

Tax Structure Work Group County Revenue/Expenditure

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Washington State Constitution

Article XI, § 4 COUNTY GOVERNMENT AND TOWNSHIP ORGANIZATION. The legislature shall establish a system of county government, which shall be uniform throughout the state except as hereinafter provided...

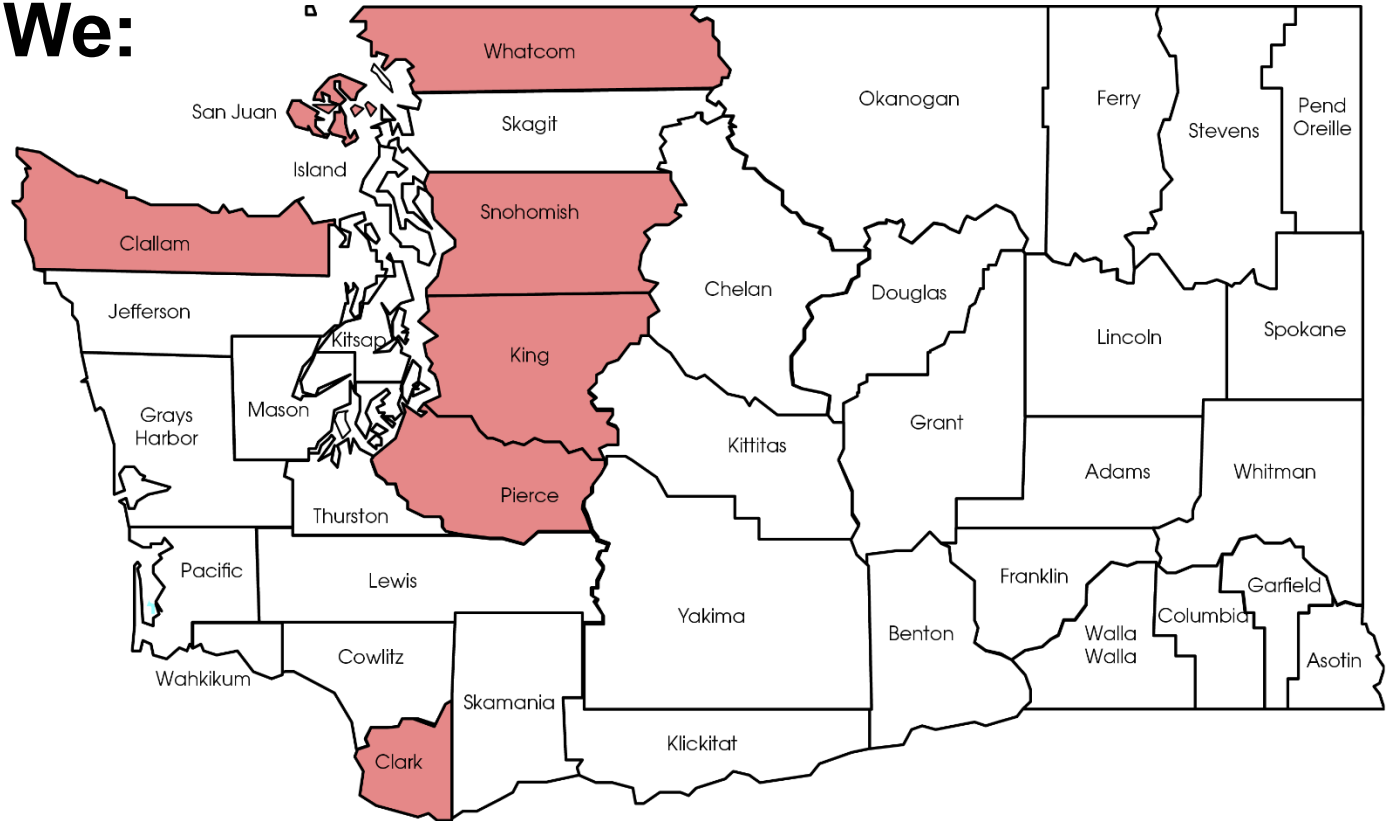
...Any county may frame a "Home Rule" charter for its own government subject to the Constitution and laws of this state...

Washington State

- Oldest form of local government (predates statehood)
- First 15 counties in 1854, 39th county formed in 1911



Who Are We:



39 Counties

32 Uniform/Commission Form

7 Home Rule Charter Form



Washington Counties are Diverse

- **King County** provides local and regional services to 2.2 million residents, with a two-year **budget** of about \$11.6 billion and over 15,000 employees
- Garfield County has approximately 2,200 residents and a \$16 million dollar annual budget.
- Wahkiakum County is 287 square miles
- Okanogan County is 5,315 square miles.



What Do We Do?

Dillon's Rule

The Washington State Supreme Court ruled—

“Counties are the creatures of the legislature, created by it to perform certain functions and having **no independent separate existence**. Their only powers are those directly provided in specific statutes or those necessarily implied by the powers which have been expressly vested in them by statute.”

