Washington State Legislature

AGENDA

Junior Taxing Districts, Municipal Corps & Local Government Finance, Joint Select Committee

Monday
July 16, 2012
10:00 a.m. SHR 3
Live webcast on TVW

1. Introductions.

2. Convening of Committee/Committee business:
   a. Review of recent legislation.
      - Ethan Moreno, House office of Program Research

3. Election of Committee Leadership:
   a. Discussion of Committee mission and operating procedures.
      - Ethan Moreno, House office of Program Research

4. Other Business:
   a. Brief summary: history and structure of Washington's local governments & related previous studies.
      - Ethan Moreno, House Office of Program Research
      - Kelly Pfundheller, House Office of Program Research
      - Sam Thompson, Senate Committee Services
   b. Initiative 1183 – staff briefing.
      - Jeff Olsen, House Office of Program Research
   c. Future meeting schedule.
   d. Possible action/agenda items.

5. Community input: suggested future meeting topics.

6. Adjournment.

Meeting documents can be accessed online at
http://www.leg.wa.gov/jointcommittees/JSCJTD

Representative K. Asay
Senator D. Ericksen
Senator K. Fraser
Senator B. Hatfield
Senator J. Honeyford
Representative E. Orcutt
Representative L. Springer
Representative D. Takko

AWC
ASSOCIATION OF WASHINGTON CITIES
1076 Franklin Street SE • Olympia, WA 98501-1346 • 360.753.4137 • 1.800.562.8981
awcnet.org

To: Members of the Joint Select Committee on Junior Taxing Districts, Municipal Corporations and Local Government Finance
From: Dave Williams, Director of State and Federal Relations
Date: July 11, 2012

Congratulations and thank you for participating on this important Joint Select Committee. You and your colleagues have been asked to delve into a number of complex issues that we view as critical to the future provision of efficient and effective municipal services within our 281 cities and towns.

Specifically, you've been charged with reviewing and offering recommendations on subjects relating to new revenue options for local governments, the role of junior taxing districts, and the impact of I-1183 on public safety needs and the disbursement of excess liquor revenues. Some of these have been the focus of past reform efforts, such as the consolidation of junior taxing districts and the search for credible new local revenue sources.

On behalf of the Association of Washington Cities, please consider the following as you prepare to get to work:

Local government revenues are declining
The creation of this joint select committee is timely because, as the State of Washington moves beyond this recent economic downturn, we are increasingly aware of the fact that existing revenues are restricted, constrained, or declining – regardless of the state of the economy.

Past policy decisions have capped or eliminated revenue sources that historically provided cities with stable and growing revenue resources, including the one-percent property tax cap and the Motor Vehicle Excise Tax (which used to fully fund a revenue sharing plan called "sales tax equalization" to ensure low sales-tax producing cities weren't seriously disadvantaged). In addition, sales tax revenues are impacted by consumer confidence and have declined significantly during the past several years, and there have been substantial reductions in the real estate excise tax.

In the latest census, it was determined that the population of the State of Washington has been growing by more than one percent per year. At this rate, it is estimated that the state will gain approximately a million *more* people over the next decade. It will be progressively more difficult for cities to provide the current level of service within the existing resources.

The role of cities is evolving, in part due to these financial constraints. Before we get too far along in a readjustment of our responsibilities, we think it is prudent to have an organized discussion about these challenges.

The impacts of liquor privatization are unclear
With the passage of I-1183, the number of retail outlets selling liquor has gone from just under 400 to over 1,500. The impact of this is unclear, but we do know that enforcement resources are not growing commensurately with the increased availability of liquor. It is reasonable to assume local law enforcement will be called upon to address issues arising from the increased availability of liquor. We look forward to a robust discussion of this issue as the committee proceeds.

Our priorities
Cities are interested in all three of your topic areas, but we view two as more critical to address. We are most interested in the topics of new revenue and the impacts of the liquor initiative and how future liquor revenues are distributed, as they are inextricably linked together.

Unraveling the proliferation of junior taxing districts is a daunting task. We support examining and understanding why they exist. As a way to help make this task manageable, we recommend sharpening the focus to first look at those that rely on property tax for their operations, as compared to those reliant on fees for service.

We are a resource for you
AWC collects and analyzes a considerable amount of technical and financial data about cities. We have information about who provides municipal services inside cities and can be of assistance in getting a handle on the types and ranges of services provided in cities by junior taxing districts, for example.

We have a significant interest in how liquor privatization and the substantial increase in retail outlets are impacting our communities. We are currently working with law enforcement interests and our partners in the counties to determine the best and most timely way to compile and share data on the impacts of these changes. We hope to be able to provide an accurate glimpse by early fall 2012.

How AWC plans to engage
We are governed by a Board of Directors comprised of elected officials from around the state. They appreciate your attention to these matters and have directed staff to be actively engaged and supportive.

