

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Adoption of State Legislative Priorities		
<b>DEPARTMENT:</b>	CMO		
<b>PRESENTED BY:</b>	Scott MacColl, Intergovernmental Relations Manager		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input checked="" type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

The 2014 Legislative Session is approaching with some potential for an additional special session to address transportation funding, possibly in December. Council had a preliminary discussion about their 2014 Legislative Priorities at their November 4 Council dinner meeting. The staff recommended Legislative Priorities attached to this staff report reflect the conversation and direction provided by Council at that time.

Staff will utilize these priorities to determine whether the City supports or opposes specific legislation and amendments in Olympia during the legislative session. Staff proposes a directed Legislative Priorities list this year to provide a clear and concise message to Legislators and others about the City's needs.

This year is the mid-biennium budget year, which means the legislative session will be a short, 60-day session. While the Legislature usually revises the budget mid-biennium, they are not required to and this year there is speculation that they will not. 2014 will bring unique challenges around education funding, prompted by the McCleary lawsuit, which is still around one billion short. Also this year, like last year, transportation funding, both statewide and local funding options, will be a priority topic for the legislature.

**RESOURCE/FINANCIAL IMPACT:**

There are no financial impacts to adopting the 2014 Legislative Priorities.

**RECOMMENDATION**

Staff recommends Council move to approve their 2014 Legislative Priorities to provide staff policy direction for the upcoming legislative session.

Approved By:           City Manager **DT**   City Attorney **IS**

## **INTRODUCTION**

Staff proposed the attached legislative priorities (Attachment A) for Council for review and discussion during the November 4 Council Dinner Meeting. The priorities provide policy direction to guide staff in determining support or opposition to specific legislation. Staff utilizes these priorities to determine whether the City supports or opposes specific legislation and amendments in Olympia during the legislative session.

The City actively monitors legislative proposals at the state level, as our success in advancing the City's position in Olympia depends on providing accurate and timely information to Legislators and their staff that illustrate the impacts of pending legislation on Shoreline. The City continues to work with the Association of Washington Cities (AWC), which provides a consistent voice and a strong presence for cities in Olympia.

Key pieces of legislation that do not fall under the Council's legislative priorities will be presented to the Council for review. However, legislation changes very rapidly, sometimes within hours, and there usually is not time to review changes with the Council. The legislative priorities are therefore primarily drafted as general policy positions to provide staff and our council representatives the flexibility to respond quickly to requests for information or input.

### **2014 Legislative Snapshot:**

The 2014 Legislative Session is approaching with the Senate Majority Coalition Caucus (MCC) solidifying their hold on the Senate by winning the 26<sup>th</sup> Legislative District race for the seat vacated when State Senator Derek Kilmer (D) was elected to Congress to replace retiring Congressman Norm Dicks.

This year, like last year, both statewide and local transportation funding options will be a priority topic for the legislature. King County and its cities have remained in lock-step in their desire for local options to fund transportation needs; however transportation may or may not be addressed prior to the session. Governor Inslee already called a Special Legislative Session to address Boeing tax breaks and a statewide transportation package; however the Legislature ended the session within two days and did not address a transportation package. The MCC has added complexity to the transportation package discussion by demanding policy changes to accompany any transportation revenue package.

This year is the mid-biennium session, or the 'short' session, which last only 60 days. The Legislature passed the 2013-2015 biennial budget last session, and thus far, revenues are looking up slightly for the first time in a few years (around an additional \$300 million per year.) However as the Legislature did not fully address education funding last session, there remains an estimated shortfall of approximately \$1 billion.

Given the continuing size of the budget shortfall, it is likely that the Legislature will continue to seek to retain funds that they have traditionally shared with local governments. Liquor revenue will be on the table, along with the revenue from the sale and taxation of recreational marijuana, as retail sales begin in 2014.

**AWC Priorities:**

This session, AWC is solely focused on tools to allow cities to maintain services, including restoring liquor revenue sharing, sharing marijuana revenue, retaining the infrastructure funds like the Public Works Trust Fund, and providing options for local transportation funding (see Attachment B).

While retaining or growing this revenue would be significant for Shoreline, AWC and participating cities have been unsuccessful over the past few sessions in stemming the tide of legislative cuts to state shared revenues.

**Shoreline Priorities:**

The following information provides context about each of the five proposed legislative priorities for 2014:

**1. Advocate for local transportation funding options – the King County proposed package of:**

Shoreline is concerned about restoring local transportation funding; therefore the City continues to support the 'Move King County Now' coalition of County and City leaders seeking local transportation funding options. However, given the needs statewide, we also recognize that local options aren't likely without a statewide transportation package.

