



Legislative Bulletin

March 27, 2017

Hot topics!

House proposed budget released

See this week's From the Director for analysis.

The Senate proposes large pension cost increases for employers of firefighters and police officers

The Senate budget proposes eliminating the long-standing state contribution to the Law Enforcement Officers' and Fire Fighters' Plan 2 pension system and requiring the employer (cities and counties) to make up the difference. This change would increase statewide city pension costs by at least \$35 million per year.

From the Director

House proposed operating budget released today following last week's passage of Senate operating budget 25-24 - with good/bad news for cities

See this quick comparison of the key city impacts from the Senate budget passed on a partisan vote last week, and what is proposed in the House Democrats budget unveiled this afternoon, which is likely to be acted upon by Friday.

Things you can do

AWC Lobby Day April 3 - Join a chorus of city voices

The regular 105-day legislative session ends on April 23. It is critical you let your legislators know what is important as they continue their work. We are asking city officials statewide to help keep cities strong by weighing in on final budget and policy negotiations.

On Monday, April 3, we ask you to add your voice in two ways:

- **Join AWC in Olympia** for a briefing and then engage with legislators regarding pieces of legislation that will help or hinder the job of local governance. It is essential that we focus efforts on those involved in crafting the budget. [More information here.](#)
- Can't make it to Olympia? You can still make a difference by taking 15-30 minutes to **call your legislators**. Remind them of what cities need to maintain and strengthen your ability to serve your community.

Whichever method you choose, now is the time of this critical session when legislators are sorting through competing voices and requests to fund or support many things. When legislators hear from cities across the state on the same day, it will be powerful reminder of what is needed to help keep cities

strong.

Media time

Working the doors

AWC's very own Jane Wall brings you these quick tips on how to "work the doors" when you're at the Capitol in Olympia. Find out how to capture your Senator or Representative's attention when they're on the floor.

What you need to know

Budget & finance

44 cities with fire insurance premium tax distributions are impacted by proposed formula changes in Senate budget. Cities that receive those distributions should contact their legislators to remind them that these distributions help meet their significant liability for state mandated pre-LEOFF and LEOFF 1 retirement and medical benefits.

Business license bills keep moving.

Research and development tax exemption scheduled for hearing.

Environment & land use

School siting bill moves to the Senate after significant amendment in the House.

Personnel

Interruptive service credit bill could impact LEOFF 2 employers.

Public safety & criminal justice

Law enforcement academy gets proposed funding increase for the 2017-19 biennium. [More](#)

Multiple changes proposed to the state's criminal justice system.

Transportation

Senate releases transportation budget. House proposal coming soon.

Spotlight on Sound Transit vehicle taxes leads to a

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slew of new bills.

From the Legislative Director

House proposed operating budget release today following last week's passage of the Senate operating budget 25-24 - with good/bad news for cities

Here is a quick comparison of the key city impacts from the Senate budget passed on a partisan vote last week, and what is proposed in the House Democrats budget unveiled this afternoon, which is likely to be acted upon by Friday. It's important to note that the Senate-passed budget spends \$43 billion and includes revenues to support it, while the House proposed budget of \$44.7 billion includes some new revenues that won't be considered and acted upon until early next week. Some of these revenue options will also increase local revenues.

- Thankfully, the Senate-passed budget fully funds critical and long-standing shared revenues, as does the House Democrat's proposal. That is encouraging and appreciated, but not a "done deal" until they negotiate a final budget and send it to the Governor.
- The Senate one takes a swipe at every city's budget by eliminating close to \$70 million dedicated to helping pay a portion of police and fire personnel pension costs, whereas the House proposal honors the longstanding commitment to share funding of these costs.
- The Senate maintains a portion of Public Works loan repayments to fund some projects for the first time in four years. While significant diversions are made, this proposal is still better compared to no funding the last four years. The House mirrors this approach, but provides somewhat more funding.
- The Senate falls short in support for human services and help for the homeless, notably through significant cuts to the Temporary Assistance for Needy Families (TANF) and Housing and Essential Needs (HEN) programs. The House maintains and increases funding for human services and housing programs.
- The Senate fully funds a larger share of marijuana revenues to be shared with cities and counties that don't ban the sales, and the House proposes eliminating that increase.
- The Senate continues funding support to warehousing cities who receive sales tax streamlining payments, whereas the House signals elimination of those in 2019.
- Both budgets provide funding for the Municipal Research and Services Center (MRSC), although the Senate one requires an alternative funding assessment be developed and submitted in the fall of 2018, or else funding is reduced.

