

HOUSE BILL REPORT

ESSB 5024

As Reported by House Committee On:
Local Government

Title: An act relating to the transparency of local taxing districts.

Brief Description: Concerning the transparency of local taxing districts.

Sponsors: Senate Committee on Local Government (originally sponsored by Senators Hasegawa and Fortunato).

Brief History:

Committee Activity:

Local Government: 3/22/19, 3/28/19 [DPA], 2/25/20, 2/26/20 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)**

- Requires certain local utility districts to disclose the rates local government utility tax and how those rates are applied to billed charges.
- Allows disclosures to be made via billing statement, website, or billing insert.
- Requires each electric utility to provide either written or electronic notice of public hearings where changes in electricity rates will be considered or approved by the Utilities and Transportation Commission or governing body.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 5 members: Representatives Pollet, Chair; Duerr, Vice Chair; Kraft, Ranking Minority Member; Goehner and Senn.

Staff: Robbi Kesler (786-7153).

Background:

Metropolitan Municipal Corporations. Metropolitan municipal corporations provide essential services in metropolitan areas not adequately provided by existing agencies. Authorized responsibilities include water pollution abatement and providing water supply,

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garbage disposal, parks and recreation, and public transportation. A metropolitan municipal corporation has levy authorization to fund the services it provides.

Public Utility Districts. A public utility district (PUD) is a type of special purpose district authorized for the purpose of generating and distributing electricity, providing water and sewer services, and providing telecommunications services. Public utility districts are authorized to establish rates and charges for providing water and sewer services.

Diking, Drainage, and Sewer Improvement Districts. Sewer improvement and related districts plan, construct, and operate facilities to collect, treat, and dispose of sanitary, industrial, and other sewage. Diking improvement districts improve dikes, drains, and ditches to provide an efficient system of drainage for land within the district. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Solid Waste Collection Districts. Solid waste collection districts provide garbage and refuse collection services in unincorporated county areas when the Utilities and Transportation Commission (UTC) determines an area is not receiving adequate service. Counties are authorized to charge and collect reasonable fees for this service.

Solid Waste Disposal Districts. Solid waste disposal districts provide services in incorporated areas in counties with populations of 1 million or less. The legislative bodies of cities and towns also join by resolution. A solid waste disposal district may collect disposal fees based exclusively upon utilization by weight or volume for accepting solid waste at a disposal site or transfer station.

Water-Sewer Districts. Water-sewer districts provide water and sewer services to incorporated and unincorporated areas. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Municipal Utilities. Cities and towns are authorized to operate waterworks, sewerage and solid waste handling systems, utilities (gas/electric), and transportation facilities. Municipal utilities may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Disclosure to Retail Electric Customers. Retail electric customers have the right to receive specified disclosures from all electric utilities, other than small electric utilities. The disclosures must include:

- credit and deposit requirements;
- rates and charges, including how to receive notice for public hearings on changes in rates;
- metering and measurement policies;
- bill payment policies;
- payment arrangement options;
- disconnection notice requirements;
- confidentiality policies for customer records;
- customer inquiry and complaint procedures; and

- an annual report.

Notice of Disclosures to Retail Electric Customers. At the time service is established and at least once a year thereafter, an electric utility must provide notice that disclosures are available upon request and without charge. This notice must either be a prominent part of each customer's bill or provided in a separate mailing. Utilities must identify on all customer billing statements, or by a separate quarterly written notice, the various components of electricity service that customers are charged for as part of their bills, including electricity, distribution, metering, overhead, conservation investments, and taxes.

Small Electric Utilities. A small utility is defined as any consumer-owned utility with 25,000 or fewer electric meters in service, or that has an average of seven or fewer customers per mile of distribution line.

Additional Tax Information on Customer Billings. Any customer billing issued by a light or power business that serves more than 20,000 customers in Washington must include:

- the rates and amounts of taxes paid directly by the customer on products or services from the light and power business; and
- the rate, origin, and approximate amount of each tax levied on the revenue of the light and power business.

Summary of Amended Bill:

Certain local utility districts must disclose the rates that local taxes impose on the district, if any, and how those rates are applied to a customer's billed charges. Disclosure requirements may be satisfied as part of a regular billing statement, by bill insert (mailer or other type of communication), or on a website, if written notice is provided to customers that such information is available online. Billing inserts or mailers must be issued on an annual basis, if no rate change has occurred during the previous 12 months, or within 30 days of the effective date of any subsequent rate change.

The above disclosure requirements apply to:

- metropolitan municipal corporations;
- PUDs;
- diking, drainage, and sewer improvement districts;
- solid waste collection districts;
- solid waste disposal districts;
- water-sewer districts; and
- municipal utilities.

In addition, all electric utilities, other than small electric utilities, must provide the following:

- written or electronic notice, in a form or manner as required by the UTC or governing body, for any public hearing when changes in electricity rates will be considered or approved by the UTC or governing body; and

- the rate of tax imposed on the electric utility by a city or town, if any, and the amount of the tax to be paid directly by the retail electric customer through the billing statement.

Amended Bill Compared to Engrossed Substitute Bill:

The amended bill eliminates the provisions that would have required certain local utility districts to disclose the rates of each tax it collects on behalf of the state and how those rates are applied to billed charges.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Amended 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) Transparency is good for the public, and this bill will require the disclosure of local government taxes while providing flexibility in how those rates can be disclosed. This bill is similar to a bill previously heard in this committee; this bill provides for the same disclosures, but more broadly applies to additional utilities. The public should be able to know what taxes are being applied. The various disclosure methods included in the bill is evidence of the good work accomplished by working on this bill over the course of several years.

(Opposed) None.

(Other) There is another bill that includes disclosures for municipal utilities; there may be a conflict so the Legislature should determine which bill moves forward in order to streamline the process. There are already ways the public can access tax information because the taxes are adopted in a public forum.

Persons Testifying: (In support) Senator Hasegawa, prime sponsor; and Joe Daniels, Washington Association of Water Sewer Districts.

(Other) Candice Bock, Association of Washington Cities.

Persons Signed In To Testify But Not Testifying: None.