

SENATE BILL REPORT

ESB 5498

As Passed Senate, April 2, 2007

Title: An act relating to revising voter-approved funding sources for local taxing districts.

Brief Description: Revising voter-approved funding sources for local taxing districts.

Sponsors: Senators Regala, Clements, Morton, Brandland, Pridemore, Delvin, Prentice, Hatfield and Rasmussen.

Brief History:

Committee Activity: Government Operations & Elections: 2/06/07, 2/08/07 [DP-WM, DNP, w/oRec].

Ways & Means: 2/19/07, 3/05/07 [DP, DNP, w/oRec].

Passed Senate: 4/02/07, 46-0.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Kline, Pridemore and Swecker.

Minority Report: Do not pass.

Signed by Senator Benton.

Minority Report: That it be referred without recommendation.

Signed by Senator Roach, Ranking Minority Member.

Staff: Amy Van Horn (786-7784)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller and Tom.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member and Parlette.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland, Carrell, Hewitt, Honeyford, Roach and Schoesler.

Staff: Dean Carlson (786-7305)

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.

Background: In addition to the constitutional one percent limit on increase to the total rate of tax per parcel of property, there is a statutory one percent limit on the amount of revenue that any taxing district can collect compared to what it collected in prior years. Under this revenue "lid," the amount of revenue collected from a regular (i.e., non-voter-approved) property tax levy can not be more than one percent above the highest one year amount collected in the past three years. The only exception is if the voters in the district approve a "lid lift," which allows voters in a district to agree to tax themselves above the lid. Prior to 2003, such a "lid lift" could be for only one year.

In 2003, voters in counties, cities, and towns were allowed to approve by majority vote in a primary or general election a resolution for a levy lid lift for up to six consecutive years. Each year's maximum legal levy is the base for the following year. The resolution must state the dollar rate of the increase for the first year. For the following years, the resolution must state the limit factor of the increase, or the index for determining a limit factor, such as the consumer price index. Funds raised under this levy cannot supplant existing funds used for the same purpose.

County voters may also approve by majority vote in a primary or general election a county sales and use tax. That tax cannot exceed 3/10 of one percent of the sale price, and the funds raised may not supplant existing funds used for the same purpose.

Summary of Engrossed Bill: Authority for a levy lid lift that lasts up to six years is available to any taxing district. For levy lid lifts and the county sales and use tax, the definition of "existing funds" is modified to exclude losses due to lost grants or loans, extraordinary events, certain changes in contract terms, or major nonrecurring capital expenditures.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Government Operations & Elections): PRO: This bill expands the multi-year levy lid lift for smaller taxing districts so that they can do some long-range planning. Voters are still in the driver's seat—the vote is always at a primary or a general election, the dollar amount is clear for each year, and the purposes of the tax are clear.

The levy lid lift does not have to be six years—it could be two, three, or four. That way special districts don't have to ask the voters every year for things they know in advance they will need. Since Initiative 747 passed, small districts cannot function properly, because they do not get enough funding with the one percent limit to growth on property tax. South King County Fire and Rescue has had to run lid lifts every year since 2001. The citizens are overwhelmingly supportive and pass every one—last year with a 70 percent majority—but it's costly. It cost half a million dollars just to be on the ballot in King County last year. That money should have been spent on fire and rescue services.

The bill removes non-supplanting funds requirements because they tie local governments' hands to the detriment of taxpayers. If a district loses federal funding, or has an economic

downturn, it can't recover. Benton County is losing a drug court because of loss of federal funds, and now they have to wait a year so that they will not be supplanting existing funds with levy lid lift funds.

Persons Testifying (Government Operations & Elections): PRO: Senator Regala, prime sponsor; Ryan Spiller, Washington Fire Commissioners; Al Church, South King County Fire & Rescue, Washington Fire Chiefs; Steve Duncan, Washington Library Association; Julie Murray, Washington Association of Counties.

Staff Summary of Public Testimony (Ways & Means): PRO: Since I-747, fire districts cannot live within the 1 percent levy limit. We are funded exclusively from property taxes. We have run six straight lid lifts and they have all passed. Citizens have overwhelmingly supported them. It has cost us \$500,000 in election costs for the six elections. Please let us extend the lid lift for six years. This bill allows you to take the issue to the voters if you can't make it so and see if they agree. This legislation has non supplant criteria for any funds. We want to go to the voters and have the flexibility to maintain existing services. If we lose money from a grant we can use these funds. Nothing in the bill changes how we go to the voters for approval. The title of the ballot has to say how we have to use the money. If you are a small city that loses a major business, we would like to go to the voters to see if they would like to keep existing services.

Persons Testifying (Ways & Means): PRO: Al Church, Washington Fire Chiefs, South King Fire; Ryan Spiller, Fire Commissioner; Julie Murray, Washington Association of Counties; Leo Bowman, Benton County Commissioner; Jim Justin, Association of Washington Cities.