

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



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

State Legislature Enters the Home Stretch

The 2018 session of the Washington State Legislature enters its eighth week on February 26. This short, 60-day session is scheduled to end on March 8. Each chamber released its proposed supplemental budgets last week on the heels of a positive revenue forecast covering the next four years (discussed below). February 14 was a key deadline for bills to pass out of their house of origin (House bills to pass in the House and Senate bills to pass in the Senate), in order to remain under consideration this session. Action on bills has shifted to the opposite chamber and bills must be voted out of the opposite house by March 2. Bills that are designated “necessary to implement the budget”, or NTIB, and are exempt from cutoff.

Latest State Revenue Forecast is Upbeat

The Washington State Economic and Revenue Forecast Council issued its latest revenue forecast on February 12. The Forecast Council prepares a revenue forecast four times each year. The mission of the Council is to promote state government fiscal stability by producing an accurate forecast of economic activity and General Fund revenue for the Legislature and the Governor to be used as the basis for the state budget.

For the Operating Budget, General Fund revenue for the 2017-2019 biennium is forecast to be \$647 million higher than the last forecast. Additionally, state General Fund revenue for the 2019-2021 biennium is forecast to be \$671 million higher. This forecast projects over \$1.2 billion of additional revenue for the four-year state budget outlook. Despite this additional revenue, Democrats are indicating that tax changes may still be considered to satisfy the Supreme Court’s latest direction on *McCleary*, that said the state needs to identify an additional \$950 million in the 2017-2019 biennial budget to fully fund K-12 education. Additionally, there are also discussions about providing property tax relief from the 80-cent per \$1,000 of assessed value (AV) increase in the state property tax that was passed by the 2017 Legislature to fund K-12 education.

Increases in the revenue forecast in the Operating Budget correspondingly increase the debt capacity available for the Capital Budget and make more funding available for projects. Prior to the latest revenue forecast, the debt capacity for the Capital Budget was approximately \$200 million. The bond capacity for the Capital Budget is subject to a constitutional debt limit, currently calculated as 8.25% of the average of the prior six years' general state revenues. The specific amount that the bond capacity will increase was not available at the time of this writing.

Unlike the forecast for the Operating and Capital Budget revenues, revenue projections for the Supplemental Transportation Budget will likely see only a slight increase. Forecast revenue for the 10-year period is \$33.8 billion, an increase of \$313 million over the November forecast.

House and Senate Budget Proposals Released

Each chamber released its proposals for the Supplemental Operating, Capital and Transportation Budgets last week. Each chamber is holding hearings on the proposals and intend to move the proposals out of committee. A brief summary of each proposal is included below:

Operating Budget—The House proposes to allocate \$711 million of the \$1.2 billion in increased revenue projected in the latest economic and revenue forecast (discussed above) into the Budget Stabilization Account (BSA). Additionally, \$105.2 million is proposed to be appropriated from the newly-created Basic Education Account (BEA) for K-12 public schools. This funding transfer would address the amount of the \$100,000 per day fine levied by the State Supreme Court for the Legislature's failure to address K-12 funding required by the Court.

The House budget also takes into account the fiscal impact of House Bill 2993, sponsored by Representative Pat Sullivan (D-Covington). The bill reduces the state property tax levy rate from \$2.70 per \$1,000 AV to \$2.365 per \$1,000 AV for taxes levied for collection in 2019 and then to \$2.30 per \$1,000 AV for taxes levied for collection in 2020. The legislation also makes a transfer of \$995.8 million from the Budget Stabilization Account to the General Fund to offset the impact of the property tax reduction in 2019 and 2020.

The House budget proposal also assumes passage of a capital gains tax proposal that is making its way through the House. House Bill 2967, sponsored by Representative Kristine Lytton (D-Anacortes), would impose a 7% tax on long-term capital gains. The bill would provide a mechanism to reduce the state property tax levy and fund the property tax exemption for senior citizens, disabled persons, and qualifying veterans with revenues from the tax on long-term capital gains.

