

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

State Legislative Update

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POLICY ISSUES

The State Legislature addresses a range of policy issues of interest to the City.

DIRECTION NEEDED FROM COUNCIL

- ☐ Action
- ☐ Discussion
- ☒ Information

Council may wish to provide direction to staff regarding particular legislative proposals.

BACKGROUND/ANALYSIS

January 25 is the beginning of the third week of the state legislative session. The first two weeks included a number of work sessions and bill hearings. We are fast approaching the first cutoff, February 5, which is the last to read bills in committees (except fiscal/transportation committees) in the house of origin. In a short—60-day—session things move very fast. Bills and issues of interest to Bellevue are highlighted below.

General Government

FileLocal Presentations in House Finance and Senate Economic Development Committees. FileLocal is the multi-city business licensing and B&O tax portal which is a joint project of the cities of Bellevue, Seattle, Tacoma and Everett. The portal has had a “soft launch” in Seattle and Tacoma, Bellevue is launching soon and Everett is not far behind. As you will recall, the goal of the single portal is to provide “one stop shopping” for businesses who pay local B&O taxes and obtain business licenses. Jamie Carnell, FileLocal Program Manager with the City of Seattle, provided a status update recently on FileLocal at work sessions in the House Finance Committee and the Senate Economic Development Committee.

The State Department of Revenue and the Association of Washington Business (AWB) also participated in the work sessions, and made comments indicating a desire for a single system. This approach has been opposed by the cities participating in the portal as well as several other cities who impose local B&O taxes. The very reason for the multi-city portal was to ensure that businesses had access to a single on-line filing system for paying taxes whether they pay taxes to one city or several cities. If the Legislature were to decide to change the system so that the only option for paying the local share of the B&O tax was via the state system, cities like Bellevue could lose millions of dollars in tax revenue. Additionally, the state system is not fully operational and will not provide the option for cities to do

audits of businesses to ensure that the amount of local taxes owed is correct. Telling our story on this issue is critical if we are to retain local control of the local share of the B&O tax collections.

Electronic Signatures

HB 2427, sponsored by Representative Larry Springer (D-Kirkland), would give local government agencies to the authority to determine whether, and to what extent, they will send and accept electronic records and signatures. Jurisdictions choosing to accept electronic signatures on documents would have to establish a method for processing such documents and any written advertisement of bids would have to include a uniform resource locator (URL) to the website where the bid is submitted.

Public Records

Rep. Joan McBride has introduced **HB 2576**, introduced by Rep. Joan McBride (D-Kirkland), would: allow local agencies to establish a set number of hours per month, but no fewer than 10 hours per month, to devote to responding to public records requests; establish a Public Records Commission to review public records cases; provide for the cost recovery of commercial records; and establish an account for a future grant program to help local governments manage record archives. This bill is being reviewed by Bellevue staff and has not yet been scheduled for a hearing.

Liquor Revenue Legislation

HB 2438, sponsored by Rep. Terry Nealey (R-Walla Walla), would implement a phased in approach for increasing liquor revenue distributions to local governments. Starting in 2018, an additional \$2.5 million dollars would be distributed and the amount would gradually increase each year until 2023 when \$15 million dollars would be distributed to local governments. Bellevue supports this legislation.

Utility Tax Bill

SB 6115, sponsored by Sen. Maralyn Chase (D-Shoreline), was introduced in the 2015 session. It was not approved, is considered alive in the 2016 session, and is scheduled for a hearing. The bill would prevent cities and water/sewer districts from charging any more than a six percent utility tax on water and sewer service unless the rate is first approved by a majority of the voters in the jurisdiction. Cities exceeding the proposed six percent cap (including Bellevue) would have to roll back their tax rate if it was imposed without voter approval. Bellevue has opposed bills of this nature in the past and will strongly oppose this bill due to its negative impact on City revenues. AWC also opposes this bill and a panel of city officials will testify in opposition to the bill.

Affordable Housing

Last week, there was a work session in the House Finance Committee on the subject of affordable housing. A number of city officials and housing advocates testified on the need for affordable housing. Multiple bills have been introduced to address housing issues. The number of bills will be narrowed down as session progresses, and the following bills are scheduled for hearing:

- **SB 6211**, sponsored by Senator Bruce Dammeier (R-Puyallup), would allow a property tax exemption for property owned by a nonprofit entity for the purpose of building low-income residences. The exemption would apply to any property sold to a low-income household in the last 10 years.

- **SB 6239**, sponsored by Senator Joe Fain (R-Auburn), would provide communities a local option to adopt a property tax exemption program to preserve quality affordable rental housing. In order to receive the exemption, a variety of criteria must be met.
- **HB 2395**, sponsored by Rep. Joan McBride (D-Kirkland), would allow a city to impose a conversion fee when apartment units are converted to condominiums. This bill requires the collected fees to be deposited in an affordable housing fund established by the jurisdiction and used for affordable housing development.
- **HB 2397**, also sponsored by Rep. Joan McBride (D-Kirkland), would authorize a local jurisdiction to impose a demolition fee for a permit issued in the demolition of residential dwellings with the fees to be used to fund affordable housing development.
- **HB 2442**, sponsored by Rep. Sherry Appleton (D-Bainbridge Island), would allow local jurisdiction to create affordable housing incentive zones where property is exempt from 60 percent of property taxes.

K-12 Education Funding

One of the major themes this session is how the Legislature will respond to the Supreme Court's sanctions under the *McCleary* decision to develop a plan to fully fund education by 2018. During the first week of session, a bipartisan group of legislators introduced **HB 2366** and **SB 6195** that would establish an Education Funding Task Force charged with making a series of recommendations on how to adequately fund K-12 education. Both bills are scheduled for a hearing next week. As expected, a number of other education funding-related bills were introduced and are being reviewed by staff.

- **SB 6183**, sponsored by Sen. Rosemary McAuliffe (D-Mountlake Terrace), would lower the maximum levy percentage in graduated steps from 2020 through 2023. Beginning in 2021, levy lids would be reduced by 1 percent per year until 2024 when the lid will be set at 24 percent for non-grandfathered school districts (Bellevue is a grandfathered district). The bill extends the current levy allocation formulas from 2017 through 2020.
- **HB 2361**, sponsored by Rep. Kristine Lytton (D-San Juan County), would delay implementation of three revisions to the school levy cap that were scheduled to change in 2018 and are now scheduled for 2019. The three provisions are: 1) the four percentage point reduction in the levy lid, 2) the elimination of additional calculated amounts from the levy base, and 3) the change in the equalization rate from 14 percent to 12 percent.

Public Safety

Policy Body Camera Legislation

The House Judiciary Committee held a hearing on **HB 2362**, sponsored by Rep. Drew Hansen (D-Poulsbo), regarding police body cameras. At the hearing, nearly 40 people testified in support of the bill, including Rep. Hansen, Taser International, AWC, and multiple cities. The American Civil Liberties Union (ACLU) testified against the bill but did not present an alternative to dealing with the significant number of public records requests that jurisdictions using police body cameras are required to respond to. As currently drafted, this bill would prohibit disclosure of the recordings if contents could be presumed highly offensive, if there is footage of the interior of a residence or medical facility and/or if there is any footage including a minor or depicting nudity. Additionally, any request for the record must

be made by a person directly named or involved in the incident. Staff is reviewing this bill for consistency with the City's legislative policy.

ALTERNATIVES

NA

RECOMMENDATION

NA

ATTACHMENTS

NA