

SENATE BILL REPORT

SB 5364

As Reported by Senate Committee On:
Local Government, February 14, 2017

Title: An act relating to removing disincentives to the voluntary formation of regional fire protection service authorities by establishing parity, equalizing certain provisions with existing laws governing fire protection districts, and clarifying the formation process.

Brief Description: Removing disincentives to the voluntary formation of regional fire protection service authorities by establishing parity, equalizing certain provisions with existing laws governing fire protection districts, and clarifying the formation process.

Sponsors: Senators Palumbo, Angel, Takko and Zeiger.

Brief History:

Committee Activity: Local Government: 1/31/17, 2/14/17 [DPS].

Brief Summary of Substitute Bill

- Modifies the definition of a fire protection jurisdiction to include regional fire protection service authorities (RFAs).
- Modifies the voter approval requirements and duration periods for benefit charge renewals.
- Exempts specific housing types from benefit charges imposed by RFAs and fire districts.
- Permits RFAs to retain unused levy capacity for future use if imposing a benefit charge.
- Permits RFAs to protect up to \$0.25 per \$1,000 of assessed value levy authority from prorationing.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 5364 be substituted therefor, and the substitute bill do pass.

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

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.

Staff: Alex Fairfortune (786-7416)

Background: Regional Fire Protection Service Authority. RFAs are municipal corporations established for the purpose of providing regional fire protection and emergency services within their jurisdictional boundaries. An RFA is formed through the merging of two or more adjacent fire protection jurisdictions, including fire protection districts, cities, towns, port districts, municipal airports, and Indian tribes. The governing body of each jurisdiction participating in an RFA must appoint three elected officials to serve on the RFA planning committee, which develops a plan for the creation, financing, operation, and governance of the RFA. Once the plan is adopted, it is forwarded to the participating jurisdictions to initiate the election process. The required margin for voter approval depends on the revenue sources proposed by the plan. If the plan does not authorize a benefit charge, the proposition must be approved by a simple majority. If the plan does authorize a benefit charge, the proposition must be approved by 60 percent of the voters.

Fire Protection Districts (Fire Districts). Fire districts are created to provide fire and emergency services to protect life and property in locations outside of cities and towns. A fire district may be established through a process involving a petition by the residents of a proposed district, a public hearing, and three-fifths voter approval. Fire districts are governed by a board of three, five, or seven elected fire commissioners.

Benefit Charges. A benefit charge is a type of assessment imposed upon a property based upon the measurable benefits to be received by the property from services provided by an RFA or fire district. RFAs and fire districts may use this funding as a means for apportioning the real costs of service to an individual property in a manner designed to reflect the actual benefits provided to that property. Before holding an election to determine if a benefit charge will be imposed, the governing authority of an RFA or fire district must hold a public hearing at which it sets forth the benefit charge proposal. Each year a public hearing must be held to review and establish the RFA benefit charges for the subsequent year. Benefit charges may be imposed for a maximum term of six years, however voters may reauthorize the benefit charges for additional terms. For an RFA, the initial imposition or reauthorization of benefit charges requires approval by 60 percent of the voters voting on the ballot measure. For a fire district, the initial imposition of benefit charges requires approval by 60 percent of the voters voting on the ballot measure, but the continued imposition of benefit charges need only be approved by a simple majority of the voters voting on the measure.

Banked Levy Capacity. State law imposes a 1 percent cap on the revenues a taxing district may receive each year, based on the highest amount levied in the past three years. A taxing district that chooses to levy an amount less than the maximum allowed under the law may retain the unused levy capacity for future use. This is known as banked levy capacity. Allowing banked levy capacity removes the incentive for a taxing district to maintain its tax levy at the maximum amount allowed by law.