Our President, Sammamish Councilmember Don Gerend, is poised to appoint our new Legislative Committee to help prepare our 2013 legislative agenda and provide guidance on policy issues. The committee consists of several topic-area subcommittees, one or more of which will surely be working on issues connected to your work. In addition, we may appoint an Ad Hoc Committee of elected officials, managers and finance officers to help support and advise us as we work on solutions to these issues.

Finally, we will maintain communications with our partners at the Washington State Association of Counties (WSAC) and other pertinent stakeholders in an effort to provide timely, and where feasible, consistent input.

Who to contact
Our lead on revenue and liquor issues is Victoria Lincoln (victorial@awcnt.org). I will serve as the lead on issues relating to consolidation of junior taxing districts and municipal corporations and general questions or concerns about the involvement of AWC (davew@awcnet.org).

Thanks again, and we look forward to the start of this endeavor!

cc: Don Gerend, AWC President
Mike McCarty, AWC CEO
Scott Merriman, Deputy Director of WSAC

Recent Legislation

- HB 2602 *(2012, House Local Gov't Comm.)*
  - Created a joint select committee on junior taxing districts and established the membership and responsibilities of the committee
  - *Duties*: Evaluate junior taxing districts and their provided services in order to make recommendations regarding their appropriateness for consolidation into a general purpose local government
  - *Deliverables*: Report findings and recommendations, as draft legislation, to the Governor and to the Ways and Means committees of the House and Senate by December 31, 2012
- Modified on House floor, not adopted by Senate

Recent Legislation (continued)

- 3ESHB 2127 *(Enacted 2012, Sections 101 and 102)*
  - "...$50,000 of the general fund--state appropriation for fiscal year 2013 is provided solely for a joint select committee on junior taxing districts, municipal corporations, and local government finance. The...committee will be composed of two members from each caucus from the house and from the senate. **[1] The... committee shall review junior taxing districts and municipal corporations for the purpose of evaluating their provided services and making recommendations on the appropriateness of consolidating services into a general purpose local government. [2] The...committee shall also examine new revenue options for local governments. [3] The...committee shall also review the impact of the passage of Initiative Measure No. 1183 on public safety needs, and provide a sustainable plan for the use and disbursement of excess liquor revenues.** In completing its review and recommendations, the...committee shall seek pertinent information and advice from: (a) Organizations representing counties, cities, and junior taxing districts; (b) counties, cities, and junior taxing districts; (c) the department of revenue; and (d) the state auditor."

26

DISCUSSION DRAFT

JOINT SELECT COMMITTEE ON JUNIOR TAXING DISTRICTS, MUNICIPAL CORPORATIONS, AND LOCAL GOVERNMENT FINANCE

Committee Operating Procedures

Adopted _____, 2012

Organization and Conduct of the Joint Select Committee

Rule 1. Committee Membership
Membership consists of eight appointed legislators: two members from each caucus of the House, and two from each caucus of the Senate.

Rule 2. Committee Leadership
(Option One) The Committee shall, by a majority of its membership, elect a chair and vice-chair for the Committee's operations. The chair and vice-chair must be from different houses of the Legislature and may not represent the same political party.
(Option Two) The Committee shall, by a majority of its membership, elect two Committee members to serve as co-chairs for the Committee's operations. One member must be from the House and one must be from the Senate. The co-chairs may not represent the same political party. The co-chairs must alternate chairmanship of Committee meetings.

Rule 3. Rules of Order
All meetings of the Committee, or any subcommittee or advisory committee created by the Committee, are governed by Reed's Parliamentary Rules, except as otherwise specified these rules of procedure.

Rule 4. Meetings
The (chair or) co-chairs, with the advice of the Committee members, shall determine the date, time, and place of meetings. Notices of the Committee meetings must be printed in the Legislative Meeting Schedule, when possible, and published on the Internet. A minimum notice of five days must be given for any Committee meeting. Any portion of a Committee meeting may be devoted to public comment, as determined by the (chair or) co-chairs. Committee members, subject to applicable approvals from the House and Senate, will be reimbursed for travel costs to Committee meetings.

Rule 5. Agendas and Minutes
The (chair or) co-chairs, with the advice of the Committee members, shall set the meeting agendas. Agendas and other meeting materials will be distributed by email to Committee members prior to each meeting. Agendas, meetings and other related documents will be maintained on the Committee's website.

Rule 6. Alternates
Committee members are encouraged to make every effort possible to attend all meetings. In case of absence from a meeting:

(1) Committee members may participate in meetings via telephone; or

(2) (Optional) Committee members may be temporarily replaced at meetings by another legislator. Alternates must be briefed on prior and pending proceedings by the absent member in advance of the meeting and are authorized to vote on behalf of the absent member.

Subcommittees and Advisory Committees (optional)

Rule 7. Subcommittees
The Committee may agree to one or more subcommittees of its membership. Subcommittees, if created, would be responsible for discussing and making recommendations to the full Committee on specific topics assigned by the Committee.

