

Results of the 2022 Legislative Session

WEDA

April 3, 2022

Background

The 2022 Legislature officially adjourned Sine Die at 11:30 pm on Thursday, March 10.

Although this was a 60-day supplemental budget year legislative session, the Legislature took action on several significant budget and policy initiatives. Increases in supplemental operating budget appropriations will result in a total two-year operating budget of \$64.1 billion operating budget. Additionally, the Legislature passed a \$16.8 billion new transportation spending package that will fund projects over the next 16 years, and \$1.5 billion in new spending in the capital budget.

Major policy initiatives included modifying provisions in police reform bills passed into law last year, delayed implementation of the long-term care act, and legislation to decrease unemployment insurance taxes for 2022 and 2023. Additionally, the Legislature passed bills to authorizing its staff to form a union, creating labor protections for Uber and Lyft drivers and prohibiting the sale of high-capacity gun magazines.

Significant initiatives that did not pass included legislation to modify the Governor's emergency powers, legislation regarding ergonomics, legislation regarding data privacy, a proposal to provide a sales tax holiday over Labor Day Weekend and a "middle housing" bill to require cities to allow multi-family housing in single family zoned neighborhoods.

A more detailed summary of policy and budget items is provided below.

2023 Legislative Changes

In November of 2022, half of the members of the Senate and all of the members of the House of Representatives are up for election. Several legislators have already announced their decision to retire or run for different positions. Details on those announcements are provided below.

- Senate Retirements: Brown, Carlyle, Das, Frockt and Sheldon
- House Retirements: Cody, Dolan, Dufault, Harris-Talley, Hoff, Johnson, Kirby, McCaslin, Sells, Sullivan, and Wicks
- House Members Running for Senate: Boehnke, Frame, MacEwan, Shewmake, Valdez and Young
- House Members Running for Congress: Klippert and Kraft
- Senator Wagoner running for Secretary of State, but does not lose his Senate seat if he is not successful.

Additional announcements are likely prior to the filing week of May 16th-20th.

General Fund Supplemental Operating Budget Summary

The operating budget increases spending by \$3.2 billion, which results in a total two-year operating budget of \$64.1 billion. The budget includes no new taxes and retains \$4.2 billion in reserves over the four-year outlook period. You can find the full details of the final operating budget here: [Final 2022 Operating Budget](#).

WEDA Budget Priorities

- **Maintenance level funding for Washington State Department of Commerce Economic Development programs and the increased funding for Associate Development Organizations/regional economic development which was passed in the 2021 session were protected.**
- **\$2.5 million** for a Regional Manufacturing Pre-Development grant program (**Shovel Ready Site Funding**)
- **\$400,000 for the Washington Minority Business Development Agency.** The budget proviso contains the following provisions:
 - \$400,000 of the general fund—state appropriation for fiscal year 2023 is provided solely for a grant to a Tacoma-based business center that supports women and minority-owned businesses to expand outreach in underserved communities, providing targeted assistance where needed. Funding may also be used to collaborate the department, the Washington economic development association, and others to develop a more effective and efficient service delivery system for Washington's women and minority-owned small businesses.
- **\$1 million for the Washington Small Business Development Center (ongoing).** The budget proviso contains the following provisions:
 - \$1,000,000 of the general fund—state appropriation for fiscal year 2023 is provided solely for a grant to a business center that provides confidential, no-cost, one-on-one, client-centered assistance to small businesses to expand outreach in underserved communities, especially Black, indigenous, and people of color-owned businesses, providing targeted assistance where needed. Funding may also be used to collaborate the department, the Washington economic development association, and others to develop a more effective and efficient service delivery system for Washington's women and minority-owned small businesses.
- **\$34.5 million for the Small Business Innovation Fund** (previously referred to as the Catalytic Economic Opportunity Fund). The budget proviso includes the following provisions:
 - \$34,500,000 of the coronavirus state fiscal recovery fund— federal appropriation is provided solely for a small business innovation and competitiveness fund program to spur small business recovery, startup, and growth, with a focus on initiatives that will serve BIPOC entrepreneurs and small businesses located in underserved, low-income, and rural areas. (a) The department must competitively award grants to nonprofit organizations that work with or provide assistance to small businesses. (b) Grant funding may be used for activities such as: (i) Small business incubator programs; (ii) Small business accelerator programs; (iii) Local procurement initiatives; (iv) Small business competitiveness programs focused on hiring and retention; (v) Improvements and repairs to physical workplaces, including in response to public health guidelines or acts of vandalism; and (vi) Other initiatives as determined by the department. (c) The department may require applicants to provide a description of how proposed initiatives will benefit small businesses and

