

## **CITY COUNCIL STUDY SESSION ITEM**

### **SUBJECT**

State Legislative Update

### **STAFF CONTACT**

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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**

#### **Action Now Shifts to Opposite Chamber**

February 17 was the cutoff for bills to pass out of their house of origin. House bills that have not passed the House and Senate bills that have not been approved by the Senate are considered technically “dead” for this session. Some bills, those “necessary to implement the budget” (NTIB) are exempt from this cutoff and will continue to be considered as the House and Senate work on respective supplemental budget proposals. The action now shifts to the opposite chamber with the House hearing/acting on bills passed by the Senate and vice versa. With only three weeks left in the session, the pace will quicken even more than the last couple of weeks.

### **General Government/Finance**

#### ***Local Business Tax & Licensing Legislation***

**HB 2959**, sponsored by Rep. Kristine Lytton (D-Anacortes) passed the House with one amendment, on a 94-4 vote. The bill would create a task force that is required to bring forward legislation in 2017 that outlines the following:

- Options to coordinate administration of local business & occupation taxes;
- Options for centralized administration of local business & occupation taxes for those cities and towns that desire to participate in state-provided alternatives;
- Options for all cities and towns to partner with the state business licensing services; and implementing data sharing and establishing a seamless state and local user interface for those cities and towns participating in FileLocal (the multi-city business license and B&O tax portal).

Bellevue, Tacoma and Seattle vigorously opposed the bill in its original form because the direction it takes—legislation that would look at alternatives such as “centralized” administration of the LOCAL share of the B&O tax. Under this structure, the state Department of Revenue would collect the local and

state shares of the B&O tax and that change would result in lost revenue for cities like Bellevue. The state would not invest the time or the resources to conduct audits of businesses (like Bellevue and other cities do) to ensure the accuracy of the payments. In some cases, these audits have amounted to hundreds of thousands of dollars from a single business not paying the amount of tax it legally owes.

An amendment to the bill was approved that would change the makeup of the task force so that the majority of seats would be held by cities (including the AWC). While the change in composition is a good thing, the requirement that the task force bring forward legislation in 2017 is still a sticking point because it may be difficult to agree on legislation that would not harm cities who impose a local B&O tax. The four “no” votes were from Representatives Senn, McBride, Kirby and Sawyer. The Senate will now take up discussion of the bill and we and other cities will need to engage with Senators on the bill to see if it can be favorably amended in that chamber, or at least not made worse by amendments.

### ***Legislation to Restore Liquor Revenue to Cities***

**Senate Bill 6425**, sponsored by Sen. Mike Hewitt (R-Walla Walla), and **HB 2438**, sponsored by Rep. Terry Nealey (R-Walla Walla), both failed to make it out of committee before the February 17 cutoff. However, because the bills are budget-related, they may be considered “necessary to implement the budget” and may be exempt from cutoff deadlines. The bill will implement a phased in approach for increasing liquor revenue distributions to local governments and effectively remove the cap that was put on liquor profit revenues in 2012. Starting in 2018, an additional \$2.5 million in liquor profit revenues would be distributed to cities and counties under the statutory formula. This amount would gradually increase each year until 2023 when a full additional \$15 million dollars would be distributed to local governments, restoring the 50/50 sharing relationship of this revenue stream between the state and local governments. Bellevue is supporting these bills.

### ***Local Preemption of Minimum Wage***

**SB 6578**, sponsored by Sen. Michael Baumgartner (R-Spokane), would prohibits city, town, or port district from regulating wages (including minimum wage), hours of work, employee retention, and leave from employment (including sick and safe leave). The bill does grandfather current ordinances (e.g., Seattle, Tacoma, and SeaTac). This is a preemption of local authority and AWC testified in opposition during the public hearing. The bill is currently in the rules committee and may pass out of the Senate but it is unlikely go to anywhere in the House.

