

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

At the November general election, all of the seats in the state House of Representatives, one-half of the seats in the state Senate and many statewide offices will be on the ballot. The statewide offices include Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Insurance Commissioner, Superintendent of Public Instruction, and Lands Commissioner. Control of the House and Senate make this election a high stakes one for both political parties. In addition to the election cycle, it is also a very hectic time with many state legislative committees, work groups and studies going on during the months between now and the beginning of the 2017 legislative session. The report below outlines recent activities.

Initiatives for the November Ballot

July 8 was the deadline for signatures on initiative petitions to be submitted to the Secretary of State's office in order to qualify for the November ballot. Each initiative was required to submit at least 246,372 signatures of registered state voters, though the Secretary of State's office recommended groups submit at least 325,000 to allow for invalid signatures. Four separate initiative campaigns submitted the required number of signatures before the deadline. The State Elections Division will validate a sample of the signatures to ensure there are no duplicates and all signatures are from a registered Washington voter. Given the high numbers of signatures submitted by each initiative campaign, it is likely that the following four initiatives will appear on the November ballot:

- **Initiative 1433** would raise the state's minimum wage incrementally over the next four years, topping out at \$13.50 per hour in 2020.
- **Initiative 1464** would establish a state-funded campaign finance program.
- **Initiative 1491** would allow police, family, or household members to obtain court orders temporarily preventing firearms access by a person exhibiting mental illness or violent behavior.
- **Initiative 1501** would increase penalties for criminal identity theft and consumer fraud targeting seniors and vulnerable individuals.

Additionally, there are two initiatives that were submitted to the Legislature that were not acted upon by the Legislature during the 2016 session. State law mandates that if the Legislature does not adopt an initiative, then it is referred to the people during a general election. These include Initiative 732 which would impose a carbon tax on fossil fuels; and Initiative 735 that urges amendments the U.S. Constitution to limit contributions to election campaigns.

K-12 Education Funding Task Force

Senate Bill 6195, approved by the 2016 Legislature, established a task force to make recommendations to the 2017 Legislature on implementing a plan to fund basic K-12 education in response to the State Supreme Court's *McCleary* decision. Task force members include: Senators Andy Billig, John Braun, Ann Rivers, and Christine Rolfes, and Representatives Kristine Lytton, Chad Magendanz, Norma Smith, and Pat Sullivan. The Governor's office is represented by Matt Steuerwant, Executive Director of Policy.

The Education Funding Task Force has been meeting monthly over the interim. One of the struggles the group faces is determining how much revenue is needed to fully fund K-12 education. The task force began by gathering information about what percentage of teacher salaries and other support positions are funded through the state allocation and what is funded by other means, such as local levies and what constitutes an equitable salary/benefit package for teachers, administrators and classified staff.

The Washington State constitution states that it is the state's "paramount duty to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex". Although this statement was defined in a 1978 court ruling to include various programs that are currently incorporated into the public curriculum, the Legislature recently indicated its intent to redefine "basic education," "ample," "all," and "paramount." Some argue current definitions invite ambiguity as to how much funding is considered ample, what programs must be incorporated and to whom this standard applies. The task force intends to outline which programs are required for a "basic education," the amount of funding that should be allocated for staffing levels and compensation, and what the expected outcome for students must be to indicate a functioning education system.

Surveys conducted by Office of the Superintendent of Public Instruction (OSPI) have indicated that the healthcare compensation package for teachers is not equitable, in that it does not provide affordable healthcare for individual employees and their families. At task force meetings in June and July information was presented that said the funding allocated from the state does not meet the actual spending of schools, leaving districts hundreds of thousands of dollars in deficit, which some districts make up by voter-approved local levies. School districts with high assessed value properties are more likely to pass levies to address these gaps, which leads to significant disparities among school district funding levels across the state. These deficiencies have been noted in salaries, benefits and sufficient staffing levels for teachers, classified staff and administrators, along with materials, supplies and other costs (referred to as MSOCs), utilities and in the effort to meet recent class size standards.

The next meeting of the task force has not yet been scheduled. [An online portal on the committee's website](#) is available to gather public feedback and recommendations with a July 31 comment deadline. **Department of Revenue (DOR) Task Force on Local Business & Occupation (B&O) Tax & Business Licensing**

The 2016 Legislature passed House Bill 2959, which established a task force comprised of city and business representatives to discuss local B&O taxes and business licenses. The task force has met three times. City representatives on the task force are Peter King, AWC; Andy Cherullo, Tacoma Finance

Director; Glen Lee, FileLocal/Seattle Finance Director; and Kim Krause, Burien Finance Director. The business representatives are Eric Lohnes and Ron Bueing from the Association of Washington Business (AWB); Patrick Conner from the National Federation of Independent Businesses (NFIB); and Mark Johnson from Washington Retail Association.

The task force is discussing potential changes to business licensing. While the task force has not reached agreement on any specific proposals around business licensing, some of the concepts being discussed include:

- Providing incentives and/or requiring cities to utilize either FileLocal (the on-line portal developed by the cities of Seattle, Bellevue, Tacoma and Everett) OR the DOR's ATLAS system for business licensing;
- Establishing a statewide minimum amount/level of business activity before a business is required to get a business license;
- Providing a robust information site (potentially BizHub) where businesses can get information about each city's business licensing and business tax system;
- Establishing statutory "safe harbors" that protect businesses liability if they take sufficient effort to comply with tax law.

