



Skagit County - Government Relations Report April 25, 2021

The Legislature adjourned on the 105th day of the legislative session on Sunday, April 25 at 6:10 p.m. In the final week of the legislative session, the Legislature adopted biennial operating, capital, and transportation budgets; a capital gains tax; a low carbon fuel standard; a cap-and-trade system; and a response to the *Blake* decision. Notably, the two bills authorizing a low carbon fuel standard and the cap-and-trade systems include language that would make them not effective until the Legislature enacts a state a gas tax increase of at least five cents. The Legislature did not reach agreement on a transportation revenue package – several legislators are now stating that they plan to return for a special session later this year to adopt a revenue package.

Over the next 20 days, the Governor will continue to take final action on bills. Once a bill passes the Legislature, it is delivered to the Governor to be signed into law, vetoed, or partially vetoed (he has the authority to remove entire sections of a bill, but not specific sentences). Unless indicated otherwise in the legislation, bills will be effective law beginning on July 25. We will provide a full comprehensive report of all bills that passed the Legislature once the Governor has concluded the bill signing process.

Skagit County has successfully advanced its legislative priorities:

- \$139,000 in the capital budget for the Skagit County Morgue
- \$4.5 million for the Swinomish Tribe's didgwálic Wellness Center
- House Bill 1309, Levy Certification Bill, passed and signed by the Governor
- Sedro-Woolley E&T funding re-appropriated
- House Bill 1069 passed, providing temporary REET 2 flexibility
- Heritage Grant Program fully funded, providing funding for Skagit County Courthouse

Budget Summaries

The Legislature was tasked this session with adopting budgets for the 2021-23 biennium.

Operating: Despite the economic impact of COVID-19, the 2021 Legislature is forecasted to have over \$4 billion more revenue than was available in the preceding biennium. As a result, the 2021-23 operating budget appropriates \$59.2 billion – a \$3.2 billion increase over last biennium. The budget also assumes \$415 million in capital gains revenue (Senate Bill 5096). \$1 billion in federal funds are transferred to the Washington Rescue Plan Transition Account to be later appropriated to respond to COVID-19 impacts, and \$1.8 billion is transferred from the Budget Stabilization Account to the state general fund. The four-year budget outlook projects that the state will end the 2023-2025 biennium with over \$1 billion in reserves.

Major expenditures include:

- \$133 million for housing and homelessness through revenue raised by House Bill 1277
- \$800 million to reduce unfunded liability in the Teachers Retirement System
- \$517 million in state and federal funds to increase behavioral health services, including provider rate increases, community supports, and crisis teams



- \$298 million in state and federal funds to fund the Fair Start Act, which includes a variety of early learning and childcare initiatives
- \$292 million for housing, rental, and related services
- \$261 million to implement the working families tax credit
- \$147 million in state funds for Foundational Public Health Services
- \$125 million in state funds for wildfire preparedness, prevention, and protection activity

Capital: The 2021-23 capital budget appropriates \$6.3 billion - \$3.9 billion from general obligation bonds, and the remainder through other funds and \$589 million in federal funds. \$82 million in bond capacity is reserved for a supplemental capital budget. Some highlights:

- \$175 million for the Housing Trust Fund & \$174.9 million in additional Housing & Shelter
- \$95.2 million for Community-Based Behavioral Health Facilities, and \$333 million for Mental Health State Facilities
- \$411 million for Broadband infrastructure
- \$129 million for the Public Works Assistance Account

Transportation: The 2021-23 transportation budget appropriates \$11.7 billion – much of which is continuing to fund projects that have already been allocated funds through Connecting Washington, and to fund the replacement of state-owned culverts. This budget utilized \$1 billion in federal funds to backfill a revenue shortfall created through the pandemic.

Some highlights of investments include:

- \$1.126 billion for fish passage barrier correction using a watershed approach (\$726.3 million from state general fund and \$400 million from federal American Rescue Plan Act)
- \$101.4 million for the County Road Administration Board

Legislative Priorities

Skagit County Morgue

Skagit County requested \$135,000 in the capital budget for the construction of a new county morgue. This project would greatly increase caseload capacity for the County and provides regional benefit, including increased capacity for soft-tissue donation. Sen. Keith Wagoner (R- Sedro-Woolley) sponsored this request in the Senate and Rep. Dave Paul (D- Oak Harbor) sponsored this request in the House. As previously reported, both the House and Senate proposed capital budgets fully funded the Morgue. This week, the negotiated capital budget was released, providing full funding for the County's morgue! The budget provides \$139,000, the higher watermark, for the project. The allocation may be found on [page 63 of the budget](#).