### ***Presumptive Disease Bill***

**HB 2805**, sponsored by Rep. Chris Reykdal (D-Snohomish), requires the Department of Labor and Industries to begin rulemaking to require the reporting of all hazardous exposures suffered by firefighters in the course of employment. AWC opposes this bill because it is an unfunded mandate that requires additional reporting by cities without providing any additional resources. The bill was voted off the House floor 80-17 and will now go to the Senate.

## **Housing**

### ***Funding Request for Men’s Shelter***

The City of Bellevue worked with ARCH to submit a capital funding request for \$2 million to construct a men’s shelter in Bellevue. Last week there were negotiations between Rep. Tharinger (D-Sequim) and Rep. Joan McBride (D-Kirkland) regarding the funding request for this shelter and a women’s shelter in Kirkland. Rep. Tharinger indicated that because of the limited funding available in the Supplemental

Capital Budget, the request for the men's shelter is more viable at \$1.4 million (down from the requested \$2 million). Negotiations will continue as the City seeks funding for this important project.

### ***Affordable Housing***

Of all the affordable housing concepts introduced, only two met the fiscal committee cutoff deadline. **SB 6239**, sponsored by Sen. Joe Fain (R-Auburn), was voted out of Ways & Means and is now on the Senate Floor Calendar waiting for a vote. The companion, **HB 2544**, sponsored by Rep. Noel Frame (D-Seattle), did not make it out of House Finance before the fiscal cutoff. The bill would allow cities or counties to exempt local (not state) property taxes for multi-family properties where 25% of units are rented at rates that are affordable to households with an income up to 50% of the median family income of the area.

Secondly, **SB 6211**, sponsored by Sen. Bruce Dammeier (R-Puyallup), would provide a property tax exemption for property owned by a nonprofit entity to be sold to low-income households. The nonprofit entity must sell at least one residence to a low-income household within 10 years of submitting the application for the exemption. This bill was brought forward by Habitat for Humanity, and is intended provide a property tax exemption on land not yet developed, but that will ultimately be developed for a home for low-income households. The Senate passed (46-3) the proposed substitute version of the bill which modified the tax preference statement to provide more detail on the expiration and extension of the exemption.

### **Public Records**

**HB 2576**, sponsored by Rep. Joan McBride (D-Kirkland), was voted out of the House committee on General Government & Information Technology and is currently waiting for a pull from the Rules Committee for a floor vote. As it currently reads, the bill would allow local agencies to establish a set number of hours, no fewer than ten hours per month, to devote to responding to public records requests and requires establishment of procedures to prioritize requests according to the agencies chosen criteria. It establishes a public records commission to review public records cases when there are disputes between jurisdictions and requestors, and establishes an account for a future grant program to help local governments manage record archives. The amended version does not include the provision for cost recovery of commercial records. We heard this week that negotiations among stakeholders may result in a much slimmer version of the bill that will only include the provision for jurisdictions to limit the number of hours they spend processing requests, will define the term "identifiable record" to exclude requests from bots, and implement a task force. This bill has been determined to be "necessary to implement the budget" and is exempt from the February 17 cutoff.

### **Education**

#### ***Education Task Force***

**SB 6195** and **HB 2366** would establish an Education Funding Task Force comprised of the same legislators that served on the Governor's bipartisan task force. In addition to establishing the task force, the bills appropriate \$500,000 for independent consulting services to help the Legislature identify the amount of funds needed to fulfill the state's paramount duty to fund K-12 education. Additionally, the bill requires the legislature take action by the end of the 2017 session to eliminate school districts dependency on local levies. The House version of the bill passed out of the House last week and is scheduled for a public hearing in the Senate Committee on Early Learning & K-12 Education next week. The Senate version is in the Senate Rules Committee.