entrepreneurs that are not members of the recipient organization, if applicable. (d) The department may encourage, but may not require, a local 28 one-to-one match of state funding awarded under the program. (e) The department may establish regional targets or other benchmarks to ensure equitable geographic distribution of funding. If regional targets or benchmarks are adopted, the department must assess and report to the legislature on the program's performance by June 1, 2023. (f) In developing the program, the department must consult with economic development professionals and small business support organizations. The department may consult with other interested parties at its discretion.

- **\$3 million for Microenterprise Development**
- **\$1.4 million for Procurement Technical Assistance Center training** (through MRSC) on public works contracting. The budget proviso contains the following provisions:
 - \$1,400,000 of the general fund—state appropriation for fiscal year 2023 is provided solely for the department to contract with the municipal research and services center, in coordination with the Washington procurement technical assistance center, to provide training and technical assistance to local governments and contractors on public works contracting. Training topics may include utilization of supplemental bidding criteria, utilization of alternate public works, contracting, cost estimating, obtaining performance and payment bonds, and increasing participation of women-owned and minority-owned businesses.
- The final budget did not fund WEDA's request for \$650,000 for **Small Business Ecosystem Alignment & Capacity Building**.

Other WEDA-Supported and Related Items

- \$214,000 to implement SHB 1015 for Equitable Access to Credit/Community Development Financial Institution grants
- \$15 million to expand the Small Business Resiliency Network program to help build or improve credit for small businesses and entrepreneurs who are unable to access conventional lending. The budget proviso contains the following provisions:
 - \$15,000,000 of the coronavirus state fiscal recovery fund— federal appropriation is provided solely to expand the small business resiliency network program. Program expansion activities may include: (a) Providing funding for new or existing network partners to provide wraparound services and support to assist small business owners, including support in accessing financing; and (b) Establishing a credit repair pilot program by contracting with community foundations and nonprofit credit unions with existing character-based lending programs to provide credit counseling and other services to build or improve credit for small businesses and entrepreneurs who are unable to access conventional lending.
- \$100 million for business assistance for the hospitality industry. The budget proviso contains the following provisions:
 - \$100,000,000 of the coronavirus state fiscal recovery fund—federal appropriation is provided solely for the department to administer a business assistance program for qualifying hospitality industry businesses that have been negatively impacted by the COVID-19 public health emergency or its negative economic impacts. The department must administer the program under appropriate agreements. For the purposes of this subsection, "qualifying hospitality industry businesses" means restaurants, hotels, motels, and other businesses in the hospitality industry as determined by the department. (b) Of the amount

provided in this subsection, \$15,000,000 of the coronavirus state fiscal recovery fund— federal appropriation is provided solely for grants to reimburse lodging establishments that have experienced losses during the state's eviction moratorium pursuant to the governor's proclamations. The department must work with impacted lodging establishments to develop criteria for the administration of this grant program. The department will verify actual eligible losses to be reimbursed. Actual eligible losses include room charges not paid by persons who stayed during the moratorium, any legal expenses incurred by lodging establishments as a result of the moratorium, and any repair expenses directly attributed to damages to rooms. For the purposes of this subsection (152)(b), "lodging establishment" means a hotel, motel, or similar establishment taxable by the state under chapter 82.08 RCW that has 40 or more lodging units.