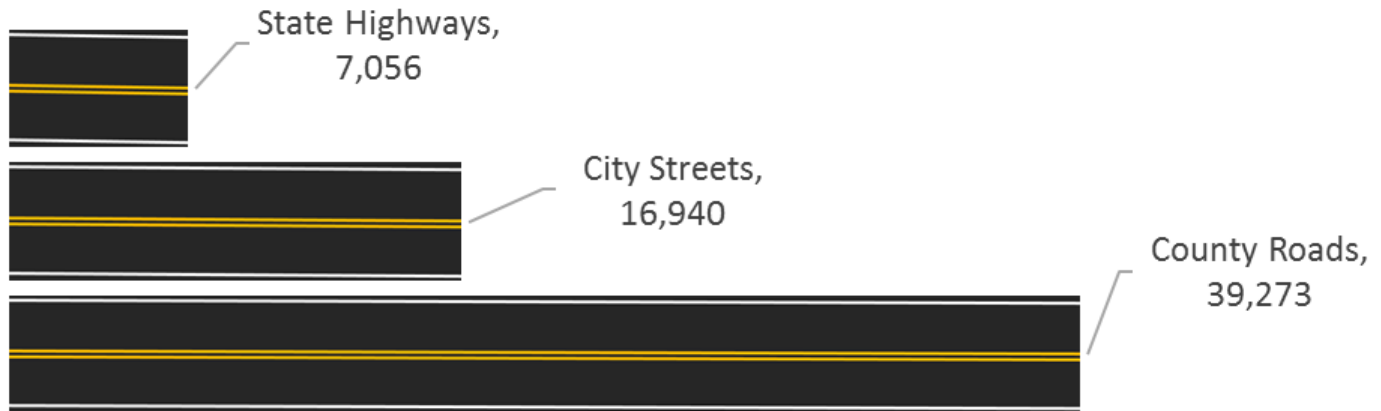


Three Major Roles of County Government

STATE AGENT	COUNTYWIDE/REGION	LOCAL GOV'T
Prosecuting Attorney	Specialized Law Enforcement	Law Enforcement
Public Defender	District Court	Roads & Bridges
Superior Court	Domestic Violence	Land Use Planning
Juvenile Court	Medic 1 Ambulance	Zoning
Jail	E-911 & Central Dispatch	Building Permits
Juvenile Detention	Transit Programs	Parks & Recreation
Medical Examiner/Death Investigation	County Airports	Garbage & Recycling
Behavioral Health	Public Health Services	Surface Water Management
Developmental Disabilities	Aging & Senior Services	Sewer Service
	Housing Programs	Water Service
Elections	Housing Repair Assistance	Noxious Weed Control
Treasurer	Energy & Weatherization	Environmental Health
Document Recording	Veterans Assistance	
Vital Statistics	Cooperative Extension	
Property Tax Admin.	Emergency Management	
Vehicle & Marriage Licenses	Search and Rescue	
	Sewer Service & Treatment	
	Growth Management Policies	
	River Basin Flood Plans	
	Solid Waste Management	
	Economic Development	
	Tourism & Facilities	
	Arts Commission	
	County Fair	

County Road Miles

Statewide Road System Centerline Miles



County Revenue

- Counties have a complex funding structure.
- There may be as many as 40 to 80 or more separate funds.
- The County budget is composed of two types of revenues:
 - dedicated/restricted
 - general governmental purposes



Select County Revenues

Dedicated/Restricted Revenues	General Government Revenues
Property Tax	Property Tax
Road Fund	Current Expense
Emergency Medical Services	Retail Sales & Use tax
Conservation Futures	Basic .5 (First Half Cent)
Affordable Housing Levy	Optional .5 (Second Half Cent)
Retail Sales & Use Tax	Other
0.1 Juvenile Detention Facility	Select Permits, Fees, Charges, and Fines
0.1 E-911 Systems	Select Intergovernmental Revenues
0.1 Mental Health	Cable TV Franchise Fee
0.1 Criminal Justice	Admissions Tax
0.3 Public Safety	State Forest Lands Revenue
0.09 Rural Counties Public Facilities	Timber Excise Tax
0.9 Public Transit	Secure Rural Schools/Federal Forest Reserve
Other	Federal Payment-in-Lieu of Taxes
Real Estate Excise Tax	(1) Property Tax (2) Sales Tax
Lodging (Hotel-Motel) Tax	
Motor Vehicle Fuel and Special Fuel Tax	
Community Development Permits & Fees	
Impact Fees	
Parks & Recreation Fees	
Select Permits, Fees, Charges, and Fines	
Select Intergovernmental Revenues	

