

# 2016 Legislative Session Report

# General Background

- The Legislature convened on January 11, 2016.
- The Senate Majority Caucus Coalition retained the majority in the 2015 elections. Republicans, joined by Senator Tim Sheldon, have a 26-23 majority in the Senate.
- The previous House Democratic majority decreased from 51-47 to 50-48.
- Although it was a 60-day legislative session, one special session was required to reach final budget agreements.

# Overall Challenges

- Although the Legislature started the 2016 session with increases in overall state revenue projections, those projections were offset by caseload increases and wildfire costs.
- The Governor's budget release prior to the start of the legislative session also highlighted the need to address teacher shortages and mental health issues.
- Passage of Initiative 1366 raised questions regarding whether the Legislature would send a constitutional amendment to the voters regarding the Legislature's taxing authority.
- Major policy issues for the 2016 legislative session included charter schools, carbon pricing and a state minimum wage rate increase.

# 2016 General Fund Results

- The 2016 supplemental general fund operating budget increases spending by a net of \$191 million from the 2015-17 enacted spending level of \$38.2 billion.
- The budget appropriates \$190 million from the Budget Stabilization Account for wildfire costs in the 2015-17 biennium.
- The budget is projected to leave \$578 million in unrestricted reserves and \$701 million in the Budget Stabilization Account at the end of the 2015-17 biennium.
- Based on the four-year outlook, the proposed final supplemental budget proposal is projected to leave an unrestricted ending fund balance of \$1.1 billion in the Budget Stabilization Account at the end of the 2017-19 biennium.

# 2016 General Fund Local Government Impacts

- All of the major state-shared revenues (liquor excise tax, liquor profits distribution) are preserved. We were not successful in eliminating the cap on liquor profits, but the Legislature did not further erode that revenue.
- Although previous versions of the budget cut funding for Basic Law Enforcement Academy training classes and increased the local government contribution for training, the agreed upon budget does not make those cuts. The budget does provide \$677,000 for two additional training classes in FY 2016.
- The Legislature ultimately provided full funding for MRSC.
- The agreed upon budget did sweep \$154 million in loan repayments in the Public Works Trust Fund in the 2017-19 biennium, but the Governor vetoed this provision. The budget provides \$50,000 for the Office of Financial Management to convene a work group to develop a local government infrastructure investment strategy. The group must provide a report outlining the local government investment strategy to the Governor and the Legislature by October 31, 2016, along with draft legislation for the 2017 legislative session.

# Additional Local Government Impacts

- The agreed upon budget does not include a merger of the LEOFF 1 and TRS 1 retirement systems. The budget does direct the Joint Select committee on Pension Policy to study the implications of combining these two systems and report to the Legislature by January 9, 2017.
- The budget changed the existing approach to the Fire Insurance Premium Tax Distributions. The proposal limits the amount a city may receive to \$2,000 per pre-LEOFF and LEOFF 1 retiree or the amount received in 2016, whichever is less. Additionally, cities are only eligible to receive a distribution if they are levying the 22.5 cents property tax for the Firefighters' Pension Fund and can demonstrate the levy is not sufficient to meet the estimated demands on the fund or maintain the actuarial soundness of the fund. The Governor vetoed this provision of the budget.

# 2016 Capital Budget Results

- The supplemental capital budget makes new appropriations of \$95.4 million.
- The budget includes \$7.9 million for Mental Health Facilities, \$11.4 million for local community projects and \$34.8 million for K-12 School Construction Assistance grants.
- Significant decreases in the revenue in the revenue from the Hazardous Substance Tax resulted in decreased funding for projects receiving funding from the Model Toxics Control Account (MTCA).
- The Capital Budget does include a legislative commitment to restore MTCA funding in future biennia.

# 2016 Supplemental Transportation Budget

- The Legislature made minimal changes to the funding provided in the 2015 Connecting Washington Package.
- WSDOT must update the freight mobility plan to comply with the FAST Act. The freight plan update must involve freight stakeholders, including local governments. WSDOT must provide a prioritized list of projects for consideration for funding in the 17-19 biennium.
- The budget provides \$500,000 of federal funding for the Commission to advance the road user charge work to a stage that would enable Washington to implement a pilot project. The Commission must report to the Governor's office and the Legislature by November 1, 2016.

# 2016 Legislative Progress on Policy Items

- Public Records
- Body Cameras
- Public Facilities District Extension
- Homelessness and Housing
- School Siting
- Electronic Signatures

# Next Steps

- Monitor interim studies on local government infrastructure, LEOFF/TRF merger and MTCA stability.
- Monitor and participate in interim legislative discussions on public records and the Growth Management Act.
- Continue to monitor WSDOT work on transportation projects and practical design efforts.
- Participate in discussions regarding the allocation of federal funding to local governments under the FAST Act.