

HOUSE BILL REPORT

HB 2215

*As Reported By House Committee on:
Local Government*

Title: An act relating to limited waiver of the one hundred six percent limitation.

Brief Description: Permitting the levy of previously authorized taxes, notwithstanding contrary provisions.

Sponsor(s): Representatives Scott, Ferguson, Haugen and R. King.

Brief History:

Reported by House Committee on:
Local Government, June 17, 1991, DP.

**HOUSE COMMITTEE ON
LOCAL GOVERNMENT**

Majority Report: *Do pass.* Signed by 12 members: Representatives Haugen, Chair; Cooper, Vice Chair; Ferguson, Ranking Minority Member; Mitchell, Assistant Ranking Minority Member; Bray; Edmondson; Horn; Nealey; Nelson; Rayburn; Wynne; and Zellinsky.

Staff: Steve Lundin (786-7127).

Background: The 106 percent limitation restricts the nonvoter approved tax levy of a taxing district in any year to not more than 106 percent of the highest amount levied by the taxing district in any of the last three years, not including taxes on increased values resulting from new construction.

The 106 percent limitation may be waived or lifted if a ballot proposition providing for a waiving of the limitation is approved by a simple majority vote of district voters voting on the proposition. A complete waiving of the 106 percent limitation may be approved, permitting the taxing district to impose its taxes at the maximum tax rate granted to the taxing district by law. The full amount of taxes obtained from a complete waiving of the 106 percent limitation is used for calculating the 106 percent limitation for the taxing district in the following year.

Legislation was enacted in 1986 permitting a partial or limited waiving of the 106 percent limitation to be approved by voters that is restricted by one or more of the following factors: (1) period during which the higher tax levy will be imposed; (2) amount of increased rate of taxation, but the increased rate and rate that otherwise would be allowed under the 106 percent limitation may not exceed the maximum allowable rate granted to the taxing district by law; and (3) purpose for which the increased taxes will be spent.

Voters in the city of Everett authorized a partial waiving of the 106 percent limitation in 1987 restricted to making bond retirement payments over a 20 year period on bonds issued to finance library improvements and not to exceed 22 cents per \$1000 of assessed valuation. After voters had approved this levy amount, the 106 percent limitation only reduced the general tax levy of Everett by about 9 cents per \$1000 of assessed valuation below the maximum tax rate allowed for the city to impose, so Everett only imposed its additional levy earmarked for libraries at this level.

However, the 106 percent limitation reduced the general city tax rate to a greater extent in the second year, thereby increasing the amount potentially available for the city's additional levy that was earmarked to finance library improvements. The city of Everett attempted to increase its earmarked levy for libraries close to the maximum approved rate, but the county assessor challenged this higher rate. A lawsuit was instituted to determine whether the earmarked levy is restricted to the rate that the city first imposed, or to the higher rate approved by the voters, assuming that capacity exists for the higher levy rate.

Summary of Bill: A city that received voter approval of a ballot proposition prior to 1988 authorizing a waiving of the 106 percent limitation to finance library improvements, including the costs of borrowing such amount for up to 20 years, is authorized to impose the taxes for such purpose up to the amount provided for in the ballot proposition.

This section is curative and applies to all limited ballot propositions. This section shall not be construed to adversely affect the validity or reduce the amount of any tax levies authorized by any other ballot proposition.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This legislation clarifies existing law and validates an election where voters in the city of Everett

authorized higher property taxes to finance library improvements. This is narrowly drafted legislation.

Testimony Against: None.

Witnesses: (All testified in support): City of Everett - Becky Bogart, Bill Cushman, Bruce Jones, Ken Housden, and Jerry Vrooman.