

WASHINGTON CREDIT UNIONS

WASHINGTON 2023 LEGISLATIVE SESSION



Washington state lawmakers adjourned the regular session as scheduled on April 23rd after focusing on housing, a new state budget, and numerous and wide-ranging topics that were on caucus and individual legislators' agendas.

With your direct engagement and support, the GoWest credit union advocacy team was involved in a significant number of items and successfully influenced individual bills, policy issues, and otherwise continued to play an important role on issues with the potential to impact how Washington credit unions serve your members.

Thank you to all members of the Washington Governmental Affairs Committee, the 2022 Washington State Issues Working Group, and many others who were directly involved in the success and engagement of Credit Union Day at the Capitol.

There is still significant future work to be done. Some of that is already underway in preparation for the 2024 session and beyond so I appreciate your past, present, and future engagement to help share insights and analysis about impacts of state policies, deploy grant funds, build relationships with your local officials, and participate in campaign meetings.

As always if you have any questions on any of the items below or more, please do not hesitate to contact me directly.

-Joe Adamack, VP, Legislative Affairs for Washington

General Session Overview



Lawmakers came to Olympia for the first time fully in person since 2020. While legislative activities were in person and the public was able to resume visiting Capitol facilities, legislative leadership maintained the pandemic-driven ability of the public to testify remotely, which led to significantly increased public participation.

Addressing emerging issues, the impacts of previously passed legislation, and multiple court rulings, lawmakers dove into many important topics including mental health and drug treatment, policing reform, housing access and affordability, abortion coverage, climate issues, and more. While there remained significant disagreements on certain policies between majority Democrats and minority Republicans, like in most years, the overwhelming majority of bills passed with bipartisan support.

One item the Legislature did not get done during the regular session but addressed during a one day special session on May 16th was a response to the Blake decision by the Washington State Supreme Court on how drug possession would be treated. In 2021, the court overturned state law that classified simple drug possession as a felony leaving no state law on the books. That year lawmakers quickly passed a temporary policy that made simple possession a misdemeanor with the intent of coming back for a more comprehensive fix this year before it expired on July 1, 2023. However, in the final hours of session, the compromise between the Senate and House

classifying possession as a gross misdemeanor fell apart and we saw the rare occurrence of the bill failing in somewhat dramatic fashion on the House floor.

Committee turnover

The primary committees for credit union policies in the Senate and House saw the introduction of two new committee chairs and 13 new members out of a total of 22 legislators on the House Consumer Protection and Business and Senate Financial Services Committees. Despite many new faces, they are no strangers to credit unions, but we have, and will continue to have, an emphasis of further building these relationships and educating them on credit union priorities.



Rep. Amy Walen
D-Kirkland



Sen. Derek Stanford
D-Bothell

In the House, Rep. Amy Walen, D-Kirkland, took over the committee chair position from retiring Rep. Steve Kirby. In the other chamber, Sen. Derek Stanford, D-Bothell, became the chair of the Senate Financial Services Committee while former chair, Sen. Mark Mullet, D-Issaquah, remained on the committee but had new responsibilities as the head of the state's capital budget.



Rep. Chris Corry
R-Yakima



Sen. Perry Dozier
R-Waitsburg

Additionally, Rep. Chris Corry, R-Yakima, joined Sen. Perry Dozier, R-Waitsburg, as the ranking Republican on the committees, however in recent days Rep. Corry was appointed as the new lead Republican on the appropriations committee and Rep. Eric Robertson, R-Auburn, will become the new House Republican financial services committee lead. We have existing relationships with each of these legislators and now that folks are back to more in-person activities, we are planning deep engagement with credit unions for each of these committee leaders to ensure they have a robust and deep understanding of operations.



Rep. J.T. Wilcox
R-Yelm



Drew Stokesbary
R-Auburn

Similarly, we will be reaching out to connect credit union leaders with specific committee members who have expressed interest in working during the interim on issues directly relevant to credit unions including financial education, consumer protection, preventing elder financial abuse, curbing predatory lending activities, and much more.

As is custom at the end of a legislative session there is often turnover in lawmakers or leadership. Since the session ended Rep. J.T. Wilcox, R-Yelm, has already stepped down as House Republican Leader, which is now headed by Rep. Drew Stokesbary, R-Auburn. Additionally, it is likely that Sen. Christine Rolfes, D-Bainbridge Island, the powerful budget chair, will resign to become a Kitsap County Commissioner. Gov. Jay Inslee also formally announced that he will not run for a fourth term in the 2024 election. There will likely be more turnover to come, ahead of the 2024 elections.

