

# HOUSE BILL REPORT

## HB 1940

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### As Amended by the Senate

**Title:** An act relating to exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies.

**Brief Description:** Exempting levies imposed by qualifying flood control zone districts from certain limitations upon regular property tax levies.

**Sponsors:** Representatives Stokesbary, Fitzgibbon, Ryu, Magendanz, Kochmar, Hargrove, Rodne, Bergquist, Hurst, Gregerson, Orwall and Jinkins.

#### **Brief History:**

##### **Committee Activity:**

Finance: 2/10/15, 2/25/15 [DPS].

##### **Floor Activity:**

Passed House: 3/11/15, 69-29.

Senate Amended.

Passed Senate: 4/14/15, 43-4.

#### **Brief Summary of Bill**

- Allows eligible flood control zone districts to permanently protect a portion of their levy capacity from general prorationing requirements under certain circumstances.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Fitzgibbon, Manweller, Pollet, Reykdal, Robinson, Ryu, Springer, Stokesbary, Wilcox and Wylie.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Nealey, Ranking Minority Member; Vick.

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*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:** Richelle Geiger (786-7175).

**Background:**

All real and personal property in the state is subject to property tax each year based on its value, unless specific exemption is provided by law. The Washington Constitution (Constitution) requires that taxes be uniform within a class of property. Uniformity requires both an equal rate of tax and equality in valuing the property taxes.

The Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). The Legislature has established 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 assessed value;
- county general levies are limited to \$1.80 per \$1,000 of assessed value;
- county road levies are limited to \$2.25 per \$1,000 of assessed value; and
- city levies are limited to \$3.375 per \$1,000 of assessed value.

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 districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the \$5.90 limit is exceeded, statute establishes the sequential order in which the levies of various junior taxing district levies must be proportionally reduced or eliminated (a process referred to as prorationing) to conform to the \$5.90 limit.

Some regular property tax levies, including levies for port districts, emergency medical services, and criminal justice purposes, are not subject to the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the 50 cent "gap" that remains after subtracting the \$3.60 state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Under current law, qualifying flood control zone districts may protect up to 25 cents per \$1,000 of assessed value levy authority through exceptions to general prorationing requirements if their levy within the \$5.90 limit is subject to prorationing. To qualify, a flood control district must be located in a county with a population of 775,000 or more and whose boundaries are coextensive with the county. This provision is set to expire in 2018.

**Summary of Bill:**

A qualifying flood control zone district may permanently protect up to 25 cents per \$1,000 of assessed value levy authority from general prorationing requirements if its levy within the \$5.90 limit is subject to prorationing. To qualify for the permanent prorationing protection, a

flood control zone district must transfer their rights, powers, functions, and obligations to the county legislative authority.

**EFFECT OF SENATE AMENDMENT(S):**

The Senate amendment:

- permits flood control zone districts that are coextensive with a county within the Chehalis River basin to protect up to \$0.25/1,000 AV of their property tax levy from proration;
- adds an application section, stating the act applies to taxes levied for collection in 2018 and thereafter;
- includes a January 1, 2023 expiration date for flood control zone district proration protection; and
- makes a technical correction. Amends current statutes to extend the flood control zone district proration protection expiration date, in lieu of amending session law.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on January 1, 2018.

**Staff Summary of Public Testimony:**

(In support) King County Flood Control Zone District has been building levies in flood prone areas and their levy would have been prorated in 2012 if the original bill that offered prorating protection had not passed in 2011. It is a relatively new levy, subject to early proration. Flood control zone districts do important work in the community and without them, the community would be underwater.

Since created, the district has significantly expanded the county's capacity to respond to flood concerns and take on projects to mitigate the threat of future flooding.

Flooding is an important issue to King County. The King County Flood Control Zone allows levies to be built to protect King County from flooding. This is basic, necessary government function. Dedicated federal and state funding sources for these projects are not available. The flood district invested \$500 million in the Green River system, helped fund the Seattle Sea Wall, and funded numerous prevention and rehabilitation projects throughout King County. The King County Flood Control Zone is funded entirely by local property tax revenue. Currently, a portion of the levy is protected from prorating. The previously mentioned projects were made possible by the prorating protection.

King County annually dedicated approximately \$3 million to flood control prior to the flood district. The list of projects that were necessary to complete with the available level of funding would have taken decades to get through. The flood district has generated \$30 million since it began. Since 1990, King County has endured 11 Federally Declared Disasters. Significant flooding occurred this winter. Flooding can threaten clean water systems. Under some 50-year flood scenarios, water could flood Interstate 90.

Prior to 2007, King County dedicated about \$3.5 million annually to protect the county against the perils of flooding. Since then, the magnitude of the successes of the districts has been phenomenal. Since 2008, 77 levy repair and rehabilitation levy projects have taken place across King County, totaling over \$100 million in investment. The district has leveraged \$55 million in federal and state grant funds with flood district funding. All 39 cities in King County and many unincorporated areas of King County have received funding from the flood district. The flood district has provided over \$50 million in specific projects for cities. Many projects are undertaken to prevent the need for repairs later, including home elevations. Looking forward, there are many prevention and improvement projects that are critical to protect the people and infrastructure of King County. These critical projects may go unfunded without the continuation of the prorating protection.

(Opposed) None.

**Persons Testifying:** Representative Stokesbary, prime sponsor; Katie Druel, Dave Upthegrove, and Kathy Lambert, King County Flood Control District; and Steve Bleifuhs, King County.

**Persons Signed In To Testify But Not Testifying:** None.