

SENATE BILL REPORT

SSB 5799

As Passed Senate, March 4, 2015

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: Senate Committee on Ways & Means (originally sponsored by Senators Fain and Keiser).

Brief History:

Committee Activity: Ways & Means: 2/16/15, 2/23/15 [DPS, w/oRec].

Passed Senate: 3/04/15, 46-2.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5799 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Billig, Brown, Conway, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Parlette, Rolfes, Schoesler and Warnick.

Minority Report: That it be referred without recommendation.

Signed by Senator Padden.

Staff: Juliana Roe (786-7438)

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. The Washington State 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:

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- 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 districts 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 \$0.50 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 \$0.25 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 Substitute Bill: A qualifying flood control zone district may protect up to \$0.25 per \$1,000 of assessed value levy authority from general prorationing requirements if its levy within the \$5.90 limit is subject to prorationing until January 1, 2023.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The act applies to the taxes levied for collection in 2018 and thereafter.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:

PRO: The sole funding source for the flood control district is this small property tax levy. Without it there isn't enough money to sustain the needs of the district. Had we not had the protection in the last five years, we would have raised zero dollars to complete these projects. We have over \$400 million in projects. We need to ensure that we secure these dollars every year and maintain the special protection provided in this bill that is scheduled to end soon.

With this tool we bring in over \$50 million per year for important safety infrastructure projects. The federal government is updating its FEMA flood maps. This bill is critical because when the the new maps are created and a flood control area is not behind an

accredited levy, we risk the potential of being subject to significant development restrictions and costly flood insurance. This has enormous economic implications.

King County's urban management program has collected over \$300 million since 2007. It has gone through six clean state audits in that time and maintained an overhead rate of 7 percent. It has completed over 77 levy repair projects investing over \$100 million in those projects. It has leveraged \$55 million in state and federal money to go toward those projects as well. Without this bill, over \$80 million in program capital improvement funds will not be allocated, \$16 million in home elevation funds and \$270 million from capital project funds.

There are various significant projects being completed right now. We recently learned that I-90 could be underwater outside of North Bend in the near future which would majorly impact people and commerce. Without this protection, the flood control district would get no revenue and would not get any until 2021 at the soonest.

Persons Testifying: PRO: Ken Wolfe, Pierce County Flood Control Zone District, Chair, Advisory Committee; Dave Upthegrove, King County Councilmember, King County Flood Control District Supervisor; Katie Drewel, King County Flood Control District; Steve Bleifuhs, King County.