Rule 8. Advisory Committees
The Committee may also agree to one or more advisory committees, consisting of non-members of the Committee, to discuss and make recommendations to the Committee on specific topics assigned by the Committee.

Rule 9. Other Non-Committee Perspectives

(1) Draft recommendations will be posted on the Committee website and be made available for comments by legislatively-identified stakeholders (the Department of Revenue, the Auditor's Office, counties, cities, junior taxing districts, and representatives of counties, cities, and junior taxing districts) and the public.

(2) The chair (or co-chairs) should reserve time during each Committee meeting for remarks by the legislatively-identified stakeholders and the public; or
(Alternate option) The Department of Revenue, the Auditor's Office, counties, cities, and junior taxing districts, and representatives of counties, cities and junior taxing districts will, at the request of the Committee, report to the Committee at each meeting on topics identified by Committee members and staff.

Decision-Making Process

Rule 10. Research Requests (optional)
Research requests for data from state agencies must be made by the (chair or) co-chairs. The chair (or co-chair) must review all data requests from Committee members, develop agreement on the questions to be asked, prioritize requests, and submit the requests in writing to the appropriate agency. Prioritization should be based on the need for information to support scheduled Committee agenda items.

Rule 11. Findings and Recommendations
Findings and recommendations may be made by agreement of a majority of the Committee members. Minority reports may also be offered. Any preliminary understandings reached during discussions must, unless agreed otherwise, remain tentative until an agreement is reached on all issues under discussion.

A History of Washington's Local Governments

A Summary of Volume I of the 1988 Final Report by the Washington State Local Governance Study Commission

29

Joint Select Committee on Junior Taxing Districts, Municipal Corporations, and Local Government Finance

July 16, 2012

Prepared by Nonpartisan Staff, Office of Program Research

Introduction

- Legislation enacted in 1985 established the 24-member Local Governance Study Commission
- The Commission produced a lengthy two-volume report:
  - *Volume I* - a history of Washington's local governments
  - *Volume II* - an analysis of local government problems and recommended solutions

Tradition!

- Washington's local governance tradition:
  - Insistence on local option and control, including the way in which state policy is implemented
  - An evolving relationship between counties and cities and numerous special purpose districts

Tradition – Counties and Cities

- Cities and counties originally had distinctive roles and responsibilities
  - Counties, the administrative arm of the state:
    - Maintained vital records, provided courts and law enforcement, built roads, collected taxes, conducted elections
  - Cities and towns:
    - Provided safe community, economic identity, and higher levels of services for more concentrated populations

Tradition – Special Purpose Districts

- History in Washington pre-dates statehood
- Generally created for limited and specific purposes
- Common examples:
  - Fire districts
  - Water-sewer districts
  - Library districts

Early Days: 1845-1944

- High population growth, political volatility, and distrust of distant decision-makers
- Desire for governance structures with local options and control
- Popular reforms, including establishment of special purpose districts and publically-owned ports and utilities

Middle Days: 1945-1960

- Significant growth in suburban areas surrounding major cities
  - Economic and population growth
  - Rise of the automobile and new highway system
- New needs and desires for public services typically provided by cities
- Changes in county authorities – increased flexibility and more comprehensive planning

Latter Days: 1961-2007

- Population trends begun in the first half of the 20th century continued
- By 1983 the number of Washington residents living in unincorporated areas exceeded those living in incorporated areas
- Greater federal involvement in local gov't affairs
- Increased regional planning and cooperation between existing governments

Latter Days (continued)

- 1990-91 adoption of the Growth Management Act
  - Focused growth into designated "urban growth areas"
  - Declared cities to be the most appropriate provider of urban governmental services
  - Resulted in the incorporation or annexation of large portions of previously unincorporated suburban development

Latter Days (continued)

- Adoption of several citizen-initiated tax reforms affecting local governments
- Cities were granted broad powers of self-governance
- Special purpose districts
  - Continued to provide publically-desired services
  - Numerous new types of districts were created, including districts focusing on economic development and transportation issues

Questions/Comments?

Thank you!

Ethan Moreno
Office of Program Research
ethan.moreno@leg.wa.gov
(360) 786-7386

Selected Washington Local Government Studies

The legislature has mandated several studies of Washington local government, some of which are described below. Many recommended legislation to improve operations; some recommendations were enacted.

Study	Source and Recommendations	Enacted Legislation
2007: Department of Community, Trade and Economic Development (CTED), County Financial Health and Governance Alternatives, 682 pages, including: • Appendix D, Municipal Research and Services Center, A History of Washington's Local Governments: Washington State Local Governance Study Commission Report (Update), 129 pages	Mandated by 2007 legislation.[1] CTED was advised by a 13-member committee that included 11 county officials, the director of an economic development organization, and an Eastern Washington University professor. Recommendations: • Expand county authority to provide joint or consolidated services with other counties, the state, and governments in other states and Canada; facilitate service agreements. • Facilitate automation of county services where counties act as agents of state. • Provide counties with additional flexibility regarding service delivery and purchasing. • Authorize boards of commissioners to appoint county managers or administrators. • Amend the state constitution to facilitate approval and amendment of county charters. • Reduce number of county elected officials in non-charter counties by combining duties; authorize five-member commission in larger counties. • Provide greater reimbursement of counties for state services provided (court, jail, election, and tax assessment and collection) and clarify property tax funding. • Increase flexibility of county funding sources, such as consolidating	Increased reimbursement of distressed counties for state services provided.

