

# HOUSE BILL REPORT

## HB 1798

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### As Passed House:

March 9, 2001

**Title:** An act relating to equitable adjustment of bonded indebtedness for fire protection district mergers and annexations.

**Brief Description:** Providing equitable adjustment of indebtedness for fire district mergers and annexations.

**Sponsors:** By Representatives Kagi, Pennington, Morris, Edmonds, Mulliken, Gombosky and Lovick.

### Brief History:

#### Committee Activity:

Local Government & Housing: 2/12/01, 2/26/01 [DP].

#### Floor Activity:

Passed House: 3/9/01, 94-0.

### Brief Summary of Bill

- Creates a process for equitable adjustment of bonded indebtedness for fire protection districts that are either annexed or incorporated into a city or town, or merged with another district.

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## HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

**Majority Report:** Do pass. Signed by 12 members: Representatives Dunshee, Democratic Co-Chair; Mulliken, Republican Co-Chair; Edwards, Democratic Vice Chair; Mielke, Republican Vice Chair; Berkey, Crouse, DeBolt, Dunn, Edmonds, Hatfield, Jarrett and Kirby.

**Staff:** Scott MacColl (786-7106).

### Background:

If a portion of a fire protection district including at least 60 percent of the assessed valuation of the real property is annexed to or incorporated into a city or town, ownership of all the assets of the district belongs to the city or town. When at least 60

percent, but less than 100 percent, valuation of the real estate of a district is annexed to or incorporated into a city or town, a proportionate share of the liabilities of the district, equal to the value of the annexed or incorporated area, shall be transferred to the annexing or incorporating city or town.

If less than 60 percent of the assessed value of a fire district is annexed or incorporated into a city or town, all assets stay with the fire district. The fire district is required to pay the city or town, within one year, a percentage of the value of the assets equal to the percentage value of the annexed or incorporated area; or as long as the fire district continues to tax the annexed or incorporated property.

When any portion of a fire protection district is annexed by or incorporated into a city or town, any outstanding debt, bonded or otherwise, remains the obligation of the annexed area as if the annexation or incorporation had not occurred.

If all a fire protection district is included in an area that incorporates or is annexed to a city or town or fire protection district, all of the assets and liabilities of the fire protection district shall be transferred to the newly incorporated city or town on the date in which the fire protection district ceases to exist or upon the annexation date.

A fire protection district may merge with another adjacent fire protection district, which may be located in different counties. None of the obligations of the merged districts may be affected by the merger, and any assessments previously levied remain in place. The commissioners of the merged district have the power to levy and assess monies necessary to pay off indebtedness. The merged fire district board may, with consent of creditors, cancel any assessments previously levied, so that lands in respective districts bear a proportionate share of the indebtedness.

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### **Summary of Bill:**

Changes are made in fire district indebtedness for fire districts that are merged, or annexed to or incorporated into a city or town.

The county legislative authority of a county containing an annexation of a fire district by a city is required to establish equitable terms of adjustment for bonded indebtedness between the annexing city and the resulting reduced fire district.

The terms of adjustment must specify:

- When bonded indebtedness is transferred, and if so, that the obligation is assumed by the annexing city; including, if provided by the terms of adjustment, any bonded indebtedness incurred by the city prior to any addition in its boundaries is also the obligation of the added territory;

- The total debt limit of the fire district includes an offset against the indebtedness of the fire district, and total city indebtedness includes the transferred indebtedness from the fire district to the city;
- When adjustments do not provide for the transfer of indebtedness, any bonded indebtedness incurred prior to a boundary change of the fire district, either enlarged or reduced, is still the obligation of that district and taxes must be levied within the district's new boundaries to pay off that debt.

The process is identical when a new city incorporates, or if two or more fire districts merge.

If the annexation, incorporation or merger is located in more than one county, the process for distributing debt applies to all county legislative authorities involved.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** This bill comes from a constituent in King County in an area that was annexed into the City of Lake Forest Park, who after the annexation was taxed for two separate fire districts. There is a process for school districts that allows for the equitable adjustment of indebtedness that was used as a model for this bill.

**Testimony Against:** None.

**Testified:** (In support) Representative Kagi, Prime Sponsor.