

HOUSE BILL REPORT

HB 1662

As Reported by House Committee On:
Rural Development, Agriculture, & Natural Resources

Title: An act relating to payments in lieu of real property taxes.

Brief Description: Concerning payments in lieu of real property taxes.

Sponsors: Representatives Dent, Springer, Kretz, Blake, Dye, Tharinger, Chandler, Fitzgibbon, Peterson, Fey, Corry, Dufault and Young.

Brief History:

Committee Activity:

Rural Development, Agriculture, & Natural Resources: 2/6/19, 2/13/19 [DP].

Brief Summary of Bill

- Moves administration of the Washington State Department of Fish and Wildlife's (WDFW's) payments in lieu of taxes (PILT) program from the WDFW to the State Treasurer.
- Changes the WDFW PILT rate.

HOUSE COMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, & NATURAL RESOURCES

Majority Report: Do pass. Signed by 13 members: Representatives Blake, Chair; Shewmake, Vice Chair; Dent, Assistant Ranking Minority Member; Chapman, Dye, Fitzgibbon, Lekanoff, Orcutt, Pettigrew, Ramos, Schmick, Springer and Walsh.

Staff: Rebecca Lewis (786-7339).

Background:

As a state agency, the Washington State Department of Fish and Wildlife (WDFW) is exempt from paying property taxes on lands that it owns. However, the WDFW does provide payments in lieu of taxes (PILT) to counties for WDFW-owned lands used for wildlife habitat and public recreation. Counties must choose whether or not to receive PILT from the WDFW. If a county chooses to receive PILT, the county may no longer keep the fines they

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collect from fish and wildlife code violations, and those fines are instead deposited into the State General Fund.

Counties that receive PILT may choose to be paid either at a rate equivalent to taxes on open space land, or the greater of 70 cents per acre per year or the amount of PILT paid in 1984. The WDFW is also required to pay counties that elect to receive PILT an amount for the control of noxious weeds equal to that which would be paid under private ownership.

In the 2012 Supplemental State Omnibus Appropriations Act, the PILT rates were amended to be equivalent to the rates paid to each county in 2009. This amendment was continued in the 2013-15 and 2015-17 State Omnibus Appropriations Acts. In the 2017-19 biennium, PILT rates were set at specific rates that were lower than the open space tax rate, but higher than the 2009 levels.

Summary of Bill:

Administration of payments in lieu of taxes (PILT) is moved to the State Treasurer from the Washington State Department of Fish and Wildlife, and the amounts of fish and wildlife fines collected by counties that receive PILT are no longer deposited into the State General Fund. The 2015-17 and 2017-19 PILT rates are deleted from statute, and the PILT rate is changed to an amount equal to the result of the following formula: $(0.5 \times \text{the land's assessed value}) / 1,000 \times (\text{local levy rate} - \text{state levy portion})$.

Counties requesting PILT must provide a list of eligible parcels, along with the parcels' assessed value and the local levy rate by December 31 each year for payment the following year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2019.

Staff Summary of Public Testimony:

(In support) Last year, there were meetings in Kittitas County with various stakeholders, including county assessors, the Washington State Department of Fish and Wildlife (WDFW), and conservation groups, to discuss the payments in lieu of taxes (PILT) issue. Kittitas County is the county that receives the most PILT funds. Not receiving payments is a big issue for many counties. There are 13 counties eligible to receive payments and all of these counties' assessors and the Office of the State Treasurer are in agreement. Payments in lieu of taxes are critical to a number of counties. Kittitas County is one of the most popular outdoor recreation areas in the state, and outdoor recreation generates some economic benefit for the county; however, much of the tax revenue derived from sales and hotel and motel

taxes benefit cities rather than counties. Counties are happy to host outdoor recreation, but PILT funds are critical to these counties. The formula clarifies how PILT payments will be calculated. The PILT rates were frozen in 2012 at the 2009 levels, and counties were doing poorly economically. Conservation groups were concerned that the program was not being maintained and that it was hurting their relationships with counties. Some counties are receiving only 50 percent of the PILT funds they should be collecting. This year, the Governor's budget provides full PILT funding. This bill aligns the Department of Natural Resources program with the WDFW program by moving administration to the State Treasurer, setting PILT at the open space rate, and allowing counties to retain enforcement fines and forfeitures and PILT. Under this bill, all counties would be eligible to receive some level of PILT. The state has not kept up with PILT over the years, and the payments help provide critical safety services. When the WDFW buys land, it shifts the tax burden onto private property owners. Without PILT, local taxpayers receive a tax increase. Public land still requires services. Payments in lieu of taxes are distributed in the same way property taxes are distributed to junior taxing districts. This bill will not solve all of the fiscal problems of counties, but is important. A well-functioning PILT system is critical for the mission of conservation interests. Buy-in from local communities is critical to the durability of conservation efforts. This bill provides more clarity and certainty for local governments. The burden for providing services to state lands falls mostly on counties; PILT provides revenue to pay for those services. The decision of whether to receive PILT or keep enforcement fees is a difficult one for some counties. The PILT program is one way to fund unfunded mandates. Public lands generate huge economic benefits and jobs in the state, but they also cost local governments important tax revenues. This bill is simpler than the current program and has almost universal support. This is a fair and reasonable approach to fulfill the WDFW's obligations to local governments for the tax implications of state-owned land. The WDFW serves as a steward of state lands. The promise of PILT is to equalize the disproportionate cost of benefits that occur at the county level. This bill implements recommendations of a 2013 report from the Department of Revenue. The WDFW will continue to work with counties to identify eligible lands.

(Opposed) None.

Persons Testifying: Representative Dent, prime sponsor; Paul Jewell, Washington Association of Counties; Bill Clarke, Kittitas County, Trout Unlimited, and The Trust for Public Land; Josh Weiss, Yakima County; Scott Richards, The Nature Conservancy; Steve Stewart, Washington Wildlife and Recreation Coalition; Cynthia Wilkerson, Department of Fish Wildlife; and Randy Ross, Grays Harbor County.

Persons Signed In To Testify But Not Testifying: None.