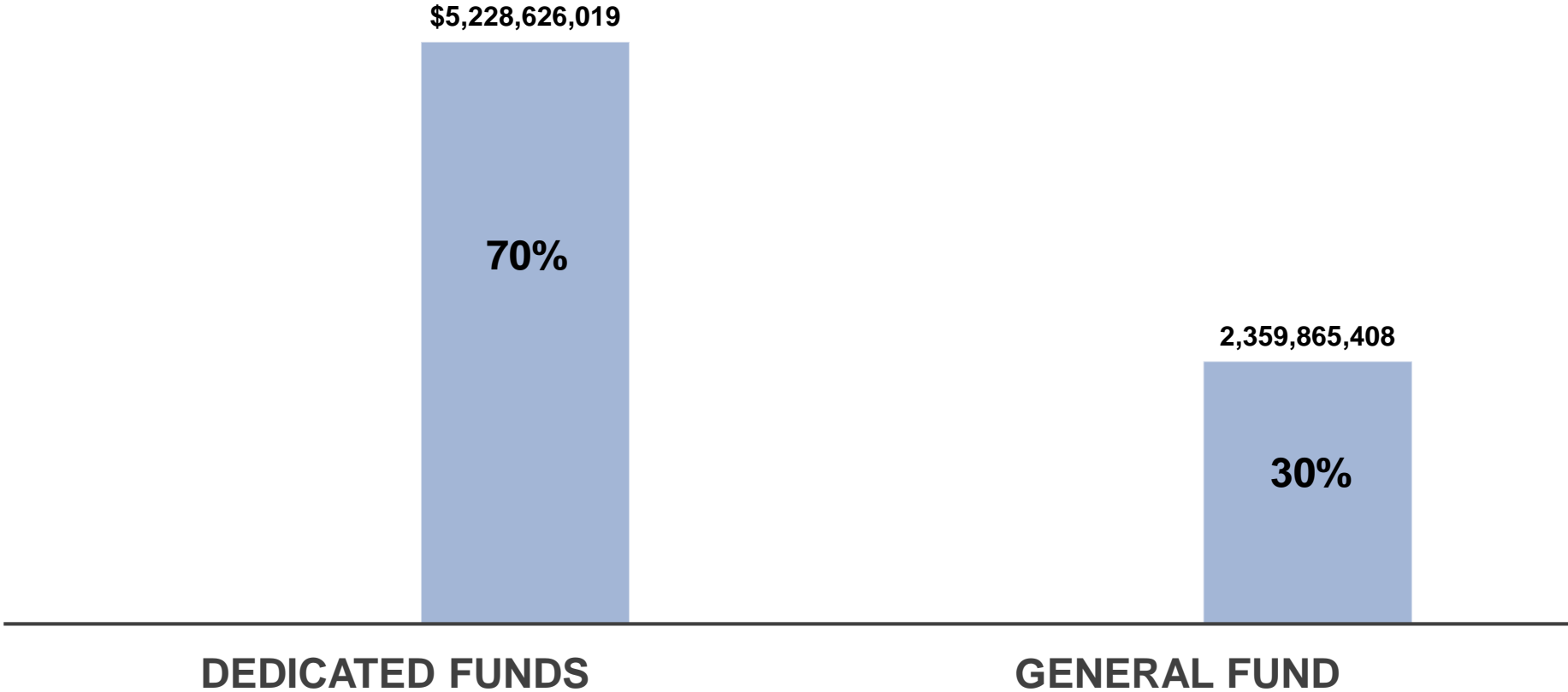
County Road Fund

County Road Fund Revenue Sources



* Statewide total - sources will vary with each county
Source: WSDOT

State-Wide County Revenue (2014)