Session
By the
Numbers



105

DAYS OF SESSION



1/3

HOUSE MEMBERS ATTENDING
FIRST IN-PERSON SESSION



2,156

BILLS INTRODUCED

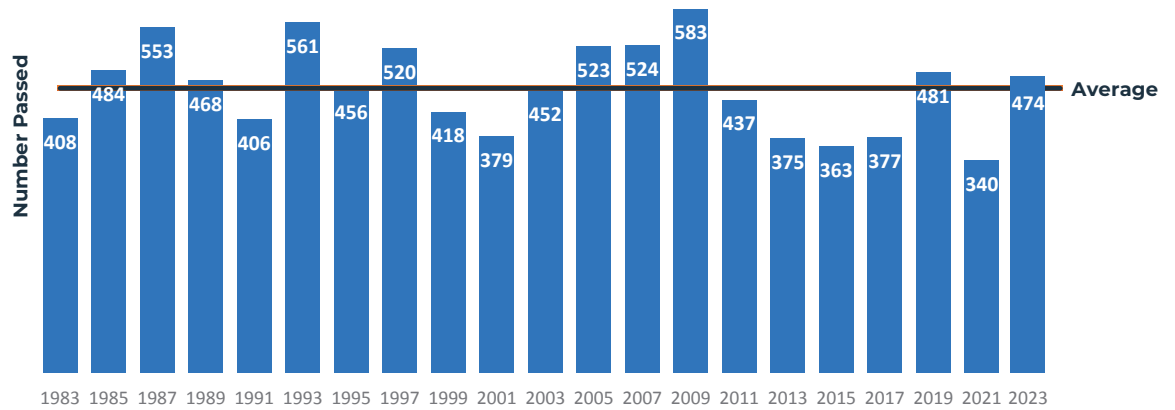


474

BILLS PASSED

BILLS PASSED IN ODD-NUMBERED YEARS

Total number of bills passed by both chambers of odd years 1983 through 2023. *Note: includes special sessions*

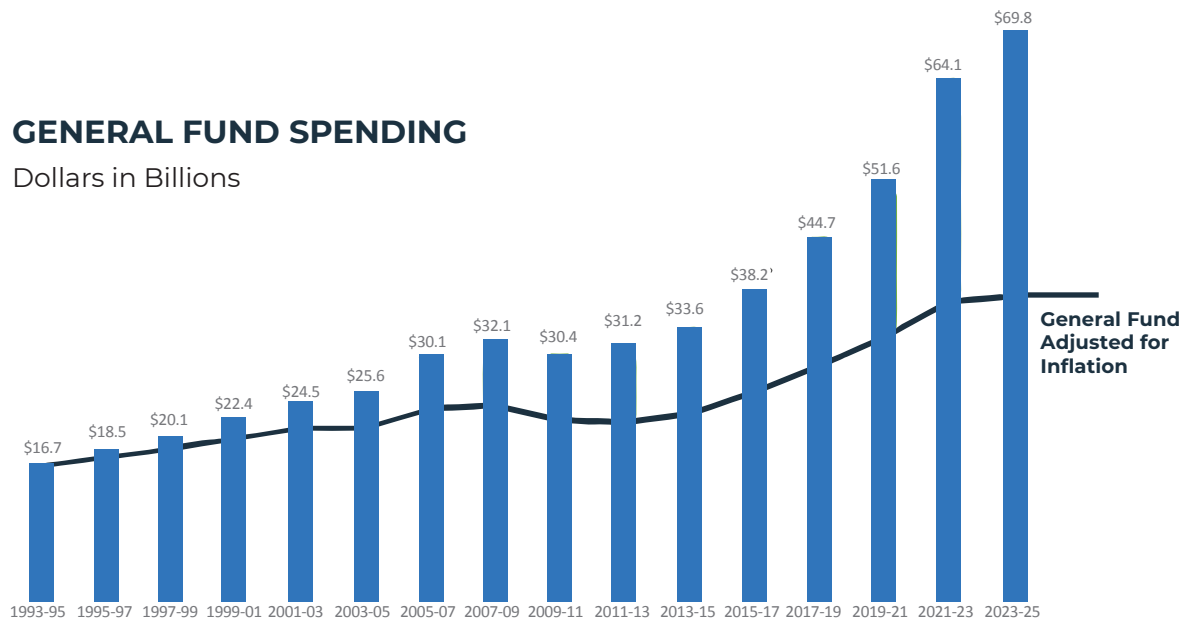


8.8%

INCREASE IN STATE SPENDING COMPARED TO PREVIOUS BUDGET

GENERAL FUND SPENDING

Dollars in Billions



Credit union advocacy engagement

Robocall fraud prevention - GoWest played a significant role in negotiating legislation aimed at reducing fraudulent robocalls. While the goal of the bill was shared by many, there were issues with initial drafts dating back to last year that would have impacted ongoing communication with members and created discrepancies with federal Telephone Communication Protection Act policies. While this affected a significant number of organizations, credit unions played a key role in successfully working with the sponsor and Attorney General's Office to address all concerns before the final bill passed.