[1] Laws of 2007, Ch. 522, Sec. 127(50) (budget proviso directing CTED to conduct a "study to examine the fiscal health of counties. The study shall address spending and revenues, as well as the demographic, geographic, social, economic, and other factors contributing to or causing financial distress. The study shall also examine the financial efficiencies, cost savings, and improved levels of service that may be gained by authorizing noncharter counties greater flexibility in altering their forms of governance, including consolidating or merging constitutional or statutory functions or structures").

40

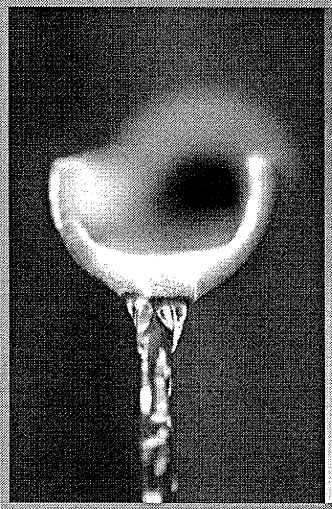
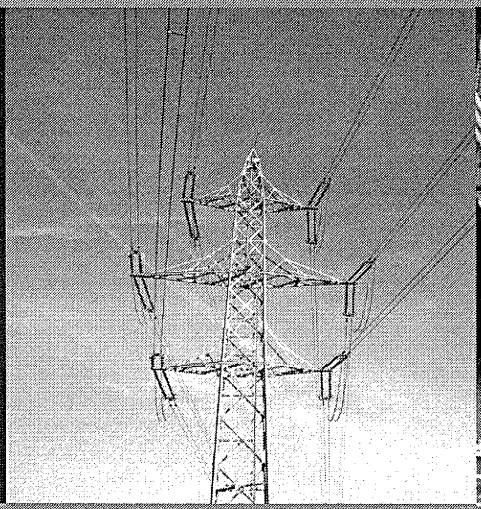
Study	Source and Recommendations	Enacted Legislation
	sales taxes dedicated to specific purposes into single non-dedicated source.	
1988: Legislative Budget Committee, Review of Special Purpose Districts, 45 pages	Mandated by 1987 legislation.[2] Recommendations: • Possibly authorize counties to periodically assess utility of special purpose districts in their jurisdictions and recommend changes in organization or resource allocations. • Possibly authorize county legislative authorities to eliminate, consolidate, or otherwise maximize services provided by special purpose districts if changes would benefit public and districts would not otherwise make changes.	
1988: Local Governance Study Commission: • Vol. I, A History of Washington's Local Government, 79 pages • Vol. II, The Quiet Crisis of Local Governance in Washington, 102 pages	Mandated by 1985 legislation.[3] The 21-member commission included eight legislators, four city representatives, four county representatives, and five special purpose district representatives. It issued a detailed history of local government and analysis of several challenges facing local governments. Recommendations: • Authorize counties, cities, and special purpose districts to adopt local government service agreements for providing services and facilities and transferring revenue, effective if approved by a county, cities with over half of the incorporated population in the county, and 20 percent of participating special purpose districts. • Authorize a citizens' review process involving a group of citizens elected to review local government structure in a county and propose alterations to voters. • Several revenue and structural changes, including changes to annexation procedures.	• Act modifying city and town annexation procedures (1989). • RCW Chapter 36.115 (1994), authorizing local government service agreements.

[2] Laws of 1987, Ch. 298, Sec. 7 (directing Legislative Budget Committee, in cooperation with Senate Governmental Operations Committee and House Local Government Committee, to review laws relating to all special purpose districts and recommend continuation, elimination, or modification of each).
[3] Laws of 1985, Ch. 388 (creating commission to analyze several challenges facing local governments and recommend legislation).

Study	Source and Recommendations	Enacted Legislation
1966: Municipal Code Committee, Optional Municipal Code, 371 pages	Mandated by 1965 legislation.[4] The committee (two legislators and three city and town officials) drafted legislation authorizing cities and towns to reorganize and operate under an optional municipal code granting broad home rule authority otherwise held only by first class cities (the largest cities in the state, including Seattle), and authorizing unincorporated areas to incorporate as optional municipal code cities.	Optional Municipal Code, RCW Title 35A (1967).
1962: Citizens' Advisory Committee to the Joint Committee on Urban Area Government, City and Suburb--Community or Chaos, 35 pages	Mandated by 1961 legislation.[5] Citizens' advisory committee (including more than 80 Seattle, Tacoma, and Spokane metropolitan area residents) issued study of local government capacity to manage urban growth, including 46 recommendations proposing: • Separate local and metropolitan governments in metropolitan areas, or, alternatively, consolidated county-city governments. • Greater cooperation of counties, cities and metropolitan governments to address regional problems. • Coordination of state government functions affecting urban areas.	Interlocal Cooperation Act (1967), authorizing local governments to enter into interlocal contracts and agreements.

