



Legislative Bulletin

June 5, 2017

Hot topics!

How the State Marketplace Fairness Act impacts cities

See the projected revenue for your city if the Legislature enacts a state version of the Marketplace Fairness Act.

LEOFF 2 contribution shift would hurt cities

The Senate's proposal to eliminate the state portion of the LEOFF 2 pension contributions is still in play during budget negotiations.

Property tax bill still in play

Priority property tax bill **HB 1764** is still expected to be part of budget negotiations.

From the Director

Be on the lookout for your call to action

It is critical that legislators are reminded of outstanding city budget and policy priorities. AWC needs your help in reminding legislators what cities need

Things you can do

Five things you can do during special session

The Governor called the Legislature back for a second special legislative session that will end on June 21, and conversations between key negotiators on fiscal committees are currently taking place.

Here are five actions you can take now:

- Meet with legislators and give specific examples of why state-shared revenues matter to you.
- Invite legislators to a council meeting and discuss how your city relies on state revenues and programs.
- Ask for a commitment from your legislators that they won't support a budget deal that reduces the state-shared revenues cities count on.
- Talk to your local media and explain how cuts in state-shared revenues would impact your budget.
- Read this mailer to discover what's at stake for cities and key messages.

Media time

Read how two elected officials used their voice to support public works funding

Letter: State must provide money for infrastructure loans, by Don Britain, Kennewick Mayor Pro Tem and Association of Washington Cities Secretary, *Tri-City Herald*.

State aims to catch up on deferred maintenance, by Scott Hutsell, Lincoln County Commissioner and Public Works Board Chair, *Spokesman Review*.

What you need to know

Budget & finance

Cities receiving distributions from the Fire Insurance Premium Tax should remind Senators how changes in the Senate-proposed budget impact them.

Environment & land use

Legislature still struggling to find fixes for water management issues.

Housing and human services

Homelessness and housing bills have been on the back burner, but are still in play during the special session.

Infrastructure

Progress on local infrastructure funding depends on budget and water negotiations.

Marijuana

Liquor and Cannabis Board issues decision on Kittitas County marijuana zoning question.

Open government

Public records bill allows executive sessions for sensitive information technology discussions.

Personnel

AWC submits response letter in state agency's paid sick leave rulemaking process.

Transportation

Legislation moves Washington closer to compliance with federal REAL ID law.

continued

From the Legislative Director

Be on the lookout for your call to action

AWC needs your help so we can continue to help keep your cities strong. Almost halfway through their 2nd 30-day overtime session, legislative leaders and the Governor have yet to find common ground on operating and capital budgets, let alone a number of key policy bills needing their attention. Most legislators remain at home while groups of their respective caucus leaders huddle, issue statements, and strategize how to finish their work before July 1 when their new fiscal year begins.

While its unlikely budgets will be adopted and key policy bills agreed upon much before July 1, it is critical that legislators are reminded of outstanding city budget and policy priorities. Through a series of requests and targeted Action Alerts, AWC is asking for your help in reminding your legislators of what is needed to help keep things running smoothly at home. This reinforces our voices as we seek to connect with legislators involved in backroom discussions.

We hope you will heed the call when it comes individually your way to make a personal connection with one or more of your legislators. Some of them are directly involved in negotiations, while most others are not. It is particularly important to ask this group to represent your interests and needs to their leadership, or city needs may be ignored when the final deals are made.

Budget & finance

Internet sales – city impacts of State Marketplace Fairness Act

One of the provisions that cities support in the revenue proposals **HB 2186** and **SB 5929** is a state version of the Marketplace Fairness Act requiring sales tax collections or reporting of customers for use taxes by internet retailers. Cities support these changes to help level the playing field between local brick and mortar businesses and out-of-state internet retailers in sales tax collections, a long-standing legislative priority for cities.

This state version of Marketplace Fairness appears to have a lot of interest. We expect that it is part of the negotiations currently underway to reach a final budget agreement by the end of the state's fiscal year June 30.

Updating sales tax collections to reflect the growing reliance on internet sales makes sense in Washington, where sales tax account for almost 50 percent of state revenues in the operating budget.

To see projections for your city if the proposal passes, visit the data view here - <https://public.tableau.com/profile/publish/remotesalestax/DesktopDashboard#!/publish-confirm>, and click the arrow to choose your city from the list.

