

HOUSE BILL REPORT

HB 1022

As Reported by House Committee On:

Local Government
Finance

Title: An act relating to providing additional support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Brief Description: Providing additional support and services for veterans' assistance and for persons with developmental disabilities or mental health needs.

Sponsors: Representatives Chapman, Reed, Lekanoff, Reeves, Chopp, Wylie, Kloba and Riccelli.

Brief History:

Committee Activity:

Local Government: 1/18/23, 1/20/23 [DP];

Finance: 2/2/23, 2/16/23 [DP].

Brief Summary of Bill

- Permits counties to collect the Veterans' Assistance levy and the Mental Health and Developmental Disabilities levy as separate levies, outside of the county's general levy rate.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 6 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Goehner, Ranking Minority Member; Berg, Griffey and Riccelli.

Minority Report: Do not pass. Signed by 1 member: Representative Jacobsen, Assistant Ranking Minority Member.

Staff: Elizabeth Allison (786-7129).

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:

Property Tax.

All real 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.

The Washington Constitution limits regular levies to a maximum of 1 percent of the property's value, which is \$10 per \$1,000 of assessed value (AV). 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 AV.
- County general levies are limited to \$1.80 per \$1,000 of AV.
- County road levies are limited to \$2.25 per \$1,000 of AV.
- City levies are limited to \$3.375 per \$1,000 of AV.

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 taxing districts, excluding the state, must fit within an overall rate limit of \$5.90 per \$1,000 of AV. If the statutory \$5.90 or constitutional \$10 limit are exceeded, state law establishes the sequential order in which the levies must be proportionally reduced or eliminated, a process referred to as prorationing, to conform to the statutory and constitutional limits.

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 "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 AV.

Veterans' Assistance Levy.

County legislative authorities are required to collect a levy dedicated to a Veterans' Assistance Fund (Fund). The Fund may only be used for:

- veterans' assistance programs for indigent veterans and families;
- burial or cremation of deceased indigent veterans or deceased family members of indigent veterans; and
- direct and indirect costs incurred in the administration of the Fund.

The rate is within the county's maximum general levy rate. The minimum levy rate is 1.125 cents per \$1,000 of AV, although the county legislative authority may levy a lesser amount if there are sufficient funds residing in the Fund. The maximum levy rate is 27 cents per \$1,000 of AV. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

As part of the county general levy, the levy is subject to both the \$5.90 per \$1,000 of AV and constitutional 1 percent levy limit. The revenue may not grow more than 101 percent per year, unless the voters approve a levy lid lift.

Mental Health and Developmental Disabilities Levy.

County governing authorities are required to budget and levy annually a tax to provide additional funds for the coordination and provision of community services for persons with developmental disabilities or mental health services.

The levy rate must be equivalent to 2.5 cents per \$1,000 AV, except as otherwise provided under statute. The Mental Health and Developmental Disabilities (MHDD) levy may be increased or reduced in direct proportion to the to the prior year's certified county general levy. The county legislative authority may increase or reduce the levy in the same proportion as the regular county property tax levy.

All or part of the funds collected from the MHDD levy may be transferred to the Department of Social and Health Services to serve as matching funds for federal monies to provide and coordinate community services for persons with developmental disabilities and mental health services. For those counties that elect to transfer the MHDD levy to the state, the state must grant the county MHDD funds, and those matching funds received from federal grants, to community agencies within the county in compliance with the plan approved by the county.

Summary of Bill:

Veterans' Assistance Levy.

County legislative authorities are permitted to continue collecting the Veterans' Assistance (Veterans') levy within the county's general levy rate, or they may collect the Veterans' levy as a separate levy, outside of the county's general levy rate.

If the Veterans' levy is collected as a separate levy, the levy is not subject to the \$5.90 per \$1,000 of AV limitations but is subject to the constitutional 1 percent levy limit. The separate levy has a minimum levy rate of 1.125 cents per \$1,000 of AV and a maximum levy rate of 27 cents per \$1,000 of AV. The Veteran's levy is established in the prorationing priority. The limit factor for the separate levy is the greater of 101 percent, or 100 percent plus inflation.

Mental Health and Developmental Disabilities Levy.

County legislative authorities are permitted to continue collecting the MHDD levy within the county's general levy rate, or they may collect the MHDD levy as a separate levy, outside of the county's general levy rate. The authorization that the county legislative authority may increase or reduce the MHDD levy in the same proportion as the regular county property tax levy is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) This bill makes it optional for counties to move the Veterans' levy and the MHDD levy outside of the general levy and create a separate property tax levy. County budgets have different limitations, and the Veterans' and MHDD levies are currently classified as part of the county levy, which has different caps. The Veterans' levy is not currently collected at the maximum amount because it would limit other collections. Counties need a steady flow of money to help provide services for their veterans. Taking the levy out of the county levy would enable counties to do this.

This bill is absolutely critical. The funds are looked after very closely. As a standalone levy, it would not compete with other priorities. Each county has their own story to tell and needs the flexibility to meet the needs of the Fund.

(Opposed) None.

(Other) There is a justifiable need for adequate funds, especially when principle sources of funding are reduced for other purposes. As written, the bill does not address the current trend of reaching into the pockets of the very citizens that the state has the responsibility of caring for. The bill needs to set parameters for what is adequate. This bill is an insult to veterans. Assistance will no longer be a hand up but a handout.

Persons Testifying: (In support) Randy Johnson, Clallam County Board of Commissioners; Carolina Mejia and Robin Campbell, Thurston County; and Juliana Roe, Washington State Association of Counties.

(Other) Ed Bowen.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Berg, Chair; Street, Vice Chair; Chopp, Ramel, Santos, Springer, Thai, Walen and Wylie.

Minority Report: Do not pass. Signed by 4 members: Representatives Orcutt, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Barnard and Stokesbary.

Staff: Rachelle Harris (253-444-316).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On Local Government:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains multiple effective dates. Please see the bill.

Staff Summary of Public Testimony:

(In support) County general levy rates are often limited too much within the general levy rate of \$5.90 per \$1,000 of assessed value. Veterans' assistance levies are for most vulnerable citizens. Taking the levies outside of the general levy should be at the county's discretion. Increases in general property taxes do not end up getting distributed equally amongst needed levies. Limitations to the county tax structure are a huge limitation on how we pay for things for counties. Clallam county has many veterans' families, and the funding for veterans' support systems is absolutely critical. Needs are growing for these support programs.

(Opposed) None.

(Other) This bill does not keep up with the desire to expand the veterans' support programs. Instead of looking at levy expansion, the order of prorationing would be a novel approach.

Persons Testifying: (In support) Randy Johnson, Clallam County Board of Commissioners; Juliana Roe, Washington State Association of Counties; and Robin Campbell, Thurston County.

(Other) Ed Bowen.

Persons Signed In To Testify But Not Testifying: None.