Property Tax Rate Limits and Prorationing. The Washington Constitution limits regular property tax levies to a maximum of 1 percent of a property's assessed value, or \$10 for every \$1,000 of value. The property tax rates for senior taxing districts—such as counties and cities—combined with the tax rates for junior taxing districts—most special purpose districts—must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If that limit is

exceeded, statute establishes the sequential order in which levies must be proportionally reduced or eliminated, a process referred to as prorationing. Under current law, fire protection districts may protect up to \$0.25 of every \$1,000 of levy authority from this prorationing requirement.

Summary of Bill (First Substitute): Regional Fire Protection Service Authority. The definition of a fire protection jurisdiction is modified to specify that the term can include an RFA. An approved RFA is formed on the effective date set forth in the plan, or the next January 1st or July 1st, whichever occurs first.

Benefit Charges. RFAs may now renew benefit charges with a simple majority of voter approval, for a fixed duration of six years. Fire district benefit charge renewals will also last for a fixed duration of six years. The public hearing required before an election on a benefit charge may be conducted by an RFA planning committee, rather than the RFA governing board, if the benefit charge is proposed as part of the initial formation of the RFA.

The following properties are exempt from benefit charges from RFAs and fire districts:

- property of housing authorities;
- property of nonprofit entities providing rental housing or mobile home spaces for very low-income households;
- property of nonprofit homes for the aging;
- property of nonprofit organizations, corporations, or associations providing housing for people with developmental disabilities;
- property of nonprofit organizations providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons;
- property of the State Housing Finance Commission; and
- property of nonprofit corporations operating sheltered workshops for people with disabilities.

If an RFA or fire district finds that a tax-exempt property from the above list has a substantial annual increase in requested emergency services, it must work with the tax-exempt property to implement community risk reduction efforts. New tax-exempt properties will be compared to properties of a similar size to determine if an increase has occurred. If the heightened emergency services are not addressed by the reduction efforts, and the tax-exempt property has not acted in good faith, the tax-exempt property may be subject to a fire benefit charge or equivalent payment.

Banked Levy Capacity. If an RFA imposes a benefit charge, and therefore does not utilize the maximum levy amount allowed under the law, the RFA may still retain the unused levy capacity for future use.

Property Tax Rate Limits and Prorationing. An RFA may protect up to \$0.25 per \$1,000 of assessed value levy authority through an exception to general prorationing requirements.

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

- Removes redundant sections and replaces inaccurate cross references.
- Changes the year that the act applies to property taxes levied for collection from 2017 to 2018.
- Allows an approved RFA to be formed on any effective date set forth in the plan, as opposed to only January 1st or July 1st.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill helps facilitate regionalization. The fire service is starting to use new world software which sends the closest unit to a call, so the lines are being blurred between city departments, RFAs, and fire districts. Fire services have merged and been able to lower taxes and improve service as a result. This bill helps break down the barriers to create RFAs. This bill seeks to create equity and parity between fire districts and RFAs. Tax exempt properties that are already receiving tax exemptions shouldn't have to pay benefit charges. The bill also accounts for "frequent fliers" that have high call volume.

CON: The application of fire benefit charges has substituted property value for other criteria. In some cases, that criteria is square footage of buildings on the property. Exempting out low income housing units that contribute to service demand, while relying instead on higher charges for agricultural properties, is inappropriate. There is no per-building limit for benefit charges, so high charges can occur. As written, this bill has an unfair impact on the North Highline community, where 15-25 percent of residents live below the poverty line. North Highline is a small district and, by exempting low income housing, it places all of the burden for fire service on a very small, low income population.

Persons Testifying: PRO: Senator Guy Palumbo, Prime Sponsor; Dylan Doty, Washington Fire Chiefs; Brian VanCamp, South Bay Fire/Washington Fire Chiefs; Stuart Grogan, Kitsap County Consolidated Housing Authority; Geoff Simpson, Washington State Council Of Fire Fighters.

CON: Brad Tower, Washington Christmas Tree Growers; Eric Bernard, citizen; Michael Marrs, Fire Chief North Highline Fire Department; Julie Hiatt, Fire Commissioner North Highline Fire District.

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