The House will grapple with the Democrat's proposed budget this week and their proposed revenue enhancements early next week. Assuming both bills move forward, then serious negotiations commence to reconcile differences in their approaches, which are summarized on a matrix found here - awcnet.org/portals/0/documents/legislative/GovSenateHouseBudgetProposal.pdf.

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Further information on other program changes are included in this issues updates in this *Bulletin*.

Even though much of what both budgets propose is encouraging for AWC and cities, we know full well from past experiences that our needs may well fall off the budget table when negotiators have to slice and dice to find agreement. That is why it is critical now that cities thank legislators for their work done so far and express concern for areas still in need of attention. We are encouraging all cities to participate in our AWC Lobby Day (awcnet.org/TrainingEducation/Calendar/LobbyDay.aspx) next Monday, April 3. Check out information in this *Bulletin* on how to add your voice (even from home) for this effort.

Budget & finance

Fire Insurance Premium Tax distribution formula changed in Senate budget - Impacts 44 cities

In a proposal similar to one in last year's budget proposal that was vetoed by the Governor, the Senate proposed budget changes the distribution formula for 2017-19 and the intent to change it for 2019-21 for the 44 cities and two fire districts that receive distributions for their pre-LEOFF firefighters' pension fund and LEOFF 1 medical costs. The changes could have the effect of eliminating this distribution for many recipients.

Under the budget proposal, a city's distribution would be frozen at \$2,000 per firefighter eligible for the pension fund, or the 2017 distribution, whichever is less and subject to the following conditions:

- The jurisdiction is levying the 22.5 cent property tax under RCW 41.16.060 for the firefighters' pension fund, and
- The jurisdiction can demonstrate that the levy is not sufficient to meet the estimated demands of the fund.

These new requirements do not take into account the complexities of the property tax system and the realities of the impact of the one percent property tax limit.

It also does not take into account the significant LEOFF 1 medical cost liability these and other cities face. In a 2015 report, the State Actuary estimated the accrued liability for LEOFF 1 medical benefits is \$3 billion for approximately 6,300 retirees. Nearly 40 percent of these retirees were city firefighters.

Cities who receive these distributions should contact your legislators to remind them of the importance of these distributions to your cities, your

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unmet funding needs for LEOFF 1 medical liability, and your inability to replace this funding with local revenue options.

Business license bills keep moving

EHB 2005 moved out of the Senate Commerce, Labor & Sports Committee last week with a few amendments that AWC generally supported.

The amendments:

- Extend the date for cities to choose to participate in FileLocal for licensing, from July 2018 to 2020;
- Change the population-based hardship exemption from the requirement for cities to join the business licensing system from an exemption for cities under 500 to allowing up to a three-year delay for any size city based on hardship; and
- Move responsibility for staffing and chairing the apportionment workgroup back to the Department of Revenue (at least temporarily).

ESSB 5777 is set for executive session to move the bill out of the House Finance Committee on Thursday, March 30 at 8 am.

Both bills require cities to participate in the state's Business Licensing Service (BLS) or FileLocal for licensing, require cities to develop and implement a model licensing ordinance that includes a minimum threshold, and create a work group on apportionment of service income under RCW 35.102.130.

AWC hopes we can reach a final compromise that streamlines the license process for businesses and protects local authority.

Tax exemption bills

HB 1894, which would reinstate tax preferences for certain high-technology research and development, is scheduled for hearing in the House Finance Committee on Thursday, March 30 at 8 am.

HB 1904, which would provide a sales tax exemption while imposing a new

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state B&O tax on data brokers for sales of consumer data and personal information (such as consumer online tracking data), is in the House Rules Committee, and passage is assumed in the House budget proposal.

Environment & land use

School siting conversation reaches the Senate

HB 1017 passed just before the cutoff for bills to move from the House. It was significantly amended from where it started, and at this point represents a highly-negotiated compromise among a number of parties. Although it pushes the boundaries of the Growth Management Act in some places, city interests in having a say in utility extensions and school siting is preserved, as is the protection of ensuring any costs or impacts are paid for by the school district and mitigated.

The proposal:

- Allows extension of public sewer and water systems outside the Urban Growth Area to serve a school when the school district documents the need. The county and the affected city concur with the school district and the city agrees to the utility extension.
- Any impacts associated with siting the school must be mitigated as required by SEPA.
- If infrastructure is extended the infrastructure may only serve the school and must be paid for by the school district, with the following exception:
 - Infrastructure may serve other properties if they are located within the same distance at which a property would be required to connect to sewer within the urban growth area. Cities and the counties would also have to agree to this connection as well. In addition, schools may request a latecomer payment from connecting property owners.
- Counties may authorize siting of schools in rural areas that serve urban students even if contrary to a multicounty planning policy in Pierce County. School districts that site schools under this authority cannot impose impact fees and must participate in the county's periodic comprehensive planning processes.

