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SUBJECT: DRAFTING THE 2014 STATE LEGISLATIVE AGENDA

STAFF CONTACT: Joyce Nichols, City Manager's Office, 452-4225

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

NEEDED FROM COUNCIL:

Staff is providing background on State Legislative issues and the Draft 2014 State Legislative Agenda for Council information and discussion. Tonight's briefing is intended to give Council an overview of the critical issues to be included in the City's Agenda. Council feedback received this evening will be incorporated into a draft Agenda and provided for Council review and direction in November. The State Legislative Agenda is typically adopted by Council in December. The 2014 Statement of Policy is being reviewed and updated and will be provided to Council with suggested revisions in November.

BACKGROUND

Each year, the City Council adopts two policy documents related to the State Legislature:

- (1) Legislative Agenda – a shorter list of priority items that will be the focus of the City's efforts in Olympia each year. A new document is produced each year for Council approval. The Agenda is used to communicate on key issues of interest and concern to the City's legislative delegation (Attachment A).
- (2) Statement of Policy – a comprehensive list of legislative positions covering a broad range of issues developed over time. These issues may or may not surface during the legislative session. The Statement of Policy is carried forward each year with changes to remove items that have been resolved or are no longer policy positions of the Council and to add new policies as appropriate. The Statement of Policy has grown over the years to encompass many policy issues. This document is not generally provided to Legislators, but is utilized by the City to provide policy direction as issues are considered by the Legislature.

The issues proposed for inclusion in the 2014 State Legislative Agenda are those preliminarily identified by staff as important for the City to pursue during the 2014 Session or those that are likely to be pursued by others. In many cases, the proposed policy positions are protective of the City's authority and revenue base.

Staff is seeking input and direction from Council on whether these issues and preliminary positions are the right ones to include in the Agenda and, if so, the relative priority.

New information that surfaces on any existing or new issues in the coming weeks will be reported and potentially incorporated into the draft Agenda. Council will have an opportunity for a final review and approval of the Legislative Agenda and Statement of Policy in November.

OVERVIEW

The 2014 State Legislative Session begins on January 13 and runs 60 days, and is already shaping up to be another challenging session. The State's fiscal challenges have not gone away. The September State revenue forecast noted some improvement in the State's financial outlook; however, there may still be a gap between revenues and expenditures that the Legislature will need to deal with as it writes a supplemental budget.

Adding to the challenges is the continued challenge for the Legislature to deal with the State Supreme Court decision in the *McCleary* case that held the State's system of school funding is unconstitutionally inadequate and placed the State under a court order to remedy K-12 funding. In the 2013 session the Legislature dedicated approximately \$1 billion to K-12 education. The attorney for the *McCleary* plaintiffs filed an update with the State Supreme Court in early October. He called the legislature's response to *McCleary* during the 2013 session wholly inadequate, and asked the Court to hold the legislature in contempt or impose some other remedy that the Court saw fit (which is the issue: what can the Court do to the legislature to make them comply with their education funding ruling?). We are waiting for the Court's response which may or may not come prior to the 2014 session. If the Court tells the legislature to make more measurable progress toward funding K-12 education in 2014, and threatens sanctions if that does not occur, the 2014 session could be a repeat of 2013 with a drawn out discussion over how to provide more money to the K-12 system (up to the additional \$4 billion per year the Court demanded by 2018).

Our challenge, along with other local governments, will be to secure existing state-shared revenues from being diverted into the State's general fund as was the case in the 2013 Session when the Legislature "swept" most of the money from the Public Works Trust Fund.

Update on Potential Special Session on New Transportation Revenue Package

The Senate Majority Coalition Caucus' (MCC) transportation "listening tour" ended on October 15 after 10 hearings held across the state. The meetings were well attended (over 400 people attended each of the hearings, in Bellevue and Seattle). Most speakers supported the legislature acting to approve a substantial transportation revenue package. Since then, the Transportation Committee chairs have been meeting to discuss the MCC's reform ideas and the spending side of the package. Indications are that the MCC is insisting on some level of reforms (which others are calling "policy choices"), before it will consider the type of large package that Rep. Clibborn passed through the House last June.

