

LEGISLATIVE SESSION REPORT

Identity Clark County

Rick Wickman

The 2008 Legislature ended the 60-day Session on time as work on the major supplemental budgets was completed in the final days. 335 bills were passed which is about the average (of between 300 and 400 bills). Of note generally were bills dealing with Climate Change, Health Care, Storm Relief and the Family Tax Credit.

Transportation

The 2008 Supplemental Transportation Budget **preserves the priority projects – including those identified in Clark County** - established by the 2003 and 2005 transportation financing plans (5 cent and 9 ½ cent gas tax increases). By March 31st of this year, more than half of the projects funded by the gas tax increases will be either under construction or completed. The WSDOT expects to advertise for bid an additional 43 projects, totaling \$400 million, over the next six months. An example of a completed project is the I-5/Salmon Creek to I-205 widening project at \$44.6 million.

In terms of the “mega” projects, the Legislature provided \$2 billion for the SR 520, Evergreen Point Bridge project in Seattle/Bellevue in its initial stages and provided for early action items on the Alaska Way Viaduct. Both of these projects are considered safety projects, as both need replacement.

In other action, the Legislature passed HB 1773, which provides for a unified State Tolling Policy for the future. **The Transportation Commission will set tolling policy** and advisory committees may be created to assist the Commission’s oversight. **The Legislature will set future tolls** on State highways and bridges. Local tolling authority is authorized except if a local toll affects a state route, the Transportation Commission must first approve the tolls.

Tolling must consider a funding plan and contribute a significant portion of the project costs, meet funding obligations and determine tolling frequency and duration. Variable tolls may be imposed at different times of the day or night.

For our projects in SW Washington, we held our own after a brief dust-up over the Ridgefield overpass project. The only new funding in our area was afforded the Clark County Railroad. The budget reflects \$1.6 million for the railroad through a previous grant application. News accounts created a stir when the budget contained up to \$8.5 million for the Railroad however, those dollars are to be used if there is money left over from the Vancouver Rail By-Pass and West 39th Street Bridge project. That project is not expected to have any funds left over after completion.

Looking Ahead on Transportation

Since enactment of the 2007-09 budget, economic conditions have changed. State and federal fuel tax revenues have fallen by nearly 4 percent since 2007, and project costs have increased approximately \$300 million since the spring of 2007. The February revenue forecast projects long-term fuel price increases and a reduction in revenue that supports the transportation system. The overall impact of these changes reduces transportation related revenues by nearly \$1.5 billion over the 16-year construction time frame. Roughly half of that amount is due to loss of federal highway trust fund dollars, as Congress must renew that program next year.

With gas prices continuing upward, one wonders if the 4 percent reduction is still valid. Nationally, for example, there has been a 50 percent increase in transit ridership since last fall. Continuing to use the gas tax as the major source for highway construction is going to be an increasing challenge for the Legislature.

It is difficult to predict if the 2009 Legislature will begin the debate on the next round of financing to complete all the projects that are currently authorized. About 50 percent of the 400 projects statewide need additional funding to complete.

State Operating Budget Holds Back Revenue

Budget writers put over \$835 million in the State's savings account as a hedge against further worsening of the economy. The unrestricted ending fund balance is \$389 million and the new Rainy Day Fund is \$446 million. It takes a 2/3 vote to get revenue out of the Rainy Day Fund.

Health Care

The 2009 Session promises a huge debate on health care. The Legislature passed SB 5261, which will give more oversight to the Insurance Commissioner over rate increases in the Individual Health Care market. Rates have skyrocketed this year and the pressure was on to call for more oversight.

But the big news is a new health care work group. The Legislature authorized a study for comprehensive coverage for all Washington residents not covered by other health care programs or health insurance. The goal is universal health care coverage. Sound familiar? We have been down this road before. A report is due in 2009 with a goal of providing comprehensive coverage by 2012.

This is probably mild when considering the challenges facing the 2009 Congress. A report in this month's Fortune Magazine estimates that Medicare will ultimately cost \$34 trillion in the years to come. That's a trillion, not a billion. Alan Greenspan once was asked what concerned him about the future of the U.S. economy. He said, "Medicare." It is estimated that the current Medicare fund will experience negative cash flow in the next two years. The problem is no one talks about it because during this election year, it is not popular to talk about.

There is an interesting article contrasting democratic and republican views on national health care. Some views hold that health care is so expensive that most businesses will stop offering coverage for their employees in the next few years. With real wages rising about 3 percent per year, it is difficult to stay up with pay increases and provide health coverage. Despite the problems with Medicare, the various views of what should take place are interesting. It will be an interesting time for employers.

The problem for our State and those who believe in “universal coverage” for all Washingtonians is cost. How much money will it take and who pays. For many years now, the business community has argued to allow cheaper, catastrophic plans to be offered to their employees but the predominant legislative attitude is that nothing should be offered that is less than the Basic Health Care plan, a plan that is provided to families who experience less than 200 percent of median income. Originally the BHP was a base plan. Additions over the years in coverage has made it much more than a basic plan.

The debate goes on. 2009 could be an interesting year with regard to health care.

Climate Change/Greenhouse Gases

The Legislature adopted a measure to establish emission limits – not just goals - by directing the Department of Ecology to design and submit in 2009 for approval, an incentive plan to limit and reduce statewide greenhouse gas emissions. WSDOT must provide recommendations by 2009 for ways to reduce per capita vehicle miles traveled. The bill also sets a target of creating 25,000 green collar jobs by 2020. No one is quite sure what “green” jobs are but we are going to create them. This legislation is HB 2815. In addition, the Legislature passed a “climate change” bill that is aimed at aiding local governments to plan for and address global warming in the State. This is SB 6580.

Tax Increment Financing

There wasn't any legislation dealing with tax increment financing this Session, however several legislators have expressed an interest in pursuing the topic next year. It is hoped that **some interim work can be conducted with interested legislators and stakeholders this summer and fall.** One approach is to go back and revisit “true” TIF, utilizing the property tax system. There have been many ideas on implementing a TIF approach over the years.

(Ed. note: Mr. Wickman will be presenting Tax Increment Financing 101 – its history in Washington State and where we might go) to the ICC Board of Directors on Wednesday, May 14 from 7:15 – 9:00 a.m. If you are interested in sitting in on this session, please contact us at 695-4116.)

Family Tax Credit

One of the more controversial proposals pushed through by majority democrats was the Family Tax Credit bill. The bill will provide a sales tax refund to up to 350,000 low-wage working Washingtonians who qualify for the federal earned income tax credit. The major triggering device in the bill is “when the state has the money.” In other words, if money is available then refund checks will be sent to qualifying individuals. The Department of Revenue is the administering agency.