- \$20 million in business assistance for the Arts.
- \$20 million for Washington State Convention Center COVID support. The budget proviso contains the following provisions:
 - \$20,000,000 of the coronavirus state fiscal recovery fund— federal appropriation is provided solely for the department to provide a grant to a public facility district created under chapter 37 36.100 RCW that can document losses of more than \$200,000,000 in cumulative anticipated tax, event, and marketing revenues in 2020, 2021, and 2022, including lost revenue due to cancellations or a reduction of participants in conventions that would have been hosted in Washington state, less grants or loans from federal and state government programs. Eligible public facilities districts may receive a maximum \$20,000,000 grant. Public facility districts must provide the department with financial records that document the lost revenue to be eligible to receive a grant.
- \$20 million for Small Business Disaster Recovery. The budget proviso includes the following provisions:
 - (a) \$20,000,000 of the coronavirus state fiscal recovery fund—federal appropriation is provided solely for a small business disaster recovery financial assistance program to provide resources to small businesses that have sustained physical damage or economic loss due to a natural or other comparable disaster. (b) The department may provide financial assistance in the form of grants to eligible businesses. Grant funds may be used for payroll, utilities and rent, marketing and advertising, building improvements or repairs, replacing damaged inventory and equipment, and other operations and business expenses. (c) A business is eligible to apply for financial assistance through the program if they provide documentation to the department of: (i) Annual gross receipts of \$5,000,000 or less; and (ii) A reduction in business income or activity as a result of a natural disaster such as a flood, earthquake, or wildfire, or a comparable disaster such as major utility disruptions resulting in property damage or prolonged outages. (d) A department must provide assistance to an eligible business within three months of receiving an application. (e) The department must coordinate with local economic development entities in conducting outreach to small businesses in order to increase awareness and understanding of the program. (f) Of the amounts provided in this subsection, \$10,000,000 of the coronavirus state fiscal recovery fund—federal appropriation is provided solely for financial assistance for eligible businesses located in northwest Washington.
- \$5 million for grants to assist businesses dependent on economic activity created through conventions. The budget proviso contains the following provisions:

- \$5,000,000 of the coronavirus state fiscal recovery fund— federal appropriation is provided solely for the department to establish a grant program to assist businesses and nonprofits that are dependent to maintain their operations on the economic activity created through conventions hosted in Washington state. The amount provided under this subsection is subject to the following conditions and limitations: (a) To be eligible for a grant under this subsection, a business must: (i) Apply for or have applied for the grant; (ii) Have not reported annual gross receipts of more than 36 \$100,000,000 in calendar year 2019; (iii) Have expenses that are necessary to continue business operations and the expense is not a federal, state, or local tax, fee, license, or other government revenue; (iv) Self-attest that the expense is not funded by any other government or private entity; (v) Have experienced a reduction in business income or activity related to COVID-19 or state or local actions in response to COVID-19; (vi) Agree to operate in accordance with the requirements of applicable federal, state, and local public health guidance and directives; and (vii) Have met one or more of the following criteria: (A) Hosted a convention in Washington state; (B) Provided support services to conventions in Washington state; or (C) Depended on the function of conventions to sell goods and services in Washington state. (b)(i) Eligible businesses may receive a grant of up to \$500,000 for revenue lost due to a cancellation or a reduction of participants in a convention hosted in Washington state in 2020 or 2021. (ii) To receive a grant under this subsection, eligible businesses must provide the department with: (A) Financial records from 2019 that provide a basis for revenue received from convention activity in Washington state prior to the COVID-19 pandemic; and (B) Financial records from 2020 and 2021 that show a reduction in gross revenue received from convention activity in Washington state during the COVID-19 pandemic. (iii) If a business received one or more working Washington small business grants, the grant awarded under this subsection must be reduced to reflect the amounts received from previous working Washington small business grants. (c) Nonprofit organizations are eligible to receive funding under this subsection if they have a primary business activity that has been impacted as described in (a)(v) of this subsection. (d) The department may use up to 10 percent of the amount provided in this subsection for administrative costs.
- \$87,000 to implement HB 1914 regarding the motion picture competitiveness program, which will support Business and Occupation tax credits of \$15 million per calendar year.
- \$500,000 for technical assistance services for small businesses owned or operated by members of historically disadvantaged populations. The budget proviso contains the following provisions:
 - \$500,000 of the general fund—state appropriation for fiscal year 2023 is provided solely for the department to contract for technical assistance services for small businesses owned or operated by members of historically disadvantaged populations located in western Washington, with a focus on Black-owned small businesses. The contract recipient must be a business in the arts, entertainment, and media services sector based in the city of Federal Way and with experience working with BIPOC communities. Technical assistance includes but is not limited to services such as: Business and intellectual property development; franchise development and expansion; digital and social media marketing and brand development; community outreach; opportunities to meet potential strategic partners or corporate sponsors; executive workshops; networking events; small business coaching; and start-up assistance.