Personnel

Interruptive service credit bill could impact LEOFF 2 employers

Sen. Christine Rolfes' (D-Bainbridge Island) bill, SB 5661, would make members of the Law Enforcement Officers' and Fire Fighters' Retirement

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System Plan 2 (LEOFF 2) eligible for interruptive military service credit without paying the employee contributions for certain service. The bill would redefine a section of law and remove the requirement that a member receive a campaign medal.

The Senate proposes large pension cost increases for employers of firefighters and police officers

Released last Wednesday, the Senate budget, SB 5048, proposed eliminating the long-standing state contribution to the Law Enforcement Officers' and Fire Fighters' Plan 2 (LEOFF 2) pension system and requiring the employer to make up the difference. This change would increase statewide city pension costs by at least \$35 million in fiscal year 2017. The Senate proposal would also make this a permanent change.

Since LEOFF 2's inception in 1977, pension contributions have been split among the employee (50%), the employer (30%), and the state (20%). The Senate budget proposal is to eliminate the state's 20 percent share and increase the employer's share to 50 percent.

The newly proposed rate structure is in the table below. These rates exclude the employer administrative expense of .0018%. The Senate budget also proposes to eliminate that administrative surcharge.

	FY 2016	FY 2017	Senate budget proposal FY 2017-19
Employee	8.41%	8.75%	8.75%
Employer	5.05%	5.25%	8.75%
State	3.36%	3.50%	0%

The LEOFF 2 system covers all full-time commissioned law enforcement officers and fire fighters and would directly impact almost every city in the state. Preliminary data provided by Senate nonpartisan staff show the state's contributions per city in fiscal year 2015 and can be found by clicking here - awcnet.org/portals/0/documents/legislative/LEOFF2StateContribution.pdf. We advise cities to use the above proposed rates to determine their potential new pension costs. As drafted, the new rate would take effect July 1, 2017 impacting cities' current budgets.

AWC is working with other LEOFF 2 stakeholders to fight this proposed change.

Public safety & criminal justice

Law enforcement academy gets funding increase in Senate's proposed budget

The Criminal Justice Training Commission's Basic Law Enforcement Academy (BLEA) received an increase of \$3.4 million for 2017-19 in the Senate's proposed budget. The increased funding would be used to increase the number of academy classes from ten to eighteen in each fiscal year.

The commission also received a \$1.2 million increase to provide ongoing training to officers in the areas of de-escalation tactics, cultural competency, and interacting with populations suffering from behavioral health issues.

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Unfortunately, the agency did not receive significant funding in the supplemental budget.

BLEA funding is an AWC priority and we will continue to advocate for its inclusion in the final budget.

Multiple changes proposed to the state's criminal justice system

SB 5904 proposes numerous changes to how the state's criminal justice system functions. The bill would result in numerous fiscal savings to the state and was included in the budget roll out. The bill has been sent to the Senate Law & Justice Committee and has not yet been scheduled for a hearing. The bill components are outlined below.

Current RCW provisions are modified regarding:

- Crimes against vulnerable persons
- Seriousness level of crimes
- Driving under the influence
- Community custody
- Habitual property offenders
- Identical cards for persons released from custody
- Driving while license suspended
- Drug grid changes
- First-time offender waiver
- Domestic violence
- Vacation of a record of domestic violence

The bill:

- Creates the crimes of theft from a vulnerable adult in the first degree and second degree.
- Creates the vulnerable adult advocacy team to coordinate a multidisciplinary process.
- Requires the Department of Corrections (DOC) to recalculate the terms of community custody, community supervision, and community placement so they run concurrently to previously imposed sentences.
- Creates a pilot program for the supervision of offenders convicted of felonies relating to the theft of a motor vehicle.
- Enhances courts' discretion to more appropriately sentence habitual property offenders with significant histories of burglary and theft.
- Requires DOC to create and implement an identical card program to provide offenders released within the state with a state-issued identical card.
- Requires the Administrative Office of the Courts to convene a work group to

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address the issue of domestic violence perpetrator treatment.

- Creates a domestic violence risk assessment work group to study how and when risk assessment can best be used to improve the response to domestic violence offenders and victims and find effective strategies to reduce domestic violence homicides, serious injuries, and recidivism.

Transportation

Spotlight on Sound Transit vehicle taxes leads to a slew of new bills

In light of recent headlines outlining how Sound Transit calculated the value of vehicles subject to a Motor Vehicle Excise Tax (MVET) to pay for the Sound Transit 3 package (ST3), legislators have introduced a slew of bills to address the issue. According to a recent Seattle Times article, the ST3 car-tab increase is based upon an “inflated formula that it inherited from the State Legislature to calculate how much a car is worth, and how much its owner should be taxed.”

