INTRODUCTION

The legislature appears to be on track to adjourn (on time) on March 12, but this won’t happen without busy weeks like this one. Part of what drives this activity is the cutoff schedule, which is a set of deadlines bills must pass to remain active in this session. Today is the cutoff when policy bills need to be out of their first committee in the opposite chamber. As a result, committees are busy hearing and voting on bills. Monday is the deadline for bills to be out of the fiscal committees, which makes for long hearings on Saturday and Monday. The House and Senate will return to floor action on Tuesday.

Both chambers released their Supplemental Operating and Transportation Budgets this week and the House released its Capital Budget, which the Senate did last week. This means each chamber has staked a position on how to manage the mid-point changes in the biennial budgets. If history is predictive, every minute of what remains in this session will be spent by some group of legislators working to reconcile these positions.

Details of what we see in the budgets and the remaining policy bills can be found below.

BUDGETS

Traditionally, the Legislature waits to tackle budget matters until the state’s Economic and Revenue Forecast Council holds their quarterly meeting. The Council provides critical data about 1) how the state’s actual revenue is comparing to the budgeted amount, and 2) revenue projections for the remainder of the biennium. The Council meeting was held on February 19, and shortly after that the House and Senate unveiled their supplemental Operating, Capital and Transportation budget proposals.

Up to this point in the biennium, revenues have been coming in strong. The Legislature adopted a $52.5B Operating budget for the 2019-2021 biennium and has taken in or is projected to take in about $1.5B more. Caseloads and other costs have also gone up during this time, leaving legislators about $1.2B more revenue to work with in their supplemental operating budget.

WPPA tracks operating budget appropriations to ensure we continue to advocate for our priority funding request. We also review the proposed budgets looking for funding for important programs such as tax increment financing or transfers that may affect important programs and other one-time activities of interest to ports. Here is an update on some of those things.

OPERATING BUDGET.

• State Environmental Policy Act (SEPA) and greenhouse gas – One of WPPA’s priority requests for the session is funded in the House Operating Budget. It is not currently included in the Senate budget. In response to Senate inaction, we have engaged a coalition of stakeholders to press for this priority. The proviso directs the Department of Ecology to complete a rule-making that clarifies required environmental analyses for large projects. Regulatory uncertainty reduces our state’s ability to compete for large investments made by the private sector.

• Net ecological gain proviso – WPPA has been concerned about how this concept might be applied to port-related infrastructure projects through environmental permits. We have legal questions about whether permittees can be asked to do more than offset the impacts associated with a specific action. WPPA has been included in the study group established by the proviso. The proviso is only included in the House Operating Budget.

• GMA study proviso – The Senate directs the Department of Commerce to form a study group to consider how the report from the Ruckelshaus Center on the future of GMA might be implemented. The impact of land use decisions has a profound impact on port districts. WPPA will participate in the workgroup
process if the proviso is included in the final budget. The proviso is funded by the Senate, but not the House.

- **DNR land transfers** – The Senate Operating Budget proposal would sharply limit the Department of Natural Resources ability to complete trust land transfers. Port districts have participated in these transfers in the past. The proviso is not included in the House budget proposal.

- **Transfer to transportation** – A transfer of $25M from the Operating Budget to the Transportation Budget is included in the Senate proposal but not in the House. The implications of this transfer (or lack of it) are discussed in more detail under the Transportation Budget below.

**CAPITAL BUDGET.** Last year the legislature authorized the state to issue $3.2B in bonds to support projects included in the Capital Budget for the 2019–21 biennium. Of the $3.2B, the legislature appropriated $3.183B, leaving $70M in remaining bond capacity available to address supplemental issues this session. In short, there is very little funding available from bond proceeds.

Increased appropriations for WPPA’s two Capital Budget priorities this session was possible because they do not depend on bond proceeds.

- **The Community Economic Revitalization Board (CERB)** asked the legislature to fund $10M in new projects using loan repayments from existing projects. Both House and Senate budgets include $10M for CERB.

- **Remedial Action Grants** are supported by revenue from the Hazardous Substances Tax created by the Model Toxics Control Act (MTCA). The House increased funding for these grants by $33.7M while the Senate provided only $23.7M. WPPA is supporting the larger House Capital Budget.

**TRANSPORTATION BUDGET.** The chambers took decidedly different approaches to addressing the budget hole left by the passage of I-976, which approaches $453M for the current biennium alone. Both budgets use “underspend” to address a major portion of the shortfall. Underspend occurs typically when projects are delayed, resulting in the current funds allocated to the project being unnecessary, freeing those dollars to be allocated elsewhere. Both budgets release highway projects which were previously paused by the Governor back in November. Where the budgets diverge significantly is how they address paused projects funded by multimodal dollars. The House maintains delays to rail and transit projects funded by the multimodal account, into next biennium, while the Senate releases these projects from pause as well. To do this, the Senate receives a one-time transfer of $25M from the Operating Budget. Due to the release of more than $30M in rail projects from pause, WPPA testified in support of the Senate proposal but has concerns about the House’s budget proposal.