General Fund Tax Revenue Comparison



12%

State

Four Revenue Legs

1. Property Taxes
2. Sales Taxes
3. Business Taxes, Fees & Licenses
4. Utility Taxes



60%

Counties

Two Revenue Legs

1. Property Taxes
2. Sales Taxes

**Property Tax as a %
of GF Tax Revenue**



22%

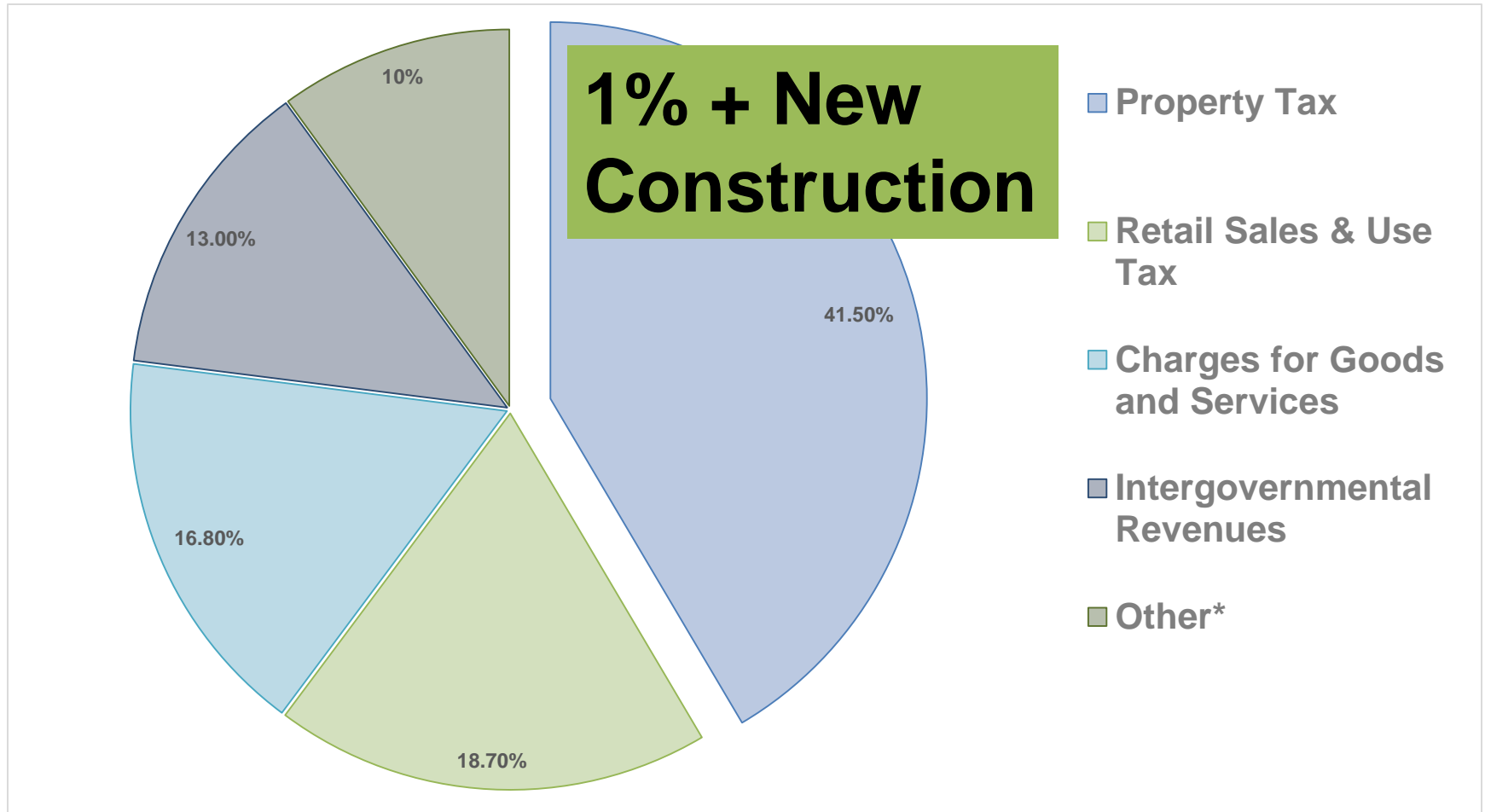
Cities

Four Revenue Legs

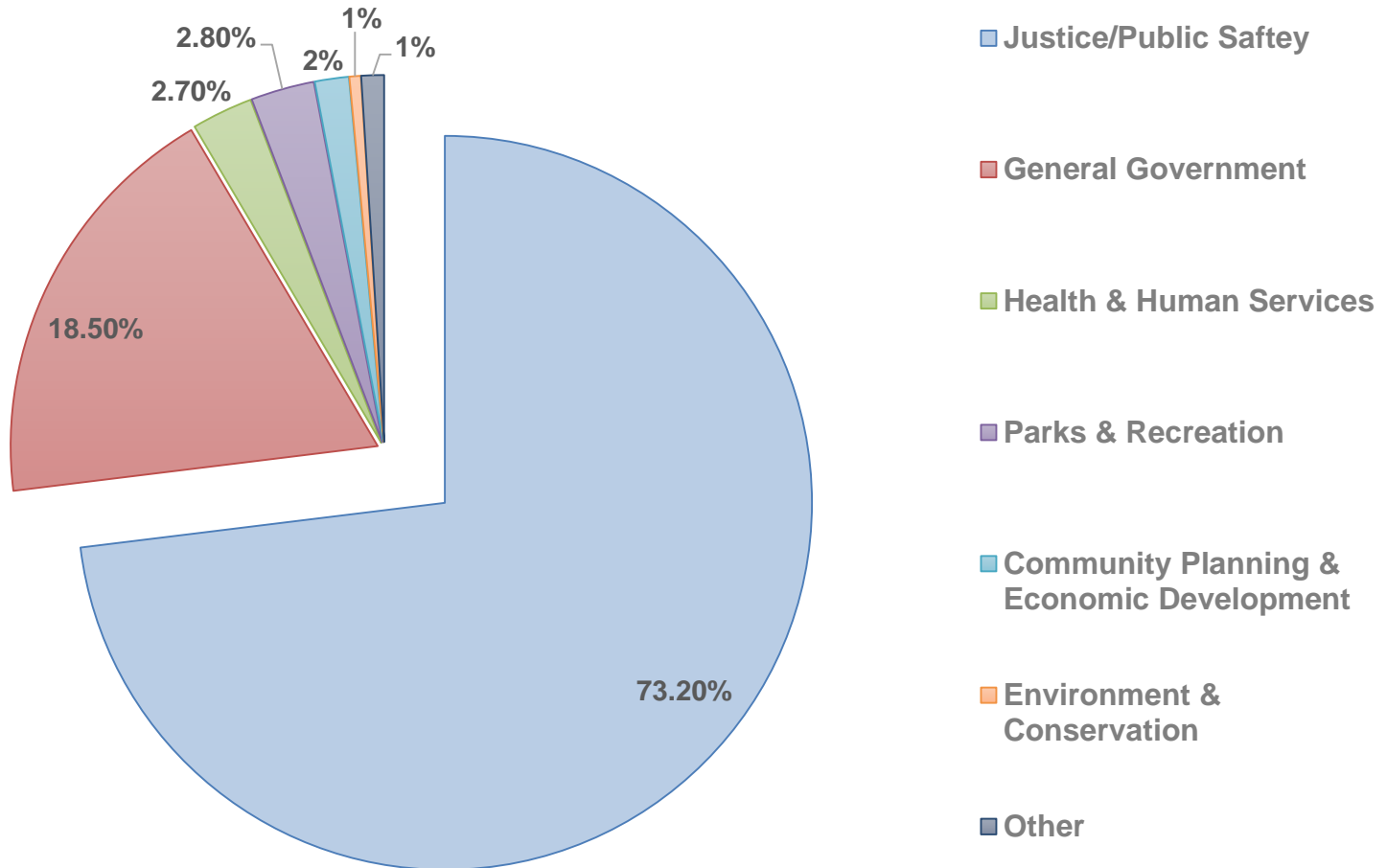
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General Fund Revenues



