

# HOUSE BILL REPORT

## HB 2805

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### As Reported by House Committee On:

Local Government

Appropriations

**Title:** An act relating to the blue ribbon commission on land use and local government finance.

**Brief Description:** Creating a blue ribbon commission on land use and local government finance.

**Sponsors:** Representatives Romero, McIntire, Haigh, Dunshee, Moeller, Clibborn and Morrell.

### Brief History:

#### Committee Activity:

Local Government: 2/2/04, 2/5/04 [DPS];

Appropriations: 2/9/04 [DP2S(w/o sub LG)].

### Brief Summary of Second Substitute Bill

- Creates a blue ribbon commission on land use and local government finance to understand and make recommendations on the impact that current trends in city and county revenue sources and expenditures may have on land use decisions made by counties and cities and meeting goals of the Growth Management Act.

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## HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Romero, Chair; D. Simpson, Vice Chair; Jarrett, Assistant Ranking Minority Member; Clibborn, Edwards, Moeller and Upthegrove.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Schindler, Ranking Minority Member; Ahern, Ericksen and Mielke.

**Staff:** Kiki Keizer (786-7109).

### Background:

Local governments have authority to raise revenue and make expenditures.

Local governments in Washington have land use planning authority.

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### Summary of Substitute Bill:

Creates a blue ribbon commission (commission) on land use and local government finance to understand and make recommendations on the impact that current trends in city and county revenue sources and expenditures may have on land-use decisions made by counties and cities and meeting goals of the Growth Management Act (GMA).

Provides that the commission begin work in June 2004 and complete its work by June 2006, submitting a report on its findings, conclusions, and recommendations to the Governor and the appropriate committees of the Legislature by November 2005.

Specifies the qualifications for the commission's 13 members: four legislative members (one from each major caucus), seven appointed by the Governor (one at large member and one each with expertise in the following areas: city finance, county finance, city land use, county land use, environmental land use, and intergovernmental finance), and two ex officio non-voting members (Director of the Department of Community, Trade, and Economic Development (CTED) and Director of the Department of Revenue (DOR) or their designees).

Requires the commission to consider specific matters and to make recommendations.

Requires staffing to be provided by the CTED and the DOR, with additional staff to be provided by other state agencies and the Legislature, as required.

Provides for travel expenses for members of the commission.

Includes legislative findings.

Expires June 30, 2006.

Includes an emergency clause.

**Substitute Bill Compared to Original Bill:**

A blue ribbon commission on land use and local government finance will include an inquiry into annexation under the "buildable lands" provisions of the GMA.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 6, 2004.

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

**Testimony For:** Several years after the enactment of the GMA, the taxing structure is still based on land use prior to the GMA. Budgets at the county level are particularly tight, with up to three-quarters of county budgets being devoted to criminal justice.

Since the enactment of the GMA in 1990, the fiscal condition of cities, towns, and counties has changed markedly. Approximately one-third of our cities lost substantial funding because of the passage of the repeal of vehicle excise tax and the impact of Initiative 747.

The interdependence of the fiscal well-being of governments and land use decisions should not be minimized. Often jurisdictions may be encouraged to make particular decisions because of their fiscal implications and the ability of governments to sustain services to their residents and to businesses served within the jurisdiction. These decisions may be contrary to the intent of the GMA.

Studying how fiscal implications have affected local government land use decisions is vital. However, while previous studies have recognized that local governments lack the fiscal wherewithal to serve the interests that the Legislature has determined should be the responsibility of local governments, there has been a political unwillingness to accept that there should be a realignment of capacity and to recognize that costs are increasing.

There is an impact on counties when cities annex industrial and commercial areas without annexing residential areas, particularly low-income areas, because the residential areas don't provide enough of a tax base to defray the cities' costs. In addition, counties may be hesitant to improve roads in urban growth areas that are adjacent to cities because of the expense and the likelihood that such areas will probably ultimately transition to city use. The other side of this problem is that cities complain that those areas adjacent to cities have inadequate infrastructure.

**Testimony Against:** None.

(Presented on HB 3068) It is necessary to study the obstacles to annexation. The way that local governments approach annexation issues affects how communities provide and pay for services to residents. Islands of unincorporated territory have become financially burdensome to counties.

The provisions of HB 3068 could be incorporated into HB 2805.

**Persons Testifying:** Representative Romero, Prime Sponsor; Scott Merriman, Association of Washington Counties; Stan Finkelstein, Association of Washington Cities; Leonard Bauer, Department of Community, Trade and Economic Development; and Genesee Adkins, 1000 Friends of Washington.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**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 Sommers, Chair; Fromhold, Vice Chair; Cody, Conway, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McIntire, Miloscia, Ruderman and Schual-Berke.

**Minority Report:** Do not pass. Signed by 12 members: Representatives Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cox, McDonald, Sump and Talcott.

**Staff:** Amy Hanson (786-7118).

**Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Local Government:**

The bill is null and void unless funded in the budget.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Second Substitute Bill:** The bill contains an emergency clause and takes effect immediately. However, the bill is null and void unless funded in the budget.

**Testimony For:** Back in 1990 when the Growth Management Act (GMA) passed there were 52 percent of people living in incorporated areas while now 62 percent live in incorporated cities and towns. This bill is not just a look at local government finance, but a broader look at land use and how that impacts local government finance. It is important for the commission, should this be established, to look at the fiscal consequences of the land use policies associated with the GMA, such as having all your commercial development inside the cities and leaving all the residential development in the counties. This would be a good way to discuss how to make recommendations to the Legislature to change the revenue sources to meet the changing expectations.

**Testimony Against:** None.

**Persons Testifying:** (In support) Jim Justin, Association of Washington Cities; and Scott Merriman, Association of Washington Counties.

**Persons Signed In To Testify But Not Testifying:** None.