[4] Laws of 1965 (Ex. Session), Ch. 115 (creating Municipal Code Committee "to prepare and submit legislation creating a code of laws for the government of cities and towns which shall include a form of statutory home rule. Such code may revise existing law or may be so designed as not to affect existing law but rather to provide an alternative code of laws for the classification and government of cities and towns, which any city or town may elect to adopt").

[5] Laws of 1961, Ch. 308 (creating Joint Committee on Urban Area Government, composed of eight legislators, to study and report in 1962 on urban growth issues, including incorporations and annexations, local government functions, powers, and financing, urban area service requirements, local government machinery best suited to provide urban area services, and proper role of state; also directed committee to create citizen advisory committees).

SPECIAL PURPOSE DISTRICTS

43

Joint Select Committee on Junior Taxing Districts, Municipal Corporations, and Local Government Finance

July 16, 2012

Prepared by Nonpartisan Staff, Office of Program Research

Special Purpose Districts: Roadmap

- Background
- Terms
- Characteristics
- Formation
- Governance
- Boundaries
- Finance
- Types

Terms: Special Purpose Districts

- What are special purpose districts?
  - Various definitions
  - Broad definitions include every local government entity that is not a city, town, or county.

Budget Proviso Language

- "The joint select committee shall review junior taxing districts and municipal corporations for the purpose of evaluating their provided services and making recommendations on the appropriateness of consolidating services into a general purpose local government."

44a

Terms

- What are "junior taxing districts"?
  - Various definitions
  - Encompasses all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts (RCW 84.54.043).

- What are "municipal corporations"?
  - 6 definitions in statute, and several in case law.
  - Encompasses cities, towns, and counties, and special purpose districts.

Background: How many special purpose districts are in Washington?

- 80+ different types.
- 1670+ currently operating.
- Washington Territorial Legislature established the first special purpose districts in the 1880s.

48

Characteristics

- Function as political subdivisions of the state with a governance structure defined in statute.
- Perform a single function or limited number of functions.
- Provide services or facilities.
- Contain a designated source of funding.
- Defined boundaries.

Formation

- Authorized by statute.
- Formed by a resolution of the county legislative authority or by a petition to the county legislative authority.
- Require public hearing.
- Require approval by voters in an election (with some exceptions).

Governance

- Varied structures for governing bodies.
  - Independently elected board.
  - Appointed board or supervisors.
  - County (or city) legislative body.
  - Other.
- Elections and Offices.
  - Nonpartisan; terms vary from 2 to 6 years.
- Relationship to Counties.

