

HOUSE BILL REPORT

HB 1034

As Reported by House Committee On:
Finance

Title: An act relating to park and recreation district levies.

Brief Description: Concerning park and recreation district levies.

Sponsors: Representatives Fitzgibbon, Cody, Ortiz-Self and Wylie.

Brief History:

Committee Activity:

Finance: 1/21/21, 1/28/21 [DP].

Brief Summary of Bill

- Removes the park and recreation district regular property tax levy from the \$5.90 aggregate limit.
- Revises the prorationing order within the 50-cent "gap" to include park and recreation district property tax levies.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Harris-Talley, Morgan, Orwall, Ramel, Springer, Thai and Wylie.

Minority Report: Do not pass. Signed by 5 members: Representatives Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Vick and Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Stokesbary.

Staff: Rachelle Harris (786-7137).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Property Tax Revenue Limits.

All real and personal property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of all regular property tax levy revenue other than the state levies is limited as follows:

- For jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- For jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

Property Tax Rate Limits.

The constitution provides for a levy rate limit of \$10 per \$1,000 of assessed value, referred to as the constitutional \$10 limit (or the constitutional 1 percent limit).

Other general limitations on property tax rates include:

- 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.
- City levies are limited to \$3.60 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities 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 taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value.

Prorationing.

If the statutory \$5.90 or constitutional \$10 limit are exceeded, statute establishes the sequential order in which the levies must be proportionally reduced or eliminated (a process referred to as prorationing) to conform to the statutory and constitutional limits.

"The Gap".

Some regular property tax levies—including levies for criminal justice purposes, port districts, and emergency medical services—are subject to the \$10 constitutional limit but not 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 state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value. A specific order of portioning is provided within the "gap."

Park and Recreation Districts.

A county is permitted to form a park and recreation district for purposes of providing leisure and recreational activities and facilities. A park and recreation district may impose a

regular property tax levy of up to 60 cents per \$1,000 of assessed value. A park and recreation district's regular levy is subject to the aggregate \$5.90 limit and is considered a junior taxing district.

Summary of Bill:

Regular park and recreation district property tax levies are removed from the aggregate \$5.90 limit and are instead added to the "gap" of levy limits within the constitutional \$10 limit.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Vashon Island is an unincorporated part of King County and relies on special purpose districts for key government services. Recreation districts are in jeopardy because aggregate tax levies are approaching the \$5.90 limit. One factor was the creation of the Vashon Health Care District to sustain a local clinic. In the current calendar year, the health district is likely to adopt a slightly higher levy, so the parks district is facing an 11 percent reduction in property tax levy dollars. Other junior taxing districts that overlap are also looking at levy increases soon, which could result in parks levies getting wiped out. This especially impacts small unincorporated government entities that are parts of larger entities. Vashon parks serve thousands of Washington residents, not just Vashon residents. Reduced revenues will threaten jobs and conservation efforts in addition to recreation opportunities. Voters consistently and overwhelmingly approve tax increases to support parks services.

(Opposed) None.

Persons Testifying: Representative Fitzgibbon, prime sponsor; and Elaine Ott-Rocheford and Hans Van Dusen, Vashon Park District.

Persons Signed In To Testify But Not Testifying: None.