

Skagit County Legislative Report March 30, 2019

This week the House and Senate both released proposals for 2019-2021 operating, capital and transportation budgets. The House has passed their operating and transportation budgets, while the Senate is still in the process of moving the various proposals through relevant committees. In addition to these budget activities, next Wednesday is the deadline to pass bills from the opposite chamber from policy committees. Following is a short summary of each chambers' approach to their budgets:

Operating Budget Proposals

The legislature will have approximately \$52 billion in revenue for the next biennial operating budget. This is an increase of roughly 20% from the 2017-19 budget of \$43.7 billion. The House and Senate differ significantly on the spending levels proposed in their budgets. While the House makes \$2.3 billion in new expenditures, the Senate adds \$1.6 billion.

To support this higher level of spending, the House raises nearly a billion in new revenue from the enactment of a capital gains tax; modification of Real Estate Excise Tax rates based on the sale price of the property; removal of preferential business and occupation tax rates for bullion dealers, travel agents and tour operators, and replacement of the out-of-state sales tax exemption with a mechanism allowing for refunds; and, increases in the B&O tax rate for certain business categories and dedication of the revenues to higher education. The House also transfers about \$200 million from other sources.

The Senate includes \$518 million of new revenue in their budget proposal, derived from a graduated REET proposal, removal of a B&O tax preference for prescription drug sellers, replacement of out-of-state sales tax exemption with a mechanism allowing for refunds, and an insurance premium surcharge for wildfire prevention and suppression. The Senate does not rely significantly on fund transfers.

Both budgets leave over \$2 billion in fund balances and reserves.

The Senate also released a proposal for a capital gains tax. Rather than directing the estimated \$780 million in revenue into the state general fund, a new working families tax credit for low income families is created, along with a small business tax cut, seniors property tax reduction, and elimination of sales taxes on feminine hygiene products, diapers, over the counter medication, and mobility equipment. These policies are encompassed in SB 5961.

Capital Budget Proposal

The House and Senate also diverge in their approach to the capital budget. The House capital budget proposal invests \$4.6 billion while the Senate spends \$5 billion. The House retains about \$200 million in bond capacity for the 2020 supplemental capital budget, while the Senate retains \$121 million. The chambers are aligned in some areas with over \$1 billion for public school construction; in excess of \$900 million for higher education facilities; and over \$150 million for the Housing Trust Fund. Differences can be found in areas such as behavioral health facilities where the Senate invests \$199 million compared to the House investment of \$117 million, and the Washington Wildlife and Recreation Program where the Senate spends \$90 million and the House provides \$80 million.

The Senate provides \$150 million for local and community projects awarded through competitive programs and direct legislative grants while the House is at \$136.

On the Public Works Assistance Account, the Senate allocates \$212 million into the account, while the House sweeps \$160 million leaving only \$80 million available for competitive funding applications.

Transportation Budget Proposal

Unlike operating budget revenues, transportation revenues are only projected to increase by 1% in the next biennium. Overall spending levels are similar between the two proposals, with the House spending \$10 billion and the Senate appropriating \$9.8 billion on both capital and operating components. However, the budgets are significantly different in the fact that the House budget includes appropriations for \$75 million in new transportation projects across the state, primarily by making reductions to state agency budgets.

Legislative Priorities

GTHGA submitted Skagit County’s request for Skagit County Emergency Communications System improvements. Please see the chart below to see how the county’s budget requests fared in each budget.

Request Name	Budget	Requested Amount	House Funded	Senate Funded
Skagit County Emergency Communications System	Capital	\$1.5 million	\$750,000	\$1 million
Regional Stabilization Campus / Sedro-Woolley North Sound Evaluation and Treatment Center	Capital: Behavioral Health Capacity Grant	\$6.6 million	\$7 million	\$6.6 million

Skagit County Upcoming Events

Based on the county’s Legislative Agenda, known policy priorities, or direction from the county, GTHGA have identified the following upcoming hearings that may be of interest. GTHGA’s planned action is identified in bold. If the county would like us to take a different action on any of these, please let us know.

Ways & Means (Senate) - SHR 4, JACB - 4/3 @ 1:30pm

- SHB 1406 - Public Hearing - Encouraging investments in affordable and supportive housing.
We will sign the county in to support this bill at the hearing.

