

## CITY COUNCIL STUDY SESSION ITEM

### **SUBJECT**

State Legislative Update

### **STAFF CONTACT**

Joyce Nichols, Intergovernmental Relations Director, 452-4225  
*City Manager's Office*

### **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**

#### **November Election Results**

The outcome of the November election to fill the vacant senate seat in the 45<sup>th</sup> District shifted the political climate for the 2018 state legislature. The election of Manka Dhingra, a Democrat in the 45<sup>th</sup> Legislative District, flipped the 26-25 majority in the Senate from Republican to Democrat control. Once Senator-elect Dhingra is in office, the divided government which has existed since 2013 at the state level will be replaced with Democrats holding a narrow majority in both the House and Senate as well as the Governor's office. The narrow majorities have produced much speculation but little certainty about how the 2018 session will unfold.

The 2018 session will begin on Monday, January 8 in Olympia. It is a "short", 60-day session during which with the shift in party control of the senate will bring in new committee chairs, new leadership and possible restructured committees. Efforts will also focus on passing a stalled capital budget that funds critical local projects. It is unclear as to whether the Senate Republicans will continue to link passage of the capital budget to resolution of a contentious water rights issue (the *Hirst* case, which is discussed later in this report).

A Democratic majority in the Senate will likely provide more discussion and consideration of ways to better address the deepening affordable housing, homeless and chemical dependency crises facing many local communities. These problems are increasingly recognized by both sides of the political aisle and it is important that the state support local efforts to address these challenges.

Governor Jay Inslee also is likely to continue to press his priority issues that have been stalled in the last several years, including proposals to tax carbon and possible consideration of new revenue sources such as a capital gains tax.

The State Supreme Court also had more to say on the Legislature's handling of K-12 school funding in the *McCleary* decision. The Court recently directed the Legislature to provide an additional \$1 billion to meet its constitutional mandate to adequately fund K-12 education (more information is included on this item later in this update). The Legislature may revisit the funding package passed earlier this year regardless of the Court's direction. Anytime legislators need to find additional funds/revenue to address priorities, local governments and other entities who depend on state-shared revenues are vulnerable to cuts or diversions.

### **New Senate Leadership and Committee Chairs**

To prepare for the 2018 legislative session, the Legislature convened in Olympia for Committee Assembly Days the week of November 13. During this week, the Senate Democrats selected new leadership, committee chairs and members for Senate committees. Below is an outline of the Senate Democrat's selections. The Senate Republicans have yet to revised committee assignments; however, it is anticipated that Republicans will make relatively few changes, with most of their members becoming the ranking member (i.e. lead member of the party in the minority) of the committees they previously chaired. Senator Lisa Wellman (D-41<sup>st</sup>) and Senator Patty Kuderer (D-48<sup>th</sup>) are now in positions in Senate leadership and will serve as committee chairs as noted in the lists below.

#### **Senate Democratic Leadership**

- Majority Leader – Senator Sharon Nelson
- Deputy Majority Leader – Senator Andy Billig
- Caucus Chair – Senator John McCoy
- Vice Caucus Chair – Senator Lisa Wellman
- Floor Leader – Senator Marko Liias
- Assistant Floor Leader – Senator Patty Kuderer
- Whip: Senator Rebecca Saldana
- Assistant Whip: Senator Mark Mullet
- President Pro Temp: Senator Karen Keiser
- Vice President Pro Temp: Senator Steve Conway

