

## 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.

#### **ACTION**



#### **DIRECTION**



#### **INFORMATION ONLY**



No formal action is required; this is an informational briefing. Council may wish to provide direction to staff regarding particular legislative proposals.

### **BACKGROUND/ANALYSIS**

#### **August 7 Primary Election Results to Set Ballot for November General Election**

Once the ballots are counted in tomorrow's Primary, the two candidates receiving the most votes will face each other in the November 6 General Election. The end of the year marks the expiration of the terms of all members of the State House of Representatives and half of the members of the State Senate.

The outcome of the elections will impact the composition of the State Legislature. Democrats hold a 50-48 majority in the House and Senate Democrats have a 25-23 margin, with one Independent who aligns with the Republicans. Following a spate of "retirements" from the Legislature, there are 16 districts with no incumbent running for reelection.

#### **Three Statewide Initiatives Submitted to Secretary of State for Signature Verification**

In addition to legislative races, there are several Initiatives to the People that will be included on the November ballot. To be certified for the General Election ballot, petitions containing the signatures of 259,622 registered voters needed to be filed with the Secretary of State July 6. One measure has been certified for the ballot and two others are awaiting certification. A summary of the three ballot measures is included below.

**Initiative 1639—Gun Violence Prevention:** has been certified for the November ballot. This measure would require enhanced background checks, firearm training, and waiting periods before semi-automatic assault rifles may be purchased or delivered. It would impose age limitation on who may purchase or possess certain firearms, including prohibiting firearm purchases by persons under 21 years of age (18 years of age is the current standard). It would require secured firearm storage or trigger-locks and would criminalize certain firearm storage resulting in authorized use. It would enact other firearm-related requirements, including certain warnings, recordkeeping and fees.

**Initiative 1634—Taxation of Groceries:** This measure is awaiting certification and would prohibit new or increased **local** taxes, fees, or assessments on raw or processed foods, beverages or their ingredients, intended for human consumption except alcoholic beverages, marijuana products, and tobacco, unless they are generally applicable and meet specified requirements. Collection of **local** sales and use taxes, and of taxes, fees, and assessments on such raw or processed foods or ingredients thereof, that were in effect on January 15, 2018, may continue. The proposed Initiative does not prevent the state from imposing a soda tax and it grandfathers in existing local soda taxes, such as the one imposed by Seattle earlier this year.

**Initiative 1631—Clean Air Clean Energy:** This measure is awaiting certification and would enact a carbon emissions fee of \$15 per metric ton of carbon beginning January 1, 2020. The fee would increase by \$2 per metric ton each year until the state’s greenhouse gas reductions of 2035 are met and the 2050 goals were on track to be met. Revenue from the fee would go into two funds: (1) a fund for air quality and energy programs and projects, and (2) a fund for water quality and forest health projects. A public board would supervise the allocation of revenues from fees collected under the initiative. Seventy percent of the revenue raised by the fee would be invested in clean energy projects, including renewable energy investments, energy efficiency, reduced carbon emissions, and public transit. The remaining thirty percent would be allocated to preserving clean water and forests, and healthy community proposals.

### **Joint Transportation Committee Meeting**

The Joint Transportation Committee, a legislative committee comprised of the members of the House and Senate Transportation Committee, held its most recent meeting in Yakima in conjunction with the Association of Washington Cities’ Annual Conference. The Committee heard presentations from cities regarding transportation funding needs. The cities of Yakima, Lake Forest Park, and Covington each provided a 15-minute presentation. The presentations focused on the lack of maintenance and operation funding available for maintaining city-owned streets, and the impact that congested or otherwise inadequate state routes have on a community.

The 2018 Legislature directed the Joint Transportation Committee to conduct a study to assess the current state of city transportation funding, identify emerging issues, and recommend funding sources to meet current and future needs. The Joint Transportation Committee recently issued an RFP to identify a consultant to complete the study.

During a discussion at the AWC Conference, Senate Transportation Chair, Senator Steve Hobbs (D-Lake Stevens), and Ranking Member, Senator Curtis King (R-Yakima), shared their perspective on several transportation issues emerging for discussion during the 2019 legislative session.

Senators Hobbs and King both expressed concern regarding declining gas tax revenues and growing transportation needs. As vehicles become more fuel efficient and using alternative fuel sources, gas tax revenues will continue to decline. Each Senator noted that the state needs to identify additional funding and funding sources for the maintenance and operation of state transportation facilities, as well as investing in some key transportation projects including the US 2 Trestle in Snohomish County, the I-5 Crossing over the Columbia River, the Highway 18/I-90 Interchange as well as other projects.

Senator Hobbs said that in order to meet these needs in the short term, he intends to introduce a “mini transportation package” in the 2019 legislative session. However, he was uncertain of the level of support he would have among Senate colleagues for such a proposal. In addition, the Washington State

Transportation Commission is conducting a pilot program on the Road Usage Charge (RUC) to determine its viability as a future funding source.

Both Senators noted the need to identify funding to repair and/or replace culverts in response to a recent decision by the State Supreme Court decision finding the state's culverts are violating tribal treaty rights and are barriers to fish passage. Senator Hobbs indicated that he would like to see a watershed-based funding approach that would repair and/or replace culverts, as well as exploring options to streamline design, bidding, and contracting of culvert projects.