Bill Summaries

Outlined below are relevant bills GTHGA is tracking for the county. Where a position is indicated below, GTHGA will communicate these positions to legislators as they are considered by the Legislature.

Bill #	Title	Short Description	Status	Sponsor	Position
E2SHB 1105	Protecting taxpayers from home foreclosure.	House Bill 1105, sponsored by Rep. Tina Orwall (D- Des Moines), requires treasurers to annually distribute tax statements by March 15. More specifically, the statement must include current and delinquent taxes due, penalties and interest due, and information for the statewide foreclosure hotline. The bill would require county treasurers to provide the contact information of delinquent taxpayers to a homeownership resource center after the expiration of two years from the date of the property tax delinquency. The bill was amended in the House Appropriations Committee before passing the House with floor amendments. The version of the bill that passed out of Committee requires county assessors to assist taxpayers in applying for the property tax exemption program or tax deferral program or refer them to a homeownership resource center; requires county treasurers and assessors to publicly display information about the exemption and deferral programs in their office; requires tax delinquency notes to specify where a taxpayer can obtain the balance of any taxes due rather than printing the balances on the notice itself; requires all tax statements distributed, rather than those exclusively distributed to a residential address, to include information about the exemption and deferral programs; and strikes funding for the homeownership resource hotline. The House passed the bill with an additional floor amendment that is extremely harmful to counties, removing a 3 percent and 5 percent penalty assessed on the delinquent taxes currently allocated to counties. However, this language was removed by the Senate Local Government Committee.	S Rules 2	Orwall	Neutral
EHB 1219	Providing cities and counties authority to use real estate excise taxes to	House Bill 1219, sponsored by Rep. Amy Walen (D- Kirkland), allows cities and counties to utilize real estate excise tax revenues for affordable housing. Cities and counties have the authority to use up to \$1 million of real estate excise tax revenues for affordable housing under current law, but the	S Rules 2	Walen	Support

	support affordable housing and homelessness projects.	authority is scheduled to sunset in June 2019. Before passing the House, the bill was significantly amended. This version of the bill extends the sunset on the authority to January 1st, 2026, so long as the city or county documents that it has funds for certain capital projects in its capital facilities plan. The amendment also reinstates the financial cap on the use of REET II funding for affordable housing, limiting the annual amount to either \$100,000 or 25% of available funds not exceeding \$1,000,000. This cap does not apply to REET II funding used prior to June 30th, 2019.			
SHB 1406 (SB 5646)	Encouraging investments in affordable and supportive housing.	House Bill 1406, sponsored by Rep. June Robinson (D-Everett), would allow local jurisdictions to impose a .02 credit against the state sales tax to fund affordable housing. Cities that have imposed a local housing levy may impose the full .02 credit within city boundaries. Counties may impose the full .02 credit in unincorporated areas. In all other incorporated areas, the city and county would split the authority, and each would impose a .01 credit. If a city does not utilize the .01 credit within one year of the effective date of the bill, the county can then impose the .01 credit (and vice versa). The revenue may be used to acquire, rehabilitate, or construct affordable housing or fund the operations and maintenance of new units of affordable or supportive housing for persons whose income is at or below 60% of the adjusted median income for the jurisdiction imposing the tax. A credit against the state sales tax is not an increase in the state sales tax; rather, it is sales tax revenue that would otherwise be deposited into the state general fund that is instead redirected to the local level. The substitute version of the bill that passed the House specifies that to enact the maximum 0.02 percent rate, a city must levy a qualifying local tax no later than 12 months after the effective date of the bill, rather than within 12 months of the effective date, and states that the median income calculation for cities imposing the tax to be based on the city's median income, not the county's (addressing a drafting error). The bill was further amended in the Senate Housing Stability and Affordability to add a voter approved property tax levy used solely for affordable housing to be eligible as a qualifying local tax source and removes provisions regarding calculation of median income for certain cities whose median income is not available from the United States Census Bureau.	S Ways & Means	Robinson	Support