Use of personally identifying information - well-meaning legislation aimed at preventing "doxing," a laudable goal, also saw issues with original drafting that would have caused significant issues for credit unions (and many others) as well as potential legal exposure. GoWest and BECU sought and secured amendments to avoid any issues for credit unions.

Data privacy for health-related information - lawmakers took this year off from the annual broader data privacy conversation to focus specifically on the use of health care-related data. While our review did not show credit unions collecting information considered health data under the bill, an exemption for information covered by

federal law for financial institutions was added out of an abundance of caution. That said, credit unions using geo-fencing for marketing purposes where it could overlap with a health care-related facility should review protocols and practices. We will provide more details on this in an upcoming compliance bulletin.

Lien priority practices re-affirmed - a 2022 court decision undid longstanding treatment of lien priority laws for mortgages and deeds of trust in the state as it relates to them being perfected in the order in which they are filed. Lawmakers passed House Bill 1420 that recodified lien priority statutes to ensure future clarity.

Foreclosure prevention - In what seems like an annual exercise the Legislature again updated the Foreclosure Fairness Program. While the majority of the changes were technical in nature and not of concern, legislators felt it necessary to update the fee and mediation exemption process despite the fact that institutions have already completed the annual attestation process. At issue was that due to federally mandated forbearance periods ending, certain institutions that would normally have to pay the fee and be subject to mediation could have potentially been able to secure exemptions. As a result, for what should be one final year, the attestation will be tied to 2019 activity. Due to the change, credit unions exempt from fees and mediation will need to re-attest before May 31st, which has been sent both by the Department of Commerce and GoWest to remind everyone of the nuance.

Initial steps taken to address sales tax issue, negotiations ongoing

Legislation addressing an issue important to credit unions related to the application of sales tax on certain digital automated services was put forward by community bankers with little to no chance of passing. The existence, however, of the bill did provide an opportunity for GoWest to have meaningful conversations with lawmakers on the topic and get key questions answered by the Department of Revenue (DOR). As a result, we were able to secure a commitment from the DOR to hold a stakeholder process during the interim to work on the complex issue and put in place a pause in any new audits of financial institutions on this specific subject area. This will be one of our interim priorities to secure a solution and understanding with DOR and develop any refined legislation. Our significant appreciation to Shawn Gilfedder, President and CEO of Kitsap Credit Union, for providing a great deal of information and insights on this complex issue.

BUDGET AND TAX POLICY

The Legislature approved a \$69 billion two-year operating budget that will pay for state services between July 1, 2023, and June 30, 2025. The overall budget makes significant investments in special education, behavioral health, drug treatment, affordable housing, and more. Despite several tax proposals put forward by legislators in both chambers, the final spending plan relies on no new additional general taxes and retains ample reserves. The operating budget passed on a 58-40 party-line vote in the House but did garner bipartisan support in the Senate with a 38-10 margin.

Major spending items include:



\$1.2 BILLION

toward behavioral health treatment including drug treatment facilities, housing support, and mental health treatment.



\$2.9 BILLION

toward public education with a significant portion going to support special needs students



\$529 MILLION

toward housing and homelessness prevention.



\$400 MILLION

toward climate protection projects from Climate Commitment Act carbon credit funding.

The Legislature also approved capital construction and transportation budgets that make continued and new investments in a number of state infrastructure projects.



Our new budget investments reflect the needs we see in communities across the state. People want strong schools, safe communities, affordable housing, climate action, and an innovative economy. This is a responsible spending plan that will improve lives and move our state forward.

- Sen. Christine Rolfes, D-Bainbridge Island, Chair of the Senate Ways & Means Committee.



Housing at the forefront

In addition to the major investments made in housing access and affordability, lawmakers also sought to tackle a range of specific policy measures legalizing more housing types and density statewide and a number of technical permitting and streamlining changes to reduce barriers to construction.

The most notable statewide item was the “Middle Housing” bill that requires cities subject to the Growth Management Act to authorize minimum density requirements that will allow for the construction of more duplexes through quad-plexes in certain single family zoning areas.



