

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT**

Draft 2016 State Legislative Agenda and Legislative Update

### **STAFF CONTACT**

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### **POLICY ISSUES**

The State Legislature addresses a range of policy issues of interest to the City. Council may wish to provide direction to staff regarding particular legislative proposals.

### **DIRECTION NEEDED FROM COUNCIL**

X Action  
X Discussion  
X Information

### **BACKGROUND/ANALYSIS**

Each year, the City Council adopts two policy documents related to the State Legislature:

**Legislative Agenda** – A short list of priority items that will be the focus of the City's efforts in Olympia each year. A new document is produced each year for Council approval. The agenda is used to communicate on key issues of interest and concern to the City's legislative delegation (Attachment A). The issues proposed for inclusion in the 2015 State Legislative Agenda are those preliminarily identified by staff as the most important for the City to pursue during the 2016 session or those that are likely to be pursued by others. In many cases, the proposed policy positions are protective of the City's authority and revenue base. **Staff is seeking direction and any additional input from Council on whether these issues and preliminary positions are the right ones to include in the agenda and, if so, the relative priority.**

**Statement of Policy** – A comprehensive list of legislative positions covering a broad range of issues developed over time. These issues may or may not surface during the legislative session. The Statement of Policy is carried forward each year with changes to remove items that have been resolved or are no longer policy positions of the Council and to add new policies as appropriate. The Statement of Policy has grown over the years to encompass many policy issues. This document is utilized by City staff to provide policy direction as issues are considered by the Legislature. The revised Statement of Policy will be updated following Council adoption of its 2016 Draft Legislative Agenda. Once updated, it will be circulated for Council review and approval on a future consent calendar.

**2016 Legislative Session** – The 2016 session of the state Legislature begins January 11. This year is a short—60-day session. All members of the state House of Representatives and half the members of the State Senate are up for election in November, 2016. The Legislature did its heavy lifting in the 2015 session and approved very important items such as the "Connecting Washington" statewide revenue package which will invest \$3 billion in I-405 and SR 520 projects. In this short session, the Legislature will take up some of the bills that did not pass in 2015 and will work on supplemental operating, transportation and capital budgets—mostly tweaking 2015 budgets.

The Legislature still faces continuing pressure to meet its obligations under the State Supreme Court's *McCleary* decision regarding increased K-12 funding. While this issue may see much discussion, many Legislators have indicated their focus will be on developing a PLAN to address K-12 funding.

**GOVERNOR'S PROPOSED BUDGET**—Governor Jay Inslee released his proposed budget in mid-December. The Governor's proposals are just that – *proposals*. The Legislature will use these proposals as a starting point for its budget discussions in the 2016 legislative session. Also, these budgets are *supplemental*, meaning that they are making adjustments to the 2015-2017 biennial budgets that were adopted during the 2015 session. Some of the highlights from the Governor's proposals include:

**Supplemental Operating Budget.** The most recent revenue forecast shows the Operating Budget increasing by \$245 million; however, the state experienced about \$700 million in increased costs due to unexpected wildfire costs, rising Medicaid caseloads, Department of Corrections community supervision cost increases, and other caseload increases. The Governor's proposal balances the budget with reserves, and makes additional investments in mental health.

The Governor is also proposing raising teacher salaries from the current \$40,000 per year minimum to \$43,000 per year that would be funded in the following ways:

- repealing the use tax exemption for extracted fuel;
- requiring qualified nonresidents to apply for a refund of state sales tax (from the state share of the sales tax, not local sales tax) from the Department of Revenue instead of receiving the exemption at point of sale;
- repealing the sales tax exemption on sales of bottled water;
- limiting the real estate excise tax (REET) foreclosure exemption.

**State-Shared Revenues.** The Governor's budget proposes retaining funding for local governments. The one exception is approximately \$10 million in Public Works Assistance Account loan repayments. These are payments that have come in since the end of the 2015 session, and those repayments have been swept into the state general fund to balance the budget. This policy is consistent with budget that was adopted during the 2015 session, and restoration of funding to the account likely won't occur until the 2017-2019 biennium, if at all.

**Supplemental Capital Budget.** Since the 2015-2017 Capital Budget was enacted, there is an additional \$90 million in revenue available in the Supplemental Capital Budget. The Governor proposes making investments in affordable housing, restoring some funding to the model toxics control account, among other items. The Governor's capital budget proposal does not fund any local or community projects.

**Affordable Housing Investments.** The Supplemental Capital Budget creates a new program within the Department of Commerce called the "Rapid Housing Improvement Program," that would include:

- \$1.5 million to repair and improve existing private market rental units to comply with federal, state, and local standards to allow families using rental assistance programs to access more housing.
- \$1.275 million for a rapid housing acquisition demonstration to develop congregate small unit dwellings, or convert single family dwellings into multifamily units.
- \$1 million in additional funding for the Housing Trust to fund 200 senior units.
- \$100,000 for a study of available housing for veterans experiencing homelessness and the conversion of units to provide permanent supportive housing for geriatric veterans with psychiatric disorders.

**Supplemental Transportation Budget.** The Governor made modest changes to the “Connecting Washington” transportation package that passed the Legislature earlier this year to ensure the efficient delivery of the 16-year package. The funding allocations/phasing for I-405 from Bellevue to Tukwila, the completion of SR 520, and the SR 520/124<sup>th</sup> Interchange are unchanged in the Governor’s proposal. Staff will continue working with WSDOT staff and our legislators to ensure that the funding for the I-405 projects is in synch with other improvements.

**Bike/Pedestrian Funding.** When the Legislature adopted the Connecting Washington transportation package, investments were made in the bike-pedestrian project list that was ordered by tier (tier 1, tier 2, tier 3). Upon implementation, WSDOT learned that many of the projects on the list were in different stages of readiness that did not correlate with the tiered list. The Governor’s proposed supplemental budget recommends a phasing plan for the bike pedestrian project list over the 16-year life of the Connecting Washington package. Specific to Bellevue projects, some changes have been proposed to project funding that better align with the construction schedules, including:

- The Mountains to Sound Greenway project is allocated \$8.4 million in 2019-2021, and \$5.6 million in 2021-2023
- The SR 520 Trail Grade Separation at 40<sup>th</sup> Street is allocated \$2.425 million in 2015-2017, and \$8.275 million in 2017-2019.
- The SR 520 Regional Bike Path & Trail is allocated \$2.8 million in 2015-2017.

**Environmental Investments.** The Governor is proposing investments that would:

- \$113 million is proposed to increase fish barrier removal over the 16 years of the transportation revenue package for a total of \$80 million each biennium to complete court-ordered removal of fish passage barriers.
- \$5 million is proposed over 16 years to install publicly accessible electric vehicle charging stations, and expansion of the sales and use tax exemption for electric vehicles to include the first \$35,000 of the sales price instead of only applying this exemption if the total cost of the vehicle exceeds \$35,000.

## **ALTERNATIVES**

N/A

## **RECOMMENDATION**

N/A

## **ATTACHMENTS**

A. Draft 2016 State Legislative Agenda