

HOUSE BILL REPORT

HB 1037

As Reported by House Committee On:

Local Government

Finance

Title: An act relating to public facilities districts.

Brief Description: Concerning public facilities district formation.

Sponsors: Representatives Dent and Ybarra.

Brief History:

Committee Activity:

Local Government: 1/17/25, 1/24/25 [DPS];

Finance: 2/24/25, 2/26/25 [DP2S(w/o sub LG)].

Brief Summary of Second Substitute Bill

- Authorizes the creation of one public facilities district between a town or city or contiguous group of towns or cities and the county in which they are located, the boundaries of which are coextensive with: (1) involved towns or cities; and (2) the boundaries of school districts selected for inclusion in the district, until December 31, 2060.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Duerr, Chair; Parshley, Vice Chair; Klicker, Ranking Minority Member; Stuebe, Assistant Ranking Minority Member; Griffey, Hunt and Zahn.

Staff: Michelle Rusk (786-7153).

Background:

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.

Public Facilities District Purpose and Formation.

Public facilities districts (districts) are municipal corporations with independent taxing authority. There are two distinct versions of districts that can be created. The first, which is governed by a separate statutory framework, is a countywide district that can be created by a county legislative authority.

The second type of district, and most relevant here, can be created by the legislative authority of any one town or city (city), or the legislative authorities of a combination of counties and cities. This type of district is coextensive with the boundary of the city or cities that formed the district, and the unincorporated area of any counties involved. Districts are governed by a board of directors (board) with the composition and appointing authority for the board varying depending on the legislative authority or authorities involved in the creation of the district.

These districts can acquire, construct, maintain, repair, finance, and operate one or more regional centers and/or recreational facilities other than a ski area. A "regional center" is a convention, conference, or special events center, or a combination of facilities, and related parking facilities that serve a regional population and costs more than \$10 million to construct, improve, or rehabilitate, including the cost of debt service.

Summary of Substitute Bill:

Public Facilities District Formation and Governance.

An interlocal agreement to create a public facilities district (district) between a town or city (city) or a contiguous group of cities, and a contiguous county or the counties in which the cities are located, may provide that its boundary is coextensive with the towns or cities and school districts selected for inclusion in the district within the county or counties. This type of district must be governed by a board of directors (board) consisting of a minimum of seven members, selected as follows:

- each city, town, or county's legislative authority may appoint one elected official from its jurisdiction; and
- four members appointed by the legislative authorities of the cities, towns, and county based on recommendations from local organizations, including but not limited to local chambers of commerce, local economic development councils, local labor councils, and neighborhood organizations directly affected by the location of the regional center in their area.

Members must be appointed in accordance with the terms of the interlocal agreement and serve four-year terms. For initial board members, board term length will vary from one to four years.

If a county or counties participated in creating a district with a city or combination of cities and counties, the treasurer of the county where the largest portion of the district is located

must serve as the *ex officio* district treasurer. However, the board of a district may instead designate the treasurer of a city or town that participated in creating the district or another qualified individual as the treasurer for the district. The treasurer possesses all of the powers, responsibilities, and duties of a county treasurer with regard to the district's financial matters and must be bonded for not less than \$25,000.

Substitute Bill Compared to Original Bill:

The substitute provides that the boundary of a public facilities district (district) formed by interlocal agreement between a combination of towns or cities and a county or counties is coextensive with the towns or cities and school districts selected for inclusion in the district within the county or counties, instead of the boundary being coextensive with a portion of the unincorporated areas of the included county or counties.

Appropriation: None.

Fiscal Note: Available.

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) The state laws need to be modified so that communities who want to undertake a project themselves, without coming to the state and requesting money, can do so. Some communities in particular have great project ideas, and just need a little help from the Legislature to modify state law slightly to permit the type of public facilities district (district) they need. Districts are nimble and allow boards to draw from different tax sources and have been used very effectively across the state for event centers, conferences, recreational facilities, and sports facilities. However, the current options for structuring districts put them out of reach for rural communities.

Counties that are long and geographically different, with dispersed populations and rural areas, are challenged in pursuing community projects without the ability to bifurcate or modify their jurisdiction for purposes of a district. Many regions in the state have natural social, political, and administrative boundaries, and the change in this bill will help prioritize unique regional needs and help facilitate the creation of much-needed community centers, recreation centers, and other facilities that benefit our communities.

The Department of Revenue (DOR) does have some issues with this policy, but the bill sponsors in the House are committed to working with the DOR to make the bill workable.

(Opposed) None.

Persons Testifying: Representative Tom Dent, prime sponsor; Nicky Pasi, Mountains to Sound Greenway Trust; Matthew Lundh, Mayor, City of Cle Elum; Gary Berndt; Claire Nicholls; Paul Kantwill; Gary Berndt; Matthew Lundh; John Belcher; Andrew Lyons; Ann Leichleiter, Boys and Girls Clubs of the Columbia Basin; and Josh Weiss, City of Ellensburg.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Local Government. Signed by 15 members: Representatives Berg, Chair; Street, Vice Chair; Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Abell, Chase, Mena, Parshley, Penner, Ramel, Santos, Scott, Springer, Walen and Wylie.

Staff: Rachelle Harris (786-7137).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:

The second substitute bill narrows the parameters of where a district may be created to a county that is located along the eastern crest of the Cascade Mountains and has a population of less than 50,000 and limits the duration of the district's creation until December 31, 2060.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second 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) Cle Elum wants to build a recreation center and needs funding to do so. We have worked hard to find a path forward. Kittitas County is unique because it is almost two counties, with its basic geographic divide and cultural differences. Public facilities districts are currently by city or county; the lower county and upper county are at odds. This bill helps bridge that gap and provide community service. The upper county in Kittitas is in need of this, as is the lower county. Ellensburg lost its community facility due to arson, which is a significant financial need. This can help improve the inequities across counties and cities by making facility construction possible. This will give people resources, such as recreation centers, to participate in a healthy indoor space. Healthy recreational activities are important, especially for low income people, and this bill will help provide that.

Revenues are driven by sales taxes, and this approach allows local counties and cities to better access taxes derived from tourism. This helps us to rely on sales tax instead of exclusively property taxes.

(Opposed) None.

(Other) Complexity in taxing strains the DOR. There are more than 3,000 taxing districts across the state, and to allow them around school districts, too, will put more strain on the local tax team as well as on businesses to comply. Limiting the scope of the bill would be great. Along with enforcement of new tax rates within new geographic boundaries, the necessities of geographic information system updates will result in ongoing costs to ensure compliance. Public facilities districts are currently drawn along city, town, and county boundaries, and while there are property tax boundaries that follow school district lines, that is different than excise taxes. As a result of these differences, the approach offered by this bill will be costly and difficult to administer. The DOR does not administer property taxes, but does administer excise taxes.

Persons Testifying: (In support) Representative Tom Dent, prime sponsor; John Belcher, Cle Elum Roslyn School District; Ann Leichleiter, Boys and Girls Clubs of the Columbia Basin; Andrew Lyons; Gary Berndt; Matthew Lundh, Mayor, City of Cle Elum; Claire Nicholls, Upper Kittitas County Community Recreation Center Alliance 501c3; and Josh Weiss, City of Ellensburg.

(Other) Steve Ewing, Dept. of Revenue.

Persons Signed In To Testify But Not Testifying: None.