AWC does not support the proposal in the House budget to end Streamlined Sales Tax mitigation beginning in 2019 to cities impacted by the change to destination based sourcing. The state should uphold the deal made in 2007 to provide mitigation to impacted jurisdictions.

See this mailer (awcnet.org/portals/0/documents/legislative/legmailerinside.pdf) for more information on AWC's positions on other provisions of the budget and revenue proposals currently under negotiation.

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Property tax bill expected to be in play in budget negotiations

AWC priority bill **HB 1764**, would change the annual property tax limit from one percent to a limit linked to inflation and population growth. This state and local revenue authority is expected to be linked to end-of-session budget negotiations.

Property tax is the largest revenue source for cities in Washington State comprising nearly 25 percent of revenues for city services. Since 2001, annual increases have been capped at one percent, preventing property tax from keeping pace with inflation and population growth.

For more information on the bill and key messages, see the fact sheet - awcnet.org/portals/0/documents/legislative/issuebriefpropertytax.pdf.

Fire Insurance Premium Tax distributions

One of the issues that remains part of the budget negotiations is a change to the distribution formula for Fire Insurance Premium Tax distributions in the Senate-proposed budget. The changes could have the effect of eliminating this distribution for the cities' pre-LEOFF firefighter pension funds and LEOFF 1 medical costs.

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 these distributions, remind your Senators how eliminating these distributions would impact your ability to meet these obligations.

Environment & land use

Legislature still struggling to find fixes for water management issues

Discussions are continuing in an attempt to resolve the chaos created by the two state Supreme Court water cases known as "Hirst" and "Foster." Those cases turned water management in the state on its head, creating a new responsibility for local governments to independently assess legal availability of water in parallel with the state (Hirst) and eliminated the opportunity for creative mitigation to offset impacts of new water withdrawals (Foster).

All session AWC has collaborated with the counties and other water users to try to find a way to re-create a workable and stable water resource management system that addresses the challenges created by both the Hirst and Foster decisions. The two chambers currently have very different visions on how to do this.

Broadly speaking the Senate approach (**SB 5239**) provides clear direction that the state is in charge, allows rural and urban water uses to move forward consistent with Ecology approval. The House does not have an official public proposal but the working draft we have seen includes new growth management responsibilities and a complicated mitigation scheme for new water withdrawals. It does not do anything to restore the ability for the Department of Ecology to approve municipal water uses that are dependent on any mitigation other than 100 percent replacement of water. The Department of Ecology acknowledges that in much of the state this is impossible.

The politics of this issue are proving problematic for the legislature. We are still hopeful and very much engaged in trying to find a solution that meets the state's environmental duties while providing a practical and durable path for water use into the future.

continued

Housing

Homelessness and housing bills are still in play

The bills related to our housing and homelessness priority have been bottled-up for what seems like an eternity at this point. Early in session they were deemed “necessary to implement the budget,” which is a special designation that exempts a bill from the normal deadlines facing other bills. Once that happened, pressure to move the bills waned and we have been in a holding pattern ever since.

That holding pattern began to break up finally on May 25 when the House came back to pass bills to start the second special session. The two AWC priority bills finally found their way to the active agenda. **HB 1570**, which provides a county level optional recording fee of up to \$50 and eliminates the sunset of the state fee, passed the House on a party line vote.

We have been told that **HB 1797**, which provides a suite of new affordable housing revenue options for local governments, is set for passage the next time the House is in town. The hope and expectation is that this proposal will garner more bi-partisan support as there have been positive discussions between the parties to craft a set of tools that addresses the unique needs of different areas of the state.

Infrastructure

Local infrastructure funding depends on budget and water negotiations

The final resolution to our infrastructure priority probably will not be resolved until the very end of session. The state capital budget is almost always one of the final bills to pass in any session but this year is even stretching that. Right now, the two chambers are not even talking to each other. Capital budget negotiations are currently on hold as the Senate is insisting that the House and Governor agree to a resolution to the Hirst water resources issues. Negotiations on that front are slow going. The disposition of Public Works Trust Fund (PWTF), Model Toxics Control Accounts, and the Centennial Clean Water fund are waiting for resolution of this impasse.

