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Washington State legislators will convene in Olympia on January 9 for the 2017 legislative session. The regular session is scheduled to run 105 days through April 23. But special session extensions are likely.

Like all odd-year sessions, the focus this year will be on crafting, negotiating and adopting the 2017-19 biennium operating, transportation and capital budgets. And funding K-12 basic education in the operating budget to meet the Washington State Supreme Court's McCleary decision requirements will be a major challenge. It is highly likely that the legislators' work this year will require one (or more) 30-day special session.

Below is a summary of recent legislative and regulatory activities in Washington State as well as a preview of the 2017 session.

Legislator Changes

In addition to the new wave of legislators on account of the election, several additional membership changes have occurred in the Legislature. Dino Rossi (R) was appointed to fill the 45th Legislative District seat left vacant by the passing of Senator Andy Hill. Rebecca Saldaña (D) was appointed to fill the 37th District vacancy when Senator Pramila Jayapal left to assume her congressional seat. And with Senator Pam Roach (R) resigning on January 3 to assume her Pierce County Council seat, it is anticipated that the Pierce County and King County Councils will select a replacement on January 7.

Political power in Washington State has become more evenly balanced in recent years. While Governor Jay Inslee continued the Democrats' hold on the governor's mansion, the Legislature remains under divided control by razor thin margins in both chambers. Republicans control the Senate by a count of 25-24. The Republicans formally hold only 24 seats, but one Democrat caucuses with them to form the 25-member Majority Coalition Caucus. In the House the Democrats are in the majority with 50 seats to the Republicans 48.

Governor's 2017-19 Biennium Budget Proposal Recap

Governor Jay Inslee (D) released his \$46.4 billion 2017-19 biennium operating budget proposal for Washington State. The proposal includes increasing Near General Fund State spending by \$8.2 billion over the \$38.2 billion 2015-17 biennial budget. This release followed and included Tuesday's announcement of Governor Inslee's education funding plan that proposed \$3.9 billion in new dollars for K-12 education funded by \$4.4 billion in new revenue.

The governor's operating, capital and transportation budget proposals can be viewed at fiscal.wa.gov and Office of Financial Management (OFM) budget summary materials appear [here](#).

Governor Inslee's proposed \$4.4 billion revenue package for the 2017-19 biennium can be viewed [here](#). The governor's proposed revenue package is derived from the following sources.

- 7.9% capital gains tax on earnings, excluding residences (\$821M in FY 2019)
- \$25-per-ton carbon tax (\$1.9 billion in 2017-19)
- Increase to the B&O tax rate on services from 1.5% to 2.5% while increasing the filing threshold to \$100,000 (\$2.3 billion in 2017-19)
- Closing/altering the following tax exemptions (\$300M in 2017- 19)
 - Eliminating sales tax exemption on bottled water
 - Limiting sales tax exemption for vehicle trade-ins over \$10,000
 - Converting nonresident sales tax exemption to a refund program
 - Eliminating use tax exemption for extracted fuels, except hog fuel
 - Extend economic nexus for retailing B&O tax purposes
 - Limit exemption from the REET on foreclosures

The release of the governor's budget proposals in December is the first step in the upcoming budget development process for the 2017 Washington State Legislature. The House and Senate budget proposals will be released during the 2017 session with extensive negotiations to follow.

McCleary- Budget

Washington State has incurred to date about \$52 million in sanctions imposed by the Washington State Supreme Court. The sanctions are based on the state's failure to show significant progress toward meeting the Supreme Court's McCleary decision requirements that the Legislature fully fund K-12 basic education. The Legislative Education Funding Task Force plan is anticipated to be revealed by the first day of session. Meanwhile, Senator Baumgartner (R-Spokane) has filed an amendment ([SJR 8200](#)) to the state constitution that would give the Legislature sole authority to set school funding, as explained in this *Spokesman-Review* [article](#). And [HB 1021](#), requiring K-12 education be funded first, has been pre-filed by Representative MacEwen (R-Union).

Health Care

Affordable Care Act Impacts in Washington State

Hospital leaders in Washington State are working together to address possible changes to the Affordable Care Act (ACA), as outlined in this *Seattle Times* [article](#). Hospitals hope to keep coverage for those who gained it through the ACA. It is estimated 22 million Americans, including 750,000 Washingtonians, would lose health care coverage if the ACA is repealed. The Office of Financial Management recently created this [presentation](#) outlining the impact on Washington State from a repeal of the ACA, including which counties in the state would be most impacted. In December, Governor Inslee and Insurance Commissioner Mike Kreidler (D) wrote this [letter](#) to Congressional Republicans asking them to preserve the ACA.

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Unwanted Medication Disposal Legislation

Legislation establishing a disposal program for unused medication has been pre-filed. [HB 1047](#) creates a system for the safe and secure disposal of unwanted medications.

Mental Health

As noted earlier in this report, the governor included \$300 million in his proposed 2017-19 biennium budget in order to pay for a massive overhaul of Washington State's mental health system, as noted in this governor's office [press release](#). The focus of the overhaul is to make mental health services more locally available in support of a patient-centered system. It also adds more psychiatric hospital staff. The overhaul specifically moves Western State psychiatric hospital toward forensic hospital status and serves most civil commitment patients at nine new state-run 16-bed regional hospitals.

