

HOUSE BILL REPORT

HB 1768

As Reported by House Committee On:
Finance

Title: An act relating to maintenance and operation funding for parks.

Brief Description: Authorizing a local real estate excise tax to be used for the maintenance and operation of parks.

Sponsors: Representatives Ericks, B. Sullivan, Hurst and Roberts.

Brief History:

Committee Activity:

Finance: 2/9/07, 3/2/07 [DP].

Brief Summary of Bill

- Authorizes local jurisdictions to use funds from the second 0.25 percent real estate excise tax for the maintenance and operation of parks acquired or developed with proceeds from the tax.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member and Roach.

Staff: Mark Matteson (786-7145).

Background:

The real estate excise tax (REET) is imposed on each sale of real property, which includes both the transfer of ownership and the transfer of controlling interests. Real property includes any interest in land or anything affixed to land. The state tax rate is 1.28 percent. Additional local rates are allowed. The combined state and local rate in most areas is 1.78 percent or less. The highest rate is 2.78 percent in the City of Friday Harbor.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Growth Management Act (GMA) included a modification to the original 0.25 percent REET (also called "REET 1" or the "first REET") authority enacted for local governments and a new 0.25 percent REET authority (also called "REET 2" or the "second REET"), for the purposes of providing assistance to local governments required to or choosing to plan under the GMA. The changes meant that local governments subject to the GMA requirements could impose taxes of up to 0.5 percent and that the proceeds would be used to finance capital projects identified in a capital facilities plan element of a comprehensive plan. The modification to the first REET affected only jurisdictions planning under the GMA; jurisdictions that did not plan under the GMA that were otherwise eligible to impose the REET were unaffected. There are 267 cities and 37 counties that impose the first REET and 127 cities and 14 counties that impose the second REET.

In 2001, the Legislative Task Force on Local Parks and Recreation recommended that the use of the first or second REET proceeds be expanded to include operation and maintenance of park facilities that have been acquired or developed with proceeds from the tax.

Summary of Bill:

Beginning in 2007, a city or county that imposes the second REET to finance capital projects may use funds from the tax for the maintenance and operation of parks that were acquired or developed using proceeds from the tax. Any funding from the tax for this purpose may not supplant existing sources of funding for the maintenance and operation of parks.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This does not raise taxes or revenues. It expands the allowable uses of the second local option real estate excise tax, or second REET. Prior to when the Growth Management Act (GMA) passed, it was common for cities to finance the construction of parks from ending fund balances, and maintenance was taken care of out of the State General Fund. When the law was changed a few years ago to restrict regular levies, it put pressure on the ability to do regular maintenance of parks. In my district, the GMA required the construction of facilities to accommodate annexations, and part of this was parks. Cities have lost the ability to do regular maintenance.

This issue has been around for some time. A legislative task force a few years ago came up with a number of avenues to allow local governments to fund park maintenance, and this was one of them.

You don't have to look far to see agencies and jurisdictions struggling to deal with park maintenance issues. Yakima, Wenatchee, Toppenish, and Covington - these are all outsourcing these tasks, if at all. Why is this an appropriate use of these funds? Millions of dollars have been allocated to build these projects. Now they must be maintained. Also, a local option is best sought out at the local level. Finally, well-maintained parks provide a source of strength to the community.

(Opposed) We don't want a dilution of these funds. The REET cannot be relied on as an ongoing revenue source. It provides funding for water, roads, and sewers. With economic development comes a greater property tax base, and the associated property tax revenues should help pay for park operations. This bill would add to the infrastructure reconstruction backlog, already amounting to about \$3 billion. In addition, meeting concurrency requirements of the GMA would be compromised and hinder development.

Persons Testifying: (In support) Representative Ericks, prime sponsor; and Dawn Vyvyan and Brit Kramer, Washington Recreation Parks Association.

(Opposed) Phil Harlan, Washington Realtors Association.

Persons Signed In To Testify But Not Testifying: None.