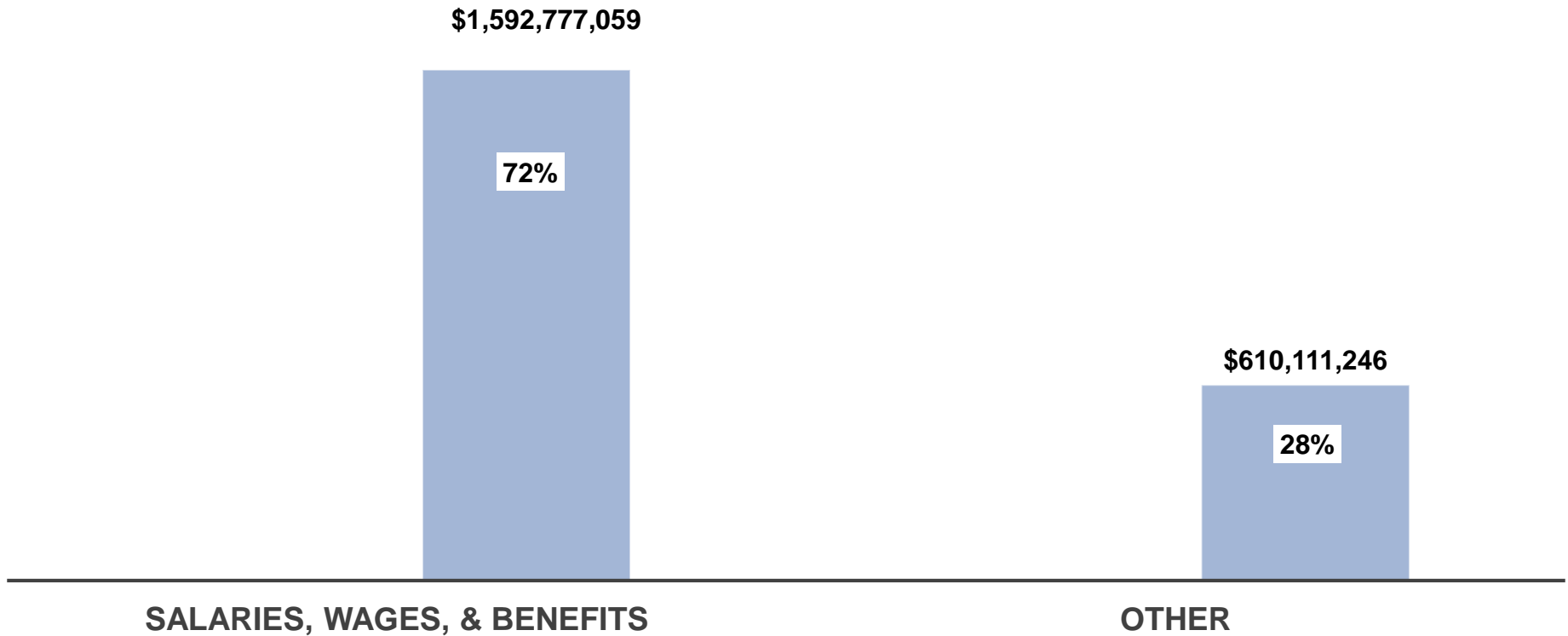
General Fund Expenditures



General Fund Expenditures Continued...

