

HOUSE BILL REPORT

HB 2433

As Reported by House Committee On: Local Government

Title: An act relating to notification by a city or town to light and power businesses and gas distribution businesses of annexed areas and affected properties.

Brief Description: Requiring a city or town to notify light and power businesses and gas distribution businesses of annexed areas and affected properties.

Sponsors: Representatives Habib and Ryu.

Brief History:

Committee Activity:

Local Government: 1/23/14, 2/3/14 [DPS].

Brief Summary of Substitute Bill

- Expands the list of entities that must be notified by a city or town that has annexed property to include notification to light and power businesses and gas distribution businesses.
- Increases the amount of time prior to the effective date of an annexation that annexation notices must be provided by cities or towns to delineated recipients.
- Authorizes cities and towns to provide required annexation notices to delineated recipients through electronic means.
- Modifies and establishes other provisions related to the administration of annexations, including provisions governing the remittance of utility taxes collected by light and power businesses and gas distribution businesses.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Takko, Chair; Gregerson, Vice Chair; Overstreet, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Farrell, Fitzgibbon, Pike, Springer and Taylor.

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: Ethan Moreno (786-7386).

Background:

Current law authorizes multiple methods for municipal annexations. While cities that operate under the Optional Municipal Code (code cities) have statutory requirements for governance and operation that are separate from those that do not, the annexation methods that all cities and towns may employ are generally similar.

Provisions governing the collection of taxes collected in annexed territory are established in statute. For example, when territory that is part of a fire protection district (fire district) is annexed to a code city, noncode city, or town, the fire district taxes on the annexed property that were levied, but not collected and not delinquent at the time of annexation, must be paid to the annexing city or town. Similar payment provisions also exist for county road district and library district taxes that were levied and not collected at the time of annexation.

Additionally, a code city, noncode city, or town that has annexed territory has notification obligations and must provide, by certified mail, a list of the annexed parcels to the county treasurer and assessor, and to the fire and library district, as appropriate, at least 30 days before the effective date of the annexation. The treasurer is only required to remit to the annexing city or town those fire district, library district, and county road district taxes collected 30 days or more after receipt of the notification.

Summary of Substitute Bill:

The list of entities that must be notified of an annexation by a code city, noncode city, or town is expanded to include: light and power businesses and gas distribution businesses.

The required notification, which must include a list of the annexed parcel numbers and street addresses, may be provided by certified mail or by electronic means, a term defined to mean an electronic format agreed to by the sender and recipient that conveys all applicable information

Also, the amount of time before the effective date of the annexation that the notification must be provided to the recipients is increased from at least 30 days to at least 60 days.

Regarding remittance requirements, the county treasurer is only required to remit to the annexing city or town those road taxes, fire district taxes, and library districts taxes collected 60 or more days, rather than 30 or more days, after receipt of the annexation notification.

Additionally, light and power businesses and gas distribution businesses are only required to remit to an annexing city or town those utility taxes collected 60 or more days after receipt of the notification. In the event of an error or accidental omission by a code city, noncode city, or town in the transmitted annexation notice, the city, noncode city, or town may correct the notice by providing an amended notice to the county treasurer and assessor, the light and power businesses, the gas distribution businesses, and to the fire district and library district,

as appropriate. The recipient of the amended notice is only required to remit applicable taxes to the code city, noncode city, or town, in accordance with the corrected information, 60 days after its receipt of the amended notice.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- specifies that the annexation notification requirements in current law, and as amended by the bill, apply to all annexations by cities, code cities, and towns;
- authorizes annexing cities, code cities, and towns to provide annexation notifications through electronic means;
- defines "electronic means" to be an electronic format agreed to by the sender and recipient that conveys all applicable notification information;
- removes a proposed requirement that the annexation notices include the current taxpayers of record for each parcel;
- includes provisions governing errors or accidental omissions by cities, code cities, and towns in transmitted annexation notices; and
- makes technical changes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill streamlines the treatment of electrical and gas utilities and the annexation notifications that they must receive. This bill helps utilities and rate payers and is a good governance bill. The Association of Washington Cities may have issues with the bill, but the sponsor would be glad to work with them.

The staff report has a more narrow interpretation regarding the notification requirements of the bill than others apply or was intended. Proponents of the bill would be happy to work with staff to modify the bill's language.

In Washington, 109 cities levy a utility tax. Annexations are a large concern for utility providers. Last year, Puget Sound Energy paid \$121 million to cities through utility taxes, and payment accuracy is very important. Utilities seek to make sure that the tax is born by the appropriate ratepayers, not by the utility. However, with 109 cities levying a utility tax, it is possible to miss an annexation. Utilities want to improve accuracy of tax remittances, and this bill will help them do so.

(In support with concerns) The Association of Washington Cities likes the bill and would like to work with the bill's proponents to make tax remittances in annexations easier. Cities do

not always have the current taxpayer information, and they would like to develop an alternate approach for those provisions in the bill. Also, the underlying law requires that annexation notifications be provided by certified mail. Perhaps an alternate and more modern notification approach should be considered for this requirement.

(Opposed) None.

Persons Testifying: (In support) Representative Habib, prime sponsor; and Kim Clauson and Bob Jones, Puget Sound Energy.

(In support with concerns) Dave Williams, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.