On October 17, Governor Inslee sent a letter (Attachment B) to the Senate Transportation Committee chairs (Sen. Curtis King, R-Yakima and Sen. Tracey Eide, D-Federal Way) urging both chambers of the legislature "to develop and negotiate a transportation package in time for a short, focused special session beginning November 21." The Governor said that he, too, had been criss-crossing the state, meeting with community members and learning about local needs. He called for new investments in our transportation infrastructure now.

As of October 22, the Governor had scheduled meetings with House and Senate leadership—not just the Transportation Committee chair, though it's unclear if they will be involved in these meetings—most likely to agree on the outlines of a reform package and the spending levels for a package. If those meetings go well, we assume the committee chairs will hammer out an agreed-to spending package with lists of projects. With the Governor aiming for a November 21 special session, negotiations will have to become much more focused over the next three weeks if a package is to be approved by the end of November. Staff will provide updates for Council as appropriate as details become known.

KEY ISSUES IDENTIFIED FOR THE 2014 STATE LEGISLATIVE AGENDA

Economic Vitality

Support for Development of Economic Development Tools to Enhance Economic Vitality: Quality of life for Bellevue's residents, businesses, neighborhoods and overall community is inextricably linked to our area's economic vitality. The City supports development of tools that improve and enhance the innovation and knowledge workforce and economic sectors that contribute to our overall quality of life. Bellevue also supports funding for infrastructure improvements, including mobility options and in particular, better transit services, which we know are a key factor in innovation firms choosing to locate in the City, especially in Downtown.

As Council saw in the recent Progress Report: Economic Development Strategic Planning presentation, the technology sector location and rate of growth are more than 2.5 times greater in Bellevue than in the region as a whole. Nurturing these businesses and attracting new firms are essential to continuing the City's economic vitality and quality of life. Part of the challenge ahead is the need to provide greater funding and tools to develop and sustain affordable workforce housing in Bellevue. Staff proposes to add the following issues to the 2014 State Legislative Agenda and will likely propose further additions once the City's overall Economic Development Strategy is crystallized.

Proposed Position—Support for the Technology Sector: Bellevue supports efforts to enhance the competitiveness of the technology sector through investments in infrastructure and education, as well as incentives that support research and development.

Proposed Position—Increased Funding Support for Workforce Housing: Bellevue supports the Housing Trust Fund, which is the State's main resource for funding the capital costs of affordable workforce housing development. Bellevue also supports other state and local tools to increase and sustain development of workforce housing in cities.

Revenue/Fiscal Issues

Local Business and Occupation (B&O) Tax and Licensing Authority: Supporters of last year's bills that would have established State administration and collection of the local portion of the B&O tax may introduce additional bills in 2014. Cities, including Bellevue, remain opposed to State administration of the local share of the B&O tax. The five largest local B&O collection cities (Seattle, Tacoma, Bellevue, Everett and Bellingham) continue to oppose State administration and are leading the effort to streamline administration and reporting of local B&O through the development of a single multi-city portal for registering businesses and reporting and paying local B&O taxes. The portal is scheduled to be operational in the fall of 2014.

Proposed Position: *Bellevue supports the goal of streamlining administration and reporting of local B&O taxes through the single multi-city business license and tax portal, scheduled to be operational in the fall of 2014. Bellevue opposes State administration of local B&O tax as it will reduce local flexibility to tailor the tax to local conditions and it will reduce revenues to the City.*

State-Shared Funding: Facing another challenging budget situation, it is possible that the Legislature may look at pulling back revenues that are currently shared with local governments. In the last legislative session, the Public Works Trust Funds were nearly all redirected to the State general fund and other similar proposals may be forthcoming in 2014.

