

SENATE BILL REPORT

SHB 2348

As of February 20, 2024

Title: An act relating to county hospital funding.

Brief Description: Concerning county hospital funding.

Sponsors: House Committee on Finance (originally sponsored by Representatives Street, Chopp, Taylor, Fitzgibbon, Berry, Orwall, Davis, Alvarado, Farivar, Macri, Ryu, Riccelli and Ormsby).

Brief History: Passed House: 2/9/24, 56-41.

Committee Activity: Ways & Means: 2/20/24.

Brief Summary of Bill

- Expands the permissible uses of a county hospital levy.
- Makes the county hospital levy a separate, standalone property tax that is not part of a county's current expense levy.
- Places the county hospital levy outside of an aggregate \$5.90 property tax rate cap for local taxing districts.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jeffrey Mitchell (786-7438)

Background: Property Tax Annual Growth Limit for Local Jurisdictions. 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 regular property tax levy revenue for local taxing districts is limited as follows:

- for jurisdictions with a population of less than 10,000, revenue growth is limited to 1 percent; and
- for jurisdictions with a population of 10,000 or more, revenue growth is limited to the

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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. The constitutional 1 percent limit is effectuated in statute through statutory rate maximums for specific types of taxing districts as well as an aggregate total cap for regular local levies.

Below are some statutory tax rate maximums for the major taxing districts:

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

Pro-rationing. 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 pro-rationing, 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 pro-rationing 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 pro-rationing is provided within the gap.

County Hospital Levy. A legislative authority of a county may establish, provide, and maintain hospitals. For this purpose, counties may:

- purchase or lease real property or use county-owned land;
- erect all necessary buildings, make repairs and improvements, and alter existing buildings for the use of the hospital;
- use county money, levy taxes, and issue bonds to raise money to cover the cost of procuring the site of the hospital, constructing and operating the hospital, for the maintenance of the hospital, and all other necessary expenses; and
- accept and hold in trust any grant of land, gift or bequest of money, or any donation for the benefit of the hospital.

If a county hospital is established, the county may levy a tax in an amount up to \$0.50 per

\$1,000 of assessed value, in any year, for the maintenance of the hospital.

The current expense, or general fund, levy is, for most counties, the single largest source of property tax revenues. Any county may impose a current expense levy up to \$1.80 per \$1,000 assessed value. However, a county may increase its levy from \$1.80 to a rate not to exceed \$2.475 per \$1,000 of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed \$4.05 per \$1,000 of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy. Current expense levy revenues are generally unrestricted and may be used for any lawful governmental purpose. However, there are several other regular county levies authorized or required by statute that are considered part of a county's current expense levy but are restricted to specific purposes, which includes the \$0.50 per \$1,000 assessed value levy for the maintenance of a county-owned hospital.

Summary of Bill: The county hospital levy is moved outside of a county's current expense levy and is a separate, stand-alone property tax.

The county hospital levy is placed outside of the \$5.90 limit, in other words, it would be placed within the gap.

The permissible uses of the county hospital levy is expanded to include operation and capital expenses as well as the payment of principal and interest on bonds issued for hospital purposes. Additionally, proceeds may be used for outpatient clinics operated by the hospital.

The initial imposition of the county hospital levy is exempt from the 1 percent revenue limit.

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: PRO: Harborview is the only level 1 trauma and burn center in a four-state Washington. The hospital treats everyone regardless of insurance status. In 2020, the voters approved a measure to expand and renovate Harborview. Since the pandemic, operating, maintenance, and capital costs have risen. This bill will help Harborview provide its essential services to Washington residents. There are three primary reasons driving the need for this bill. First, Harborview's mission to serve the most vulnerable goes unreimbursed. Second, the pandemic drove the cost of care up. Third, the voters approved a capital bond measure; however, costs have gone up so the bond measure

no longer covers the total cost for the project. We do not have a solution for this issue. Harborview is the only remaining county-owned hospital, which is operated by UW medicine. Harborview regularly operates at a deficit, but this bill will help fix the problem going forward.

Persons Testifying: PRO: Nicole Gomez, Washington Federation of State Employees; Ian Goodhew, UW Med; Mike White, King County Executive Dow Constantine.

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