SENATE BILL REPORT
E2SHB 1368

As of March 24, 2015

Title: An act relating to removing disincentives to the voluntary formation of regional fire protection service authorities by equalizing certain provisions with existing laws governing fire protection districts and by clarifying the formation process.

Brief Description: Removing disincentives to the voluntary formation of regional fire protection service authorities by equalizing certain provisions with existing laws governing fire protection districts and by clarifying the formation process.

Sponsors: House Committee on Finance (originally sponsored by Representatives Reykdal, Stokesbary, Van De Wege and Springer).

Brief History: Passed House: 3/10/15, 58-39.
Committee Activity: Government Operations & Security: 3/23/15.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & SECURITY

Staff: Karen Epps (786-7424)

Background: Creation of a Regional Fire Protection Service Authority (RFA). An RFA may be created for the purpose of conducting specified fire protection functions at a regional level. An RFA may be created by the merger of two or more adjacent fire protection jurisdictions including fire protection districts, cities, port districts, and Indian tribes. An RFA may also be created by a vote of the people that approves an RFA plan (plan), and the creation of the RFA, as a single ballot measure.

The plan is created by a planning committee composed of three elected officials appointed by the governing bodies of each of the participating fire protection districts and departments. The plan must provide for the design, financing, and development of fire protection and emergency services. The planning committee must also recommend statutorily authorized sources of revenue and a financing plan for funding selected fire protection and emergency services and projects. The planning committee may receive state funding or county funding to provide for start-up funding to pay for salaries, expenses, overhead, supplies, and other similar expenses. Upon creation of an RFA, the state or the county must be reimbursed for these start-up costs within one year.

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.

Once the plan is adopted, it is forwarded to the participating jurisdictions to initiate the election process. The required margin for voter approval depends on the revenue sources proposed by the plan. If the plan does not authorize benefit charges or 60 percent voter-approved taxes, the ballot measure must be approved by a simple majority. If however, the plan authorizes the authority to impose benefit charges or 60 percent voter-approved taxes, the ballot measure must be approved by 60 percent of the voters.

Benefit Charges. A benefit charge is a type of assessment imposed upon a property owner based upon the measurable benefits to be received by the property owner by RFAs. An RFA may use this funding approach as a means for apportioning the real costs of service to an individual property in a manner that reflects the actual benefits provided to that property. 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. The initial imposition or continued imposition of a benefit charge is subject to voter approval by a 60 percent majority of the voters living within the jurisdiction of the RFA. Subject to such voter approval, an RFA has the option of imposing benefit charges in lieu of a portion of the property tax it is otherwise authorized to impose.

Property Tax Rate Limits and Prorationing. 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. For property tax purposes the state and counties and cities generally have rate maximums and aggregate rate maximums to keep the total tax rate for regular property taxes within the constitutional limit. Junior taxing districts, which include fire, hospital, and most other special purpose districts, also have specific statutory rate limits. The tax rates for senior taxing districts – the state, counties, and cities, 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 prorationing – to conform to the \$5.90 limit. Under current law, fire protection districts, but not RFAs, may protect up to \$0.25 per \$1,000 of assessed value levy authority through exceptions to general prorationing requirements.

Summary of Bill: Creation of an RFA. The definition of participating fire protection jurisdiction established in RFA provisions is modified to specify that the term can include an RFA. An RFA is barred from participating in more than one RFA. 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 a benefit charge is proposed as part of the initial formation of the RFA.

Benefit Charges. The continued imposition of a benefit charge is subject to voter approval by a simple majority of the voters living within the jurisdiction of the RFA.

Property Tax Rate Limits and Prorationing. An RFA may protect up to \$0.25 per \$1,000 of assessed value levy authority through an exception to general prorationing requirements. Additionally, 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. The levy-related provisions for RFAs apply to property taxes levied for collection in 2016 and thereafter.

Fiscal Accountability Report. The governing body of an RFA must prepare an annual fiscal accountability report summarizing activity from the preceding calendar year. The report must contain specific information for the RFA, including total annual revenues by source and total annual expenditures by category. The report must also contain property value and population information for the RFA and provisions detailing the achievement of response time objectives.

The fiscal accountability report must be presented publicly and formally accepted at a regularly scheduled public meeting of the governing board occurring before each July 1. The report must also be posted on the RFA's website and submitted to the governing body of each county, city, and town within the boundaries of the RFA.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on March 20, 2015.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: Efficiencies through the consolidation and regionalization process have led to a more streamlined budget process, have saved the taxpayers money, and the burden on taxpayers has gone down. In 2004 when the RFA legislation was adopted, it was modeled after the fire district statutes. Each year, the fire chiefs find new issues that were either not incorporated originally or need to be fixed. This bill is an equalization bill and it does not do anything that is not already in statute with respect to traditional fire districts. The simple majority to renew a benefit charge is one of the issues addressed in this bill. When a fire benefit charge is levied, the property tax levy is reduced and the RFA or fire district cannot go above $1. Overall, the use of benefit charges has reduced the burden on taxpayers. A benefit charge is a user fee that is typically imposed on those areas of high call volume, such as a warehouse with flammable materials and, unfortunately, sometimes low-income housing. The concern about removing low-income housing from paying the benefit charge is the impact it will have on some RFAs, which is why the fire chiefs would support the concept of allowing for an exemption prospectively. This bill is designed to remove the barriers and disincentives to regionalization and consolidation.

CON: The primary problem with the fire benefit charge is that businesses cannot vote in an election for a benefit charge. RFAs ask voters to approve a fire benefit charge when they hit the 1 percent of property taxes that they can levy. RFAs increase the fire benefit charge to make up for the loss. The Kent RFA's benefit charge increased 21 percent over last year. From when Kent operated its own fire department and charged property taxes at $1.50 per $1,000 to today, citizens are paying $25 million in excess to fund this layer of government. An RFA provides services to other cities, so citizens end up paying for fire protection in other cities. This bill will allow an RFA to join with another RFA; that means that it will ultimately become Washington State RFA and citizens will be paying for fire protection in parts of the state far away from where they live. The fire benefit charge is based on not just type of building but also square footage so this becomes a barn tax.

Persons Testifying: PRO: Dylan Doty, WA Fire Chiefs Assn.

CON: Eric Bernard, citizen.

Persons Signed in to Testify But Not Testifying: PRO: David Ralston, South Whatcom Fire Authority; Geoff Simpson, WA State Council of Fire Fighters.

CON: Megan Hyla, King County Housing Authority, Assn. of WA Housing Authorities; Bryan Park, Senior Housing Assistance Group; Vincent Tom, DASH.