

HOUSE BILL REPORT

HB 2041

As Reported by House Committee On:
Finance

Title: An act relating to making existing local government authority to seek voter approval to raise property tax revenue more useful.

Brief Description: Making existing local government authority to seek voter approval to raise property tax revenue more useful.

Sponsors: Representatives Koster, Volz and Chapman.

Brief History:

Committee Activity:

Finance: 2/20/17, 2/22/17 [DP].

Brief Summary of Bill

- Allows all county authorities to seek voter approval for the criminal justice regular levy.
- Provides a definition of "criminal justice purposes," with respect to the levy.
- Allows jurisdictions to use revenue generated with a levy lid lift to supplant existing funds.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Dolan, Pollet, Springer, Wilcox and Wylie.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta.

Minority Report: Without recommendation. Signed by 1 member: Representative Stokesbary.

Staff: Richelle Geiger (786-7139).

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.

Background:

Regular Property Taxes.

All property is subject to a tax each year based on the highest and best use, unless a specific exemption is provided by law. The annual growth of regular property tax levy (regular levy) revenue is limited to the lesser of inflation or 1 percent plus the value of new construction for jurisdictions with a population of 10,000 or more. For jurisdictions with a population less than 10,000, revenue growth is limited to 1 percent plus the value of new construction. The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value (\$10 per \$1,000 of assessed value). There are 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; and
- city levies are limited to \$3.375 per \$1,000 of assessed value.

For property tax purposes, the state, 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, flood control zone, and most other special purpose districts, each have specific rate limits as well.

The tax rates for senior and junior districts, excluding the state, 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.

Some regular property tax levies, including levies for criminal justice purposes, port districts, and emergency medical services, are not subject to the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements, and exist within the "gap" that remains after subtracting the state levy and the local regular levies from the constitutional \$10 limit per \$1,000 of assessed value.

Criminal Justice Regular Property Tax.

Counties with a population of 90,000 or less are authorized to impose a regular property tax of up to \$0.50 per \$1,000 of the assessed value of property in the county. The funds are to be used for criminal justice purposes only. "Criminal justice purposes" is not defined in the statute. The levy is not subject to the \$5.90 per \$1,000 of assessed value limitation that applies to other junior and senior taxing districts, but is subject to the 1 percent of true and fair value limitation. Tax may be imposed for up to six consecutive years, but only after a voter approval of 60 percent on the proposition at a general or special election.

Levy Lid Lift.

Regular property tax revenue growth for local governments is restricted to the lesser of inflation, or 1 percent plus new construction. Voters may approve regular property tax increases above this 1 percent amount. This voter-approved increase is referred to as a lid lift. A lid lift may be for a single year or for multiple years, not to exceed six years. Multi-

year lid lifts must be for a specific purpose, and lid lift funds may not supplant existing funds used for the purpose specified in the lid lift ballot proposition.

Summary of Bill:

All counties are permitted to seek voter approval for the criminal justice levy. "Criminal justice purposes" is defined, by reference to RCW 82.14.310, as activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil or juvenile justice system occurs, including domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates.

Local governments are permitted to use revenue generated from a levy lid lift to supplant existing funds.

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) The Legislature asks local governments to take on a lot of responsibilities. If the Legislature does not consider additional options to help counties support themselves financially, they will continue to struggle financially. One option is to give counties the most flexibility possible with their funding mechanisms, especially when the mechanism requires voter approval.

The bill permits all counties to levy the criminal justice property tax levy by removing the population requirement. All counties should have the ability to seek voter approval for the levy. The 13 largest counties in the state would gain access to the levy. Small and large counties both face funding struggles. There is no reason to differentiate between counties by size when it comes to voter approved funding mechanisms.

The bill also removes the outdated provision which states that revenue generated from a levy lid lift cannot be used to supplant existing funding. If a county or city wants to try to convince their voters to pass a levy lid lift to support existing programs, many of which their communities demand, they should have that authority. This is good government. It is not a new taxing authority.

This bill makes existing tools that require voter approval easier to use.

The bill would be improved if the six-year levy limit was removed for the criminal justice levy, and the six-year authorization limit was removed from the levy lid lift.

(Opposed) None.

Persons Testifying: Representative Koster, prime sponsor; and Josh Weiss, Washington State Association of Counties.

Persons Signed In To Testify But Not Testifying: None.