2SHB 1497	<p>Concerning foundational public health services.</p>	<p>House Bill 1497, sponsored by Rep. June Robinson (D- Everett), integrates foundational public health service standards with current state public health practices. The bill requires that the state modify its priorities, funding allocation, and appropriation to fit the foundational public health service model and repeals prior statutes related to the definition, duties, planning, measurement, and funding of public health programs. The bill also requires the Department of Health, by October 1st, 2020, to present on a series of changes related to the implementation of foundational public health services, including planned delivery models, changes in public health system capacity, and improvements in health outcomes. The bill passed the House 96-4, and the Senate 44-1.</p>	<p>S Pres Signed</p>	<p>Robinson</p>	<p>Support</p>
EHB 1638	<p>Promoting immunity against vaccine preventable diseases.</p>	<p>House Bill 1638, sponsored by Rep. Paul Harris (R- Vancouver), removes the philosophical or personal objection exemption from the requirement to receive the measles, mumps, and rubella vaccine. The bill also requires that a public school, a private school or a licensed day care center receive proof of immunizations before the child can attend the school or center. The bill passed out of the House with a series of floor amendments. This version of the bill maintains removal of the philosophical or personal exemption from the MMR vaccine, but allows: proof of disease immunity through laboratory evidence or a health care provider's attestation of disease immunity to be considered sufficient proof of immunization; individuals who do not have a positive antibody response to a full vaccine series to be considered nonresponders and therefore exempt from further vaccination; health care practitioners to use immune system problems or an adverse vaccine reaction in a biological parent, brother, or sister as a viable medical exemption; parents to provide a written certification, with evidence from a health care practitioner, that the child has a biological parent or sibling whose immune system problems or adverse reaction would make the vaccine contraindicated for the child. The amended version of the bill grandfathers the restrictions in, exempting current high school students from the new requirement.</p>	<p>S Health & Long T</p>	<p>Harris</p>	<p>Support</p>
HB 2119	<p>Concerning the distribution of moneys derived from</p>	<p>House Bill 2119, sponsored by Rep. Debra Lekanoff (D- Bow), allows a county to pay, distribute, and prorate payments of money from the former Common School Trust Land exchanged into the State Forestlands Trust in the same way that general taxes are paid</p>	<p>S Ways & Means</p>	<p>Morris</p>	<p>Support</p>

	certain state forestlands.	for the former forestlands subject to the exchange. The bill addresses revenue loss for junior taxing districts (including the Burlington School District) as a result of the state's Blanchard Forest Strategy. Although there are some concerns surrounding the general language of the bill, the bill cannot be drafted more narrowly without becoming special legislation. The bill passed through the House 61-31.			
SSB 5366	Expanding the property tax exemption for new and rehabilitated multiple-unit dwellings in urban centers.	Senate Bill 5366, sponsored by Sen. Keith Wagoner (R- Sedro-Woolley), allows all cities and towns to provide property tax exemptions for eligible multi-unit residential housing projects in urban centers until July 1, 2022. The bill was amended in the Senate Ways and Means Committee to add a provision allowing any county to establish a residential targeted area and receive a property tax exemption on qualifying projects from July 1, 2022 to July 1, 2025.	H Hous, Com Dev &	Wagoner	Support
SB 5505	Addressing the use of local stormwater charges paid by the department of transportation.	Senate Bill 5505, sponsored by Sen. Steve Hobbs (D- Lake Stevens), addresses local stormwater charges, which are paid by the Department of Transportation. As drafted, the bill would require that any fees that are levied by counties to be used solely for stormwater control facilities as they related specifically to state highway runoff, preempting counties from utilizing the funds for other needs. The bill passed through the Senate without amendment.	H Trans	Hobbs	Oppose
ESB 5779	Concerning ballot drop box placement requirements.	Senate Bill 5779, sponsored by Sen. Patty Kuderer (D- Bellevue), would eliminate the requirement that the county auditor must have a minimum of one ballot drop box per 15,000 registered voters in the county. Instead, one ballot drop box would be required for every 20,000 registered voters in the county. The bill also eliminate that a ballot drop box must be in every city, town and place in a county with a post office. The bill was amended before passing the Senate unanimously, adding provisions that conform the bill with changes made in ESSB 5079, the Native American Voting Rights Act.	H State Govt & Tr	Kuderer	Support