## **Economic Development/ Parks**

### ***Washington Wildlife and Recreation Program***

Last session the legislature directed the recreation and conservation office (RCO) to review and make recommendations for changes to the Washington wildlife and recreation program. As a result of that study, the RCO proposed changes and **HB 2509**, sponsored by Rep. Steve Tharinger (D-Sequim), and **SB 6227**, sponsored by Sen. Jim Honeyford (R-Sunnyside), would implement those recommendations. These bills appropriate RCO grant money into three separate accounts and allow nonprofit nature conservancies to apply for RCO grants. The House version is currently in the Rules Committee. The Senate passed (46-0) the substitute version of bill and in its current form, the bill would shift allocations among the WWRP accounts as well as within the Habitat Conservation Account and the Outdoor Recreation Account. The bill modifies a portion of the current WWRP account structure and modifies allowable costs and management requirements under the WWRP. **SB 6227** has been referred to the House Capital Budget Committee and is scheduled for a public hearing next week.

## **Stormwater**

### ***Model Toxic Control Account Fix***

**SB 6570**, sponsored by Sen. Doug Ericksen (R-Ferndale), would establish a policy that prioritizes the cleanup of toxic sites and postpones the award of other projects, including grants and loans for stormwater projects. Awards of grants and loans to lesser priority programs would resume upon restoration of revenue to the state toxics control account, local toxics control account, and environmental legacy stewardship account. The proposed substitute of the bill passed out of committee along party lines. The substitute bill suspends allocations for Public Participation Grants, reduces funding for the Waste to Resources program, and reduces funding by 50% for toxic diesel emissions and toxic woodstove emissions. The bill also shifts \$2.4 million of MTCA costs in the Water Quality Program to the Water Quality Permit Account and \$700,000 of MTCA costs in the Air Quality Program to the Air Pollution Control Account. Because of the impact this bill has on the budget, it is considered "Necessary to Implement the Budget," and is exempt from the cutoff deadlines. This legislation would reduce grant funding for some Bellevue Utilities Department projects.

## **Transportation**

### ***King County "Orphan Roads" Legislation***

**SB 6314**, sponsored by Sen. Joe Fain (R-Auburn), was brought forward by the King County Roads & Bridges Task Force. The bill states that the ownership of roads located in King County can be transferred to a city or town if the county takes legislative action to transfer a road that meets the following criteria: 1) the road is within a city or town, or abuts the boundary of a city or town on both sides; 2) the road has no connection to the county road system; and 3) the road is not on the border of a county. The House version of the legislation House Bill 2590, sponsored by Rep. Luis Moscoso, is drafted to apply *statewide* rather than only applying to King County. The House Bill passed out of committee with an amendment that would remove Section 4, the part that allows county roads to be legislatively transferred to cities. With this amendment, the transfer of ownership of roads would be a local option. Both bills are now in their respective Rules Committees. Bellevue does not have any of these "orphan roads" within its borders. However, the recommendations of the King County Roads & Bridges Task Force will be the subject of additional discussions between King County and its cities and Bellevue will be invited to the table to be part of that conversation in the near future.

## **Public Safety**

### ***Police Body Camera Legislation***

Local governments and law enforcement advocated for fix to the public records act, and possibly some additional restrictions on how the policy body cameras are used. **HB 2362**, sponsored by Rep. Drew Hansen (D-Kitsap County), would prohibit disclosure of the recordings if the contents could be presumed highly offensive, if there is footage of the interior of a residence or medical facility and if there is any footage including nudity or a minor. Additionally, any request for the record must be made by a person directly named or involved in the incident. This bill passed out of committee and will need to be pulled from the Rules committee for a floor vote in order to progress. The sponsor of the bill is continuing to work with stakeholders to amend the bill to gain enough support for pass off the House floor. Speaker Chopp (D-Seattle) convened a stakeholder meeting last week to work on amendments. There are a number of factions on this issue and they seem to be moving in different directions, we expect to see a floor amendment as a result. The bill was pulled from the Rules Committee and may be voted on soon.

### **ALTERNATIVES**

NA

### **RECOMMENDATION**

NA

### **ATTACHMENT(S)**

NA