

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of 2017 State Legislative Priorities
DEPARTMENT:	City Manager's Office
PRESENTED BY:	Scott MacColl, Intergovernmental Relations Program Manager
ACTION:	<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 2017 Legislative Session is quickly approaching, which is the beginning of the 2017-2019 Biennium. This report outlines the challenges ahead and presents draft Legislative Priorities for Council's review and potential approval. The 2016 Legislative Session, usually considered a short-session as it is when the mid-biennial budget is considered which generally is just used to make adjustments, wound up in special session just to pass a supplemental budget. The budget deficit created by the McLeary decision is large enough that multiple special sessions in 2017 are likely before agreement is reached.

Staff anticipates all state distributions to cities will be closely scrutinized as the Legislature scours every line item to help them make a multi-billion dollar investment in the state's K-12 education system per the Washington Supreme Court's McCleary decision.

For 2017, staff proposes continuing with the major policy themes of the past few years: fiscal sustainability, revising public records laws, infrastructure funding and sustaining the human services safety net.

Council discussed the draft priorities with the 32nd District delegation at the Dinner meeting immediately preceding the Council meeting. The Legislative Priorities are up for final adoption at this meeting.

RESOURCES/FINANCIAL IMPACT:

This item has no direct financial impact.

RECOMMENDATION

Staff recommends Council adopt the 2017 Legislative priorities as presented in Attachment A.

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

DISCUSSION

Staff proposes the attached draft 2017 Legislative Priorities (Attachment A) for Council for review and potential approval. 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 success in advancing the City's position in Olympia depends on providing accurate and timely information to Legislators and their staff that illustrates the impacts of pending legislation on Shoreline.

Key pieces of legislation that do not fall under the adopted Legislative Priorities will be presented to the Council for review. However, proposed State legislation can change 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 council representatives the flexibility to respond quickly to requests for information or input.

The City also continues to partner with the Association of Washington Cities (AWC), which provides a consistent voice and a strong presence for cities in Olympia.

2017 State Budget Snapshot

This year is the beginning of the 2017-2019 biennial budget, or the 'long' session which is scheduled to last 120 days. However, given the magnitude of the budget gap to address the McLeary Decision and the political divide for how to fix it, no one expects the session to end on time.

The McLeary Decision - The Legislature declined to fully fund basic education last session, pushing off the hard decisions to this year. As a result, the Court has threatened to usurp the state budget and demand that basic education receive full funding first, and whatever is left over fund the remainder of state functions. The Court offered a one-session reprieve to allow the Legislature to pass a budget to address basic education. If the Court is not satisfied, then it can take action on the contempt order.

State Revenue - to fully fund education amounts to between \$1.2 to \$2 billion over the biennium. To meet the K-12 funding obligation, the Legislature will need to: raise new revenue, dedicate revenue from other sources, cut governmental services, or some combination of these in order to secure the necessary revenues. There is not currently any consensus on a path forward to achieve success.

State Shared Revenue - given the continuing size of the budget shortfall, general fund revenue that have traditionally been designated to local governments (State Shared Revenue) will be tantalizing for budget writers looking to fill the gap. Any and all local government shared revenue may be up for review (e.g. criminal justice assistance account), with the exception of gas tax revenue. Some legislators question why the

state should share any of its revenue, or they want cities to be more efficient with our existing dollars before agreeing to share revenue. This concern is not residing and cities will continue to have to monitor legislative actions that may reduce allocation of shared revenues to cities.

Shoreline currently receives over \$2 million in state shared revenue. The chart below reflects the 2017 estimated amounts (per the Municipal Research Services Center). It should be noted that of those funds, the transportation related funds (gas tax, multi-modal) are restricted funds and cannot be used to balance the state's general fund.

