

SENATE BILL REPORT

SHB 1467

As Reported by Senate Committee On:
Local Government, March 28, 2017

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

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

Sponsors: House Committee on Local Government (originally sponsored by Representatives Stokesbary, Peterson, Griffey, Robinson, Muri, McBride, Rodne, Fitzgibbon and Tharinger).

Brief History: Passed House: 3/07/17, 85-12.

Committee Activity: Local Government: 3/16/17, 3/28/17 [DPA].

Brief Summary of Amended Bill

- Modifies the definition of a fire protection jurisdiction to include regional fire protection service authorities (RFAs).
- Modifies the voter approval requirements and duration periods for benefit charge renewals.
- Exempts specific housing types from benefit charges imposed by RFAs and fire districts.
- Permits RFAs to retain unused levy capacity for future use if imposing a benefit charge.
- Permits RFAs to protect up to \$0.25 per \$1,000 of assessed value levy authority from prorationing.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended.

Signed by Senators Short, Chair; Angel, Vice Chair; Takko, Ranking Minority Member; Palumbo and Sheldon.

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.

Staff: Alex Fairfortune (786-7416)

Background: Regional Fire Protection Service Authority. RFAs are municipal corporations established for the purpose of providing regional fire protection and emergency services within their jurisdictional boundaries. An RFA is formed through the merging of two or more adjacent fire protection jurisdictions, including fire protection districts, cities, towns, port districts, municipal airports, and Indian tribes. The governing body of each jurisdiction participating in an RFA must appoint three elected officials to serve on the RFA planning committee, which develops a plan for the creation, financing, operation, and governance of the RFA. 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 a benefit charge, the proposition must be approved by a simple majority. If the plan does authorize a benefit charge, the proposition must be approved by 60 percent of the voters.

Fire Protection Districts (Fire 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 three-fifths voter approval. Fire districts are governed by a board of three, five, or seven elected fire commissioners.

Benefit Charges. A benefit charge is a type of assessment imposed upon a property based upon the measurable benefits to be received by the property from services provided by an RFA or fire district. RFAs and fire districts may use this funding as a means for apportioning the real costs of service to an individual property in a manner designed to reflect the actual benefits provided to that property. Before holding an election to determine if a benefit charge will be imposed, the governing authority of an RFA or fire district must hold a public hearing at which it sets forth the benefit charge proposal. Each year a public hearing must be held to review and establish the RFA benefit charges for the subsequent year. Benefit charges may be imposed for a maximum term of six years, however, voters may reauthorize the benefit charges for additional terms. For an RFA, the initial imposition or reauthorization of benefit charges requires approval by 60 percent of the voters voting on the ballot measure. For a fire district, the initial imposition of benefit charges requires approval by 60 percent of the voters voting on the ballot measure, but the continued imposition of benefit charges need only be approved by a simple majority of the voters voting on the measure.

Banked Levy Capacity. State law imposes a 1 percent cap on the revenues a taxing district may receive each year, based on the highest amount levied in the past three years. A taxing district that chooses to levy an amount less than the maximum allowed under the law may retain the unused levy capacity for future use. This is known as banked levy capacity. Allowing banked levy capacity removes the incentive for a taxing district to maintain its tax levy at the maximum amount allowed by law.

Property Tax Rate Limits and Prorationing. The Washington Constitution limits regular property tax levies to a maximum of 1 percent of a property's assessed value, or \$10 for every \$1,000 of value. The property tax rates for senior taxing districts—such as counties and cities combined with the tax rates for junior taxing districts and most special purpose districts—must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value. If that limit is

exceeded, statute establishes the sequential order in which levies must be proportionally reduced or eliminated, a process referred to as prorationing. Under current law, fire protection districts may protect up to \$0.25 of every \$1,000 of levy authority from this prorationing requirement.

Summary of Amended Bill: Regional Fire Protection Service Authority. The definition of a fire protection jurisdiction is modified to specify that the term can include an RFA. An approved RFA is formed on the effective date set forth in the plan, or the next January 1st or July 1st, whichever occurs first.

