

SENATE BILL REPORT

ESSB 6587

As Passed Senate, February 13, 2018

Title: An act relating to the transparency of local taxing districts.

Brief Description: Concerning the transparency of local taxing districts.

Sponsors: Senate Committee on Local Government (originally sponsored by Senators Hasegawa and Van De Wege).

Brief History:

Committee Activity: Local Government: 2/01/18, 2/01/18 [DPS, DNP].

Floor Activity:

Passed Senate: 2/13/18, 34-13.

Brief Summary of Engrossed First Substitute Bill

- Requires certain local utility districts that serve 10,000 or more customers to disclose state and local taxes rates imposed on the district, if any, on each billing statement by September 1, 2018.
- Requires certain local utility districts with less than 10,000 but more than 5000 customers to begin disclosing tax information upon their next billing system update or by January 1, 2023, whichever is sooner.
- Requires each electric utility to provide either written or electronic notice of public hearings where changes in electricity rates will be considered or approved by the Utilities and Transportation Commission (UTC) or governing body.
- Tax information for services for which no billing statements are issued must be made available upon request.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 6587 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Palumbo, Vice Chair; Liias.

Minority Report: Do not pass.

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.

Signed by Senators Short, Ranking Member; Angel.

Staff: Bonnie Kim (786-7316)

Background: Metropolitan Municipal Corporations. Metropolitan municipal corporations provide essential services in metropolitan areas not adequately provided by existing agencies. Authorized responsibilities include water pollution abatement and providing water supply, garbage disposal, parks and recreation, and public transportation. A metropolitan municipal corporation has levy authorized to fund the services it provides.

Public Utility Districts (PUDs). A PUD is a type of special purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. PUDs are authorized to establish rates and charges for providing water and sewer services.

Diking, Drainage, and Sewer Improvement Districts. Sewer improvement and related districts plan, construct, and operate facilities to collect, treat, and dispose of sanitary, industrial, and other sewage. Diking improvement districts improve dikes, drains, and ditches to provide an efficient system of drainage for land within the district. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Solid Waste Collection Districts. Solid waste collection districts provide garbage and refuse collection services in unincorporated county areas when the utilities and transportation commission determines an area is not receiving adequate service. Counties are authorized to charge and collect reasonable fees for this service.

Solid Waste Disposal Districts. Solid waste disposal districts provide services in incorporated areas in counties with populations of 1 million or less. The legislative bodies of cities and towns also join by resolution. A solid waste disposal district may collect disposal fees based exclusively upon utilization by weight or volume for accepting solid wastes at a disposal site or transfer station.

Water-Sewer Districts. Water-sewer districts provide water and sewer services to incorporated and unincorporated areas. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Municipal Utilities. Cities and towns are authorized to operate waterworks, sewerage and solid waste handling systems, utilities—gas/electric, and transportation facilities. Municipal utilities may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Disclosure to Retail Electric Customers. Retail electric customers have the right to receive specified disclosures from all electric utilities, other than small electric utilities. The disclosures must include:

- credit and deposit requirements;

- rates and charges, including how to receive notice for public hearings on changes in rates;
- metering and measurement policies;
- bill payment policies;
- payment arrangement options;
- disconnection notice requirements;
- confidentiality policies for customer records;
- customer inquiry and complaint procedures; and
- an annual report.

Notice of Disclosures to Retail Electric Customers. At the time service is established and at least once a year thereafter, an electric utility must provide notice that disclosures are available upon request and without charge. This notice must either be a prominent part of each customer's bill or provided in a separate mailing.

Utilities must identify on all customer billing statements, or by a separate quarterly written notice, the various components of electricity service that customers are charged for as part of their bills, including: electricity, distribution, metering, overhead, conservation investments, and taxes.

Small Electric Utilities. A small utility is defined as any consumer-owned utility with 25,000 or fewer electric meters in service, or that has an average of seven or fewer customers per mile of distribution line.

Additional Tax Information on Customer Billings. Any customer billing issued by a light or power business that serves more than 20,000 customers in Washington must include:

- the rates and amounts of taxes paid directly by the customer on products or services from the light and power business; and
- the rate, origin, and approximate amount of each tax levied on the revenue of the light and power business.

Summary of Engrossed First Substitute Bill: Beginning September 1, 2018, certain local utility districts with 10,000 or more customers must disclose the rates of state and local taxes imposed on the district, if any, on each billing statement. The districts must also disclose the amount of any such taxes paid directly by the customer through the billing statement.

Local utility districts with less than 10,000 but more than 5000 customers must disclose state and local tax rates upon their next billing system update or by January 1, 2023, whichever is earlier. Districts serving 5000 or less customers are encouraged but not required to disclose the above tax information on billing statements.

For all districts, state and local tax rate information for services for which no billing statements are issued must be made available upon the request of a taxpayer within their service boundaries.

The above disclosure requirements apply to:

- metropolitan municipal corporations;
- PUDs;

- diking, drainage, and sewer improvement districts;
- solid waste collection districts;
- solid waste disposal districts;
- water-sewer districts; and
- municipal utilities.

In addition, all electric utilities, other than small electric utilities, must provide the following:

- written or electronic notice, in a form or manner as required by the UTC or governing body, for any public hearing when changes in electricity rates will be considered or approved by the UTC or governing body; and
- the rate of tax imposed on the electric utility by a city or town, if any, and the amount of the tax to be paid directly by the retail electric customer through the billing statement.

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 Proposed Substitute: *The committee recommended a different version of the bill than what was heard.* PRO: This a companion of sorts to SSB 5624, requiring electrical utilities to itemize their bills, that was passed by the Senate EET Committee. This bill was originally brought by PUDs. Cities and counties can charge utility tax and the public utility that has to charge the tax takes the heat for a tax that is actually being charged by a municipality. This bill is the one area that newspapers get the most questions about in rural areas with smaller districts. It is difficult to get rate and charge information from these small districts.

Persons Testifying: PRO: Senator Bob Hasegawa, Prime Sponsor; Rowland Thompson, Allied Daily Newspapers of Washington.

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