- Elimination of state B & O taxes for businesses grossing under \$125,000 a year provided by [ESB 5980](#).

General Fund Supplemental Capital Budget Summary

The final capital budget spends \$1.5 billion in total funds, including the following items of interest to WEDA:

- \$50 million in new funding for the Broadband Office.
- \$25 million in new broadband funding for the Public Works Board.
- \$25 million in new broadband funding for CERB.
- \$40 million for CERB for Capital Community Assistance.

General Summary of the Supplemental Capital Budget

You can find the final details of the Supplemental Capital Budget here: [Final 2022 Capital Budget](#). The budget also provides the following significant funding items:

- \$300 million for the Rapid Capital Housing Acquisition program.
- \$114.5 million for the Housing Trust Fund.
- \$14.9 million for homeless youth facilities.
- \$72 million to expand crisis stabilization and youth residential crisis triage and stabilization facilities.
- \$200 million in infrastructure projects, with \$24 million for local infrastructure projects and \$16 million for Ports and \$40 million in core CERB funding
- \$100 million in additional broadband funding.
- \$30 million for early learning facilities grants.
- \$18.5 million for childcare facilities minor renovation grants.
- \$236 million for projects that plan, design and improve water pollution control.
- \$15 million for Salmon Recovery projects.

Transportation Budget and Revenue Summary

The Legislature passed a transportation proposal that provides \$16.9 billion over 16 years. You can find the details of the proposal, with the Governor’s vetoes here: [Final 2022 Transportation Revenue & Budget](#). You’ll want to review both the current law budget proposal, as well as the “Move Ahead Washington” proposal. It is important to note that the Legislature did not make decisions on the timing of spending for much of the funding in the proposal. As a result, the Washington State Department of Transportation will need to make recommendations on which projects should receive funding in which years to the 2023 Legislature. Additionally, SSB 5975 directs WSDOT to provide the legislatively designated transit and active transportation projects in three tiers to the transportation committees of the Legislature and the Office of Financial Management by December 1, 2022, prioritizing projects based on community impact to overburdened communities.

Below are key elements of the “Move Ahead Washington” proposal.

Revenue Over 16 Years

- \$5.4 billion from the Climate Commitment Act.
- \$3.6 billion from the Federal Infrastructure Act.
- \$2 billion in one-time general fund operating budget support.

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- \$57 million annually from the public works trust fund and \$57 million annually from the general fund operating budget (\$1.7 billion over 16 years).
- \$1.4 billion from increased license plate fees.
- \$956 million in existing bonding authority.
- \$403 million from the general fund operating budget to reflect the sales tax on construction of transportation projects.
- \$80 million in funding the transportation budget previously transferred to the general fund operating budget.

Major Areas of Spending Over 16 Years

- \$1.5 billion for operating and capital investments in the ferry system.
- \$2.7 billion for new projects, including the I-5 Columbia River Bridge, the US 2 Trestle and SR 18 Widening.
- \$2.4 billion for fish barrier removal.
- \$3 billion in preservation and maintenance.
- \$1.2 billion for active transportation projects and grant programs.
- \$3 billion for transit projects and grant programs.
- \$517 million for electrification.
- \$150 million for Ultra-High Speed Rail.