As a result of the steady decrease in transportation funding, the City currently funds only about 40% of its yearly transportation infrastructure needs. The longer projects go unfunded, the more expensive they become to build and the longer the project backlog needing funding becomes. Although the City has identified major road projects (N 145<sup>th</sup> Street, N 175<sup>th</sup> Street) that require substantial funding to implement, however there are not enough capital resources available to move forward.

Regionally, King County Metro will be forced to reduce their budget by 17% in 2014 without a new revenue source. Metro has recently published the list of routes that will be reduced or eliminated, and Shoreline service will be impacted.

**a. Restore Local Option Motor Vehicle Excise Tax (MVET) at 1.5%**

Prior to 1999's Initiative 695, cities received significant funding for roads and infrastructure from both the statewide gas tax and a significant Motor Vehicle Excise Tax (MVET). However, despite I-695 being overturned by the courts, the Legislature imposed the tax cuts one year later. One of the main concerns voiced at the time was the nexus between the revenue generated (MVET) and where the money is spent as MVET revenues were utilized for many non-transportation related items. The above proposal would directly link the tax (MVET) to paying for transit and transportation needs.

The loss of MVET revenue and the decrease in gas tax revenues due to both more fuel efficient cars and people driving less has led to a substantial loss of transportation infrastructure revenue.

**b. Increase in Councilmanic Transportation Benefit District (TBD)  
Authority to \$40**

The Legislature revised the Transportation Benefit District statutes in 2007 to allow districts to impose \$20 of the \$100 vehicle fee without a public vote. Some cities, including Shoreline, have imposed the \$20 fee; however, no city in the state has been successful on a ballot measure to increase the fee. While the \$20 councilmanic imposed TBD revenue helps to offset the loss of some state gas tax revenue losses, it is not enough to cover the City's transportation needs.

**c. 8 cent Statewide Gas Tax Increase**

Cities and Counties receive a portion of the statewide gas tax. Gas tax revenues are restricted to only use on transportation projects, and are the main source of revenue for large, statewide projects. The City's gas tax revenue has funded significant portions of the City's transportation needs in the past. However, over the past decade as fuel efficiency has increased and people are driving less (and taking transit more), the amount of revenue has significantly decreased. This influx of revenue is necessary to address both statewide needs and to provide local investment in the transportation infrastructure.

**2. Support legislation to maintain cities ability to assume water/sewer districts without a vote**

Shoreline is in process of becoming a full service provider city – as envisioned in the Growth Management Act – by entering into the water and sewer business. The City is interested in overtly defining the ability of cities to enter into the water or sewer business by assuming an existing utility district if the Council deems it appropriate.

**3. Support Restoration of Local Government Funding Options:**

**a. Revise 1% Property Tax Limitation**

The State Legislature voted to reinstate the effects of Initiative 747 during the 2001 Legislative Special Session. The effect of this action limits property tax increases for local governments to a total of 1% per year without a vote. Prior to that, local governments had the option to increase property tax by up to 6% per year. The net result over time is that inflation has far outstripped the 1% per year property tax levy limitation, meaning local government revenues structurally fall behind expenditures each year. Some jurisdictions, like Shoreline, have successfully gone to the voters for a levy lid lift; but statewide, these examples are rare.

As the state continues to cut state shared revenue, local jurisdictions are more and more dependent on their local tax structure to provide necessary services. Adjusting the 1% property tax cap to something tangible – such as the Implicit Price Deflator for Personal Consumption or the Consumer Price Index (CPI) – will provide a more sustainable revenue base.

**b. Restoration of Public Works Trust Fund**

The Public Works Trust Fund (PWTF) was formed to provide a revolving loan fund to offer low interest loans for public works projects, such as water or sewer projects. The low interest rate is well below market rates and saves significant dollars over the life of a public works project. Shoreline currently has two Surface Water Utility projects that received PWTF loans. However, last session the Legislature swept the revenue for this account through 2018.

**c. Restoration of all liquor revenues and designate cities share of marijuana revenues to address local impacts**

Since incorporation, the City has received state share liquor revenue, albeit at a reduced amount when the liquor privatization initiative was passed in 2011. The funds were assigned to cities originally as a way to help cities address liquor related problems.

However, AWC and city lobbyists have been unsuccessful in keeping the Legislature from raiding those revenues over the past few years. As a result, staff believes that this source of revenue can no longer be relied upon, and the City's 2014 Budget eliminates liquor revenues as a funding source.

