

SENATE BILL REPORT

2ESB 5638

As Passed Senate, May 17, 2011

Title: An act relating to the exemption of certain taxing districts.

Brief Description: Concerning the exemption of certain taxing districts.

Sponsors: Senators Keiser, Fain, Prentice and Shin.

Brief History:

Committee Activity: Ways & Means: 2/10/11, 2/24/11 [DP, DNP, w/oRec].

Passed Senate: 3/04/11, 44-2.

First Special Session: Passed Senate: 5/17/11, 38-7.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Brown, Conway, Fraser, Hatfield, Honeyford, Kastama, Keiser, Kohl-Welles, Rockefeller and Schoesler.

Minority Report: Do not pass.

Signed by Senator Holmquist Newbry.

Minority Report: That it be referred without recommendation.

Signed by Senator Baumgartner.

Staff: Dean Carlson (786-7305)

Background: The state Constitution limits regular property tax levies to a maximum of one percent of the property's value (\$10 per \$1,000 of assessed value). Voters within a taxing district can vote to tax themselves higher than this 1 percent limit with an excess levy.

In order to keep the total tax rate for regular property taxes within this constitutional limit, 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, and park districts, among others.

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; or if the combined rate of all districts exceed the \$10 limit; the rates of certain districts are reduced according to statutorily set priorities, until the combined rate fits within the \$5.90 limit or the \$10 limit. This process is referred to as pro-rationing.

The following taxes are reduced first in the pro-rationing process for the \$10 limit. They 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;
- voter-approved county criminal justice taxes;
- a portion of levies by fire protection districts; and
- certain King County transit taxes.

A flood control zone district is an independent taxing authority. A zone may receive funding from a variety of sources, including property tax receipts; rates, charges, and assessments; and debt proceeds.

A zone may impose annual, nonvoter-approved regular property tax levies of up to \$0.50 per \$1,000 of assessed value. With 60 percent voter approval, a zone may also impose excess levies for general purposes and to retire general obligation bonds issued for capital purposes.

In the latest tax year, the King County Flood Control Zone District was subject to pro-rationing.

Summary of Second Engrossed Bill: Metropolitan Park Districts in King County may, if authorized by a vote of the people, move all or a portion of their levy outside the \$5.90 aggregate limit if it would otherwise have been pro-rationed away. The protected levy for such Metropolitan Park Districts is still within the constitutional \$10 limit.

Should the \$10 limit be exceeded the protected portion of the Metropolitan Park District's levy will be the first priority to be pro-rationed down.

Unintentional errors in EHB 1969 which dealt with flood control districts and passed earlier this session are corrected.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Property tax levy pro-rationing threatens to eliminate needed funds for flood protection. The flood district is making great progress in protecting lives, homes, and businesses. King County is the highest rated community by FEMA insurance ratings. We have a flood control district working in partnerships with cities. This is an 18-mile system. Dealing with this pro-rationing issue is very important to keep up the flood control efforts. Flood damage has enormous social costs as well as health costs. Our goal is to remove 100 percent of the homes that are at risk of flooding. If these tax dollars are removed, 45 important projects would be cancelled. We have a lot of old levies that need to be repaired. The Howard Hanson Dam repairs that have been done are only temporary and more work needs to be done there. We don't want to go back to reaction mode.

Persons Testifying: PRO: Reagan Dunn, King County Flood Control District; Matt Larson, City of Snoqualmie; Suzette Cook, City of Kent; Mark Isaacson, King County.