Final Status of High Priority Bills

[ESHB 1333](#)—Representative Tharinger (D-Sequim) sponsored this bill to extend the expiration of the local sales and use tax for public facilities in rural counties until December 31, 2054. The bill passed the House on a vote of 93-3. The version of the bill passed by the Ways and Means Committee required the State Auditor to create a searchable website to view county expenditures of rural county sales and use tax proceeds. Despite significant efforts leading up to the last day of the legislative session, the Senate chose not to take action on the bill. The operating budget directs the State Auditor’s office to provide a publicly accessible and searchable system on its website of the rural county sales and use tax proceeds by January 31, 2023. The system must also include the total amount of revenue collected by each county in the prior fiscal year and applies to reports filed in 2022 and thereafter.

[SHB 1732](#)—Representative Sullivan (D-Covington) sponsored this bill regarding the implementation of the long-term care program. The Legislature passed this bill with the following provisions:

- Delays the start date for the premium assessments under the Long-Term Services and Supports Trust Program (LTSS Trust Program) from January 1, 2022, to July 1, 2023.
- Delays the date benefits become available under the LTSS Trust Program from January 1, 2025 to July 1, 2026.
- Allows individuals born before January 1, 1968, who do not meet the LTSS Trust Program's vesting requirements, to receive partial benefits based on the number of years of premium payments.
- Requires employers to refund employees any LTSS Trust premiums collected before July 1, 2023.

The Governor signed this bill on January 27th and it took effect immediately.

[ESHB 1733](#)—Representative Paul (D-Oak Harbor) sponsored this bill regarding exemptions from the long-term care program. As passed by the Legislature, this bill establishes exemptions from the payment

of premiums under the Long-Term Services and Supports Trust Program for certain veterans, spouses and registered domestic partners of military service members, non-immigrant temporary workers, and employees who work in Washington and maintain a primary residence outside of Washington. The Governor signed this bill on January 27th and it takes effect June 9, 2022.

[ESHB 1846](#)—Representative Berg (D-Mill Creek) sponsored this bill to expand and extend the existing sales tax for data centers. The bill passed by the Legislature includes the following provisions:

- Expands and extends the existing sales and use tax exemption for data centers in rural counties.
- Establishes a sales and use tax exemption for the purchase of eligible server equipment, and related labor and services, for eligible data centers in counties with a population over 800,000.
- Requires a qualifying business operating a new data center to attain a specified sustainable design or green building standard certification within three years after being placed in service.
- Requires data centers receiving an exemption to be developed under a community workforce agreement or project labor agreement, for new construction work performed on computer data center site.

On March 31st, the Governor vetoed two sections of this bill. The first section directed the Department of Commerce to contact with the Pacific Northwest National Laboratory to evaluate Washington’s current and future grid resilience and reliability. The second section declared that the bill was null and void without sufficient funding. The remainder of the bill is intact and takes effect June 9, 2022.

[SHB 1958](#)—This bill was also sponsored by Rep. Berg (D-Mill Creek). The House passed the bill on a vote of 95-0 with the following provisions:

- Permits the Community Economic Revitalization Board to provide planning program grants to qualifying projects for the costs to achieve shovel-ready status.
- Increases the maximum award limit on the Community Economic Revitalization Board planning program grants.
- Directs the Department of Commerce to develop and implement a shovel-ready certification program.

Despite passing the Ways and Means Committee, the Senate did not act on this legislation.

[ESB 5849](#)—Senator Warnick (R-Moses Lake) sponsored this legislation. As passed by the Legislature, the bill includes the following provisions:

- Extends the expiration date for a reduced business and occupation tax rate for manufacturers and wholesalers of certain kinds of solar energy systems and their components from July 1, 2027, to July 1, 2032.
- Removes the requirement for industrial and manufacturing lands to be zoned as of December 31, 2014, under the property tax exemption for targeted urban areas.