We have been in contact with budget writers in both chambers and continue to hear positive signals on funding for the PWTF construction loan list and the prospects for final passage of the PWTF reform proposal that AWC and other stakeholders have been working on. All of that progress may be for naught if budget negotiators cannot settle other unrelated issues.

continued

Marijuana

Liquor and Cannabis Board issues decision on Kittitas County marijuana zoning question

On May 23, the Liquor and Cannabis Board issued a declaratory order on Kittitas County's Petition for Declaratory Ruling. The County's petition, filed on Feb. 17, 2017, asserted that the Board must consider local zoning regulations in its license review process and can only issue a license when an applicant is in compliance with local regulations. The Board rejected that argument and stated that local jurisdictions have the ability to determine whether to grant a local business license or any other required permits before a marijuana business may operate within its jurisdiction.

The declaratory order reads: "The Board finds that the provisions of RCW 36.70A.103 do not require that the Board determine that an applicant for a marijuana license is in compliance with all local zoning and land use ordinances prior to granting a license. The local jurisdiction has the ability to determine whether to grant a local business license and/or any required permits before a state-licensed marijuana business may legally conduct that business within the jurisdiction, and to enforce its own zoning and land use ordinances." To read the entire decision, including the Board's legal analysis, click here - awcnet.org/portals/0/documents/legislative/LCBDeclaratoryOrderKittitasCounty.pdf.

Open Government

Public records bill allows executive sessions for sensitive information technology discussions

Rep. Hudgins' bill, **HB 1417**, expands the use of local government executive sessions to include discussing information technology (IT) issues. The bill allows executive sessions to be used for considering information regarding the infrastructure and security of computer and telecomm networks, security and service recovery plans, security assessments, and other information that, if made public, would increase the risks to agency security or IT assets. The law will become effective on July 23, 2017.

Personnel

AWC submits response letter in state agency's paid sick leave rulemaking process

The Washington State Department of Labor & Industries (L&I) has been creating rules to enforce the paid sick leave requirements of Initiative 1433. AWC responded to the latest draft rules by submitting a letter on various aspects of the draft rules; including city-specific concerns on collective bargaining agreements and on-call hours. To read a copy of the letter click here - awcnet.org/portals/0/documents/legislative/I1433RulemakingAWCcomments.pdf.

L&I has also created a comprehensive webpage (lni.us.engagementhq.com) about implementing Initiative 1433, which includes proposed rules, stakeholder responses, and other ways to stay involved with the law's implementation. It is important to note that even if your city currently provides sick leave that meets or exceeds the new law, some of its provisions will still require you to take action, update policies, and report to LNI.

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Possible LEOFF 2 contribution shift would hurt cities

The Senate's proposal to eliminate the state portion of the LEOFF 2 pension contribution is still in play in budget negotiations. The Senate budget eliminates the state's 20 percent share of the contribution, increasing the employer's share from 30 percent to 50 percent. Fire districts would be exempt from this policy with the state continuing to pay its 20 percent share.

This cost shift to cities would increase city expenses by over \$70 million for the 2017-2019 biennium. The Senate budget's proposed rate structure is outlined in the table below and, if their proposal becomes law, would be effective on July 1, 2017.

AWC has been encouraging cities to calculate the impact of this cost shift and share the impacts to your city with your local legislators, community, and news media. AWC is strongly advocating for the state to continue to uphold our shared responsibility for public safety by funding its fair share.

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

Transportation

REAL ID makes it past the finish line, Governor signs bill

Legislation to move Washington State closer to compliance with federal REAL ID laws was signed by Governor Inslee on May 16.

Congress passed the REAL ID Act in 2005, which established national standards for state-issued driver's licenses and personal identification cards. One of the requirements of the REAL ID Act is a state must verify the lawful presence within the United States of an applicant for a driver's license or identification card. Up to this point, Washington has not verified lawful presence in the United States of applicants for standard driver's licenses and identicards. Washington has been operating on a limited extension from REAL ID enforcement, but that extension was set to expire.

Under **SB 5008**, sponsored by Sen. Curtis King (R-Yakima), the Department of Licensing is required to mark standard driver's licenses and identicards in accordance with REAL ID Act regulations indicating they are not compliant with REAL ID Act standards beginning July 1, 2018. The bill also lowers the fee for enhanced driver's licenses and identicards to \$90 for the next four years. Enhanced driver's licenses and identicards do meet federal REAL ID standards.

The passage of this bill allows Washington to continue to refine its driver license requirements in order to fully comply with federal REAL ID standards in the future.

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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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