

HOUSE BILL REPORT

HB 1965

As Reported by House Committee On:
Finance

Title: An act relating to providing additional support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Brief Description: Providing additional support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Sponsors: Representatives Chapman, Caldier, Johnson, J., Taylor, Lekanoff, Springer, Klicker, Bateman and Leavitt.

Brief History:

Committee Activity:

Finance: 1/27/22, 2/4/22 [DP].

Brief Summary of Bill

- Permits counties to collect the Veterans' Assistance levy and the Mental Health and Developmental Disabilities levy as separate levies, outside of the county's general levy rate.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai and Wylie.

Minority Report: Do not pass. Signed by 6 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Stokesbary, Vick and Young.

Staff: Kyle Raymond (786-7190).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Property Tax.

All real property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation, or 1 percent plus the value of new construction.

The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value [AV]). There are individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of AV.
- County general levies are limited to \$1.80 per \$1,000 of AV.
- County road levies are limited to \$2.25 per \$1,000 of AV.
- City levies are limited to \$3.375 per \$1,000 of AV.

For property tax purposes, the state, counties, and cities, with respect to the levies listed above, are collectively referred to as senior taxing districts. Junior taxing districts, a term that includes fire, hospital, flood control zone, and most other special purpose districts, each have specific rate limits as well.

The tax rates for senior and junior taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the statutory \$5.90 or constitutional \$10 limit are exceeded, statute establishes the sequential order in which the levies must be proportionally reduced or eliminated, a process referred to as prorationing, to conform to the statutory and constitutional limits.

Some regular property tax levies—including levies for criminal justice purposes, port districts, and emergency medical services—are subject to the \$10 constitutional limit but not the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the "gap" that remains after subtracting the state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Veterans' Assistance Levy.

County legislative authorities are required to collect a Veterans' Assistance levy dedicated to a Veterans' Assistance Fund (Fund). The Fund may only be used for:

- veterans' assistance programs for indigent veterans and families;
- burial or cremation of deceased indigent veterans or deceased family members of indigent veterans; and
- direct and indirect costs incurred in the administration of the Fund.

The rate is within the county's maximum general levy rate. The minimum levy rate is \$0.01125 per \$1,000 of AV, although the county legislative authority may levy a lesser amount if there are sufficient funds residing in the Fund. The maximum levy rate is \$0.27 per \$1,000 of AV. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

As part of the county general levy, the levy is subject to both the \$5.90 per \$1,000 of AV and constitutional 1 percent levy limit. The revenue may not grow more than 101 percent per year, unless the voters approve a levy lid lift.

Mental Health and Developmental Disabilities Levy.

County governing authorities are required to budget and levy annually a tax to provide additional funds for the coordination and provision of community services for persons with developmental disabilities or mental health services.

The levy rate must be equivalent to \$0.025 per \$1,000 AV, except as otherwise provided under statute. The Mental Health and Developmental Disabilities (MHDD) levy may be increased or reduced in direct proportion to the to the prior year's certified county general levy. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

All or part of the funds collected from the MHDD levy may be transferred to the Department of Social and Health Services to serve as matching funds for federal monies to provide and coordinate community services for persons with developmental disabilities and mental health services. For those counties that elect to transfer the MHDD levy to the state, the state must grant the county MHDD funds and those matching funds received from federal grants to community agencies within the county in compliance with the plan approved by the county.

Summary of Bill:

Veterans' Assistance Levy.

County legislative authorities are permitted to continue collecting the Veterans' Assistance (Veterans') levy within the county's general levy rate, or they may collect the Veterans' levy as a separate levy, outside of the county's general levy rate.

If the Veterans' levy is collected as a separate levy, the levy is not subject to the \$5.90 per \$1,000 of AV limitations but is subject to the constitutional 1 percent levy limit. The separate levy has a minimum levy rate of \$0.01125 per \$1,000 of AV and a maximum levy rate of \$0.27 per \$1,000 of AV. The Veteran's levy is established in the prorationing priority. The limit factor for the separate levy is the greater of 101 percent, or 100 percent plus inflation.

Mental Health and Developmental Disabilities Levy.

County legislative authorities are permitted to continue collecting the Mental Health and Developmental Disabilities (MHDD) levy within the county's general levy rate, or they may collect the MHDD levy as a separate levy, outside of the county's general levy rate.

The authorization that the county legislative authority may increase or reduce the MHDD levy in the same proportion as the regular county property tax levy is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 4, relating to continuing rate range for the separate Veterans' Assistance levy, which takes effect January 1, 2027, and section 6, relating to continuing the prorationing order, which takes effect January 1, 2037.

Staff Summary of Public Testimony:

(In support) Counties are struggling to maintain their general fund services, and both the Veterans' Assistance (Veterans') levy and the Mental Health and Developmental Disabilities levy come out of a county's general fund. Some counties need to set the Veterans' levy rate at the minimum amount in order to continue to provide funding for necessary services that are funded through the State General Fund, which includes funding for public safety, public health, the courts and elections. This bill would create an option for counties to create a separate funding source for veterans and individuals with developmental disabilities.

The current funds are insufficient to support veterans in the community, and funds are used for housing, food, and other needed services. The number of veterans continue to increase. In addition, there is an increased need among widows of veterans, including need for the payment of copays, prescriptions, and utility payment assistance. The bill would allow for additional services to be provided to these communities.

The mental health funds are used to provide services for people who are not eligible for Medicaid. The developmental disability funds are used to support employment, education, and recreational opportunities.

A version of this bill has previously passed off the House floor with bipartisan support. This is a local control bill that gives local governments more authority to serve their veteran community and communities of need.

(Opposed) Veterans should be our highest priority, deserving a dignified life at home, quality care, and access to resources of the highest caliber. The state continues to prioritize programs that do little to impact the day lives of most Washingtonians, and the state is out of touch with reality of an injured veteran. The state has a surplus of \$2.5 billion, but instead, the state prefers to have counties raise property taxes through this bill. County programs and services are in desperate need of funding, and the state should focus on funding these issues.

Persons Testifying: (In support) Representative Mike Chapman, prime sponsor; Gary Velie, Clallam County Veterans Association; Robin Campbell and Carolina Mejia, Thurston County; Juliana Roe, Washington State Association of Counties; and Randy Johnson, Clallam County Commissioner.

(Opposed) Amanda McKinney, Yakima County Commissioner.

Persons Signed In To Testify But Not Testifying: None.