Proposed Position: *Bellevue supports preserving State-shared revenues and supports retention of programs and authority benefitting local government. Specifically, Bellevue supports:*

- Restoring the \$10 million ongoing diversion of liquor taxes and reinstating the local share of excess liquor profits;
- Restoring the six-year diversion of Public Works Trust Fund monies to the State general fund that occurred in the 2013-15 state operating budget;
- Ensuring continued appropriation of committed state-shared revenues such as liquor profits and taxes, the annexation sales tax credit, streamlined sales tax (SST) mitigation funding, municipal criminal justice account funding, and public health funding; and
- Ensuring that the State share with cities a portion of the anticipated marijuana revenue to help offset local enforcement and other impacts.

Transportation

New Transportation Revenue Package: With the potential for a special session of the Legislature in November, there is a chance that the chambers could agree on a new transportation revenue package before the end of the year. If that were to happen, staff would propose amendments to the legislative agenda to reflect any action by the Legislature that would impact Bellevue projects. The package that was approved in the House earlier this year, but was not voted on in the Senate, included approximately \$1.2 billion for I-405 improvements and \$35 million to continue work on a new interchange on SR 520 at 124th. The package also included a local option for King County to levy up to a 1.5% motor vehicle excise tax with voter approval. The proposed position below is the same as in the City's current legislative agenda, with the exception of the last paragraph that adds a request for funding to complete the SR 520 Regional Bike Path.

Proposed Position: *Bellevue supports the passage of a robust State-enacted transportation package that provides new revenue for roads and transit, including an increase in the State gas tax, dedicated gas tax funding for local distribution and focuses on the following projects that are of critical importance to the City:*

Completion of projects identified in the I-405 Master Plan, including:

- ***One new lane in each direction from I-90 to Renton***
- ***NE 6th extension to 120th Ave. NE***
- ***Restripe NE 12th to SE 8th to accommodate an additional lane in each direction***
- ***Completion of southbound SR 520 to I-405 braided ramp at NE 10th***

- **Funding for a new full interchange at 124th and SR 520 and funding to complete the SR 520 project's Regional Bike Path**

Public Safety

Medical Cannabis/Legalization of Adult Marijuana Use: The State Liquor Control Board has adopted final regulations for the legalization of recreational marijuana following the passage of Initiative 502 in 2012. Bellevue was "allotted" four retail outlets by the Liquor Control Board and is making code amendments in order to comply with the new law and regulations. A serious issue for Bellevue and other local governments is the separate regulations for medical cannabis and recreational marijuana. Bellevue is seeking legislative action to harmonize the two while maintaining local authority over traditional land use, licensing, local taxes and fees, and other regulatory functions regarding to marijuana production or distribution.

Proposed Position: *Bellevue supports legislative changes to provide for consistency between laws regulating the production and distribution of medical cannabis and recreational marijuana. Focus on achieving safe and appropriate access to medically recommended supply of medical cannabis while removing incentives to continue with black marketing of products. The City also strongly supports legislative confirmation of local authority over traditional land use, licensing, local taxes and fees, and other regulatory functions regarding marijuana production or distribution.*

ADDITIONAL ISSUES THAT WILL LIKELY BE ON THE TABLE FOR CITIES IN 2014

Utilities and Environment

NPDES Permit and Stormwater Funding—Proposed Position: *Bellevue supports State funding that allows local governments flexibility to determine the best way to use the funding in implementing the Phase II stormwater requirements (NPDES permit). Bellevue opposes permit conditions that undermine local land use authority.*

Fish Consumption Rulemaking and Legislation—Proposed Position: *Bellevue will monitor the Department of Ecology's rulemaking and any subsequent legislation regarding fish consumption and water quality standards as these may impact regulatory compliance and costs.*

General Government

Public Records Requests—Proposed Position: *Bellevue takes a customer-focused approach in providing efficient and effective access to public records, and is committed to allocating resources to respond appropriately to the Public Records Act while balancing resources and customer expectations. The City recognizes that some local government agencies have been overwhelmed in their efforts to meet their obligations under the Act due to the actions of a small number of requestors. As a result of action in the 2013 legislative session, funding was allocated to research new approaches to managing requests, including mediation and/or negotiated settlements. The City is tracking results of this research to determine if a resulting recommendation provides a solution that enables Bellevue and other cities to meet their obligations under the Public Records Act without being overwhelmed by requests.*

