



Legislative Bulletin

May 8, 2017

Hot topics!

Budget deal in limbo – City revenues at risk

Check for this special session mailer slated to hit city hall this week. Legislative session is in overtime due to the state budget. If you don't tell your legislators what cities need, last-minute deals behind closed doors could quickly and quietly sweep city revenues in an effort to finish. Find out what you can do and say to help protect city revenues and other priorities before it's too late.

From the Director

Day 15 special session report – Where are legislators?

There are 15 days left in the current special session, and there are no visible signs that legislators are close to a budget agreement. Find out where legislators are at and what you can do help cities remain strong.

Things you can do

Help us fight LEOFF 2 cuts

The Senate recently proposed eliminating the state's long-standing contribution to the LEOFF 2 pension system, covering police and fire personnel. AWC estimates the proposal would cost cities over \$70 million in 2017-19. Help us fight these cuts by taking this short survey about the potential impacts to your city.

What you need to know

Budget & finance

See the city letter on the importance of Fire Insurance Premium Tax distributions.

Senate hearing on House revenue proposal includes requiring sales tax collection or reporting of customers for use tax by out of state retailers, repealing bottled water tax exemption, and changes to state REET.

Governor signs business license streamlining bill.

Department of Revenue local government partnership meetings held in Tumwater June 7 and Moses Lake June 15.

Open government

Governor signs two open government cybersecurity bills.

Permanent records injunction granted against Department of Corrections inmate.

Personnel

Governor signs bill on worker compensation settlements.

Public safety & criminal justice

Senate working on new deadly force bill.

Telecommunications

Small cell deployment discussions continue.

Transportation

Governor signs pavement condition reporting bill.

continued

From the Legislative Director

Day 15 special session report – Where are legislators?

Legislators have now been in session for 120 days – 15 of those in overtime. There are 15 days left in the current special session, and there are no visible signs that they are close to a budget agreement. Members are planning to be back in Olympia during the week of May 15, but it is not yet known if there will be anything new for them to consider or vote on.

Where are legislators now?

Most legislators are back home awaiting word from their leadership that there is a budget compromise ready to review and vote on. Their lives are sort of on hold because, on a moment's notice, they may have to head back to the Capitol. While they're waiting, it's an opportune and appropriate time to connect with them, ask how they're doing, and remind them of what cities need to remain strong financially and the support services needed by residents and businesses.

This week, city officials throughout the state will receive a mailer from AWC. It reminds you of what's at risk for cities in the state's budget, provides updates and messages, and shares a link where each city can view specific revenues at awcnet.org/opendata at stake for your community. To view an electronic copy of the mailer's key messages, click here at awcnet.org/portals/0/documents/legislative/legmailerinside.pdf

We hope legislators can find a path to conclude their work in a constructive and bipartisan manner when they return the week of May 15.

Budget & finance

City letter on importance of Fire Insurance Premium Tax distributions

The cities that are impacted by changes to the distribution formula for Fire Insurance Premium Tax distributions in the Senate-proposed budget sent a letter (awcnet.org/portals/0/documents/legislative/fireinspremiumtaxletter050517.pdf) last week to Senators opposing the changes. The changes could have the effect of eliminating this distribution for the cities' pre-LEOFF firefighter pension funds and LEOFF 1 medical costs.

The letter also explained that the proposed 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.

The changes also do 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.

If your city is a recipient of this revenue, take a moment while legislators are back home to let them know how important this is to your ability to meet these obligations. For more information about impacts of the proposed budgets on cities, see *From the Director*.

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Governor signs business license streamlining bill

Last week the Governor signed **EHB 2005** into law. The law takes effect on July 23, 2017.

The final version of the bill:

- Requires cities to partner with the state's business licensing system in the next five years, if funding is appropriated. The timeline is phased in over 10 years if funding is not provided;
- Provides an exemption for cities to choose FileLocal as an alternative for business license administration through 2020;
- Allows the Department of Revenue to grant up to a three-year delay for a city based on a fiscal or technical hardship;
- Requires cities to develop and implement by January 1, 2019, a model licensing ordinance that includes a minimum threshold; and
- Creates a work group on local B&O tax apportionment of service income under RCW 35.102.130 staffed by the Department of Revenue. The task force will make recommendations by October 31, 2018.

AWC is in the process of planning further communications on implementation of the bill provisions. Watch for more information in future Legislative Bulletins.

Department of Revenue local government partnership meetings

June 7 | Tumwater

June 15 | Moses Lake

The Department of Revenue is hosting its annual meetings to provide an opportunity for local governments to learn about tax law changes, share information, connect with the department staff, and help plan future tools to enhance local tax administration and communication. City finance staff are encouraged to attend.

More information and registration is available here - dor.wa.gov/content/doingbusiness/LocalGovtPartMtg.aspx.