This recent development has prompted many legislators to draft legislation in response. The following is a list of many of these bills. While it is unknown what the outcome will be for any of these, many of the major cutoff dates for bills to advance have passed. We will continue to provide updates on any bills that move through the legislative process.

HB 2147/SB 5905: Concerning taxpayer relief for persons subject to a motor vehicle excise tax imposed by a regional transit authority. Sponsored by Rep. Mike Pellicciotti (D-Federal Way) and Sen. Steve Hobbs (D-Lake Stevens) these bills direct Sound Transit to use a different valuation method for vehicles for bond debt incurred before January 1, 2017. **HB 2147** has not been scheduled for public hearing at this time. **SB 5905** is scheduled for public hearing on March 27 in the Senate Transportation Committee.

HB 2148/SB 5906: Establishing a regional transit authority rebate program for low-income individuals. Sponsored by Rep. Kristine Reeves (D-Federal Way) and Sen. Rebecca Saldana (D-Seattle) these bills authorize Sound Transit to provide rebates of up to 45 percent of the motor vehicle excise tax, property tax, or both, paid by a low-income individual. **HB 2148** has not been scheduled for public hearing at this time. **SB 5906** is scheduled for public hearing on March 27 in the Senate Transportation Committee.

HB 2149/SB 5908: Requiring a taxpayer accountability statement to be included with regional transit authority motor vehicle excise taxes. Sponsored by Rep. John Lovick (D-Mill Creek) and Sen. Guy Palumbo (D-Maltby), these bills require that a Sound Transit taxpayer accountability statement be placed on the annual registration renewal notifications provided by the Department of Licensing, which will contain easy-to-access and easy-to-understand information on Sound Transit project status and financial audits. Neither bill has been scheduled for public hearing at this time.

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HB 2150/SB 5909: Requiring a taxpayer accountability statement to be included with regional transit authority property taxes. Sponsored by Rep. Shelley Kloba (D-Kirkland) and Sen. Guy Palumbo (D-Bothell) these bills require that Sound Transit taxpayer accountability statements be provided with property tax notices. Neither bill has been scheduled for public hearing at this time.

HB 2166/SB 5817: Nullifying the imposition of certain taxes within regional transit authority boundaries. Sponsored by Rep. Mark Harmsworth (R-Mill Creek) and Sen. Dino Rossi (R-Sammamish) these bills allow through voter-approved propositions or votes of a city or county legislative authority to nullify certain Sound Transit taxes. Neither bill has been scheduled for public hearing at this time.

HB 2168/SB 5893: Concerning the administration of motor vehicle excise taxes by regional transit authorities. Sponsored by Rep. Harmsworth and Sen. Steve O'Ban (R-University Place), these bills authorize a regional transit authority to contract with the department of licensing for the collection of a motor vehicle excise tax only if vehicle valuation is based upon Kelley Blue Book values or National Automobile Dealers Association values, whichever is lower.

HB 2168 is not currently scheduled for public hearing. **SB 5893** is scheduled for public hearing in the Senate Transportation Committee on March 27.

Senate releases transportation budget

On March 20, the Senate released their proposed transportation budget ([leap.leg.wa.gov/leap/budget/detail/2017/st1719p.asp](http://leg.wa.gov/leap/budget/detail/2017/st1719p.asp)) for the 2017-19 biennium. The \$8.7 billion spending plan includes an increase of \$166 million of projected revenues compared to the February 2016 revenue forecast. Fuel tax collections are generally flat while license, permit and fee revenues are up.

There are no real surprises in the budget. Since this is the first full biennium of funding since passage of Connecting Washington, this budget includes full direct distributions of gas tax and multi-modal revenues to cities that were adopted as part of the package in 2015. In addition, it includes the full additional funding for programs and agencies, including the Bicycle and Pedestrian grants through WSDOT, the Transportation Improvement Board, and the Freight Mobility Strategic Investment Board.

This budget does not fully fund some expected pay increases and labor agreements for some state employees whose compensation is appropriated through the transportation budget (e.g. ferry workers). The Senate took a similar approach in their operating budget proposal, which means that the ultimate passage of a transportation budget may depend on resolution of contentious negotiations around the operating budget.

The Senate Transportation Committee passed their budget proposal on March 22 and will likely pass it out of the full Senate soon. The House will release their proposal on March 27. Then negotiations will begin.

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AWC Legislative Contacts

During the legislative session, AWC's lobbyists often are unable to return your phone calls immediately. If you have a legislative or specific issue question, please request AWC's analyst staff, or send them an email.

Call AWC at (360) 753-4137 or 1-800-562-8981

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