The Governor signed this bill on March 24th and it takes effect July 1, 2022.

[SB 5868](#)—Senator Hawkins (D-Wenatchee) sponsored this legislation. The bill expands the use of the rural county public facilities sales and use tax to include affordable workforce housing. The Senate passed the legislation on a vote of 41-8, the House passed it on a vote of 68-28 and the Governor signed it on March 24th. The bill will take effect June 9, 2022.

[ESB 5901](#)—Senator Randall (D-Bremerton) sponsored this bill regarding economic development tax incentives for targeted counties. As passed by the Legislature, the bill included the following provisions:

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- Creates a manufacturing and research and development sales and use tax incentive program for targeted counties.
- Expands the warehouse sales and use tax exemption to include warehouses over 100,000 square feet in targeted counties.
- Caps the maximum amount of sales and use tax that may be exempted for the construction or expansion of any warehouse or grain elevator at \$400,000.
- Expires the warehouse sales and use tax exemption on July 1, 2032.
- Requires the Joint Legislative Audit and Review Committee to evaluate the effectiveness of the changes in the warehouse sales and use tax exemption in diversifying the tax base and increasing employment within targeted counties.

The Governor vetoed all of the provisions of the bill pertaining to warehouses, distribution centers and grain elevators. The provisions of the bill regarding manufacturing and research and development incentives remain intact and take effect on July 1, 2022.

Enacted Bills

Bill #	Abbrev. Title	Title	Status	Sponsor
ESHB 1673 (SSB 5580)	Public works board/broadband	Concerning broadband infrastructure loans and grants made by the public works board.	C 201 L 22	Ryu
E2SHB 1723	Telecommunications access	Closing the digital equity divide by increasing the accessibility and affordability of telecommunications services, devices, and training.	Del to Gov	Gregerson
SHB 1732	Long-term care/delay	Delaying the implementation of the long-term services and supports trust program by 18 months.	C 1 L 22	Sullivan
HB 1798 (SB 5725)	LCEDIR/tourism slogan	Concerning powers of the legislative committee on economic development and international relations.	C 6 L 22	Ryu
ESHB 1846	Data centers tax preference	Providing a tax preference for rural and nonrural data centers.	Del to Gov	Berg
ESHB 1914 (SSB 5760)	Motion picture program	Updating and expanding the motion picture competitiveness program.	Del to Gov	Riccelli
2SSB 5649	Family and medical leave	Modifying the Washington state paid family and medical leave act.	C 233 L 22	Robinson
ESSB 5689 (SHB 1786)	Transportation budget, supp.	Making supplemental transportation appropriations for the 2021-2023 fiscal biennium.	C 186 L 22	Liias
ESSB 5693 (SHB 1816)	Operating budget, supp.	Making 2021-2023 fiscal biennium supplemental operating appropriations.	Del to Gov	Rolfes
SB 5715	Definition of broadband	Modifying the definition of broadband or broadband service.	C 237 L 22	Wellman
E2SSB 5755	Underdev. land redevelopment	Authorizing certain cities to establish a limited sales and use tax incentive program to encourage redevelopment of underdeveloped lands in urban areas.	C 241 L 22	Trudeau
ESB 5849	Tax incentives	Concerning tax incentives.	C 172 L 22	Warnick

Bill #	Abbrev. Title	Title	Status	Sponsor
SB 5868	Public fac. tax/housing	Expanding the use of the rural counties public facilities sales and use tax to include affordable workforce housing.	C 175 L 22	Hawkins
ESSB 5873 (HB 2031)	Unemployment insurance	Concerning unemployment insurance. (REVISED FOR ENGROSSED: Concerning the social cost factor in unemployment insurance premiums.)	C 61 L 22	Keiser
SB 5898	Vehicle fees/state bonds	Concerning the use of vehicle-related fees to fulfill certain state general obligation bonds.	C 103 L 22	Liias
ESB 5901	Economic dev. tax incentives	Concerning economic development tax incentives for targeted counties.	Del to Gov	Randall