The Senate Operating Budget proposal would allocate much of the \$1.2 billion in additional forecast revenue toward education. Similar to the House proposal, \$105.2 million would be appropriated from the newly-created Basic Education Account (BEA) for K-12 public schools to cover the amount of the accrued *McCleary* fines. An additional \$972 million would be directed to fund teacher salaries to satisfy the recent State Supreme Court direction on *McCleary*. The Senate Operating Budget proposal also includes \$403 million from the Budget Stabilization Account to lower state property taxes by 31 cents per \$1,000 AV in 2019, and \$22 million to fund forest fire-related costs.

Both the House and Senate Supplemental Operating Budget proposals continue to fund city-state shared revenues. Additionally, both budgets propose increased funding for the Basic Law Enforcement

Academy—the Senate would fund one new class in 2019, and the House would fund two new classes in 2019.

Capital Budget--The Senate released its proposed 2018 Supplemental Capital Budget last week. As of this writing, the House has not released its Capital proposal. The Senate proposal provides \$186 million in new bond appropriations that would fund approximately 55 community-based projects as well as proposed investments in public schools, higher education, and behavioral health facilities.

Notably for Bellevue, the State Recreation and Conservation Office's Aquatic Lands Enhancement Account proposes an additional \$11.7 million which would include \$500,000 for the Meydenbauer Bay Park Ravine and Swim Area in Bellevue. The City applied for this funding in 2016 and it would supplement the existing \$14.6 million Meydenbauer Bay Park construction project. As of this writing, we do not know whether this funding will be proposed in the House Capital Budget.

Transportation Budget—Both the Senate and House proposed 2017-2019 Supplemental Transportation Budgets continue to implement the Connecting Washington statewide transportation package adopted by the Legislature. Important projects like improvements to I-405, SR 520, and others continue to be allocated funds on schedule. Forecast revenue for the 10-year period is \$33.8 billion, an increase of \$313 million over the November forecast. Both budget proposals appropriate a total of \$9.3 billion for the 2017-2019 budget. The vast majority of funds are re-appropriations for projects that are already under construction.

City Transportation Revenue Study

Both the House and Senate Supplemental Transportation Budget proposals include \$350,000 for the Joint Legislative Transportation Committee to complete a city transportation funding study to assess the current state of city transportation funding, identify emerging issues, and recommend funding sources to meet current and future needs. These provisos were included at the request of the Association of Washington Cities.

Mountains to Sound Greenway

Both the House and Senate Supplemental Transportation Budget proposals include the funding adjustment for the Mountains to Sound Greenway project, allocating \$10 million in the 2017-2019 budget, and \$4 million in the 2019-2021 budget. Moving this funding up in the schedule was a high priority for Bellevue this session.

Affordable Housing, Human Services, and Homelessness

Several bills that impact affordable housing, human services and homelessness made it past the February 14 cutoff and are still alive in the opposite house or are designated as necessary to implement the budget, and thus exempt from cutoff.

Bills Still Under Consideration

Document Recording Fee: House Bill 1570, sponsored by Representative Nicole Macri (D-Seattle), would remove the sunset on the document recording fee and would make the \$40 document recording fee permanent and dedicated to affordable housing. When the bill was debated on the House floor, several amendments were proposed. The bill is still alive and additional amendments are likely. The bill is scheduled for a public hearing and executive session in the Senate Human Services and Corrections Committee.

King County Sales Tax Authority: House Bill 1797, sponsored by Representative Joan McBride (D-Kirkland), was introduced last session. As currently drafted, the bill would allow King County to impose a 1/10th-cent increase in the sales tax by councilmanic vote. The tax would be used to fund affordable housing and behavioral health services. The City of Bellevue worked with the proponents of the bill to develop language that the funding must be spent in accordance with a regionally developed plan, and that an annual report shall be completed demonstrating that the funding is spent in accordance with that plan. The bill continues to be held on the House Floor Calendar. Many amendments have been offered, and it is unclear whether there is support to advance the bill. It has been designated necessary to implement the budget and is exempt from cutoff.

