general fund dollars to fund mental health, chemical dependency, and other programs. This bill will allow counties to instead use general fund dollars to expand existing mental health programs or offer new services. Indigent defense costs counties over \$350 million per biennium and the state reimburses the counties only about 6 percent of that amount. This bill will help counties pay for needed services. Counties are asking for more flexibility in how funds are spent. This bill increases the likelihood counties will use existing resources rather than asking for additional resources to fund programs. Dedicated revenues must always be used for that specific dedicated purpose.

CON: When voters passed the 1 percent cap in property tax increases, they allowed local governments to ask for certain increases for specific purposes. This bill will allow local governments to ask for increases for a specific purpose, such as criminal justice, but then use the money a different way. This bill will allow local governments to avoid using dedicated funds for dedicated purposes.

Persons Testifying: PRO: Representative John Koster, Prime Sponsor; Josh Weiss, WA State Assoc. of Counties.

CON: Tim Eyman, citizen.

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