Cyber

In early December, Washington State formally adopted its first set of computer science standards as outlined in this *Seattle Times* [article](#). There are an estimated 23,000 open computing jobs in Washington State according to the nonprofit Code.org. The adopted curriculum was based on standards developed by the Computer Science Teachers Association.

Social Services

As explained in this [blog](#) by *Real Change News*, Governor Inslee is proposing a new department in order to improve outcomes in Washington State's child welfare system. The new Department of Children, Youth and Families would remove child services from the Department of Social and Health Services and focus on meeting the needs of children 21 years and younger. This proposal comes following recommendations by a blue ribbon commission on children and families convened by the governor in February 2016. The Legislature must approve new departments in the state.

Business & Labor

State Unemployment Rate Lowest Since June 2008

Washington State's unemployment rate continues to drop. It is now at 5.3% compared to 5.4% the month prior, as reported in this Associated Press [article](#). This is the lowest unemployment rate the state has had since June 2008.

Public Worker Pay Raises Questioned by Republicans

One of the budget negotiating sticking points that has emerged early in 2017 is the \$720 million estimated cost of providing pay raises to public workers, as explained in this *Seattle Times* [article](#). As outlined, the pay raises provide an estimated 6% increase over two years and also include a 19% raise for State Patrol workers to address retention and recruiting issues. Negotiated in private between the governor's office and unions, the Legislature only has authority to approve or reject contracts and is not legally able to make changes to the deals.

Gun Responsibility

Carrying Weapons at Sporting Venues

Three Republican legislators have introduced a bill for the 2017 session that would repeal a ban on weapons at major sporting events in Washington State. [HB 1015](#) would allow those with permits to carry weapons into major sporting venues.

Firearms Database Backlog Increasing

The Washington State firearms database run by the Department of Licensing currently has a two-year backlog for recording transactions and is projecting a significant increase by June 2017, as explained in this *Everett Herald* [article](#). As a result, the department has requested \$382,000 in the 2017-19 biennium to hire a vendor to address the backlog by the end of 2017. Per the *Herald*, the database is accessed on average 7,697 times per day.

Local Government

This *Crosscut* [article](#) features the impact of the 2001 passage of a 1% property tax increase limit on local governments. This session the Washington State Association of Counties will support a proposal to link the property tax increase cap to inflation plus the rate of population growth, with a total 5% limit.

Law & Justice

Washington's Sentencing Laws Raising Some Concerns

Following last year's efforts to investigate the mistaken early release of nearly 3,000 prisoners by the Department of Corrections, the *NW News Network* recently posted this [article](#) outlining the complexity of Washington's sentencing laws and how they are contributing to the problem.

Deadly Force Legislation Introduced

A new bill filed for the 2017 session would adopt the recommendations of a legislative task force to lower the standards for prosecuting police who use deadly force in Washington State, as reported in this Associated Press [article](#). [HB 1000](#) and its companion bill [SB 5000](#) require police to have a reasonable belief of an "imminent threat" to justify use of deadly force.

Environment

Washington State Joins International Ocean Alliance

In December, Washington State became a founding member along with several other west coast states of the International Alliance to Combat Ocean Acidification, as announced by this [press release](#). Citing carbon pollution as a major contributing factor, the alliance points to cutting carbon emissions as a key component of reaching its objectives. Members of the alliance have agreed to craft their own local or regional global acidification action plans. The governor's 2017-19 biennium budget proposal includes funding for this effort.

Greenhouse Gas Emission Reduction Limits Report Released

The Department of Ecology submitted this [report](#) to the Legislature in December. The report recommends more aggressive efforts to cut carbon emissions. Specifically, the report recommends reducing overall greenhouse gas emissions in Washington State so that they are the same as 1990 levels by 2020, reduced to 40% below 1990 levels by 2035, and reduced to 80% below 1990 levels by 2050.

Transportation

State Ferries Director Announces Retirement

Per this [news release](#), the state Ferries Director announced she will be retiring at the end of January 2017.

Pay-Per-Mile System Piloted in Washington State

Washington State plans to start a pilot program charging drivers for road usage by the mile in the fall of 2017, as reported in the *Tacoma News Tribune* [here](#). The yearlong project will include 2,000 drivers from across Washington State and is being considered as a possible replacement for the existing gas tax assessed on each gallon sold. It is estimated by the Department of Transportation that gas tax revenue will decline by 45% per mile driven by the year 2035.

REAL ID Solutions In View

Washington State lawmakers are looking into a solution for its drivers licenses which do not meet federal standards taking effect in January 2018, as explained in this King 5 News [story](#). Washington State drivers are not required to present proof of legal residence to obtain a license, which is required under the federal law. The Chairs of the Senate and House Transportation Committees have proposed [SB 5008](#) and [HB 1041](#) to enable the use of Washington State drivers' licenses until at least 2020. The proposed legislation also makes enhanced drivers licenses less expensive.

Housing

Washington State's Department of Commerce released data that for every \$100 increase in the average rent, homelessness increases 15-to-32%. The story appears in this *Kitsap Daily News* [article](#).

2017 Session Important Information

Please mark your calendars with these [important dates](#) related to the 2017 session. (This link will update from 2016 to 2017 information on January 9.)

Weekly session updates will be sent to you during the 2017 legislative session and will replace the monthly reports you have received during the interim.