Sustainable Personnel Costs—Proposed Position: *Bellevue supports amendments to the criteria for binding interest arbitration that would permit consideration of the following: ability to pay; economic conditions and other unique characteristics at the state, regional and local level; and, qualifications for arbitrators.*

Pension Funding—Proposed Position: *Bellevue supports amendments to pension legislation to “stabilize” contribution rates so that they do not fluctuate with economic “boom/bust” cycles and supports a more fiscally responsible approach to pension funding.*

ALTERNATIVES:

N/A

RECOMMENDATION:

N/A

ATTACHMENTS:

- (A) Draft 2014 State Legislative Agenda
- (B) 10/17/13 Letter from Governor Inslee to Senate Transportation Committee Co-Chairs



DRAFT

CITY OF BELLEVUE 2014 STATE LEGISLATIVE AGENDA

ECONOMIC VITALITY

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REVENUE/FISCAL ISSUES

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TRANSPORTATION

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Draft dated October 28, 2013

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JAY INSLEE
Governor



STATE OF WASHINGTON
Office of the Governor

October 17, 2013

The Honorable Curtis King
Washington State Senate
P.O. Box 40414
Olympia, WA 98504-0414

The Honorable Tracey Eide
Washington State Senate
P.O. Box 40430
Olympia, WA 98504-0430

Dear Senators King and Eide:

I want to congratulate you on a job well done, as you and many of your colleagues have traveled the state in recent weeks, listening to Washingtonians speak their minds about transportation infrastructure and the future of our great state. I know this meant long nights and hard work for you and your staff, but I believe your efforts have advanced this crucial conversation across Washington.

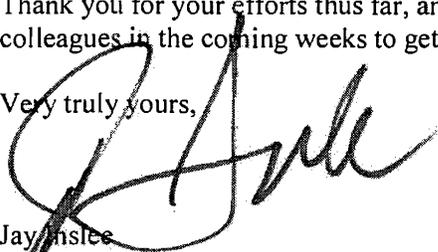
I too have been crisscrossing the state, meeting with community members and learning about local needs. I even had the pleasure of attending your session in the Tri-Cities. My clear impression is that both the need and the demand for new investment in our transportation infrastructure are at an all-time high. It is also clear that the public expects us to invest their tax dollars wisely, and adopt smart reforms to ensure we do just that.

As you know, I have urged both legislative chambers to develop and negotiate a transportation package in time for a short, focused special session beginning November 21. Many doubted we could do so this year, after a difficult legislative session that failed to produce a transportation solution. However, we are making great progress, and I am more optimistic than ever that we can get this done this year. Thanks to your outreach to our citizens, your ongoing negotiations with Representative Clibborn in the House, discussions between us over reforms, hard work by a broad coalition of stakeholders, and the very clear knowledge that the safety of our system and a healthy economic future demands action now, I see no reason why we cannot reach the finish line this fall.

I look forward to meeting with you and leadership from the four legislative caucuses later this month to build agreement around an investment package and a suite of needed reforms after your negotiations have progressed further. This will take leadership, compromise and moderation from all parties and an understanding that our goal cannot be to get all of what we each might want, but instead to get what the state needs.

Thank you for your efforts thus far, and I look forward to working with you and your House colleagues in the coming weeks to get the job done.

Very truly yours,


Jay Inslee
Governor

The Honorable Curtis King
The Honorable Tracey Eide
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cc: The Honorable Ed Murray, Washington State Senate
The Honorable Mark Schoesler, Washington State Senate
The Honorable Rodney Tom, Washington State Senate
The Honorable Frank Chopp, House of Representatives
The Honorable Judy Clibborn, House of Representatives
The Honorable Dan Kristiansen, House of Representatives
The Honorable Ed Orcutt, House of Representatives