In addition to further discussing these concepts around business licensing, the task force has been briefed on state/local nexus for business licensing and B&O taxes and is scheduled to discuss B&O tax apportionment in future meetings. The task force met on July 19, and has meetings scheduled for Wednesday, August 10 and Tuesday, August 23. Meetings of the task force are not public meetings and there is no online information about meetings/discussions. City staff are attending these meetings and working closely with other cities to ensure city interests and revenue are secure.

Pension Merger Study

During the 2016 session, a proposal was introduced to merge the Law Enforcement Officers and Fire Fighters Pension System 1 (LEOFF 1) with the Teachers Retirement Pension System 1 (TERS 1). While this merger was not approved by the Legislature, the Select Committee on Pension Policy (SCPP) and the LEOFF 2 Board were tasked with studying the merger over the interim. The SCPP is gathering stakeholder input to identify the questions, issues and concerns to be analyzed over the remaining months before the beginning of the 2017 session. There are two avenues to submit feedback using the following links: an [email to the SCPP](#) or the [completion of a survey](#).

Infrastructure Funding

Washington Waters Steering Committee. In 2015, the Legislature began discussing a statewide water funding initiative that was intended to address the issue of water storage in the Yakima area and the flooding problems along I-5 in the Centralia/Chehalis area of the state. Sen. Jim Honeyford (R-Yakima) introduced Senate Bill 5628, which would have imposed a statewide per-parcel fee to fund stormwater, water supply, and flood mitigation projects. While there was significant opposition to this proposal, the need to identify a funding source for water infrastructure projects statewide was recognized.

A stakeholder group is now meeting to restart conversations regarding a potential large water bond proposal. The stakeholder group has established two subgroups: one subgroup is focused on the development of draft bill language for consideration in the 2017 session and possibly submitted to

statewide voters at the November 2017 election; the other subgroup is developing a public outreach program. The next meeting of the stakeholders group is scheduled for Thursday, July 22.

Public Works Trust Fund/Public Works Assistance Account 2.0. While the Governor vetoed the budget language that would have “swept” the Public Works Trust Fund Account for the 2017-2019 biennium, there is much work to do to gain legislative support for the program prior to next session. The AWC has convened a stakeholder group that has met several times over the interim to develop a new vision and proposal for the Public Works Trust Fund 2.0.

Meanwhile, the Public Works Board established grant criteria, has alerted public agencies and is accepting applications for 2017 grants and loans. The Public Works Board is encouraging jurisdictions to apply for grants/loans as a way to demonstrate to the Legislature that there is a high demand and great need for local infrastructure funding. Applications are due August 18. Applications that meet the criteria would receive funding if the Legislature takes action in 2017 to fund the account.

Federal Transportation Funding under the FAST Act. The Federal FAST Act that passed Congress last December allocates a significant amount of funding to the state. Decisions on how to distribute these funds are made at the state level. Governor Jay Inslee has convened a group of stakeholders to discuss the most appropriate distribution formula. The current formula (across multiple programs) allocates 34% to local transportation needs, and 66% to state highways. Redmond Mayor John Marchione is representing city interests in the stakeholder meetings. The stakeholder group has met multiple times, most recently on July 11. One of the main goals of the stakeholder group is to ensure that any decision made regarding the distribution of funding does not negatively impact the Connecting Washington transportation package approved by the Legislature in 2015. The group is meeting on July 20 (at the time this update is being written), and stakeholders representing local government interests will introduce a proposal on how to allocate more funding at the local level while simultaneously keeping the Connecting Washington (passed by the Legislature in 2015) transportation package intact.

Use of Deadly Force in Community Policing

This past session the Legislature passed House Bill 2908, which formed a task force to address the use of deadly force in community policing. The task force is responsible for:

- Reviewing law, practices, and training programs regarding the use of deadly force in Washington state and other states;
- Reviewing current policies, practices, and tools used by and/or are available to law enforcement as an alternative to lethal uses of force, including Tasers and other nonlethal weapons; and
- Providing recommendation on best practices to reduce the number of violent interactions between law enforcement officers and members of the public.

The Task Force held its first meeting on June 28. [Click here to view the list of task force members.](#) At the initial meeting, the Task Force selected co-chairs of the committee: Senator Kirk Pearson (R-Monroe) and Rep. Roger Goodman (D-Kirkland). The Task Force has reviewed the existing federal common law, and state statute regarding use of deadly force. The next meeting of the group is Tuesday, July 26 at 9:00 am at the Criminal Justice Training Commission Office located in Burien.

Police Body Camera Legislation

The 2016 Legislature passed legislation that established temporary public records disclosure exemptions for jurisdictions currently using police body cameras. To develop more permanent regulations, the legislation calls for an interim task force. [Click here to view the list of task force members.](#) The interim task force is scheduled to meet for the first time on August 3 at 1:00 pm in the John L. O'Brien Building in Olympia.

Affordable Housing

There is ongoing momentum for the state to provide more funding for affordable housing and solutions to homelessness. One of the current revenue sources available for these services is a \$58 document recording fee that is collected and used by counties. \$30 of the \$58 fee is scheduled to expire in June 2019. Conversations are beginning *now* regarding legislation for the 2017 legislative session to extend the \$30 beyond the 2019 deadline, and to potentially increase the overall fee.

On July 20, a stakeholder group is meeting that includes the Washington Low Income Housing Alliance, the Association of Washington Cities, the state Department of Commerce, the Washington State Community Action Partnership, and the Washington State Association of Counties. The goal is to develop a legislative proposal and information that can be used to convey the need for continuation of this funding source.

Staff will continue attending meetings of these interim committees and work groups to monitor activities and proposals that are under development for consideration in the 2017 session. Staff will provide updates for Council as appropriate.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENT(S)

N/A