Religious Organization Housing Density: As originally drafted, House Bill 1987, sponsored by Representative Joan McBride (D-Kirkland), would have prevented cities and counties from restricting the density of affordable housing development on property owned by a religious organization. The bill was amended in committee to address concerns raised by cities. As amended, a city must allow an increased density bonus “consistent with local needs” for any affordable housing development on property owned or controlled by a religious organization. Additionally, there is language requiring that a religious organization pay all fees, mitigation costs, and other charges imposed by the city. While the amended bill is an improvement over previous versions, several cities are expressing concerns with the bill. The bill passed out of the House on a 74-24 vote. The bill has been scheduled for public hearing and executive session in the Senate Human Services and Corrections Committee.

Housing Funding Generated Through Credit Against the State Sales Tax: House Bill 2437, sponsored by Representative June Robinson (D-Everett), was not voted out of the House prior to cutoff but the bill has been designated as necessary to implement the budget. As amended in committee, the bill authorizes counties to impose a sales and use tax credit of no greater than 3/10th-cent for affordable housing investments. The amount collected would be deducted from the state’s portion of the sales tax so there is no net increase to the statewide sales tax. If a county with a population less than 1.5 million does not impose this tax by July 1, 2020, any city legislative authority may impose the sales and use tax credit (counties with a population of 1.5 million or more have until July 1, 2021 to impose the tax). A county or city must provide annual matching funds (from 10% to 35%) based on the rate imposed and the maximum amount of tax distributed. The bill is still in the Rules Committee but has been designated necessary to implement the budget.

Source of Income: House Bill 2578, sponsored by Representative Marcus Riccelli (D-Spokane), prohibits landlords from preventing a tenant from renting property based on source of income, as long as the tenant is otherwise eligible. The bill also creates a landlord mitigation program for building repairs to provide an incentive to landlords to rent to low-income individuals. The bill would also increase the document recording fee by \$3 to fund the mitigation program. The bill passed the House 61-37. The bill was heard in the Senate Financial Institutions Committee and was passed out of the committee.

Housing and Essential Needs Program Funding: House Bill 2667, sponsored by Representative Nicole Macri (D-Seattle), would fix a quirk in current law so that qualified recipients of the Aged, Blind or Disabled Cash Assistance Program would be allowed to receive referrals to the Essential Needs and Housing Support (HEN) Program. The bill would clarify that eligible recipients can qualify for and receive benefits under each program. Current law does not allow this and leads to housing instability. The bill enjoys wide support and passed the House on an 88-10 vote. The bill is scheduled for public hearing in the Senate Human Services Committee.

Bills Considered Dead

Condominium Liability: House Bill 2831, sponsored by Representative Tana Senn (D-Mercer Island), would require that prior to the services of a summons and complaint in a construction defect action, the board of directors of a condominium or homeowners' association is required to provide notice to homeowners. This bill was intended to rework condominium liability laws, and align them with apartment construction liability statutes. The bill did not pass the House by the cutoff and is no longer under consideration.

Water Resources

Reclaimed Water: The Cascade Water Alliance, joined by the City of Bellevue and several jurisdictions, put forward legislation to support changes in the statutes governing reclaimed water that have not been updated in many years. The proposed legislation would require reclaimed water projects to be integrated with regional and local watershed and water system plans through agreements between water supply utilities and reclaimed water providers. This change would ensure that as reclaimed water is integrated as a new water supply source, it honors existing infrastructure investments that have been made by cities and water districts. Senate Bill 6390, sponsored by Senator Lisa Wellman (D-Mercer Island) and House Bill 2743, sponsored Representative Larry Springer (D-Kirkland), did not meet the cutoff deadline and are considered dead for this session. Proponents will likely pursue similar legislation in the 2019 session.

Energy/Technology

Bills Still Under Consideration

Small Cell Wireless Facilities: Senate Bill 5935, sponsored by Senator Reuven Carlyle (D-Seattle), would require cities to adopt ordinances outlining the process for deployment of small cell network facilities, and would establish the Governor's Broadband Office to develop a model ordinance that cities can choose to implement. A city is not required to adopt an ordinance until a telecommunications company submits a completed application. The bill passed out of the Senate on a 45-3 vote. Two amendments were approved: the first, sponsored by Representative Tim Sheldon (D-Potlatch) would authorize the Community Economic Revitalization Board to provide financial assistance to local governments in preparing for "small cell infrastructure readiness"; the second, proposed by Senator Mark Schoesler (R-Ritzville), would authorize port districts to provide wholesale telecommunications services, and would create the same authority for rural port districts outside to operate their district boundaries. The bill was referred to the House Technology and Economic Development Committee where it has been scheduled for a hearing. There are a number of amendments that the Association of Washington Cities will request in the House that would improve the position of cities choosing to adopt a small cell ordinance.