House Bill 1110 puts Washington on a path to rapidly build up our housing supply to meet the needs of families. Legalizing modest middle housing options is one of the only ways we can truly address our growing housing shortage.

- Rep. Jessica Bateman, D-Olympia, prime sponsor of HB 1110.



Rep. Jamila Taylor also led the passage of House Bill 1447 which provides down-payment assistance and closing cost funding for individuals or descendants of people that were and remain affected by racially restrictive housing covenants. The funding comes from a \$100 document recording fee and is to be deployed by one or multiple special purpose credit programs, which credit unions can establish. As the program is developed and rules are put in place, GoWest will help work toward successful implementation and provide training to credit unions about how to participate should it be of interest.



The deliberate and harmful barriers preventing Black homeownership impact intergenerational wealth and housing security. Because this racial discrimination was targeted, the solution must also be targeted. To truly right the wrongs of the past, our policies require focused and thoughtful solutions.

- Rep. Jamila Taylor, D-Federal Way, prime sponsor of HB 1447



Ongoing policy discussions



State Treasurer
Mike Pellicciotti

- The Washington Future Fund, a proposal by the State Treasurer to invest a few thousand dollars per each Washington child born into poverty into a fund that they can access as an adult (including the investment return growth) to go toward post-secondary education or skills training, starting a business, or toward a down-payment, generated a number of positive conversations but did not reach the finish line largely related to the significant up front cost. Treasurer Mike Pellicciotti and sponsors will continue working on the proposal moving forward and a special thank you to Tonita Webb, President and CEO of Verity Credit Union, for serving on the WA Future Fund Steering Committee.

- Legislation sponsored by Sen. Liz Lovelett, D-Anacortes, to adopt the Residential Property Assessed Clean Energy program was tabled after GoWest shared concerns related to both the lien priority issues and impacts on GSE backing, as well as the significant consumer protection issues seen in the few other states with this program. Sen. Lovelett, a strong credit union supporter, is interested in working with credit unions specifically during the interim in hopes of designing a program that would help low-income homeowners access clean energy retrofits in an affordable and safe way.
- Stemming from the work of the multi-year bipartisan Tax Structure Working Group, Sen. Noel Frame, D-Seattle, and Rep. My-Linh Thai, D-Mercer Island, introduced legislation shifting the state from the current business and occupation tax to a corporate income style margins tax. While they knew this would be a long-term discussion, the bill did not advance and received a great deal of pushback from various industries that would be impacted differently. There was also limited time to measure the potential impact. As a reminder, the original draft of the bill from the Dept. of Revenue and lawmakers maintained the exemption for state-chartered credit unions in the proposal as a direct result of GoWest's engagement on the topic for years leading up to its introduction.
- Legislation put forward by Fiserv, Global Payments, and Bank of America, failed to advance as payment processors and the Department of Revenue disagreed on the approach to whether the payment processors should be subject to B&O tax on interchange fees they only briefly hold before transferring to the financial institution. The issue carries a significant price tag based on DOR's changed approach, but the issue is also concurrently in active litigation.
- A bill by Sen. Twina Nobles, D-University Place, to ensure foster youth receive checking accounts failed to advance although there was broad agreement on the policy, but legislative leadership had put a moratorium on new programs and there was a cost to administer and deposit money in the accounts. Special appreciation to Canopy CU, Connection CU, Gesa CU, and Seattle CU for engaging on this issue both with the state and working on the issue to help foster youth obtain self-directed accounts.

Banking sector concerns

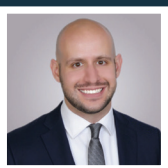
While the failures of Silicon Valley and Signature Banks occurred during the session, broader sector issues had not yet been fully known by the time committee work wrapped up. Both the relevant Senate and House financial services committees did however hold work sessions to hear from the Department of Financial Institutions as well as financial services representatives about the state of financial institutions in the current environment.

DFI provided a detailed review of regulatory processes and oversight and re-affirmed to committee members that Washington banks and credit unions remained in a strong financial position despite the broader current economic and market challenges.

The House committee also invited a representative from the Washington Bankers Association and GoWest's Joe Adamack to share more about banks and credit unions. Lawmakers were very pleased to hear more about the credit union structure, high amount of insured deposits, and the specific structural elements of credit unions that help protect Washington residents and their money.

Successful Credit Union Day at the Capitol

It was a wonderful opportunity to again host our first Washington Credit Union Day at the Capitol in person since 2020 with more than 200 attendees. Thank you to everyone who made the significant commitment to attend and connect with your colleagues and local lawmakers. Stay tuned for the 2024 event date soon!



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