Didg^wálic Wellness Center

Skagit County is a strong advocate for statewide and regional investments in behavioral health. The County supports the Swinomish Tribe's request for \$9 million in capital budget funding to expanding the existing didg^wálic Wellness Center. The request is part of Phase III of the Wellness Center, which includes the addition of detox, emergency housing, transitional and workforce housing components. As previously reported, both the House and Senate proposed budgets provide a significant amount of funding for the project: \$4.5 million in the House proposed capital budget and \$3.295 million in the Senate proposed capital budget. The negotiated capital budget was released on Thursday, April 22nd,



at 5pm. The final budget includes \$4.5 million, the higher watermark, for the didgwálič project funded through the Housing Trust Fund! The appropriation may be found here: [page 41 of the capital budget](#).

Re-Appropriate Funds for Sedro-Woolley E&T

Skagit County received \$1.5 million in the 2017-19 biennium and \$6.6 million in the 2019-2021 biennium in funding for the Skagit County Evaluation and Treatment Center and, due to COVID-19 delays, has requested re-appropriation of these funds. The proposed House and Senate capital budgets re-appropriated both E&T allocations, and accordingly, the negotiated capital budget re-appropriates these allocations. Line-item allocations are not listed; rather, the budget re-appropriates the entire Behavioral Health Capacity Grant program allocations from the 2017-19 (called “Behavioral Health Community Capacity”) and 2019-21 biennia, found here: [2017-19 – page 10](#); [2019-21 – page 14](#).

Levy Certification Timing

Skagit County put forward [House Bill 1309](#), which would better align the dates by which the County must certify property tax levies and budget adoption. Currently, the County must certify property tax levies for all taxing districts before adopting the budget, making compliance impossible. Rep. Carolyn Eslick (R- Sultan) sponsored the proposal with Rep. Ramel (D- Bellingham) cosponsoring. The bill cleared the Legislature unanimously and has now been signed by the Governor. It will go into effect July 25th (90 days after the end of legislative session).

Other Items

REET 2 Flexibility

Skagit County requests that the Legislature allows temporary authority for jurisdictions to use REET 2 revenue for affordable housing operations and maintenance. This provision is included in [House Bill 1069](#), sponsored by House Local Government Chair Rep. Gerry Pollet (D- Seattle). The bill has been amended to include limitations on the REET 2 flexibility provisions, only allowing either \$100,000 or 35% percent of REET 2 funds, whatever is greater, to be used for operations and maintenance on existing capital projects. The bill was sent to the Governor for signature on April 20th. We heard from WSAC this week that the Governor is not planning on vetoing any sections of the bill.

.09 Tax Credit

Last week, WSAC and individual counties coordinated a final effort to move [House Bill 1333](#), sponsored by Rep. Steve Tharinger (D- Dungeness), renewing the .09 rural county tax credit for economic development until 2054. This bill was introduced by Jefferson County this session and advanced quickly before losing momentum on the Senate floor. The bill died before opposite chamber cutoff; however, the Senate proposed operating budget assumed passage of the bill, leaving the possibility of the bill being considered “necessary to implement the budget” and therefore not subject to legislative cutoff dates. Unfortunately, Senate Democrats refused to move the bill this week and it did not advance. The bill will automatically return next session.

COVID Relief and Recovery

The COVID-19 pandemic has significantly impacted local governments and the communities they serve. Funding provided to counties for COVID-19 response is used for essential programs, including local public health, emergency rental assistance, emergency homelessness assistance, and small business economic relief. Skagit County requests that the Legislature continue to provide sufficient funding to maintain COVID-19 response and other essential county functions.



Public Health Restructure Proposal

As previously reported, the Governor-request public health restructuring bill: [House Bill 1152](#), sponsored by Rep. Marcus Riccelli (D- Spokane), passed the Legislature and has been sent to the Governor's desk for signature. [House Bill 1152](#) was introduced as Governor-request legislation establishing regionalized, state-administrated comprehensive public health districts. The underlying bill eliminated local health jurisdictions and gave the state oversight over the newly formed regional comprehensive public health districts. The final version of the bill makes two changes: codifying the Public Health Advisory Board and changing requirements for local board of health composition. This is significantly stripped back from the extremely prescriptive underlying legislation. Some briefly speculated that the Governor would veto the bill in response to the considerable changes made to the legislation; however, the Governor is expected to sign the bill into law.

Funding Proposals

The negotiated operating budget was released the morning of Saturday, April 24th, the day before Sine Die. The negotiated budget provides \$147 million for FPHS funding in the 21-23 biennium and an ongoing \$148 million per year beginning in FY 2024. This is close to the Senate proposed investment, which provided \$150 million/year in ongoing funding for FPHS. The appropriation can be found in the [agency detail on page 435](#).

