

CITY COUNCIL STUDY SESSION

State Legislative Update

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

DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

No action is required; this is an informational briefing. The State Legislature addresses a range of policy issues of interest to the City. Council may wish to provide direction to staff regarding legislative proposals.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS**November Ballot Measures**

Two statewide measures are on the November 5 General Election ballot. The first is **Initiative 976**. If approved, I-976 will impact local and state revenue dedicated to transportation. More specifically, the measure would:

- Limit motor vehicle license fees (car tab fees) to \$30 per year;
- Repeal or reduce certain motor vehicle weight fees;
- Repeal the authority for Transportation Benefit Districts (TBDs) to impose vehicle fees;
- Reduce electric vehicle fees to \$30 per year;
- Repeal the 0.3 percent tax on motor vehicle retail sales;
- Require local motor vehicle excise taxes (MVET) to be calculated using the Kelley Blue Book base value of the vehicle;
- Conditionally repeal the Sound Transit 0.8 percent MVET; and
- Require retiring or refinancing of Sound Transit-related bonds.

Based on a fiscal analysis completed by the Office of Financial Management, I-976 could result in cuts of up to \$328 million per year to Sound Transit. A report in the Seattle Times indicates that Sound Transit estimates that it could face a \$20 billion impact through 2041, from the combination of collecting \$6.95 billion less in car tab revenues, as well as the cost of \$13 billion more in higher interest costs in the future. Because Sound Transit has bonded against some of the revenue collected through the MVET, if I-976 is approved, it is likely that litigation will follow.

If I-976 is approved, there will be funding reductions in many of the state transportation accounts, including the Multimodal Transportation Account, the Motor Vehicle Account, State Patrol Highway Account, and the Transportation Partnership Account. The state estimates lost revenue of \$588 million in the 2019-2021 biennium, \$677 million in the 2021-2023 biennium, and \$758 million in the 2023-2025 biennium.

Cities have authority to establish Transportation Benefit Districts (TBD) for purposes of acquiring, constructing, improving, providing and funding transportation improvements. If I-976 passes, it would eliminate the authority for TBDs to impose vehicle license fees. Over 60 TBDs receive revenue from vehicle license fees, and 55 TBDs use vehicle licenses fees as their sole funding source. In fiscal year 2018, vehicle license fees raised \$58.2 million in revenue statewide for the jurisdictions with a TBD. The City of Bellevue does not have a TBD.

The second ballot measure is **Referendum 88**. This measure places the contents of Initiative 1000 before voters statewide. I-1000 was an initiative to the Legislature in 2019 that repealed Initiative 200, a measure approved by Washington voters over 20 years ago. I-200 blocked the government from giving preferential treatment to, or discriminating against, people and groups on the basis of sex, ethnicity, color, race or national origin.

Early in the 2019 legislative session, I-1000 supporters submitted approximately 400,000 signatures to the Legislature. In a vote mostly along party lines, the Legislature chose to enact the initiative rather than refer it to the voters. R-88 would reverse that action, allowing voters to decide whether to enact policies included in I-1000.

I-1000 allows state and local governments to implement affirmative action laws, regulations, policies or procedures to encourage diversity in public employment, higher education and contracting. It also prohibits public employers from setting policies that use quotas; setting policies that constitute preferential treatment; or violate a state or federal statute, final regulation or court order.

A vote to approve Referendum 88 supports allowing the policies in I-1000 to go into effect. A vote to reject Referendum 88 blocks the policies in Initiative-1000 from going into effect.

Legislative Committee Days

The 2020 state legislative session begins Monday, January 13. As the second year of the two-year legislative cycle, the 2020 session is a “short” session, scheduled to last 60 consecutive days. Historically, in advance of the legislative session House and Senate members meet in late Fall for committee days. While the Legislature is not formally in session during this time, legislators convene in Olympia and legislative committees hold work sessions on emerging issues. Both the House of Representatives and the Senate will convene for committee days November 20-23. The committee schedule should be published soon.

Update on Replacing Gas Tax with a Road Usage Charge System

A road usage charge is a per-mile charge drivers would pay for the use of the roads, as opposed to being taxed on the per-gallon sale of motor vehicle fuel. The Washington State Transportation Commission recently heard recommendations from the Road Usage Charge Steering Committee. The Commissioners will review the Steering Committee’s recommendations and develop a final report to the Legislature prior to the 2020 legislative session.

The Steering Committee recently presented to the Transportation Commission three scenarios for transitioning to a road usage charge. Under all three scenarios, a road usage charge would be introduced within five years for plug-in electric vehicles, hybrids, and state government vehicles.

Vehicles with high-mile per gallon use would be added within five to 10 years. A high-mileage vehicle has not yet been defined. Beyond 10 years, all new vehicles would be added, starting with model year 2030.