#### **Senate Committee Leadership**

- Agriculture, Water, Natural Resources & Parks – Sen. Kevin Van De Wege (Chair); Sen. John McCoy (vice chair)
- Economic Development & Trade – Sen. Maralyn Chase (Chair); Sen. Dean Takko (vice chair)
- Early Learning & K12 Education – Sen. Lisa Wellman (Chair); Sen. Christine Rolfes (vice chair)
- Energy, Environment & Technology – Sen. Reuven Carlyle (Chair); Sen. Guy Palumbo (vice chair)
- Financial Institutions & Insurance – Sen. Mark Mullet (Chair); Sen. Bob Hasegawa (vice chair)
- Health & Long-Term Care – Sen. Annette Cleveland (Chair); Sen. Patty Kuderer (vice chair)
- Higher Education & Workforce Development – Sen. Kevin Ranker (Chair); Sen. Guy Palumbo (vice chair)
- Human Services & Corrections – Sen. Jeannie Darneille (Chair); Sen. Manka Dhingra (vice chair)
- Labor & Commerce – Sen. Karen Keiser (Chair); Sen. Bob Hasegawa (vice chair)
- Law & Justice – Sen. Jamie Pedersen (Chair); Sen. Manka Dhingra (vice chair)
- Local Government – Sen. Dean Takko (Chair); Sen. Guy Palumbo (vice chair)
- State Government, Tribal Relations & Elections – Sen. Sam Hunt (Chair); Sen. Patty Kuderer (vice chair)
- Transportation – Sen. Steve Hobbs (Chair); Sen. Rebecca Saldaña (vice chair)

- Ways & Means – Sen. Christine Rolfes (Chair); Sen. David Frockt (vice chair /Capital Budget lead)

### **The Supreme Court Rules Legislature Still Failing to Adequately Fund K-12 Education**

The Washington Supreme Court ruled that, despite passing an education funding package in the 2017 legislative session, that the state Legislature has not met the school funding mandate under the *McCleary* case. In a 9-0 decision, the Court found that while the state made significant progress in fully funding education during the 2017 legislative session, the funding proposal does not fund a constitutionally compliant salary model until 2019 – a year later than court-ordered deadline. The Court continues to hold the Legislature in contempt, and will continue to fine the state \$100,000/day. To comply with the Court's order, the Legislature will need to allocate slightly more than \$1 billion in the 2017-2019 Supplemental Operating Budget to K-12 education.

### **Capital Budget/*Hirst* Water Rights Case**

The 2017 Legislature failed to adopt a 2017-2019 Capital Budget because it was leveraged against complex water legislation responding to State Supreme Court decision in the *Hirst* case. The 2017-2019 Capital Budget requires legislation authorizing bonding to fund the budget. The bond authorizing legislation must be approved by a 2/3 vote of each chamber to be enacted. While Democrats hold the majority in both chambers, they do not have enough votes to pass a 2017-2019 Capital Budget without some Republican votes to meet the 2/3 threshold. This means that passage of a 2017-2019 Capital Budget and *Hirst* continue to be connected.

Both parties are optimistic that a Capital Budget will be adopted early in the 2018 legislative session, or, if an agreement around *Hirst* can be reached, sooner. A small group of legislators continues to work toward an agreement on *Hirst* legislation. There is a possibility that group could come to an agreement, and the Legislature would convene in a special session in December to act on both issues. Regardless of whether the Capital Budget is adopted in a special session in the final weeks of 2017, or in the early weeks of the 2018 legislative session, the Legislature is not likely to make any adjustments to the project lists funded in the latest version of the negotiated capital budget released on July 20.

### **Governor's Budget Development Process**

The Governor's Office is currently developing his proposed supplemental operating, capital, and transportation budget proposals. These are expected to be released in mid-December and will be introduced and heard in committees during the early weeks of the 2018 legislative session.

### **Legislation Pre-filing Begins December 1**

All legislation from the 2017 session is automatically reintroduced once the 2018 legislative session commences. Pre-filing of new legislative proposals for the 2018 session will begin on December 1<sup>st</sup>. The 2018 legislature will consider proposals from 2017 that are automatically reintroduced and new proposals over the course of the short 60-day legislative session.