Boundaries

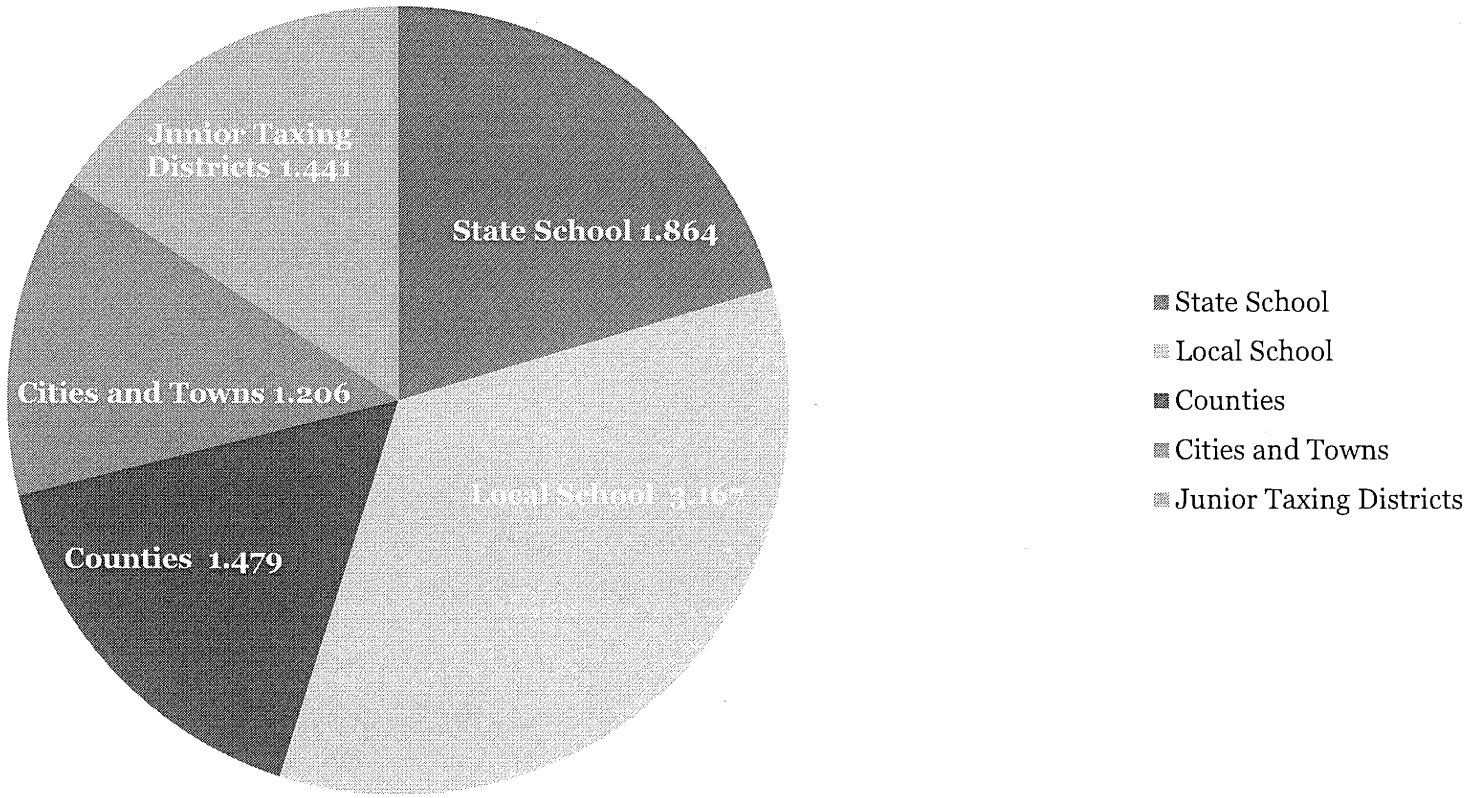
- Many districts are in unincorporated areas of counties, which might allow the inclusion of cities and towns by the passage of a resolution of their legislative authorities or by annexation.
- Some are county-wide with boundaries coterminous with the county.
- Mergers among districts are sometimes permitted.
- Interlocal cooperation agreements.

Finance

- Regular property taxes.
- Excess levies for operation and maintenance.
- Fees and charges.
- Local improvement districts.
- Debt.
- Benefit assessments.

