

# SENATE BILL REPORT

## SB 5712

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As Reported by Senate Committee On:  
Housing & Local Government, January 27, 2022

**Title:** An act relating to the transparency of local taxing districts.

**Brief Description:** Concerning the transparency of local taxing districts.

**Sponsors:** Senators Hasegawa and Nobles.

**Brief History:**

**Committee Activity:** Housing & Local Government: 1/13/22, 1/27/22 [DPS].

**Brief Summary of First Substitute Bill**

- Requires certain local utility districts to disclose the rates of each state or local government utility tax and how those rates are applied to billed charges.
- Requires each electric utility to provide either written or electronic notice of public hearings where changes in electricity rates will be considered or approved by the Utilities and Transportation Commission or governing body.

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### SENATE COMMITTEE ON HOUSING & LOCAL GOVERNMENT

**Majority Report:** That Substitute Senate Bill No. 5712 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kuderer, Chair; Das, Vice Chair; Fortunato, Ranking Member; Gildon, Assistant Ranking Member; Cleveland, Lovelett, Salomon, Sefzik, Trudeau, Warnick and Wilson, J.

**Staff:** Maggie Douglas (786-7279)

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*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.*

**Background: Metropolitan Municipal Corporations.** Metropolitan municipal corporations provide essential services in metropolitan areas not adequately provided by existing agencies. Authorized responsibilities include water pollution abatement and providing water supply, garbage disposal, parks and recreation, and public transportation. A metropolitan municipal corporation has levy authorization to fund the services it provides.

Public Utility Districts. A public utility district (PUD) is a type of special purpose district authorized for generating and distributing electricity, providing water and sewer services, and providing telecommunications services. PUDs are authorized to establish rates and charges for providing water and sewer services.

Diking, Drainage, and Sewer Improvement Districts. Sewer improvement and related districts plan, construct, and operate facilities to collect, treat, and dispose of sanitary, industrial, and other sewage. Diking improvement districts improve dikes, drains, and ditches to provide an efficient system of drainage for land within the district. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Solid Waste Collection Districts. Solid waste collection districts provide garbage and refuse collection services in unincorporated county areas when the Utilities and Transportation Commission (UTC) determines an area is not receiving adequate service. Counties are authorized to charge and collect reasonable fees for this service.

Solid Waste Disposal Districts. Solid waste disposal districts provide services in incorporated areas in counties with populations of 1 million or less. The legislative bodies of cities and towns also join by resolution. A solid waste disposal district may collect disposal fees based exclusively upon use by weight or volume for accepting solid wastes at a disposal site or transfer station.

Water-Sewer Districts. Water-sewer districts provide water and sewer services to incorporated and unincorporated areas. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage. Districts may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Municipal Utilities. Cities and towns are authorized to operate waterworks, sewerage and solid waste handling systems, utilities—gas/electric—, and transportation facilities. Municipal utilities may fix rates and charges for services, enter into contracts, levy taxes, and issue bonds.

Disclosure to Retail Electric Customers. Retail electric customers have the right to receive specified disclosures from all electric utilities, other than small electric utilities. The disclosures must include:

- credit and deposit requirements;
- rates and charges, including how to receive notice for public hearings on changes in

- rates;
- metering and measurement policies;
- bill payment policies;
- payment arrangement options;
- disconnection notice requirements;
- confidentiality policies for customer records;
- customer inquiry and complaint procedures; and
- an annual report.

At the time service is established and at least once a year thereafter, an electric utility must provide notice that disclosures are available upon request and without charge. This notice must either be a prominent part of each customer's bill or provided in a separate mailing.

Utilities must identify on all customer billing statements, or by a separate quarterly written notice, the various components of electricity service that customers are charged for as part of their bills, including electricity, distribution, metering, overhead, conservation investments, and taxes.

A small electric utility, defined as consumer-owned utility with 25,000 or fewer electric meters in service, or that has an average of seven or fewer customers per mile of distribution line is exempt from the notice of disclosure requirements.

Additional Tax Information on Customer Billings. Any customer billing issued by a light or power business that serves more than 20,000 customers in Washington must include:

- the rates and amounts of taxes paid directly by the customer on products or services from the light and power business; and
- the rate, origin, and approximate amount of each tax levied on the revenue of the light and power business.

**Summary of Bill (First Substitute):** Certain local utility districts must disclose the rates of state and local taxes imposed on the district, if any, and how those rates are applied to a customer's billed charges. Disclosure requirements may be satisfied as part of a regular billing statement, by bill insert, or on a website, if written notice is provided to customers that such information is available online. Billing inserts or mailers must be issued on an annual basis, if no rate change has occurred during the previous 12 months, or within 30 days of the effective date of any subsequent rate change.

The new disclosure requirements apply to:

- metropolitan municipal corporations;
- PUDs;
- diking, drainage, and sewer improvement districts;
- solid waste collection districts;
- solid waste disposal districts;
- water-sewer districts; and

- municipal utilities.

All electric utilities, other than small electric utilities, must provide the following:

- written or electronic notice, in a form or manner as required by the UTC or governing body, for any public hearing when changes in electricity rates will be considered or approved by the UTC or governing body; and
- the rate of tax imposed on the electric utility by a city or town, if any, and the amount of the tax to be paid directly by the retail electric customer through the billing statement.

**EFFECT OF CHANGES MADE BY HOUSING & LOCAL GOVERNMENT COMMITTEE (First Substitute):**

Amends the appropriate underlying statute to require all municipally owned or operated utilities to disclose relevant taxes, fees, or other service charges billed to the customer.

**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 Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: While cities have the authority to impose a utility tax on a provider operating within their jurisdiction, the city does not operate the collection of such a tax. Instead, the utility itself is responsible for collecting the tax. Customers only see the increase on their billing statement—not necessarily the source and reason for the increase. This bill adds transparency for customer utility bills.

OTHER: Section 8 of the bill overlaps with existing law. There are small differences between the language in the bill and current statute and we would like to see section 8 amended to avoid confusion and potential redundancy.

**Persons Testifying:** PRO: Senator Bob Hasegawa, Prime Sponsor.

OTHER: Candice Bock, Association of Washington Cities.

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