

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

State Legislative Update

STAFF CONTACTS

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POLICY ISSUES

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

ACTION

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DIRECTION

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INFORMATION ONLY

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No formal action is required; this is an informational briefing.

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

BACKGROUND/ANALYSIS

As you will recall, the Legislature adjourned in July without adopting a capital budget and without passing legislation to deal with the impacts of the State Supreme Court's decision in the *Hirst* case. This decision requires jurisdictions to ensure water availability prior to issuing a building permit. Because no agreement was reached prior to adjournment on *Hirst*, there were not enough votes to pass the capital budget. A small group of legislators have continued to meet to develop an agreement that could end the stalemate and be enacted into law to deal with issues raised by the *Hirst* decision.

Potential Special Session Later This Year

Legislative leaders and Governor Jay Inslee are discussing the possibility of a special session of the State Legislature in November or December this year. Adopting a capital budget and agreement on *Hirst* would be the focus of a special session. Governor Inslee has indicated that he is not willing to call a special session until there is agreement on these issues and some indication that the Legislature would act to resolve the issues.

November Election Critical to Control of State Senate

There are eight seats in the State Legislature up for election in November. Notable among these is the race to fill the vacant Senate seat in the 5th Legislative District. Control of the State Senate will be determined by the results in this contest. If Democrat Manka Dhingra wins the seat, the Democrats will control the Senate; if Republican Jinyoung Lee Englund wins the seat, the Republicans will retain control of the State Senate.

State Supreme Court to Review Legislature's Progress on *McCleary* K-12 Funding

On October 24, the State Supreme Court will hear oral testimony on "whether the State has met its constitutional duty to fully fund K-12 education". This follows the Court order from October 2016 directing the Legislature to "adopt a complete legislative plan demonstrating how it will fully comply" with the state Constitution's paramount duty clause. Many legislators believe that actions taken by the Legislature have increased sufficiently to comply with the Court order. Since the Court's original ruling

in 2012, state funding for K-12 has increased from \$13.4 billion in the 2011-2013 biennium to \$22 billion in the 2017-2019 biennium.

State Revenue Forecast

Washington's projected general fund revenue collections for the 2017-2019 state operating budget have increased by approximately \$288 million. As the Legislature develops its 2018 supplemental budget, it can appropriate this additional revenue. The total size of the 2017-2019 operating budget is \$44 billion.

2018 Supplemental Budget Development Underway

During the 2018 session, the Legislature will adopt supplemental operating and transportation budgets, and a capital budget. The Governor's Office will initiate the budget process by releasing his proposed versions of these budgets in December. State agencies have begun submitting budget requests to the Governor's Office for consideration.

Small Cell Wireless Facilities

While the 2017 Legislature did not pass proposals that would preempt city authority to regulate and site small cell network facilities, ongoing discussions suggest that legislation is likely to be proposed in 2018. The Association of Washington Cities (AWC) is working to provide information about the importance of appropriate siting, installation and operation of these facilities, appropriate permit and inspection of these facilities to ensure public safety, and the importance of cities maintaining the authority/local control of facilities within its rights of way—which are valuable and critical assets.

Update on Task Force on Business Licensing and Local B&O Tax Apportionment

Engrossed House Bill 2005, sponsored by Representative Kristine Lytton (D-Anacortes) directed two interim work group efforts related to the local business licensing requirements and apportionment of local business and occupation (B&O) taxes.

The bill requires cities to work with the Association of Washington Cities (AWC) to develop a model business license threshold by July 2018 for consideration/adoption by January 2019 by all cities that require a business license. The AWC is developing a model license threshold and has convened a work group of business license managers to research current business thresholds and make recommendations for consideration by AWC members.

The bill also directs the state Department of Revenue (DOR) to convene a task force on the apportionment of B&O taxes. The task force will recommend changes to the formula for service income apportionment for local B&O taxes. Specifically, the task force is directed to prepare a report to the Legislature recommending changes to RCW 35.102.130 and related sections, as needed, to develop a method for assigning gross receipts to a local jurisdiction using a market-based model.

The task force is to focus on methods that rely on information typically available in commercial transaction receipts and captured by common business recordkeeping systems. The task force members include three business representatives and three city representatives. The task force has met three times and reviewed different types of market-based models used throughout the country. At the next meeting, the task force will discuss potential changes to the customer location element of the apportionment formula. City representatives continue to stress that any changes to the current apportionment model must be revenue neutral to cities. Recommendations are due October 31, 2018.

I-405 Tolling Authorization/Reauthorization

The 2018 legislature is expected to discuss reauthorizing tolling on the northern section of I-405 from Bellevue to Lynnwood, as well as authorization for tolling on the southern section of I-405 from Renton to Bellevue.

For the reauthorization of tolling on the northern section of I-405, the Legislature established two performance measures in RCW 47.56.880: (1) the express toll lanes maintain speeds of forty-five miles per hour at least 90% of the time in peak periods; and (2) the express toll lanes must generate sufficient revenue to pay for all I-405 express toll lane-related expenses. The authorizing legislation states that if the toll lanes fail to meet both standards, they will be closed as soon as practicable.

The Washington State Department of Transportation reports that the express toll lanes have generated \$38.6 million in total revenue. Operations costs have been \$13.6 million leaving \$25 million for reinvestment in the corridor. As for the speeds in the express toll lanes, between April and September 2017, express toll lane speeds moved 45 mph or faster more than 90% of the time in peak periods in all directions except southbound Lynnwood to Bothell. From Lynnwood to Bothell where there is one toll lane each direction, toll lane speeds moved 45 mph or faster 94% of the time in peak periods northbound, and 63% southbound. From Bothell to Bellevue where there are two toll lanes in each direction, toll lane speeds moved 45 mph or faster 96% of the time in peak periods southbound, and 94% northbound. When all sections of the corridor are taken into consideration, express toll lane speeds moved 45 mph or faster 85% of the time in peak period.

The Legislature's Joint Transportation Committee has contract with the University of Minnesota to independently analyze and assess traffic data for the I-405 tolled corridor, including the performance measures described in statute, and to recommend strategies for near-term and long-term improvement of traffic performance in the corridor.

The Washington State Department of Transportation is in the process of determining how best to proceed in securing authorization for tolling on the Renton to Bellevue section of the I-405 corridor. In order for the project to remain on schedule, the Legislature needs to authorize tolling in the 2018 legislative session. It is also anticipated that legislation will be introduced in the 2018 legislative session that will convert the current toll lanes into general purpose lanes. Council will receive an update on the toll lanes from WSDOT staff in November.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENT(S)

N/A