### **Legislation Likely to be Introduced Preempting Cities on Small Cell Network Facilities**

During the 2017 legislative session, the telecommunications industry coordinated the introduction of Senate Bill 5711, sponsored by Senator Doug Ericksen (R-Whatcom), that would have preempted city authority on the siting and regulation of small cell network facilities, lowered pole attachment fees, and invested in rural broadband. Cities successfully defended this preemption effort. However, the industry is expected to introduce legislation during the 2018 legislative session.

As a preamble to legislative discussion, the Senate Energy, Environment and Telecommunications Committee held a work session and hearing recently during committee assembly days. The hearing was on Senate Bill 5935, drafted by a coalition of cities in response to the industry's proposal that was introduced during the 2017 session as part of a defensive strategy. Additionally, the House Technology and Economic Development Committee heard an informational presentation on small cell network facilities. The chairs of both the House and Senate committees have indicated a desire to introduce and advance legislation on this topic. Cities, including Bellevue, have been working collectively to develop and begin implementing a strategy to oppose proposals that preempt city authority to regulate and charge for the telecommunication industry's use of city-owned right-of-way.

### **Apportionment of Local Business & Occupation Tax & Local Business Licensing Work Group**

House Bill 2005, sponsored by Representative Kristine Lytton (D-Anacortes), was passed by the 2017 Legislature and established two workgroups – one on the apportionment of local business and occupation (B&O) taxes, and another on establishing a uniform threshold on when cities can require a local business license.

The Department of Revenue has convened a task force on the apportionment of B&O taxes composed of representatives of cities and businesses. The task force has met four times and has reviewed different types of market-based apportionment models used throughout the country. The task force needs to provide recommendations to the Legislature by October 31, 2018.

The Association of Washington Cities (AWC) has convened a work group to develop a model business license threshold by July 2018 for adoption by all cities with a business license by January 2019. AWC is taking the lead in developing a model license threshold, and has convened a small work group of business license managers. At the most recent meeting, the work group developed a survey that will be sent to all cities to determine varying approaches to license and permit requirements and processes.

### **I-405 Tolling Authorization/Reauthorization**

Completing improvements to the I-405 corridor to address congestion and provide reliable commute times and choices is important. The I-405 Executive Advisory Committee recently met and reviewed data that indicated that tolling the northbound portion of I-405 from Bellevue to Lynnwood is working for a majority of the corridor. In the coming weeks, the University of Minnesota is expected to release its independent evaluation on the effectiveness of the tolls on the northbound portion of I-405. Once this report is available, it is anticipated that the Legislature will discuss the future of the express toll lanes on the northbound portion of I-405, as well as potentially identifying a path forward to making improvements on the south portion of the corridor from Bellevue to Renton.

### **Funding for Affordable Housing/Homelessness**

House Democrats have indicated that funding for affordable housing and homelessness is a caucus priority for the 2018 legislative session. House Bill 1797, sponsored by Representative Joan McBride (D – Kirkland), was introduced during the 2017 legislative session and will be reintroduced in 2018. The bill is expected to be voted out of the House with a new striking amendment developed over the legislative interim. The striking amendment would allow the King County Council to impose a .01 of 1% increase in the sales tax to fund affordable housing and behavioral health services by councilmanic vote instead of a vote of the people of King County. Representatives from King County are currently drafting language to be integrated into the striking amendment that would require the County to provide an adopted plan on how the money would be allocated prior to imposition of the tax increase.

Additionally, the language would require the county to report on where the money is spent. It is expected that this legislation will be amended many times throughout the legislative process.

**Basic Law Enforcement Academy Funding (BLEA)**

During the 2017 legislative session, the Washington State Criminal Justice Training Commission requested funding for eight additional BLEA classes to meet the growing needs for officer training. The 2017 Legislature funded six, rather than eight, additional BLEA classes in the 2017-2019 Operating Budget. The Criminal Justice Training Commission is now requesting funding for these remaining two classes in the 2018 Supplemental Operating Budget.

**ALTERNATIVES**

N/A

**RECOMMENDATION**

N/A

**ATTACHMENT(S)**

N/A