Both budgets will be advanced by their respective chambers today and into early next week, setting up conference negotiations to resolve conflicts between the two approaches before the session ends.
GOVERNANCE & ELECTIONS

SPECIAL PURPOSE DISTRICTS. The Senate passed ESSB 6324 relating to financial reporting requirements, creating a new designation of “unauditable” districts when they fail to produce annual financial reports. The bill was sent to the House Local Government Committee where it failed to move prior to the deadline. The bill is considered dead for this year. The House passed ESHB 2588 which also addressed financial report deadlines but includes other provisions that are concerning to very small port districts. The bill went to Senate Local Government Committee where it was amended with a striker that was similar to ESSB 6324. If the bill stays alive and gets passed out of the Senate, it will have to go back to the House for concurrence.

ELECTION COSTS. We have reported on HB 2421 relating to the state reimbursement of election costs, which is a shift from past practice. While we support the policy of the state paying for their share of election costs, we didn’t initially realize that the new responsibilities called for in this bill will be paid for by all entities using the county election process, including special purpose districts like ports. The new responsibilities include statewide pre-paid postage for ballots, voter pamphlets in every area of the state, and voter education programs. WPPA staff testified concerns with the shifting of costs to ports and other local governments, but not with the underlying policy of having pre-paid postage or voter pamphlets. The bill appears destined for passage.

ENVIRONMENT

DERELICT VESSELS. WPPA testified in support of 2SSB 6528 on Wednesday in the House Rural Development, Agriculture, & Natural Resources Committee. It is scheduled for executive action by the committee today. Our work to gain passage of the bill is ongoing.

CAP AND TRADE. Also known as “CAP AND INVEST” (SB 5981) would create a marketplace for trading permits to emit carbon from regulated facilities. Revenue from the sale of these credits can be used by the state to fund other actions. While bills that would implement a “cap and trade” program in Washington appear to be dead for the 2020 session, we see it again next year as a source of transportation funding. WPPA needs to be prepared to participate in negotiations shaping this policy because of the link being made to transportation infrastructure by committee chairs.

CLIMATE CHANGE GOALS TO GMA. SHB 2427 creates a new climate change goal under the Growth Management Act (GMA) requiring jurisdictions to develop and implement plans, policies, and strategies that help achieve emission reduction limits. WPPA has monitored the bill because of its significance for future climate policies. As it currently stands, the bill appears dead for this session.

GREENHOUSE GAS EMISSION LIMITS. HB 2311 increases the pace at which greenhouse gas emission goals are achieved and states that by 2050, the state as a whole must achieve net zero greenhouse gas emissions. The bill awaits a hearing in the Senate Ways and Means Committee. WPPA remains neutral on the bill, but as noted above is monitoring these discussions for their future implications.
AVIATION

AVIATION LEGISLATION. WPPA continues to advocate for two bills that would address funding for airports.

SB 5011 would make the Community Aviation Revitalization Board permanent. This bill was passed unanimously off the Senate floor last Friday and is scheduled to be heard in the House Transportation Committee tomorrow. The board has awarded most of its existing $5M in funding secured during the 2019 legislative session. This supports our understanding of the demand for this funding and the need to make the program permanent. WPPA will be testifying in strong support of this bill.

WPPA’s other aviation priority for this session is HB 1457 which would reallocate 1% of the aviation fuel tax. This bill would shift just over $5M per year to the aeronautics account, most of which would be used to match Federal Airport Improvement Program money. WPPA has been partnering with the Washington State Aviation Alliance membership and working hard to secure this funding as part of budget negotiations. The House Transportation Budget did not receive a transfer of funding from the operating budget, tempering the likelihood that this bill would be funded this year. We continue to pursue opportunities to have this funding, and thus the bill, be included in the final negotiated budgets.

TRANSPORTATION

RAILROAD CREW SIZE. HB 1841 continues to move through the Senate and is currently in the Rules Committee. WPPA testified with concerns specifically because the bill does not exempt shortline railroads, also known as Class 3 railroads, from the bill. We continue to work with stakeholders to secure this important full exemption amendment into this bill.

LOW CARBON FUEL STANDARD (LCFS). LCFS continues to be discussed in Olympia as the House Democratic Caucus endorsed an amendment making the policy contingent upon the future passage of a new-revenue transportation package. The Senate Energy, Environment & Technology Committee amended and moved HB 1110 earlier this week and it is now scheduled for a hearing in the Senate Transportation Committee on Monday. This bill would establish a Low Carbon Fuel Standard in state. Currently, over 40% of greenhouse gas emissions in Washington result from transportation and this bill attempts to address this by providing incentives for the use of more less carbon intensive energy to transport people and goods in the state.

ECONOMIC DEVELOPMENT

LOCAL REVITALIZATION FINANCING. HB 2804 would reestablish the local revitalization financing program (LRF) and permit a state sales tax credit for projects approved after January 1, 2021. At this time, the bill is listed in the House Supplemental Operating Budget, which signals that the bill has momentum to pass. However, instead of allowing $15M per year of sales tax credit, the budget calls for $1M per year available for credit. While that amount falls short of producing more than one project per year, the WPPA is communicating to legislators the importance of this economic development program.