House Bill 2592, sponsored by Representative Jeff Morris (D-Bellingham), did not meet the cutoff deadline and is considered dead for this session. The bill set out criteria for the deployment of small cell network facilities that cities could adopt that would enable them to apply to be listed on a State Department of Commerce website of "investment ready" cities.

Autonomous Vehicle Workgroup: House Bill 2970, sponsored by Representative Zack Hudgins (D-Seattle), would require the 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

bill passed out of the House on a 96-2 vote without amendments. The bill was heard in the Senate Transportation Committee on February 19. Staff from Bellevue and other cities provided testimony requesting that cities be included in the work group effort.

Autonomous Vehicle Joint Select Committee: House Concurrent Resolution 4414, sponsored by Representative Zack Hudgins (D-Seattle) would create a joint select committee to study the use of autonomous vehicle technology and develop future policies regarding operation of these vehicles in Washington. This resolution has not yet been addressed by the Legislature.

Public Safety

Bills Still Under Consideration

Bump-Fire Stock Ban: In the wake of the latest school shooting in Florida, many legislators are discussing gun reform. The only bill that has met the cutoff deadlines is Senate Bill 5992, sponsored by Senator Kevin Van de Wege (D-Sequim). The bill would prohibit any individual from manufacturing, purchasing, owning, transferring, transporting or selling a firearm containing a bump-fire stock. A bump-fire stock modifies a semi-automatic firearm to make it fully automatic. In addition, the bill requires that acts related to bump-fire stock firearms is considered a felony and establishes criminal penalties and sentencing provisions. The bill passed out of the Senate on a 29-20 vote, and passed out of the House Judiciary Committee with an amendment that clarifies the offense would be a Class C felony. The bill has been referred to the Rules Committee.

While this is the only bill that met cutoff deadlines, it is possible that additional proposals may be introduced on the subject of guns in the wake of the recent school shooting in Florida, and these bills could be exempt from the cutoff deadlines. Additionally, the Florida tragedy has heightened the conversation on increasing funding for mental health programs.

Body Worn Cameras: Senate Bill 6408, sponsored by Senator Mike Padden (R-Spokane Valley) and its companion, House Bill 2893, sponsored by Representative Drew Hansen (D-Bainbridge Island) advance the recommendations of the Joint Legislative Task Force on the Use of Body Worn Cameras, which was initiated by legislation that passed in 2016. Jurisdictions that deployed body worn cameras prior to June 9, 2016 were considered “covered jurisdictions” under the statute and subject to special rules related to disclosure, privacy, and records retention while the task force was underway. Both bills remove the reference to covered jurisdictions and all jurisdictions would now be subject to new body worn camera standards. The bill clarifies that records retention is necessary for 60 days, which would allow jurisdictions to delete noncontroversial footage. To address privacy concerns, a definition of intimate image was added to the statute for purposes of inspection and copying exemptions in the Public Records Act. Finally, the sunset date was removed to allow the rest of the body worn camera law to remain in effect beyond 2019. The Senate passed the bill 47-0, and the bill has been heard in the House Public Safety Committee.

Expanding Collective Bargaining to University Police Officers: House Bill 1559, sponsored by Representative Roger Goodman (D-Kirkland), would grant the right to pursue collective bargaining to police officers employed as part of a police force established by state and regional universities, and the Evergreen State college. Senator Karen Keiser (D-Kent) agreed to hold a hearing on this bill in the Senate Labor Committee, and indicated that she is interested in amending the bill to add regional jail employees to the expansion of collective bargaining and binding interest arbitration. Several cities that house misdemeanants in regional jails such as the South County Regional Jail, are continuing the

conversation to determine how these changes would impact city jail costs. The bill passed out of committee and was referred to the Ways and Means Committee due to its potential fiscal impacts.