Senate hearing on revenue bill

Last week, the Senate Ways & Means Committee took testimony on SB 5929, a companion revenue proposal to HB 2186 heard a few weeks ago. AWC sent a letter to the House and Senate budget leaders indicating support for sufficient revenue to fund state programs and obligations and testified in the Ways & Means Committee about the following:

- Support for new proposed revenues that include a local government share and promote local economic security, such as requiring sales tax collections or reporting of customers for use taxes by internet retailers, and removal of the bottled water sales tax exemption. The expected revenue increase from sales tax changes in the bill is \$71 million for cities for the 2017-19 biennium.
- Support for the provision establishing a graduated rate for the state Real Estate Excise Tax. It would result in a lower 0.75 percent rate on residential sales under \$250,000, the same 1.28 percent rate on sales \$250,000 to \$1 million, higher rates of 2 percent for sales \$1 million to \$5 million, and 2.5 percent for sales over \$5 million. AWC requests that a similar authorization be enacted as a local option.

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- Concern with one provision requiring cities to collect information on subcontractors for projects that receive building permits. This new mandate would put significant liability on cities, placing new enforcement responsibility on our building inspectors and creating a new disincentive for contractors to apply for local building permits.

No action has been taken on the Senate bill since the hearing, and the House bill awaits further action in the House Rules Committee. As these measures are related to the 2017-19 operating budget, further action will be dependent upon budget negotiations.

Open Government



earliest possible release being 2023. If your agency receives or becomes aware of any public records requests made by Mr. Tarver, please notify the Department's Public Records Officer by emailing docpdu@doc1.wa.gov or (360) 725-8854.

Personnel

Governor signs bill on worker compensation settlements

Governor Inslee signed **HB 1755** regarding third party worker compensation settlements. **HB 1755** was sponsored by Rep. Matt Manweller (R-Ellensburg). The bill addresses third party claims in worker compensation cases. Under the bill, the Department of Labor & Industries must provide reasonable ongoing notice to a State Fund employer of the status of any third party recovery compromise or settlement negotiations between the injured worker or beneficiary and the Department for the employer's information. Notice is not required if the claim costs are no longer included in determining the employer's experience factor, or if the employer cannot be located, is no longer in business, fails to respond, or requests not to receive ongoing notice.

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Public safety & criminal justice

Senate working on new deadly force bill

The Senate Law and Justice Committee is continuing to work on potential changes to the law on the use of deadly force by law enforcement officers. A recently proposed striking amendment would change **SB 5073** by:

- Removing the intent section;
- Requiring the following when a prosecutor considers a good faith defense: the training and experience of the officer; the equipment and resources available to the officer; and, whether, relying on the facts and circumstances known by the officer at the time of the incident, the use of force was objectively reasonable;
- Creates a stronger charge against an offender illegally possessing a firearm if they've been previously convicted of assault of a law enforcement officer;
- Removes multiple funding null and void clauses; and
- Removes the backfill funding for replacement officers.

We will continue to monitor the progress of this bill.

Telecommunications

Small cell deployment update

As reported in previous *Bulletins*, discussions continue about small cell facility permitting, pole attachment rates, costs to attach to city-owned structures, and the need for more rural broadband. Cities, PUDs, Ports, telecommunications and cable companies have all been attending regular meetings with Governor Inslee's staff to discuss areas of possible agreement. Cities remain strong about a couple of areas of particular concern: language that would preempt city authority to manage Rights-of-Way, language that would restrict what cities could charge for new facilities in the rights of way and on city-owned infrastructure, and authority over municipal utility pole attachment policies.

Recognizing that small cell facilities are coming to cities around the state for use during emergencies and as a new service offered by wireless companies, AWC and cities are refining language that would require cities above 5,000 population to adopt a small cell facility ordinance establishing a process for deployment of this infrastructure. This would give each individual city more flexibility to adopt an ordinance that would fit their own needs. Cities over 20,000 population would need to have an ordinance in place by the first of 2018, and cities above 5,000 population by July 2018. It seems clear that this new technology is going to be deployed over the next several years therefore cities can begin planning now to be ready for it.

To help city staff and elected officials gain a better understanding of this infrastructure, AWC will have a workshop on this subject at the June AWC Annual Conference and will provide other opportunities to get additional information.

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Transportation

Governor signs pavement condition reporting bill

HB 1490 sponsored by Rep. Jake Fey (D-Tacoma), was signed by Governor Jay Inslee on Thursday, April 27. The bill waives cities' requirement to report pavement preservation reporting requirements for the 2017-2019 biennium, and asks the Department of Transportation to evaluate, and recommend to the Legislature, the weight of the report compared to other reporting obligations required by WSDOT. That report is due to the Legislature in December 2017.

AWC would like to extend a special thanks to Rep. Fey and to Rep. Ed Orcutt (R-Kalama), who worked with us to amend the bill. Their work and support were integral in the bill successfully passing the House and Senate with unanimity.

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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