

HOUSE BILL REPORT

HB 1274

*As Reported By House Committee on:
Transportation*

Title: An act relating to street utilities.

Brief Description: Adjusting provisions relating to street utilities.

Sponsor(s): Representatives R. Fisher and Schmidt.

Brief History:

Reported by House Committee on:
Transportation, February 19, 1991, DPS.

**HOUSE COMMITTEE ON
TRANSPORTATION**

Majority Report: *That Substitute House Bill No. 1274 be substituted therefor, and the substitute bill do pass.*
Signed by 25 members: Representatives R. Fisher, Chair; R. Meyers, Vice Chair; Betrozoff, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Basich; Brough; Cantwell; Cooper; Day; G. Fisher; Forner; Haugen; Horn; P. Johnson; R. Johnson; Kremen; Mitchell; Nelson; Orr; Prentice; Prince; Schmidt; Wilson; Wood; and Zellinsky.

Staff: Louise Bray Sandison (786-7322).

Background: Last year the Legislature authorized the formation of city street utilities to generate revenues for city street maintenance, operation and preservation. Total revenues generated by the utility may not exceed 50 percent of the actual costs of the permitted uses.

Two classes of service are established: residential and business. Residential property charges may not exceed \$2 per month per housing unit. Business charges must not exceed \$2 per month per employee.

Property that is exempt from property tax (Ch. 84.36 RCW) or the leasehold tax (Ch. 82.29A RCW) may not be charged by the street utility. The city pays the tax exempt entity's portion of the utility charge.

Concern has been raised that the city's payment of tax-exempt entities' portion of the street utility charges may

violate the constitutional prohibition against lending of the state's credit, as well as constitutional doctrine regarding separation of church and state. In addition, technical issues have been raised by bond counsel. A street utility charge is not a tax, and therefor enactment of the street utility concept under a title relating to transportation taxes invalidates the city's authority to create a street utility.

Limitation of use of the revenues to maintenance and preservation is thought by some to be too narrow.

Summary of Substitute Bill: Technical changes are made to clarify that revenues generated by a street utility are eligible to be pledged for bonds.

Technical changes are made to ensure compliance with constitutional doctrine.

Construction is added as a permissible use of the revenues.

Substitute Bill Compared to Original Bill: Technical changes are made to clarify tax exempt entities and classification of service language.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: These technical changes are needed in order to be able to issue bonds supported by street utility charges. The revenue raised should be able to be used for construction to be consistent with the other local option transportation taxes passed last session.

Testimony Against: None.

Witnesses: Stan Finkelstein, Association of Washington Cities; John Okamoto, City of Seattle; and Ray Reep, City of Mount Vernon.