HOUSE BILL REPORT

HB 2218

As Reported By House Committee On:
Local Government

Title: An act relating to nonvoter-approved municipal indebtedness.

Brief Description: Authorizing additional nonvoter-approved municipal indebtedness.

Sponsors: Representatives Sommers, H. Myers, Edmondson, Horn, Anderson and Jacobsen.

Brief History:
Reported by House Committee on:
Local Government, January 25, 1994, DPS.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives H. Myers, Chair; Springer, Vice Chair; Edmondson, Ranking Minority Member; Dunshee; R. Fisher; Horn; Moak; and Rayburn.

Minority Report: Do not pass. Signed by 2 members: Representatives Reams, Assistant Ranking Minority Member; and Van Luven.

Staff: Steve Lundin (786-7127).

Background: Statutes reduce the level of both nonvoter approved, and combined voter approved and nonvoter approved, general indebtedness that local governments may incur below the constitutional limitations on indebtedness.

The statutory authorized levels of indebtedness vary for different types of local governments. For example:

- o A county, city, town or public hospital district may incur general indebtedness without voter approval in an amount not exceeding .75 percent of the value of taxable property within its boundaries.

- o A county, city, town or public hospital district may incur a total amount of general indebtedness with voter approval in an amount not to exceed 2.5 percent of the value of taxable property within its boundaries.

- o A city or town may incur additional voter approved indebtedness of up to 2.5 percent of the value of taxable property within its boundaries to finance water, sewer, and electrical systems.

Statutes grant cities and towns additional authority to incur general indebtedness without voter approval since certain types of relationships that constitute general indebtedness are not subject to these statutory indebtedness limitations as follows:

- o Executive conditional sales contracts may be executed with values of up to an additional .75 percent of the value of taxable property within their boundaries, without voter approval.

- o Leases to finance the acquisition of property, that constitute general indebtedness, may be entered into if this additional level of general indebtedness does not result in combined levels of nonvoter approved indebtedness in excess of 1.5 percent of the value of taxable property.

Most nonvoter general indebtedness is secured by the full faith and credit of the local government, including the taxes that are imposed by the local government. Cities and towns have the broadest extent of taxing powers possessed by any type of local government, including: (1) property taxes of up to $3.375 per $1000 of assessed valuation, and even higher rates in certain circumstances; (2) sales and use taxes of up to 1 percent; (3) business and occupation taxes, generally not to exceed .2 percent, unless voters approve a higher rate; and (4) utility taxes not to exceed 6 percent, unless voters approve a higher rate.

Counties are authorized to impose a wide range of taxes, including: (1) property taxes of up to $1.80 per $1000 of assessed valuation, plus road district property taxes of up to $2.25 per $1000 of assessed valuation; and (2) sales and use taxes of up to 1 percent.

Summary of Substitute Bill: The statutory amount of nonvoter approved general indebtedness that counties, cities, and towns may incur is increased from an amount equal to .75 percent of the value of taxable property within their boundaries to 1.5 percent of the value of taxable property within their boundaries.

Substitute Bill Compared to Original Bill: Counties are authorized to incur additional indebtedness.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: In order for us to build for more growth, we need to invest in our infrastructure. This would not increase taxing authority. It is important for economic development.

Testimony Against: None.

Witnesses: Tom Weeks, Seattle City Council; Stan Finkelstein, Association of Washington Cities; and Judy Frolich, Washington State Association of Counties.