

SENATE BILL REPORT

HB 1034

As Reported by Senate Committee On:
Ways & Means, March 27, 2021

Title: An act relating to park and recreation district levies.

Brief Description: Concerning park and recreation district levies.

Sponsors: Representatives Fitzgibbon, Cody, Ortiz-Self and Wylie.

Brief History: Passed House: 3/4/21, 53-45.

Committee Activity: Ways & Means: 3/15/21, 3/27/21 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

- Moves a park and recreation district regular levy from the \$5.90 aggregate limit to the gap if the district is located on an island and within a county with a population greater than two million.
- Expires the changes after five years.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Capital; Robinson, Vice Chair, Operating & Revenue; Carlyle, Conway, Darneille, Dhingra, Hasegawa, Hunt, Keiser, Lias, Pedersen, Van De Wege, Wagoner and Wellman.

Minority Report: Do not pass.

Signed by Senators Schoesler, Assistant Ranking Member, Capital; Braun, Gildon and Muzzall.

Minority Report: That it be referred without recommendation.

Signed by Senators Wilson, L., Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Rivers and Warnick.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Jeffrey Mitchell (786-7438)

Background: Property Tax Revenue Limits. All real and personal 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 all regular property tax levy revenue other than the state levies is limited as follows:

- for jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent.
- for jurisdictions with a population of 10,000 or more, revenue growth is limited to the lesser of inflation or 1 percent plus the value of new construction.

Property Tax Rate Limits. The constitution provides for a levy rate limit of \$10 per \$1,000 of assessed value, referred to as the constitutional \$10 limit, or the constitutional 1 percent limit.

Other general limitations on property tax rates include:

- 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 \$3.60 per \$1,000 of assessed value.

For property tax purposes, the state, counties, and cities 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, have specific rate limits as well.

The tax rates for senior and junior taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of assessed value.

Prorationing. If the statutory \$5.90 or constitutional \$10 limit are exceeded, statute establishes the sequential order in which the levies must be proportionally reduced or eliminated, a process referred to as prorationing, to conform to statutory and constitutional limits.

The Gap. Some regular property tax levies, including levies for criminal justice purposes, port districts, and emergency medical services, are subject to the \$10 constitutional limit, but not the \$5.90 aggregate rate limit. These levies have protections from general prorationing requirements and exist within the \$0.50 gap that remains after subtracting the state levy and the \$5.90 in local regular levies from the constitutional \$10 limit per \$1,000 of assessed value. A specific order of portioning is provided within the gap.

Park and Recreation Districts. A county is permitted to form a park and recreation district for providing leisure and recreational activities and facilities. A park and recreation district may impose a regular property tax levy up to \$0.60 per \$1,000 of assessed value. A park and recreation district's regular levy is subject to the aggregate \$5.90 limit and is considered

a junior taxing district.

Summary of Amended Bill: The regular levy of a park and recreation district located on an island and within a county with a population exceeding two million is moved from the \$5.90 aggregate limit to the gap within the constitutional \$10 limit.

The changes in the bill expire after five years.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Limits the property tax changes to a park and recreation district located on an island and within a county with a population exceeding two million.
- Expires the changes within the bill after five years.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Being a rural island community, our parks and services are critical. Our levy was approved with 80 percent approval; however, because of other districts we have been pro-rated. We will see an 11.5 percent reduction to our levy revenue. Two King County lid lifts planned for the near future could cause an even greater impact and may prorate us out of existence. The tax law does not reflect the desire of the voters. Prorating is not common but I have received widespread support for this bill from other park and recreation districts due to the revenue safety it provides. One year excess levies are not a viable option. The change is consistent with metropolitan park districts. This bill ensures that rural communities can continue funding park districts and prioritizes park funding in the tax structure. Park and recreation districts will not be jumping the line in terms of prorating. Fire districts support the changes in this bill.

Persons Testifying: PRO: Elaine Rocheford, Vashon Park District; Hans Van Dusen, Vashon Park District; David Hackett; Michael O'Connor; Doug Levy, Outcomes By Levy, LLC, Washington Recreation and Park Association.

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