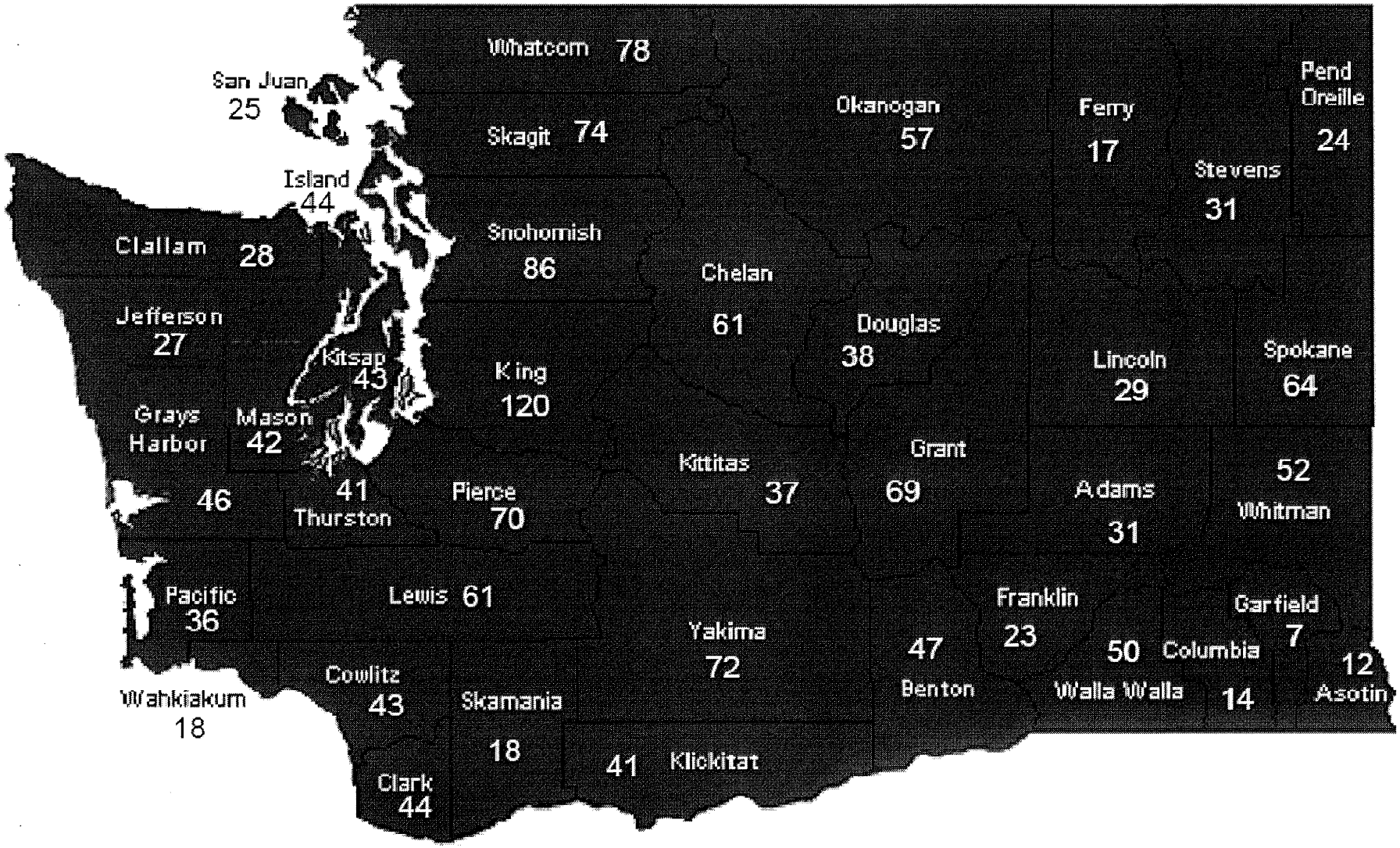
Total Property Tax Levies for 2011*

(Numbers in Billions)



*See Washington Department of Revenue Data; http://dor.wa.gov/docs/reports/2011/Property_Tax_Statistics_2011/

Number of Districts by County



Number of Special Districts in Each County - Includes Multi-County Districts (01/12)

Agriculture & Natural Resources

Type	Purpose	Number
Agricultural Pest Districts (1919)	Destroy animals that interfere with agricultural plants or products.	*
Horticultural Pest & Disease Board (1969)	Funds for inspecting and disinfecting horticultural premises and produce.	*
Irrigation Districts (1890-1961) (4 types)	Irrigate or reclaim land, develop electrical generation facilities, supply water.	98
Legal Authorities (Hydroelectric) Irrigation Districts (1983)	Allows cooperative development of hydroelectric resources by PUDs, cities, towns & irrigation districts.	18
Weed Districts (1921)	Control weeds detrimental to agriculture.	11

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Environment

Type	Purpose	Number
Air Pollution Control (1957, 1967)	Control air pollution.	7
Aquifer Protection (1985)	Funds protection, preservation & rehabilitation of subterranean water.	*
Conservation (1939)	Conserve soil, and prevent flooding.	47
Diking and Drainage (1890-1961) (4 types)	Improve rivers and watercourses to prevent overflow damage.	107
Flood Control (1913-1961) (4 types)	Protect life and property through flood control projects.	12
Lake and Beach Management (1986)	Lake and beach maintenance and improvement.	*
Shellfish protection (1985)	Protect shellfish industry from pollution.	*

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Economic Development

Type	Purpose	Number
Apportionment Districts (1982)	Allocate portion of property taxes to assist public improvements.	*
Community Facilities (2010)	Assist voluntary landowner financing of community facilities.	0
Community Renewal (2002)	Rehabilitate blighted areas.	*
Cultural Arts, Stadium & Convention (1982)	Construction and operation of cultural facilities.	0
Public Facilities (1988, 1999)	Construct and operate sports, convention, and entertainment facilities.	25
Public Stadium Authority (1997)	Develop stadium and exhibition center.	1
Ports (1911)	Construct and operate harbor improvements, rail, water & air transfer facilities.	75
(Port) Industrial Development (1939)	Funding for developing or redeveloping marginal areas.	*

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Health and Public Safety

Type	Purpose	Number
Emergency Medical Service Districts (1979, 1994) (2 types)	Emergency medical services and funding.	8
Fire Protection Districts (1933)	Eliminate fire risk and protect life & property.	367
Health Districts (1945)	Provide health Services.	11
Mosquito Control (1957)	Abate or eliminate mosquitos.	18
Public Hospital Capital Facility Areas (2009)	Provide funding for public hospital capital facilities.	0
Public Hospital District (1945, 1992) (2 types)	Own and operate hospitals and health care facilities.	56
Regional Fire Protection Service Authorities (2004)	Provides for regional fire protection services, and enhanced funding options.	7

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Public Utilities

Type	Purpose	Number
Public Utility Districts (1931)	Supply public utility services, including water, electric, sewer, telecommunications.	27
Sewage Improvement Districts (1923)	See water-sewer districts.	See water-sewer districts.
Solid Waste Disposal Districts (1982)	Provides for and funds solid waste disposal in counties under 1 million.	2
Television Reception Improvement Districts (1971)	Construct and operate TV and FM radio translator stations.	6
Water-Sewer Districts (1913-1971) (3 types)	Furnish water supply and wastewater collection.	191