Given that these state share revenues are general fund dollars, which are hard to replace, the City should join AWC in seeking to attempt to retain liquor revenues and advocate for cities share of future retail marijuana sales.

**4. Support clarification of state laws regarding medical marijuana vs. recreational marijuana**

Based on the Council conversation on September 23 regarding the implementation of recreational marijuana regulations, the City is interested in providing a real distinction between recreational and medical marijuana and would support a legislative clarification of this issue.

**5. Capital Budget – Support Compass Housing Alliance's and Hopelink's Capital Budget requests for funding of the Ronald Commons Project in Shoreline**

This priority includes a potential state Capital Budget request for Compass Housing Alliance and Hopelink, as their Ronald Commons project fits with the City's Housing Strategy, Human Services Strategy, and Comprehensive Plan through providing housing affordability and expanded human services. Compass Housing Alliance and Hopelink have stated that the project requires significant state funding to be implemented. As the project is slated to happen in Shoreline and to benefit the City as a whole, staff proposes supporting Compass Housing's \$3 million request for assistance from the Washington State Housing Trust Fund and Hopelink's \$1 million request in the State Capital Budget.

There is precedent for supporting non-profit groups' state requests if the project is going to be built in/will serve Shoreline and its residents. For instance, last year the City supported the capital funding request of \$3 million from International Community Health Services (ICHHS) for their new Shoreline clinic (now under construction on Aurora Avenue N).

### **RESOURCE/FINANCIAL IMPACT**

There are no financial impacts to adopting the 2014 Legislative Priorities.

### **RECOMMENDATION**

Staff recommends Council move to approve their 2014 Legislative Priorities to provide staff policy direction for the upcoming legislative session.

### **ATTACHMENTS**

Attachment A: Proposed 2014 Legislative Priorities

Attachment B: AWC 2014 Legislative Priorities



## **Proposed 2014 Shoreline Legislative Priorities**

1. Advocate for local transportation funding options – the King County Coalition package of:
  - a. 1.5% Local Option Motor Vehicle Excise Tax (MVET)
  - b. Increase in councilmanic Transportation Benefit District (TBD) authority to \$40
  - c. 8¢ Statewide Gas Tax Increase
2. Support legislation to maintain cities' ability to assume water/sewer districts without a vote
3. Support Restoration of Local Government Funding Options:
  - a. Revise 1% Property Tax Limitation
  - b. Restoration of Public Works Trust Fund
  - c. Restoration of all liquor revenues and designate cities share of marijuana revenues to address local impacts
4. Support clarification of state law regarding medical marijuana vs. recreational marijuana
5. Support Compass Housing Alliance's and Hopelink's Capital Budget requests for funding of the Ronald Commons Project in Shoreline

October 2013



# 2014

## legislative priorities



### What do cities need from our Legislature in 2014?

Washington's cities are home to most of our state's citizens and business activity. Many cities continue to grow and all face challenges on how best to provide valuable services to enhance the quality of life within our state.

Our cities partner with counties, special districts and the state to provide services that help make Washington a great state within which to conduct business and live.

As the state retreats from sharing revenue to help cities provide services, our historic partnership is being seriously tested. Legislators are not providing cities the tools needed to maintain services. Neither are they adjusting mandates to help reduce costs. These trends are unsustainable.

During the 2014 legislative session, cities ask the Legislature and Governor to support cities in the following four ways:

#### **Restore local liquor revenue sharing**

to the historic revenue sharing formulas so we can better fund public safety and other local impacts of liquor consumption.

- The enhanced public safety funding promised in the 2011 liquor privatization initiative hasn't been kept – in fact funding has been cut by legislative action and diverted to other uses.

**Fund transportation needs now, including providing new local transportation options** - Transportation is critical for our economic health so we must have the resources at both the state and local levels to maintain and improve our vital transportation systems.

- Needs vary by region and, so too, must the array of options.

#### **Halt and refrain from raiding infrastructure funds like the Public Works Trust Fund and Model Toxics Control Accounts and build them back to health –**

Our infrastructure is aging and we can't keep up with demands and regulatory requirements.

- Great cities don't just happen – we need planned and sustained investments in order for Washington to thrive.

**Share new marijuana revenue** – The new recreational marijuana industry is subject to up to a 75% state excise tax, but none of this potential funding is directed to locals to address public safety needs and other local impacts.

- Cities and counties must enforce marijuana laws and need shared revenue to do this.

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