

Sound Cities Association Legislative Report

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The legislature adjourned sine die (or “last day”) on Sunday evening minutes before midnight, completing all of its work within the constitutionally mandated period of time. Below are the highlights for the end of the session. Full details will follow later this week.

**Final Budgets Summarized**

*Operating Budget*

The final operating budget spends $52.4 billion, an increase of roughly 20% from the 2017-19 budget of $43.7 billion. The budget is based on five new revenue sources: 1) switching from a flat rate Real Estate Excise Tax to a variable rate based on the sale price of the property (SB 5998); 2) removing a preferential business and occupation tax rate for international investment companies (SB 6016); 3) replacing the out-of-state sales tax exemption with a refund mechanism (SB 5997); 4) increasing the B&O tax rate for travel agents (SB 6004) and 5) raising the B&O tax rate for large financial institutions (HB 2167). In addition, the legislature increases the B&O tax rate for certain business categories and dedicates the revenues to higher education (HB 2158).  No capital gains tax was passed.

*Capital Budget*

The capital budget invests $4.9 billion in state agency construction projects, grant and loan programs for local governments, and in K-12 school and higher education facility construction. In addition, $3.8 billion is re-appropriated for projects previously authorized but not yet completed. $96.5 million for local and community projects awarded through competitive programs and direct legislative grants;

*Transportation Budget*

The final transportation budget includes a very small list of new projects. This is because actual gas tax revenue ended up being less than projected and the legislature was only able to fund new projects through a one-time $50 million transfer of Hazardous Substance Tax revenue out of the Model Toxics Control Act Account.

**Legislative Priorities**

**Address Affordable Housing and Homelessness**

The final budgets made significant investments in affordable housing:

* $175 million was allocated to the Housing Trust Fund (a historic high amount!);
* The Legislature approved [Senate Bill 5334](https://app.leg.wa.gov/billsummary?BillNumber=5334&Year=2019&Initiative=false) to reform the Condominium Liability Act;
* The Legislature approved [House Bill 1406](https://app.leg.wa.gov/billsummary?BillNumber=1406&Year=2019&Initiative=false) which allows local jurisdictions to impose a credit against the state sales tax to fund affordable housing. The final version of the bill authorizes cities and counties to each impose a .0146 credit against the state sales tax. A city is authorized to impose the county’s portion of the .0146 if the city has imposed a local tax to fund affordable housing (property or sales) or the county does not utilize its authority;
* [House Bill 1590](https://app.leg.wa.gov/billsummary?BillNumber=1590&Year=2019&Initiative=false), authorizing counties to councilmanically increase the sales tax to fund affordable housing, did NOT pass.
* Local control is maintained over density, land use and accessory dwelling units. The Legislature passed [House Bill 1923](https://app.leg.wa.gov/billsummary?BillNumber=1923&Year=2019&Initiative=false), which incentivizes rather than mandates cities to accept density. The ADU bill that preempted local control, [Senate Bill 5812](https://app.leg.wa.gov/billsummary?BillNumber=5812&Initiative=false&Year=2019), failed to pass the Legislature.
* The Legislature approved [Senate Bill 5444](https://app.leg.wa.gov/billsummary?BillNumber=5444&Year=2019&Initiative=false) implementing reforms to the state mental health system in response to the *Trueblood* settlement. Additionally, the Operating and Capital Budgets made significant investments into implementing these reforms and funding community behavioral health facilities.

**Invest in Transportation Infrastructure and Mobility**

* The Legislature did not significantly increase revenue to local governments to meet local transportation needs. The Joint Transportation Committee is tasked with making recommendations to the 2020 Legislature regarding local transportation revenues.

**Provide the Tools for Cities to Address Other Critical Local Priorities**

* State-shared revenues are fully funded in the final Operating Budget, except for the Public Works Assistance Account. The Operating Budget swept $160 million out of the account, leaving only $95 million left in the account - $85 million which will be available for competitive application.
* The Legislature approved House Bill 1219, providing increased flexibility with real estate excise tax revenues to fund affordable housing.
* The final Operating Budget allocates $16.4 million to continue streamlined sales tax mitigation payments to impacted jurisdictions through 2021. Additionally, the four-year budget includes an intent to continue the payments through the 21-23 biennium.
* The final Operating Budget allocates the necessary funding for 9 additional classes through the Basic Law Enforcement Academy. This is the amount requested by the Criminal Justice Training Committee to meet the expected law enforcement training needs across the state.
* The Legislature approved Senate Bill 5993 increasing the hazardous substance tax to fund the Model Toxics Control Account and additional stormwater projects.