Benefit Charges. RFAs may now renew benefit charges with a simple majority of voter approval, for a fixed duration of six years. Fire district benefit charge renewals will also last for a fixed duration of six years. The public hearing required before an election on a benefit charge may be conducted by an RFA planning committee, rather than the RFA governing board, if the benefit charge is proposed as part of the initial formation of the RFA. An election on the initial imposition of a benefit charge must be held within the 12 month period before the first benefit charge is assessed.

The following properties are exempt from benefit charges from RFAs and fire districts:

- property of housing authorities;
- property of nonprofit entities providing rental housing or mobile home spaces for very low-income households;
- property of nonprofit homes for the aging;
- property of nonprofit organizations, corporations, or associations providing housing for people with developmental disabilities;
- property of nonprofit organizations providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons;
- property of the State Housing Finance Commission; and
- property of nonprofit corporations operating sheltered workshops for people with disabilities.

If an RFA or fire district finds that a tax-exempt property from the above list has a substantial annual increase in requested emergency services, it must work with the tax-exempt property to implement community risk reduction efforts. New tax-exempt properties will be compared to properties of a similar size to determine if an increase has occurred. If the heightened emergency services are not addressed by the reduction efforts, and the tax-exempt property has not acted in good faith, the tax-exempt property may be subject to a fire benefit charge or equivalent payment.

Benefit charges may apply to a tax-exempt property from the above list that is located in a fire protection district that:

- is less than four square miles in size;
- has approved a benefit charge prior to the effective date of the act; and
- has a population exceeding 19,000 people as of the effective date of the act.

Benefit charges that apply to the property or improvements of Christmas tree growers must be limited if the land on which the property or improvement is located is approved under the

Open Space Taxation Act. Such benefit charges may not exceed the reduction in property tax that is required as a result of imposing a benefit charge.

Banked Levy Capacity. If an RFA imposes a benefit charge, and therefore does not utilize the maximum levy amount allowed under the law, the RFA may still retain the unused levy capacity for future use.

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.

EFFECT OF LOCAL GOVERNMENT COMMITTEE AMENDMENT(S):

- Allows benefit charges to apply to tax-exempt properties located in fire protection districts that: (1) are less than four square miles in size; (2) have approved a benefit charge prior to the effective date of the act; and (3) have a population exceeding 19,000 people as of the effective date of the act.
- Limits benefit charges applicable to the property or improvements of Christmas tree growers, so long as the property or improvement is located on land approved under the Open Space Taxation Act. Such benefit charges may not exceed the reduction in property taxes that is required as a result of imposing a benefit charge.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: RFAs are a good way to promote government efficiency because by having a larger body you can take advantage of economy of scale. Some districts are reluctant to adopt an RFA model because it is harder to sustain a budget. This bill attempts to solve the problem by leveling the playing field. RFAs are more dependent on benefit charges, which are different from property taxes. Affordable housing is exempt from property taxes but there is no exemption for benefit charges, so this bill tries to align incentives. In North Highline, where there is a lot of affordable housing concentrated in one district, exempting tax-exempt properties from benefit charges would result in less than an \$11 increase per year for other parcels. Local jurisdictions may also choose to reduce benefit charges for agricultural uses, as that is a decision made at the local level.

CON: Rather than basing benefit charges on the value of the property, fire services base them on the square footage of improvements. However, 80 percent of fire services are EMT aid services which agricultural buildings do not require. While there is flexibility at the local level for fire services to reduce benefit charges for agricultural buildings, farm owners should not have to wait for each jurisdiction to provide this exemption, it should be done at the state level. The benefit charge exemption portion of this bill has an unfair and inequitable effect

on those in the North Highline community, who are some of the poorest residents in King County. An amendment excluding any district that is not in an RFA and that is less than four square miles in size would address the unique circumstances of the North Highline district.

Persons Testifying: PRO: Representative Drew Stokesbary, Prime Sponsor; Geoff Simpson, Washington State Council of Fire Fighters; Stuart Grogan, Housing Kitsap; Wayne Senter, Washington Fire Chiefs.

CON: Brad Tower, Washington Christmas Tree Growers; Julie Hiatt, Commissioner North Highline Fire District; Liz Giba, Commissioner North Highline Fire District.

Persons Signed In To Testify But Not Testifying: No one.