The Transportation Commission is scheduled to vote on final recommendations to the Legislature by December 17. The recommendations are the result of nearly seven years of work. In 2012, the Legislature directed the Commission to assess the potential of a road usage charge to replace the gas tax. Over the course of four years, the Commission produced a final report that said transitioning to a road usage charge is feasible and that if phased in over time it could generate enough revenue to replace the gas tax as cars become more fuel efficient and more buyers opt for hybrid and plug-in vehicles.

To test how such a system could work in Washington and evaluate different ways of recording and reporting mileage, the 2016 Legislature directed the Transportation Commission to develop a Road Usage Charge Pilot Project Implementation Plan and to seek federal funding for a statewide pilot project. In mid-2016 the US Department of Transportation announced the award of \$3.8 million in federal funds to the state for a pilot test. More than 2,000 Washington drivers participated in a year-long Washington road usage charge pilot project that concluded in January 2019.

Tonight's agenda includes a presentation on the results of the pilot program to test the feasibility of a road usage charge. The briefing will include various scenarios from the pilot project.

Autonomous Vehicle Work Group: 2019 Update and Recommendations

In 2018, the Legislature directed the Washington State Transportation Commission to convene an Autonomous Vehicle Work Group to develop policy recommendations to address the operation of autonomous vehicles on public roadways in the state. The Work Group established subcommittees on Liability, Safety, Labor and Workforce, System Technology and Data Security, Health and Equity, and Infrastructure and Systems.

The Commission recently considered recommendations from the Work Group and its subcommittees, and chose to advance three recommendations to the Legislature for consideration during the 2020 legislative session:

1. Enact legislation that requires persons or entities testing autonomous vehicles or autonomous vehicle technology equipment under the Department of Licensing's Self-Certification Pilot Project to maintain proof of an umbrella liability insurance policy in an amount not less than \$5 million per occurrence for damages by reason of bodily injury, death, or property damage in addition to the financial responsibility requirements in RCW 46.30.020.
2. Allocate funding to develop a Transportation Equity Analysis toolkit for use in evaluating the benefits and impacts of transportation policies and investments on historically marginalized populations in Washington.
3. Endorse the Work Group to continue working on the Cooperative Automated Transportation (CAT) policy framework and develop specific strategies.

The Commission must submit a report to the Legislature by November 15. The House Transportation Committee asked the Commission to present the recommendations during November committee days.

Emerging Affordable Housing Bills

There were several affordable housing proposals introduced in the 2019 legislative session that continue to be discussed in anticipation of the 2020 legislative session. Revised legislative language has not yet been drafted, but stakeholders are discussing the following concepts:

Multi-Family Tax Exemption (MFTE): The MFTE is a local-option property tax exemption that cities with a population over 15,000 may offer to housing developers. Only multiple-unit projects with four or more units are eligible for either the eight- or 12-year exemption, and only property owners who commit to renting or selling at least 20 percent of the units to low- and moderate-income households are eligible for the 12-year exemption. Many housing projects that received the 12-year exemption are now reaching the end of the exemption.

Last session, Senate Bill 5363, sponsored by Senator Guy Palumbo (D-Maltby), proposed to extend the 12-year exemption period for properties currently receiving the tax exemption for an additional 12 years provided that the city adopts guidelines around affordability for the extension. There was pushback that 12-year-old units are likely to remain affordable rather than increase to market rate because they have depreciated in value/quality over time. In preparation for the 2020 session, many stakeholders are discussing extending the 12-year exemption to 16 years for existing units and changing the 12-year exemption to a 16-year exemption for new units. There is also discussion of revisiting the affordability requirements associated with the exemption. We expect this legislation to be in play throughout the 2020 session.

Additional Real Estate Excise Tax (REET) Authority: House Bill 1493, sponsored by Representative Melanie Morgan (D-Lakewood), was introduced last session. The bill would authorize cities and counties to impose an additional .25 percent REET to fund affordable housing. The Legislature chose not to advance the proposal last session; however, there are discussions on modifying the proposal for the 2020 session. One modification under discussion would allow cities to transition the first and second .25 percent REET to tiered rates that mirror the existing state structure.

Alternative to the Homeless Rights Act

House Bill 1591, sponsored by Representative Mia Gregerson (D-SeaTac), commonly referred to as “the Homeless Rights Act,” proposes to create a civil cause of action if any city employee/law enforcement personnel harasses an individual experiencing homelessness within a public right-of-way. The bill defines terms such as “harassment” and “public space” broadly, creating significant, and potentially costly, liability. Cities and state agencies expressed strong opposition to the proposal last session. In preparation for the policy discussion in 2020, a meeting with stakeholders was held recently. Stakeholders participating in the meeting agreed to identify alternative approaches to improve interactions between public employees and those experiencing homelessness and committed to explore requesting additional funding for cities to hire community service officers. These employees would be trained to respond to people experiencing a mental health crisis but would not be law enforcement officers. Several communities are using various forms of this model.

POLICY & FISCAL IMPACTS

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

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A