General Government

Bills Still Under Consideration

Emergency Medical Services: House Bill 2627, sponsored by Representative Larry Springer (D-Kirkland), would change the threshold for a countywide EMS levy proposal to be placed on the ballot. Currently, all jurisdictions with a population over 50,000 must approve of a levy proposal before it can be placed on the ballot. House Bill 2627 would change this to three-fifths of all jurisdictions within the county that have a population over 50,000. Bellevue joined other King County cities to amend the bill. The House amended the bill to replace the three-fifths threshold to 75% of all jurisdictions within King County that have a population over 50,000 must approve an EMS levy proposal for it to be placed on the ballot. The bill passed out of the House on a 63-34 vote without additional amendments and has been referred to the Senate Ways and Means Committee.

Abandoned Recreational Vehicles: Senate Bill 6437, sponsored by Senator Curtis King (R-Yakima), would establish an abandoned recreational vehicle (RV) program and would assess a \$6 fee on each RV registration to fund the program. Under the program, tow truck drivers would be allowed to take an RV that was abandoned on public property to a disposal site. The funds from the new assessment would be used to compensate tow truck drivers, vehicle wrecking companies, scrap processors, and scrap metal businesses for the transport, storage, dismantling, and disposal of abandoned RVs left on public property. The bill passed the Senate on a 41-4 vote and was heard in the House Transportation Committee and was scheduled for executive action.

Bills Considered Dead

Business Plan to Establish a State Infrastructure Bank: Building on the interim study regarding a state bank, Senate Bill 6375, sponsored by Senator Bob Hasegawa (D-Seattle), would require the state Department of Commerce to collaborate with other financial institutions and state agencies to examine the state's public infrastructure needs and establish a financial and governance framework to establish a state infrastructure bank, including examination of all legal, constitutional, and regulatory requirements and limitations. The framework and report must also take in to account any impact on the state's Operating, Capital, and Transportation Budgets. The model and a final report is due to the Legislature by December 1. The bill did not pass out of the Ways and Means Committee before the fiscal committee cutoff and is officially considered dead for the session.

Public Works Contracting: House Bill 2726, sponsored by Representative Vincent Buys (R-Lynden), would authorize public-private agreements between public bodies and private entities to construct, finance, operate and maintain the following: civic or educational facilities; roads; bridges; public transit systems; ferry facilities; port facilities; airports; intermodal systems; cultural or recreational facilities; medical facilities; utility facilities; and telecommunication facilities. A public body would also be authorized to sell bonds to finance public-private projects. The bill was scheduled for a hearing in the House Capital Budget Committee, but did not pass out of the committee before the fiscal cutoff and is officially considered dead for the session.

Land Use and Economic Development

Bills Still Under Consideration

Establishing of a Tourism Marketing Authority: Senate Bill 5251, sponsored by Senator Dean Takko (D – Longview) would establish a Washington Tourism Marketing Authority and a dedicated funding account to manage a statewide tourism program. This bill was introduced last year and various amendments were proposed that would have funded the program by taking resources away from other local accounts. As amended, the bill directs a 0.2% retail sales credit on lodging, car rentals, and restaurants to fund the program, up to \$1.5 million in fiscal year 2019 and \$5 million per biennium thereafter. The bill has been amended several times and passed out of the Senate on a unanimous vote and is scheduled for public hearing and executive session in the House.

Transportation Network Companies: The cutoff deadline narrowed the number of bills introduced regarding statewide regulation of transportation network companies (TNCs) from four to one. The bill that remains alive is Senate Bill 6043, sponsored by Senator Steve Hobbs (D-Lake Stevens), which is an industry-developed proposal to regulate transportation network companies, including requiring licensing through the Department of Licensing and requiring background checks conducted by a third-party vendor. The bill passed out of the Senate Transportation Committee on a 10-4 vote. Other bills were introduced that provided state-wide regulation, but allowed cities to retain licensing authority and required background checks by the FBI that would have included finger printing. All of the House bills are considered dead as they did not pass out of the House by the cutoff. It is expected that an interim stakeholder group will be formed to address both local government and industry concerns.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A