

SENATE BILL REPORT

SB 5432

As of February 23, 2009

Title: An act relating to adjusting the property tax levy lid limits for certain local services.

Brief Description: Adjusting the property tax levy lid limits for certain local services.

Sponsors: Senators Regala, Pridemore, Fraser and Fairley.

Brief History:

Committee Activity: Government Operations & Elections: 2/12/09 [DP-WM, w/oRec].
Ways & Means: 2/18/09.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Fairley, Chair; Oemig, Vice Chair; McDermott and Pridemore.

Minority Report: That it be referred without recommendation.
Signed by Senators Roach, Ranking Minority Member; Swecker.

Staff: Sharon Swanson (786-7447)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: The State Constitution limits regular property tax levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). In addition, regular property tax levies are limited to a 1 percent increase per year. A lid lift maybe approved by a vote of the people in order to increase a regular levy beyond the 1 percent for a period of up to six years.

The Legislature has established rate maximums and aggregate rate maximums for the individual taxing districts that derive their funding from the regular property tax. The state property tax levy is limited to \$3.60 per \$1,000 of assessed value. The levies of the remaining taxing districts are generally divided into two types: senior taxing districts and junior taxing districts. Senior taxing districts are cities and counties. Junior taxing districts include library districts, fire protection districts, port districts, etc.

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.

If the combined rates of the senior and junior taxing districts exceed \$5.90, the rates of the junior taxing districts are reduced first and then the rates of the senior districts are reduced, according to statutorily set priorities, until the combined rate fits within the \$5.90 limit. This process is referred to as prorationing.

The following levies are outside of the \$5.90 limit, but still subject to the 1 percent constitutional limit:

- voter-approved emergency medical services (EMS) taxes;
- taxes to acquire conservation futures;
- voter-approved taxes for affordable housing;
- voter-approved metropolitan park district taxes;
- King County ferry district taxes for passenger-only ferries; and
- voter-approved county criminal justice taxes.

The county general levy includes funds for the coordination and provision of community services for people with developmental disabilities, or for mental health services and funds for the relief of honorably discharged veterans and their wives, husbands, widows, widowers, and minor children of deceased veterans.

The levy for developmental disabilities or mental health is 2.5 cents per thousand of assessed value. The levy for veterans is between one and one-eighth cents and 27 cents per thousand.

An emergency medical care and services levy (EMS levy) can be imposed for six years, ten years, or permanently. The EMS levy must be approved by a majority of at least three-fifths of the registered voters. The maximum rate of the levy is 50 cents per thousand.

Summary of Bill: This bill allows the funds raised under a lid lift to be used to supplant existing funds.

It also allows a taxing district levying any of the following levies to use a limit factor for property taxes of the greater of 1 percent or inflation:

- a mental health/developmental disabilities levy (Mental Health levy) under RCW 71.20.110
- a conservation futures levy under RCW 84.34.230;
- a veteran's relief levy (Veteran's levy) under RCW 84.34.230; or
- a permanent EMS levy under RCW 84.52.069.

This bill removes the mental health levy and the veteran's levy from being within the county general levy and makes them into separate levies that are levied by the county.

The mental health levy and the veteran's levy are not limited by the \$5.90 aggregate levy limitation. However, they are placed at the same level of prorationing as the county general levy for the constitutional 1 percent limitation.

This bill changes the number of voters which must approve a six-year, ten-year, or permanent EMS levy from a majority of at least three-fifths of the registered voters to a majority.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Government Operations & Elections): PRO: The point behind this bill is to allow greater flexibility for local governments with the difficult funding decisions that we all face. This bill is about providing core services. Our local governments have heavy reliance on property taxes. Property tax revenues are declining seriously, sales taxes are being eroded by the lack of spending. With greater flexibility comes greater accountability to the electorate. Times are tough. Counties are working very closely with our cities. Counties are being forced to lay people off, we are working with 2004 levels of revenue. This bill allows us to try to keep up with inflation.

Persons Testifying (Government Operations & Elections): PRO: Senator Regala, prime sponsor; Scott Merriman, Lynda Ring Erickson, Association of Counties; Mike Folkers, City of Hoquiam.

Staff Summary of Public Testimony (Ways & Means): PRO: This is a difficult issue to bring forward. The cities and counties are working together on a fiscal health package. This is one component of that package. This moves three levies outside the \$1.80 limit and increases the amount of the limit factor for four levies.

Persons Testifying (Ways & Means): PRO: Scott Merriman, Association of Washington Counties.