On the topic of autonomous vehicles, Senator Hobbs expressed concerns over safety and suggested that he may have interest in proposing a moratorium on the use of autonomous vehicles until better safety measures are implemented. He indicated that he would wait to see the outcome and recommendations from the Autonomous Vehicle Workgroup that was established in the 2018 legislative session before making any decisions on this issue.

### **Autonomous Vehicle Workgroup**

Earlier this year the State Legislature approved House Bill 2970, sponsored by Representative Zack Hudgins (D-Seattle), that directed the Washington State Transportation Commission to convene a work group to develop policy recommendations to address the operation of autonomous vehicles on public roadways in the state. The first meeting of the Executive Committee was held in late June. At the meeting, the Work Group established five subcommittees, in addition to the Executive Committee. The subcommittees will focus on licensing, liability, infrastructure and systems, safety, and system technology/data security. Cities and counties are represented on each subcommittee.

The Executive Committee includes the following individuals:

- Senator Curtis King
- Senator Manka Dhingra
- One Senate Democrat – TBD
- One Senate Republican – TBD
- Representative Zack Hudgins
- Representative Shelley Kloba
- Representative Matt Shea
- Representative Mark Harmsworth
- Jerry Litt, Commissioner & Chair of the Washington State Transportation Commissioner
- John Batiste, Chief of the Washington State Patrol
- Mike Kreidler, State Insurance Commissioner
- Pat Kohler, Director of the Department of Licensing
- Roger Miller, Secretary of Transportation
- Charles Knutson, Senior Policy Advisor to the Governor
- Darrin Grondel, Executive Director of the State Traffic Safety Commission
- Alex Alben, Chief Policy Officer for the Office of the State Chief Information Officer

The Executive Committee agreed that any recommendations to the Legislature would require a 2/3 majority approval from the Executive Committee; however, all recommendations would be included in the report to the Legislature as a minority report. Also, at the June meeting, the Executive Committee received three different presentations: 1) An Overview of National Trends and Developments on

Autonomous Vehicles; 2) The American Association of Motor Vehicle Administrators (AAMVA) Guidelines for the Safe Testing and Deployment of Autonomous Vehicles; and 3) State Agency Review of Autonomous Vehicle Activities.

The next Executive Committee meeting is Wednesday, October 24 from 1:00-5:00 PM in Olympia. Staff will be participating in meetings and will keep Council apprised on the activities of this work group.

### **Affordable Housing Legislation Likely to be Reintroduced in 2019**

Representative Nicole Macri (D-Seattle) has indicated her intent to reintroduce legislation similar to House Bill 2437, which was considered by the 2018 legislative session but failed to pass.

In the latest version of House Bill 2437, counties would be authorized to impose a local sales and use tax credit of up to .03 percent against the **state** share of the sales tax to fund affordable and supportive housing. The sales and use tax credit would not increase the sales and use tax for consumers and would not change the overall retail sales or use tax rate. Once imposed, the sales and use tax credit would be in place for 20 years. If a county fails to impose the sales tax credit by July 1, 2020, cities within the county would have the opportunity to impose the tax.

The bill would require a jurisdiction imposing the tax to provide a local match. If the full .03 sales tax credit were imposed, the local match would be 35% of the total sales and use tax credit revenue collected within a calendar year. The revenue could be used for any of the following: (1) acquiring, rehabilitating, or constructing affordable housing, including new units within an existing structure; (2) operating and maintenance costs of new units of affordable or supportive housing; and/or (3) rental assistance to tenants. Jurisdictions would be authorized to enter into interlocal agreements in expending the funds. During the discussion of this bill in the 2018 session, Bellevue and other cities advocated for a provision that would require King County to equitably distribute the funds and produce an annual report on the geographic distribution of the funds. Stakeholders are meeting with Representative Macri to discuss details of the legislation.

Additionally, on the topic of affordable housing, state Department of Commerce Director Brian Bonlender has indicated that the Department intends to advance agency-request legislation in the 2019 session. The Department is evaluating several proposals, including: reforming liability laws around condominium construction; expanding the multifamily tax exemption program; providing affordable housing planning grants; providing backfill funding for impact fee waivers; authorizing a sales tax remittance for local government to construct affordable housing; streamlining the permitting/approval process for affordable housing; and possibly mandating densities in urban growth areas (which would be of concern to cities as it relates to local control. City staff are tracking these proposals and will continue to emphasize providing incentives for developing affordable housing and preserving local control.

### **Local Business and Occupation Tax Apportionment Group Recommendations Due October 2018**

During the 2017 session, the State Legislature passed House Bill 2005, sponsored by Representative Kristine Lytton (D-Anacortes). The bill directed the Department of Revenue to convene a Local Business and Occupation (B&O) Tax Apportionment Task Force (Task Force) to recommend changes to the simplify the two-factor municipal business and occupation tax apportionment formula. The Task Force includes three representatives selected by the Association of Washington Cities and three representatives selected by the Association of Washington Business.

The Task Force must present its recommendations to the Legislature by October 31. It is likely that these recommendations will include some proposed changes to how the local share of the B&O is apportioned. City representatives on the task force are working to ensure that any recommended changes are revenue neutral. The next Task Force meeting on August 15, and city and business representatives will be providing recommendations on potential changes to the apportionment formula. Regardless of what is proposed in the final recommendations, it is anticipated that the business community will request statutory changes to the apportionment formula that could have significant negative impacts on city revenue.

**ALTERNATIVES**

N/A

**RECOMMENDATION**

N/A

**ATTACHMENT(S)**

N/A