

HOUSE BILL REPORT

HB 1605

As Reported by House Committee On:

Local Government

Finance

Title: An act relating to benefit charges of fire protection districts and regional fire protection service authorities.

Brief Description: Modifying certain provisions governing benefit charges of fire protection districts and regional fire protection service authorities.

Sponsors: Representatives Peterson, Van De Wege, Griffey, Riccelli and Fitzgibbon.

Brief History:

Committee Activity:

Local Government: 2/4/15, 2/17/15 [DP];

Finance: 2/23/15, 2/25/15 [DP].

Brief Summary of Bill

- Allows regional fire protection service authorities (RFAs) and fire protection districts (fire districts) to continue imposing benefit charges for either six or 10 consecutive years with a ballot measure approved by a majority of the voters voting in the election.
- Allows RFAs and fire districts to permanently impose benefit charges with a ballot measure approved by at least 60 percent of the voters voting in the election, provided a 40 percent turnout threshold is satisfied.
- Establishes financial protections for RFAs by extending future levy capacity protection provisions to RFAs that impose benefit charges.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 6 members: Representatives Takko, Chair; Gregerson, Vice Chair; Griffey, Assistant Ranking Minority Member; Fitzgibbon, McBride and Peterson.

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.

Minority Report: Do not pass. Signed by 3 members: Representatives Taylor, Ranking Minority Member; McCaslin and Pike.

Staff: Ethan Moreno (786-7386).

Background:

Regional Fire Protection Service Authorities.

In 2004 the Legislature authorized the creation of regional fire protection service authorities (RFAs) as separate taxing districts charged with providing regional fire protection and emergency services within their jurisdictional boundaries. An RFA is formed when elected officials from two or more adjacent fire protection jurisdictions develop a plan for the creation, financing, operation, and governance of an RFA that is subsequently approved by voters.

Imposition of Benefit Charges—RFAs.

An RFA may impose property taxes, benefit charges, or both. Imposed benefit charges are on personal property and improvements to real property within the RFA. The benefit charges must be paid by the property owners and must be reasonably proportioned to the measurable benefits to property resulting from the services afforded by the RFA. The initial imposition or reauthorization of benefit charges requires approval by 60 percent of the voters voting on the ballot measure.

Certain limitations and requirements associated with the imposition of benefit charges by RFAs are specified in statute. For example, benefit charges may be imposed for a maximum term of six years, although consecutive terms are permitted. Also, the aggregate amount of benefit charges in any one year may not exceed an amount equaling 60 percent of the operating budget for the year in which the benefit charge is to be collected. An RFA that imposes a benefit charge is barred from imposing 50 cents of the total property tax levy of \$1.50 per \$1,000 dollars of assessed valuation that an RFA may otherwise impose through resolutions of its governing body. Additionally, in accordance with specified requirements, the governing body of an RFA must hold a public hearing on its proposal to impose benefit charges. The public hearing must be held before the election at which the proposition to impose benefit charges is to be decided.

Fire Protection Districts, Imposition of Benefit Charges.

Fire protection districts (fire districts) are created to provide fire and emergency services to protect life and property in locations outside of cities and towns. A fire district may be established through a process involving a petition by the residents of a proposed district, a public hearing, and voter approval. Fire districts are governed by a board of three or five elected commissioners.

Fire districts are authorized to impose property taxes, benefit charges, or both. Imposed benefit charges are on personal property and improvements to real property within the fire district. The benefit charges must be paid by the property owners and must be reasonably proportioned to the measurable benefits to property resulting from the services afforded by the fire district. The initial imposition of benefit charges requires approval by 60 percent of the voters voting on the ballot measure, but legislation enacted in 2013 allows the continued

imposition of benefit charges by a fire district to be approved by a simple majority of the voters voting on the measure.

As with provisions governing RFAs, certain limitations associated with the imposition of benefit charges by fire districts are specified in statute. For example, benefit charges of fire districts may be imposed for a maximum term of six years, although consecutive terms are permitted.

Property Tax Rate Limits, Prorating, and Protection from Prorating Requirements.

The Washington Constitution limits regular property tax levies to a maximum of 1 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.

The Legislature has established individual district rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. For example:

- The state levy rate is limited to \$3.60 per \$1,000 of assessed value.
- County general levies are limited to \$1.80 per \$1,000 of assessed value.
- County road levies are limited to \$2.25 per \$1,000 of assessed value.
- City levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, and counties and cities, with respect to the levies listed above, are collectively referred to as "senior taxing districts."

"Junior taxing districts," a term that includes fire, hospital, and most other special purpose districts, also have specific statutory rate limits. The tax rates for senior taxing districts and most junior taxing districts must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If the \$5.90 limit is exceeded, statute establishes the sequential order in which the levies of various junior taxing district levies must be proportionally reduced or eliminated (a process referred to as prorating) to conform to the \$5.90 limit. Fire districts are listed late in the order of prorating, so they are among the last of the junior taxing districts subject to mandatory levy reductions.

Protection of Future Levy Capacities.