State Shared Revenue Estimator

Jurisdiction
Shoreline

2017 Per Capita Amounts for Cities

Liquor Profits	\$8.45
Liquor Tax	\$4.67
Criminal Justice - Population Based	\$0.31
Criminal Justice - Special Programs	\$1.04
Gas Tax	\$20.84
Increased Gas Tax	\$0.92
Multi-Modal Distribution	\$1.05
Marijuana Excise Tax	\$0.58
Total	\$37.86

Shoreline Distributions

Liquor Profits	\$464,666
Liquor Tax	\$256,803
Criminal Justice - Population Based	\$17,047
Criminal Justice - Special Programs	\$57,190
Gas Tax	\$1,145,992
Increased Gas Tax	\$50,591
Multi-Modal Distribution	\$57,740
Marijuana Excise Tax	\$31,894

Total Distribution **\$2,081,921**

In addition, the Legislature continues to systematically reduce investment in basic infrastructure programs benefitting cities, including the Public Works Assistance Account (PW Trust Fund); Model Toxics Cleanup Account (MTCA), reducing appropriations to the Centennial Clean Water infrastructure grant program, and relying on cities to bear the cost of compliance with stormwater rules.

Association of Washington Cities (AWC) Concerns

As mentioned previously, AWC notes that the 2017 will be lengthy and difficult and that in light of the state's limited resources, this session could negatively affect cities financially. Therefore, AWC's priorities are focused on tools to allow cities to maintain their financial health in the long term.

AWC Specific items include respecting local authority with regard to revenue, taxes, licensing and home rule; supporting and enhancing actions to increase affordable housing, decrease homelessness, and improve a strained mental and behavioral health system; maintaining and restoring infrastructure programs and state shared revenue (liquor, marijuana); and updating the Public Records Act.

In addition, AWC is supporting maintaining funding for the Municipal Research and Services Center, and adequate funding for statewide law enforcement training.

Shoreline Concerns

Below are the proposed specific legislative priorities and a list of issues the city supports; however the majority of the focus would be on the specific priorities.

1. Local Government Financial Sustainability and Flexibility – building on the conversation started with legislators over the last couple of years, staff proposes advocating for a more self-sufficient model where the City can control its revenue streams. Cities need to be able to plan for funding from one year to the next; providing cities more local financial flexibility allows each jurisdiction to make their own choices of how to fund local services.
 - a. 1% Property tax limit - this existing limit does not keep pace with inflation and restricts cities' ability to maintain services. Setting a limit that is tied to a tangible number (e.g. Consumer Price Index) would allow cities to better maintain existing services.
 - b. Increased flexibility on existing revenues – many available revenue options are constricted, restricted or unpredictable, which makes it hard to maintain or increase city services such as public safety, infrastructure and human services programs.

2. Support and enhance actions to increase affordable housing, decrease homelessness, and improve a strained mental and behavioral health system – Cities throughout the state are struggling with increasing homeless populations, lack of affordable housing, and a poorly-funded mental health and substance abuse system. Shoreline, like many cities, struggles to address these problems with very limited resources. Solutions require community partners and new funding. Ideas include:
 - a. Document Recording Fee - Eliminate the sunset and increase the fee. This fee on real estate transactions provides the bulk of funding for homeless programs at the state and local levels, and faces a 60% reduction if allowed to sunset in 2019;
 - b. Housing Trust Fund – invest \$200 million in the fund to spur new capital construction of affordable housing statewide;
 - c. Mental Health and Chemical Dependency Services – provide additional resources, including coordinated treatment, increasing treatment beds, support for step-down services and programs for transient drug populations; and