The majority of budgets are already committed to baseline obligations. The County General Fund is no different. State-wide, 72% of County General Fund expenditures are for salaries, wages, and employee benefits. These costs are largely fixed by contracts.

State-wide County General Fund Expenditures (2014)



County General Fund Property Tax Levy

- County Property Tax Growth Capped at 1%, plus New Construction
- Net Revenue Growth From Property Tax from 2012-2018, 2.3% Annual Average, Net Growth of 15%
- CPI-U Seattle, plus population growth for 2012-2018 is 3.53% Annual Average, Net Growth of 24.77%



Property Tax Cap

Garfield County \approx \$8,000 (1% + .1%)

Lewis County \approx \$238,000 (1% + 1%)

Skagit County \approx \$771,000 (1% + 2.2%)

Kitsap County \approx \$602,000 (1% + .9%)



Banked Capacity (as of 2018)

County General Fund

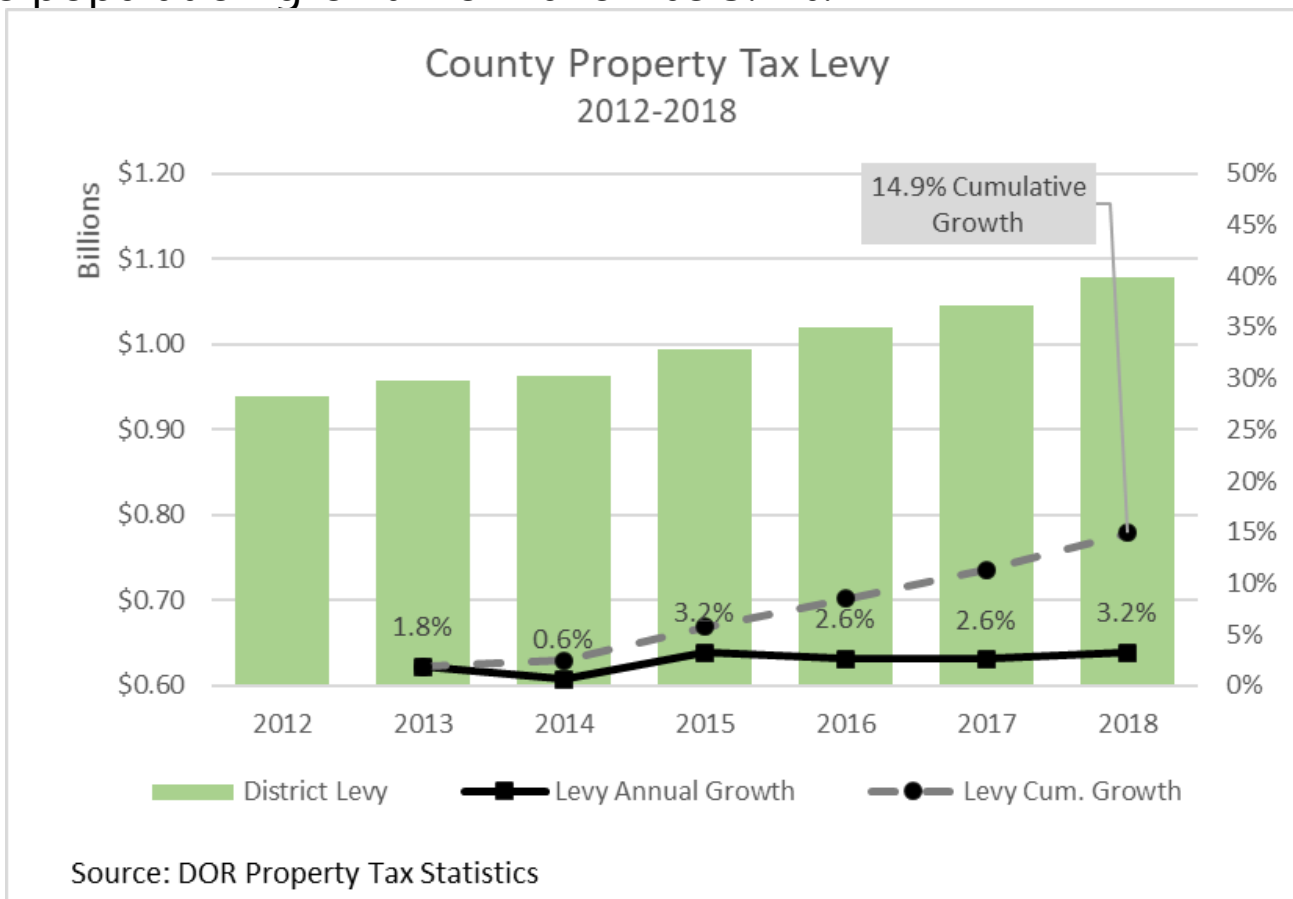
- 5 Counties \approx \$9 Million

County Road Fund

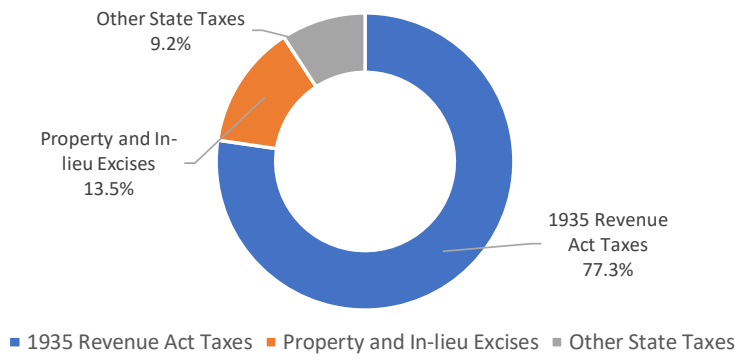
- 1 County \approx 76K



- County property tax levy growth capped at 1%, plus taxes levied on new construction.
- Net revenue growth for property tax from 2012-2018 is 2.3% annual average, net growth of 15%.
- CPI plus population growth for 2018 was 5.2%.

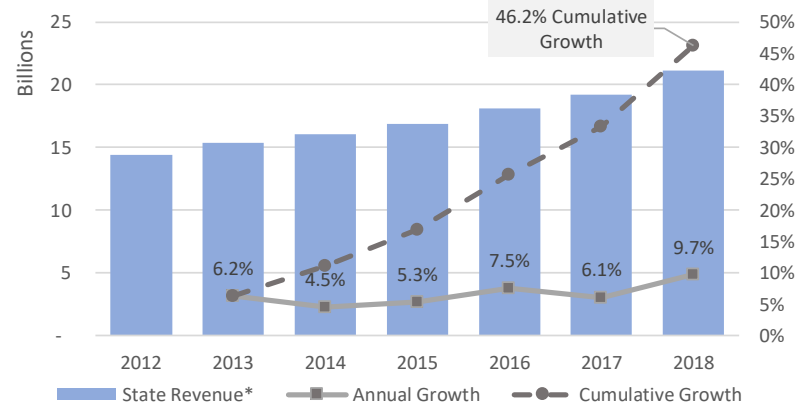


State Tax Revenue Sources 2018



*Source: DOR Tax Statistics - Table 4

State Tax Revenue Growth FY2012-FY2018



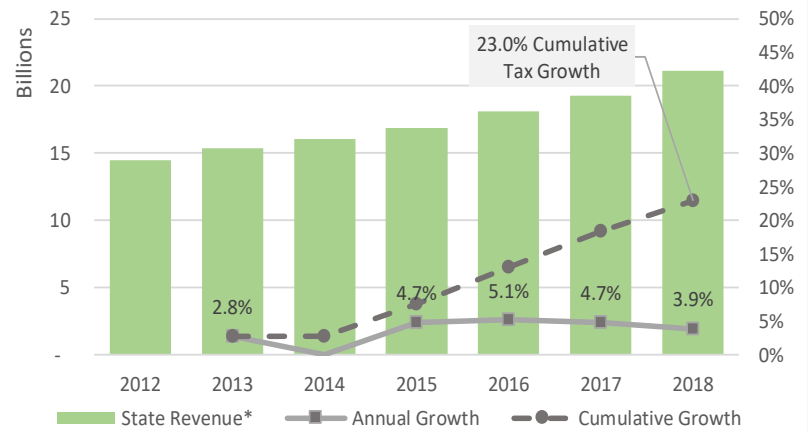
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County Tax Revenue Sources 2018