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Transportation

Type	Purpose	Number
Airport Districts (County) (1945)	Establish and operate airports.	2
Transportation Authorities (2 types)	Construct and operate public transportation.	2
County Rail Districts (1983)	Provide and fund rail service.	1
County Road Districts (1889)	Provide funding for county roads.	39
County Ferry Districts (2003)	Operate a passenger ferry service.	1
Public Transit Benefit Area (1975)	Construct and operate public transportation.	20
Public Waterway Districts (1911)	Provide funding to improve waterways.	*
Regional Transit Authorities (1992)	Enables transportation system in Puget Sound.	1
River and Harbor Improvement Districts (1903)	Cooperate with federal water projects.	*
Road & Bridges Services (1983)	Improve or fund capital costs for roads.	1
Transportation Benefit District (1989)	Help sectors address transportation.	36
Regional Transportation Investment District (2002)	Provide regional assistance for transportation projects.	*

61

Community

Type	Purpose	Number
Cemetery (1947)	Establish & manage cemeteries.	104
Library (1935, 1941, 1947, 1982, 1993, 1995) (6 types)	Provide library services outside of incorporated cities & towns.	23
Parks (1907, 1957, 1963, 1979) (4 types)	Manage parks & recreation facilities, provide services.	67
Public Housing Authorities (1939, 1980) (2 types)	Provide housing for low-income people.	41
Metropolitan Municipal Corporations (1957)	Provide services not provided by existing agencies.	0

62

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Education

Type	Purpose	Number
School Districts (1889)	Education.	295
Joint School Districts (1897)	Any school district composed of territory lying in more than one county.	See school districts.

b3

Not a comprehensive list. Please see http://www.mrsc.org for more information.

Initiative 1183 (Concerning Liquor)

Presentation to the Joint Select Committee on Junior Taxing Districts

July 16, 2012

Jeff Olsen
House Office of Program Research

79

Budget Proviso Directs Review of I-1183:

2012 Operating Budget Proviso:

From Section 101, 3ESHB 2127

- Review impact of the passage of I-1183 on public safety needs.
- Provide a sustainable plan for the use and disbursement of excess liquor revenues.

Initiative 1183 Brief Summary

- Privatizes the purchase, distribution, and sale of spirits in Washington State.
- Authorized licensed distributors to begin selling spirits to licensees on March 1, 2012.
- Closed state liquor stores by June 1, 2012.
- Allowed licensed retailers to sell spirits to the public on June 1, 2012.

Two Sources of Liquor Revenue for Local Governments: Liquor Excise Taxes and Excess Revenue

- Excess Liquor Revenues or "Profits":
  - Approximately 50% shared with cities/counties.
    - (Before I-1183) Profits from liquor sales.
    - (After I-1183) New license fees.

- Liquor Excise Taxes -Volume Tax and Sales Tax:
  - Approximately 25% of liquor sales tax shared with cities and counties.

Excess Liquor Revenues: New Retailer and Distributor Fees Replace Liquor Profits

New License Fees:

- Requires spirits retailers to pay a license issuance fee of 17% of liquor sales revenues.
- Requires spirits distributors to pay a license issuance fee of 10% of liquor sales revenues, decreasing to 5% beginning in the third year.
  - However, in the first year, licensed distributors must have paid collectively $150 million.
- Creates a $166 annual spirits retailer license and a $1,320 annual spirits distributor license.

Excess Liquor Revenue Distributions to Local Governments

- Before passage of I-1183, excess liquor revenues were shared 50/50 between state and local governments
- The local share: 0.3% border areas, and the remainder split 80% cities and 20% counties.
- I-1183 provides a "guarantee" that revenues to local governments would be no less than amounts received before passage of the initiative, plus an additional $10 million per year for enhancing public safety programs.
- ESHB 2823 (2012) Eliminates the 50/50 state-local sharing. Locals will receive the "guarantee" amount, which is a fixed amount based on prior distributions, plus $10 million.

Liquor Tax Distributions to Local Governments

Liquor Excise Taxes:

- Retail sales to consumers:
  - 20.5% sales tax (approximately 25% shared with local governments), $3.77 liter tax.
- Sales to Licensees (restaurants, taverns):
  - 13.7% sales tax (approximately 25% shared with local governments), $2.44 liter tax.
- ESHB 2823 (2012) redirected one-time in Fiscal Year 2013 an estimated $28.8 million in liquor sales tax revenues from local governments to the general fund.
- In FY 2014 and beyond, $10 million per year from local liquor sales tax revenues are redirected to the general fund.

Summary of Liquor Distributions to Local Governments

Total Estimated Revenues			($ millions)	
Fiscal Year	**2011**	**2012 (est.)**	**2013 (est.)**	**2014 (est.)**
Excess Liquor Revenues	$44.4	$46.7	*$49.4	*$49.4
Liquor Sales Taxes	$26.3	$28.2	$0	$21.9
Total Revenues	$70.7	$74.9	$49.4	$71.3

*FY 2013 and FY 2014 estimates include an additional $10 million distribution to local governments to enhance public safety programs. FY 2014 Liquor Sales Tax distributions are reduced by an ongoing $10 million redirection to the state general fund.