

HOUSE BILL REPORT

HB 3259

As Reported by House Committee On:
Finance

Title: An act relating to provisions of limited duration that pertain to the financing and operation of port districts.

Brief Description: Addressing the financing and operation of port districts.

Sponsors: Representatives Hunter, Hudgins, Schual-Berke, Upthegrove and McIntire.

Brief History:

Committee Activity:

Finance: 2/1/08, 2/12/08 [DPS].

Brief Summary of Substitute Bill

- Prohibits a port district with a population of over one million from using banked levy capacity until July 1, 2010, to pay, secure, or guarantee bonds issued after the effective date of the bill.
- Establishes a committee to examine the operation, funding, potential consolidation, and governance of port districts.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks, McIntire, Roach and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

Port districts are authorized for the purpose of acquisition, construction, maintenance, operation, development, and regulation of harbor improvements, rail or motor vehicle transfer and terminal facilities, water and air transfer and terminal facilities, or any combination of

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these facilities. Port districts are governed by a board of commissioners consisting of either three or five members in accordance with specified statutory criteria.

Port districts may levy a general purpose property tax up to 45 cents per \$1,000 of assessed value. Currently, 73 port districts levy this tax. Port districts also have authority to levy a property tax exclusively dedicated to the payment of principal and interest on general obligation bonds. This tax does not have a specific statutory rate cap. Currently, nine port districts levy this tax. Port districts also have authority to levy two other property taxes at a rate of 45 cents per \$1,000 of assessed value. These taxes must be used for industrial development or dredging, canal construction, or land leveling or filling purposes.

A port district's ability to levy a property tax is unique in that districts are not subject to the 1 percent constitutional limit on taxation. However, port districts are subject to the 1 percent statutory revenue limit. This limit requires a district's tax rate to be reduced as necessary to limit the total amount of property taxes to the highest property tax amount in the three most recent years, plus 1 percent, plus an amount equal to last year's tax rate multiplied by the value of new construction in the district. This limit acts to reduce district rates below the maximum rate allowed for the district. The law allows taxing districts, including port districts, that have voluntarily imposed property taxes below the maximum revenue limit to calculate the revenue limit as if the district had imposed the maximum. The difference between the actual tax amount levied and the maximum allowable amount is called "banked levy capacity."

Port districts may issue general obligation bonds. The amount of outstanding nonvoter approved indebtedness is limited to one-fourth of 1 percent of the value of the taxable property in the district. Upon approval by at least three-fifths of the voters, a port district may increase the amount of outstanding indebtedness to three-fourths of 1 percent of the value of the taxable property in the district.

Summary of Substitute Bill:

Until July 1, 2010, a port district with a population of one million or more is prohibited from using banked levy capacity to pay or secure bonds issued after the effective date of the bill.

A government accountability and review committee on port district finance, governance, and management is created. The committee is directed to: (a) examine the finance, governance, expenditure, and management of Washington port districts as well as port districts in other states and countries that compete with Washington port districts; (b) study alternative funding and taxation mechanisms for Washington port districts; (c) examine the potential consolidation of port districts or port district operations; (d) examine the potential separation of air and sea port operations; and (e) consider whether large port districts should be governed wholly or partially by county legislative authorities. The committee consists of four legislative members and six members recommended by the Governor from various local governments to serve as an advisory panel. The committee is required to report its initial actions to the Governor and appropriate legislative committees by December 1, 2008, and to report its final findings and recommendations to the same bodies by December 1, 2009.

Substitute Bill Compared to Original Bill:

The focus of the evaluation is limited to port districts located in a county with a population over one million. The task force evaluation is limited to funding issues related to port districts with a population over one million.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Reform will be swiftly implemented at the Port of Seattle. Policies, procedures, and the culture are being changed at the Port of Seattle. We have moved our meetings to the afternoon and evenings so more public participation is possible. The port has invested about \$1 billion in the past 10 years in seaport infrastructure, and levy proceeds help pay for these infrastructure projects. These investments are essential if we are to remain competitive with emerging ports and to create and maintain jobs. Levy dollars are also invested in environmental programs. We are committed to greater transparency. We support a two year banked levy moratorium. It will give us an opportunity to explain to taxpayers how we use the proceeds. Minor changes in levy authority can downgrade bond ratings.

(With concerns) We trust that the scope of the study will be limited. We have the most direct accountability in port district managing officials.

(Opposed) None.

Persons Testifying: (In support) Representative Hunter, prime sponsor; and Bill Bryant, Port of Seattle.

(With concerns) Pat Jones, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: None.