The regular property tax levy for fire and other districts may be set at the amount which would be allowed otherwise if the property tax levy for the district had been set at the full amount authorized by law, including any fire district levy that would have been imposed but for provisions barring the imposition of the levy because of the imposition of a benefit charge.

The expressly stated purpose of these levy protection provisions is to:

- remove the incentive for a taxing district to maintain its levy at the maximum level; and
- protect the future levy capacity of a district that reduces its levy below the level that it otherwise could impose by removing the adverse consequences to future levy capacities resulting from levy reductions.

Summary of Bill:

Continued Imposition of Benefit Charges by RFAs—Six Years, 10 Years, or Permanently.

Provisions requiring the continuation of a benefit charge by a regional fire protection service authority (RFA) to be approved, for a maximum of six years, by 60 percent of the voters voting on the ballot measure are deleted and replaced with an authorization allowing the continued imposition of a voter-approved benefit charge for six consecutive years, 10 consecutive years, or permanently.

A ballot measure calling for the continued imposition of benefit charge by an RFA for six or 10 consecutive years must be approved by a majority of the voters of the RFA voting at a general or special election called by the RFA for that purpose.

A ballot measure calling for the continued and permanent imposition of an RFA benefit charge must be approved by not less than 60 percent of the voters of the RFA voting at a general or special election called by the RFA for that purpose. At the election, the total number of persons voting must constitute not less than 40 percent of the voters in the RFA who voted in the preceding general election.

Continued Imposition of Benefit Charges by Fire Districts—Six Years, 10 Years, or Permanently.

Provisions allowing fire protection districts (fire districts) to continue imposing benefit charges for a maximum of six years with majority voter approval are modified to allow the continued imposition of a voter-approved benefit charge for six consecutive years, 10 consecutive years, or permanently.

A ballot measure calling for the continued imposition of a benefit charge by a fire district for six or 10 consecutive years must be approved by a majority of the voters of the fire district voting at a general or a special election called by the district for that purpose.

A ballot measure calling for the continued and permanent imposition of a benefit charge by a fire district must be approved by not less than 60 percent of the voters of the fire district voting at a general or special election called by the district for that purpose. At the election, the total number of persons voting must constitute not less than 40 percent of the voters in the fire district who voted in the preceding general election.

Financial Protections—Future Levy Capacity.

Future levy capacity protections are extended to RFAs that impose benefit charges so that the levy of an RFA may be set at the amount which would otherwise be allowed if the property tax levy for the RFA had been set at the full amount authorized by law, including any levy that would have been imposed but for provisions barring the imposition of the levy because of an imposed benefit charge.

Public Hearing Provision.

The public hearing required before an election authorizing the imposition of benefit charges by an RFA may be conducted by an RFA planning committee, rather than only by the governing board of an RFA, if the benefit charge is proposed as part of the initial formation of the RFA.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The established regional fire protection service authority (RFAs) have proven to be an effective way of providing fire protection services. If passed, this legislation will promote the creation of RFAs throughout the state. This bill makes good sense, will save taxpayers money, and is a good way to provide services.

The primary goal of this bill, since the Legislature previously allowed fire protection districts to renew benefit charges with a simple majority vote, is to extend that provision to RFAs. There exists a disincentive in current law to join an RFA. However, RFAs create efficiencies and remove redundancies. This bill includes provisions that reduce disincentives related to RFA creations. The bill also contains provisions related to determining taxing authority if a benefit charge is imposed, and if a renewal fails. The bill also includes provisions authorizing an RFA planning committee to hold a required public meeting on a benefit charge proposal in the event the RFA has not been created and there is no RFA governing body.

(Opposed) None.

Persons Testifying: Representative Peterson, prime sponsor; and Geoff Simpson, Washington State Council of Fire Fighters.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Fitzgibbon, Pollet, Reykdal, Robinson, Ryu, Springer and Wylie.

Minority Report: Do not pass. Signed by 7 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Manweller, Stokesbary, Vick and Wilcox.

Staff: Richelle Geiger (786-7175).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill is about providing taxpayers additional options and flexibility related to fire benefit charges. The bill was fashioned after taxing authority currently available to emergency medical service districts.

In addition to providing taxpayer flexibility, the bill also provides future levy capacity protection to regional fire protection authorities. This means if a regional fire protection district attempts to renew their benefit charge and the renewal is defeated, a regional fire may base their maximum levy calculation on an amount that the authority could have levied if they hadn't reduced their property tax levy capacity during that time.

Additionally, the super majority voter requirement that regional fire protection jurisdictions must meet to renew a benefit charge is a disincentive for fire protection authorities to join together to form a regional fire authority. Fire protection authorities may renew their benefit charges with a simple majority voter approval.

The Legislature created the authority for fire protection jurisdictions to create regional fire protection authorities to allow local governments to capitalize on economies of scale and to share resources. Fire departments continue to seek ways to provide the quality, consistent service with reduced budget and regionalizing fire protection services is a method to accomplish this objective.

(Opposed) None.

Persons Testifying: Geoff Simpson, Washington State Council of Fire Fighters.

Persons Signed In To Testify But Not Testifying: None.