

# ATRA SUPPORTS HB2285

## *Prevent Future Abuse of the Fire District Assistance Tax*

### **Background:**

In June 2008, ATRA learned of a proposed merger between the fire districts of La Canada, Heritage Hills, and North Ranch Linda Vista. According to the written merger agreement, the proposal required each district to dramatically increase their district property taxes in order to maximize the fire district assistance tax (FDAT) for each district.

The FDAT is a countywide secondary property tax that is distributed to fire districts based on 20% of their district property tax levy, not to exceed \$300,000 for any single district. The one exception in exceeding the \$300,000 cap is that merged districts are held harmless and therefore continue to receive the same collective amount in FDAT that they received the year prior to merging.

In 2006, ATRA worked in cooperation with fire district representatives to change the way fire district mergers are conducted, from voter approval to a unanimous vote of each board. At the time, some of the reasons offered by the fire district representatives to the Joint Legislative Ad Hoc Committee on Fire Districts and to ATRA was that removing the voter approval provision “provides for expedient and efficient merger of fire districts, eliminates election costs, combine district administrative functions...economies of scale in delivering fire and EMS services.” It was never contemplated that fire districts would abuse the merger statute to maximize their FDAT distribution in the way that these three districts have.

As a result of the merger agreement in tax year 2008 between the abovementioned fire districts, total local property taxes tripled from \$1.7 million to \$4.5 million. Since merged districts are not held to the \$300,000 cap, tripling of the local property taxes by these three districts nearly tripled their FDAT distribution, from \$350,000 to \$900,000. The overall increase in property taxes amounted to \$3,354,294 (160%).

### **ATRA’s Recommendation:**

To prevent future abuse of the FDAT statute, the Ways and Means strike-everything amendment to HB2285 is based on an agreement between ATRA and fire district representatives to allow merged districts to receive the sum of the average FDAT distributed to each district in the three years prior to the merger.

Based on the merger between La Canada, North Ranch Linda Vista, and Heritage Hills fire districts, there is no reason that this newly formed district should receive three times the amount in FDAT than any other fire district. The basis for the hold harmless provision was to not deter districts from merging, but unfortunately, it has had the opposite effect of providing an incentive for at least some fire districts to game the system.

## **ATRA ASKS LAWMAKERS TO VOTE YES ON HB2285**



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