Interestingly, the negotiated budget provides approximately \$2.2 million for the Department of Health to establish and operate regional shared service centers, including regional health officers and regional coordinators. These are entities of the state and do not change the roles, responsibilities, funding allocation, or structure of local health jurisdictions. Responsibilities of the regional shared service centers include coordinating and facilitating shared delivery of services, implementing health equity zones (established in Senate Bill 5052), and developing relationships with other regional health bodies, like Accountable Communities of Health. Regional health officers and regional coordinators are employees of the state Department of Health, though they may be co-located with local health jurisdictions. Regional health officers may work in partnership with LHJs, DOH, and tribes to provide cross-county coordination, may support local health officers and fill this role in case of absence or vacancy, and may provide mentorship and training to new local health officers. Language may be found on [page 254 of the operating budget](#).

State v. Blake Legislation

The Legislature adopted Senate Bill 5476 in response to the *Blake* Washington State Supreme Court decision, which found the statute making the possession of controlled substances to be unconstitutional thereby legalizing the possession of controlled substances. Senate Bill 5476 re-criminalizes the possession of controlled substances, making it a misdemeanor rather than a felony until July 1, 2023. For such violations, law enforcement officers can confiscate the controlled substances but must offer a referral to available assessment and services in lieu of jail booking and referral to the prosecutor. If law enforcement records indicate that a person has previously been diverted to referral for assessment and services at least twice, the officer may then arrest. Prosecutors are not precluded from exercising discretion to divert or decline to file charges when referred drug possession cases, and are encouraged to divert such cases for assessment, treatment, or other services. Unlike previous drafts, there are no provisions that contain legalized personal use amounts, nor a reduction from a misdemeanor to a civil infraction at a later date.



Additionally, the Health Care Authority and a Substance Use Recovery Services Advisory Committee to establish a substance use recovery services plan. A preliminary report is due by December 1, 2021, and a final plan by December 1, 2022, and begin implementing the plan by December 1, 2023. Meanwhile, significant investments are immediately made in treatment and diversion programs:

- \$45 million to implement a statewide recovery navigator program, and an additional \$2.8 million for BHASOs to develop regional recovery navigator program plans and to establish positions focusing on regional planning to improve access to and quality of regional behavioral health services with a focus on integrated care;
- \$8.7 million to implement Clubhouse services in every area of the state;
- \$12.5 million for the homeless outreach stabilization team;
- \$5 million to provide opioid use disorder medication in city, county, regional, and tribal jails;
- \$1 million to expand opioid treatment network programs for people with co-occurring opioid and stimulant use disorder;
- \$150,000 for the Health Care Authority to contract with an organization with expertise in supporting efforts to increase access to and improve quality in recovery housing and recovery residences;
- \$1 million for short-term housing vouchers for individuals with substance use disorders;
- \$500,000 for substance use disorder family navigator services; and
- \$4.5 million to fund the Administrative Office of the Courts (AOC) for therapeutic courts operated by municipalities and district courts to be allocated pursuant to a formula established by the Office which districts funding equitably between courts located east and west of the Cascade mountains;
- \$45 million for grants to counties to assist with cost of resentencing, through AOC;
- \$23 million for grants to counties to assist with cost of refunding legal financial obligations, through AOC.

Protect State Shared Revenues

The final operating budget is strong when it comes to local government shared revenues. All of the typical sources of local government revenue (such as liquor revenue) are fully funded. In addition, the Legislature does not transfer resources out of the Public Works Assistance Account to the Education Legacy Account.

While the final budget does not provide the same level of funding to the city and county assistance accounts for the cost of new requirements since 2020 (\$144 million in the House proposal), it does provide \$20 million for cities and \$30 million for counties. The budget specifically references the cost of new criminal justice requirements.

Finally, the Legislature provides an additional \$10 million/year in marijuana revenue to cities and counties for a total of \$40 million. This amount has been capped at \$30 million since 2018.

Support Capital Budget Funding for:

Heritage Grant Program

Fully funded in the final budget, including the Skagit County Courthouse project!

Washington State Housing Trust Fund

175 million provided, which is less than the \$250 million request. The \$175 million includes:



- \$20 million allocated to preserve aging affordable housing units to serve low-income residents.
- \$15 million for specified housing projects
- \$10 million for community housing and cottage communities to shelter individuals or households experiencing homelessness.
- \$5 million for housing for individuals with developmental disabilities.

Washington State Recreation and Conservation Office Grants

The program is funded at \$8.6 million total in the final budget, which is not sufficient to encompass the County's Centennial Trail project, ranked #17. This is consistent with both the House and Senate proposed capital budgets.

Brian Abbot Fish Barrier Removal Board

Program is funded at \$25 million in the negotiated budget. Consistent with the House and Senate proposals, this does not provide sufficient funding for the County's projects, ranked as alternates:

- Carpenter Creek – ranked #46 and #51
- Dairy Creek – ranked #60 and #73
- Norway Park Creek – ranked #70