

# HOUSE BILL REPORT

## HB 1008

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to studying the constitutional and statutory obligations and tax revenue capacity of local government entities.

**Brief Description:** Studying the constitutional and statutory obligations and tax revenue capacity of local government entities.

**Sponsors:** Representatives Appleton, Pollet and Frame.

**Brief History:**

**Committee Activity:**

Local Government: 1/16/19, 1/23/19 [DPS].

**Brief Summary of Substitute Bill**

- Requires the Department of Commerce (COM) to study and prepare a report that analyzes local governments' revenue capacity in relation to their constitutional and statutory obligations.
- Requires a final report to be submitted to the Governor and the Legislature by June 30, 2020.
- Appropriates a total of \$100,000 from the Dedicated Marijuana Account to the COM for purposes of studying and preparing the report.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Pollet, Chair; Peterson, Vice Chair; Kraft, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Appleton, Goehner and Senn.

**Staff:** Yvonne Walker (786-7841).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### Department of Commerce.

The Department of Commerce (COM), formerly known as the Department of Community, Trade and Economic Development, is an executive branch agency that was created in 1994 through the consolidation of the Department of Community Development and the Department of Trade and Economic Development. The COM is responsible for promoting community and economic development statewide by: (1) assisting communities to increase economic vitality and the quality of citizens' lives; and (2) assisting the state's businesses to maintain and increase economic competitiveness while maintaining a healthy environment.

Community and economic development efforts include:

- efforts to increase economic opportunity;
- local planning to manage growth;
- the promotion and provision of affordable housing and housing-related services;
- providing public infrastructure;
- business and trade development;
- assisting firms and industrial sectors to increase their competitiveness;
- fostering the development of minority and women-owned businesses;
- facilitating technology development, transfer, and diffusion;
- community services and advocacy for low-income persons; and
- public safety efforts.

### Dedicated Marijuana Account.

Initiative 502 created a Dedicated Marijuana Account (Account) consisting of moneys derived from marijuana excise taxes, license fees, penalties, forfeitures, and all other moneys, income, or revenue received by the Liquor and Cannabis Board (LCB) from marijuana-related commerce and activities. Proceeds from the Account must be distributed by the LCB to specified public entities and in amounts established in statute.

The recipients of distributions from the Dedicated Marijuana Account include the:

- Department of Social and Health Services;
- University of Washington;
- Department of Health;
- counties, cities, and towns;
- local health departments;
- Washington State Poison Control Center; and
- various public health-related programs.

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### **Summary of Substitute Bill:**

The COM must study and prepare a report that analyzes local governments' revenue capacity in relation to their constitutional and statutory obligations. The report must include:

- a comparison of county expenses for services provided as agents of the state compared to the state and local revenue capacity for state services;
- an analysis of where funding gaps are most pronounced;
- how the situation has changed over the last 30 years;

- baseline data and a methodology that can be replicated in future studies and analysis; and
- an analysis that identifies obligations required by the state Constitution versus those obligations that are required by statute or rule.

An interim report must be submitted to the Governor and the appropriate committees of the Legislature by December 31, 2019, with a final report due by June 30, 2020.

A total of \$100,000 is appropriated from the Account to the COM for purposes of the study and providing the reports to the Governor and the Legislature.

**Substitute Bill Compared to Original Bill:**

A provision is added to require that the study include an analysis that identifies local government obligations required by the state Constitution versus those obligations that are required by statute or rule. In addition, the funding source for the local government study is changed from the Liquor Revolving Fund to the Dedicated Marijuana Account.

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**Appropriation:** The sum of \$100,000.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Several years ago during the great recession, funds were swept and local jurisdictions did not get the liquor and marijuana funds that they were supposed to get from the state. Under this bill, the COM will study the obligations of local governments as compared to the funding that they receive to meet those obligations.

There is concern that the particular data for this study may not be accurate, as the expenses reported may not reflect the real costs of providing services. Budgets that are submitted prior to final adoption are the true cost of what local agencies need to fund their mandates.

This bill is similar to a bill introduced last year, but with a more narrow focus. Approximately two-thirds of the appropriation in the bill will be used for staffing with the remainder being used for goods and services. Despite the numerous studies done over the years there has never been a study to state that county government is properly financed or has enough revenue to finance the needs they serve. When local governments are forced to prioritize their requirements they will often divert resources from other programs thereby leaving other critical services lacking. This study will help everyone understand the services that counties provide and discover where revenue capacities are not keeping up with what is needed. Studies like this will help to determine the state's true priorities.

(Opposed) None.

**Persons Testifying:** Representative Appleton, prime sponsor; and Doug Lasher and Mellani McAleenan, Washington State Association of Counties.

**Persons Signed In To Testify But Not Testifying:** None.