- d. Local options for funding affordable housing – create new local options to generate revenue for homeless services and for capital construction of affordable housing, and improve standing options to make implementation easier.
 - i. Support a local option preservation property tax exemption – authority for local jurisdictions to provide an exemption to maintain existing low-income housing.
- 3. Invest in Public Health Services – Protect our communities by investing in core public health services. The 40% per capita decrease in public health funding since 1999 is reaching crisis levels across the state. The funding shortfall has left Public Health–Seattle & King County unable to fully investigate disease outbreaks. The Washington State Department of Health is requesting \$54 million for local public health jurisdictions to fill critical gaps in disease prevention and response, and to pilot shared services to improve the efficiency of the overall system.
- 4. Revise Public Records Act – public records act laws have not kept up with changes in technology and they do not account for the growing number of broad, voluminous, commercially driven, or retaliatory requests that utilize a disproportionate amount of city resources. Cities need additional tools to be able to settle conflicts out of court and charge reasonable fees for electronic and commercial requests.
- 5. Support Human Services Safety Net – enhance the provision of needed human services programs to address issues that drive increased homelessness and public safety costs. Council has previously heard several situations that affect our local agencies’ ability to meet local needs including:
 - a. As funders have been cutting support for basic agency operating costs, and with the new presidential administration’s promise to repeal or significantly scale back the Affordable Care Act, even larger gaps may exist in the very near future.
 - b. There is a broad shift away from support for services to seniors. This affects our local senior center operation as well as transportation services like the Hyde Shuttle.
 - c. The rapid increase in the cost of housing is driving the demand for housing assistance for rent, move in/out support and utility assistance; and
 - d. Homelessness is on the rise both in Shoreline and the region, increasing the need for implementing the All Home 4-year Strategic Plan.

6. Infrastructure Funding - infrastructure programs that benefit cities have been diverted to the state general fund over the past few years. These types of accounts allow cities to utilize low interest loans or grants to complete infrastructure projects at a significantly lower cost due to lower loan repayment rates than market value. This item would support any funding in infrastructure spending that cities can apply for to help fund important projects (e.g. Public Works Trust Fund), which will be particularly important as the city moves into the sewer service business in 2017.

Legislative Issues the City Supports

1. Basic Education Funding - If the state utilizes the levy swap to fund basic education, it cannot come at the expense of the social safety net or by reducing state funding to local governments.
2. Transit Communities - advocate for city tools, such as funding and/or regulatory authority, to support communities centered around high capacity transit corridors.
3. Support continued efforts to explore new watershed-based funding authorities to support multiple-benefit projects that address salmon habitat protection and restoration, water quality, stormwater management, and flood management.
 - a. Restore funding that was cut in the 2016 supplemental budget to toxic cleanups and pollution prevention, ensure funding for new projects, and reduce volatility in the hazardous substance tax.
 - b. Maintain funding and capacity in the 2017-2019 biennial budget for state environmental programs to ensure reliable and predictable regulatory implementation.
 - c. Ensure that revenue collected from the hazardous substance tax is dedicated to fund public participation grants, with a priority for those communities most burdened by toxic pollution

RESOURCES/FINANCIAL IMPACT

This item has no direct financial impact.

RECOMMENDATION

Staff recommends that Council adopt the 2017 state legislative priorities as proposed in Attachment A.

ATTACHMENTS

Attachment A: Draft 2017 Legislative Priorities



2017 Shoreline Legislative Priorities

1. Support Local Government Financial Sustainability and Flexibility:
 - a. Revise 1% Property Tax Limitation
 - b. Increase flexibility on existing revenues
2. Support and enhance actions to increase affordable housing, decrease homelessness, and improve a strained mental and behavioral health system.
3. Support stable, permanent funding for Public Health
4. Revise Public Records Act to address changing technology, reduce frivolous requests, and allow for cities to charge a reasonable fee for electronic or commercial requests.
5. Support increasing state revenue from non-regressive revenue sources to support education and to maintain the human services safety net.
6. Restore funding infrastructure programs that support basic local infrastructure.

Legislative Issues the City Supports:

1. If the state is going to utilize a 'levy swap' to fund basic education, it cannot come at the expense of the social safety net or by offloading state responsibilities to local government.
2. Advocate for city tools, such as funding and regulatory authority, to support Transit Communities.
3. Support continued efforts to explore new watershed-based funding authorities to support multiple-benefit projects that address salmon habitat protection and restoration, water quality, stormwater management, and flood management.