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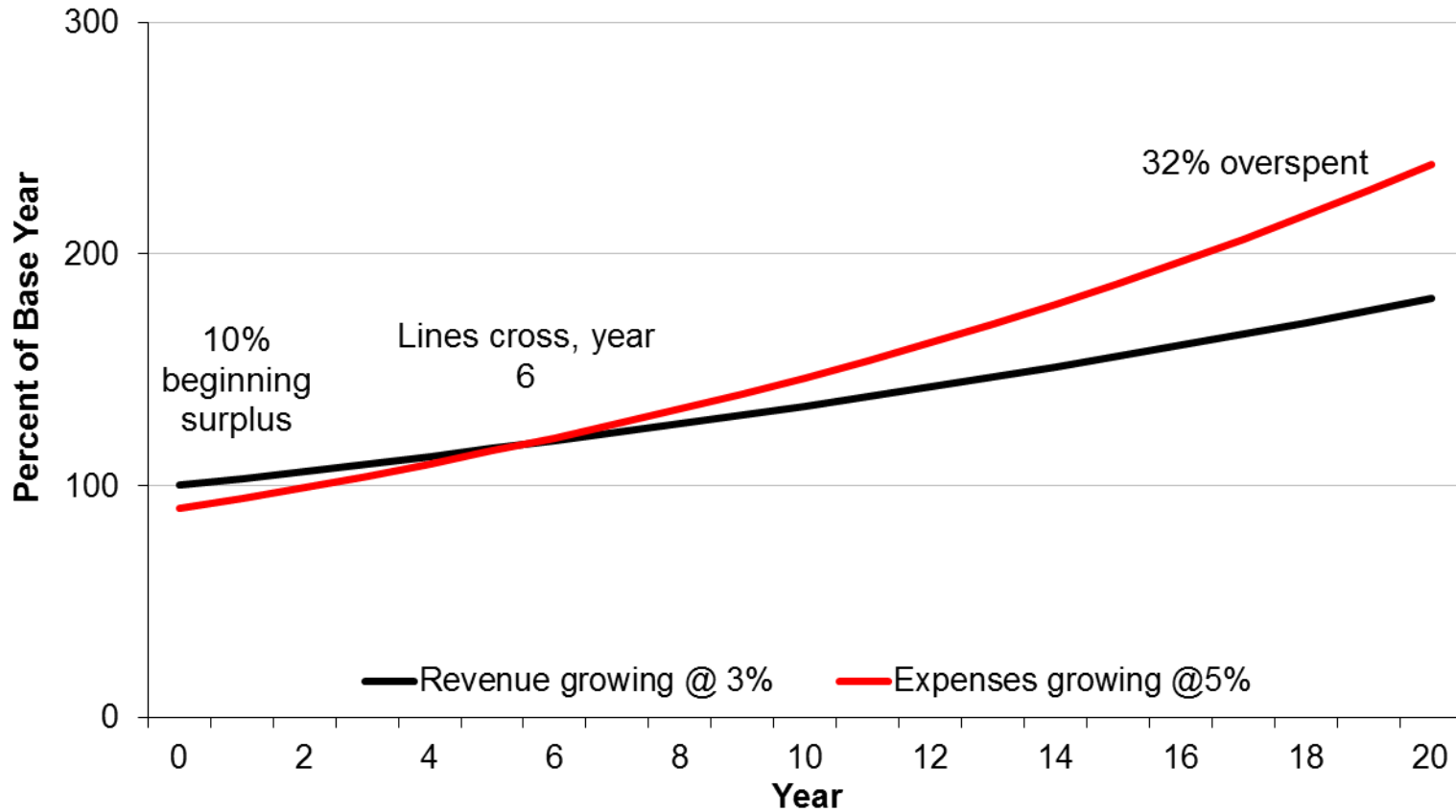
County Tax Revenue Growth FY2012-FY2018



*Source: DOR Tax Statistics - Table 4



Structural Deficit



On-Tenth Percent Sales Tax Estimate for Counties

1/10% Per Capita Sales Tax Revenue Estimate								
County	2012	2013	2014	2015	2016	2017	2018	2019
Adams County	14.14	15.24	16.39	14.96	15.98	16.27	17.13	19.03
Asotin County	12.88	13.88	14.20	14.55	15.35	15.87	16.57	18.14
Benton County	18.59	19.40	19.44	21.52	22.37	23.01	23.74	24.68
Chelan County	19.15	20.14	22.35	24.31	27.64	27.30	29.02	29.40
Clallam County	13.01	13.62	14.15	15.00	15.91	16.89	18.27	19.07
Clark County	11.73	12.47	13.52	14.90	15.89	16.85	18.18	19.12
Columbia County	18.59	20.41	120.05	21.55	18.34	17.92	27.94	46.35
Cowlitz County	13.71	15.02	16.44	16.24	17.46	18.40	19.85	20.19
Douglas County	14.76	19.94	20.23	21.53	23.44	22.23	25.00	28.85
Ferry County	11.15	13.34	9.69	11.00	10.21	9.28	9.56	9.90
Franklin County	13.90	14.23	15.10	16.34	17.18	17.89	19.23	19.38
Garfield County	37.55	11.83	17.15	17.13	19.33	17.35	17.53	19.26
Grant County	20.02	21.57	20.75	21.32	20.61	21.23	21.90	24.23
Grays Harbor County	11.76	11.79	12.74	13.34	13.80	14.87	15.87	17.25
Island County	9.21	9.77	10.36	11.22	12.59	14.06	15.22	15.66
Jefferson County	11.94	13.38	13.12	14.21	16.12	16.47	18.15	19.01
King County	23.25	24.63	26.20	28.17	30.06	30.41	33.24	34.68
Kitsap County	12.86	13.42	14.23	15.19	16.30	17.13	19.24	19.93
Kittitas County	16.67	17.60	18.63	20.77	23.01	24.58	26.92	27.52
Klickitat County	8.86	9.51	11.31	11.00	13.22	12.27	15.05	17.44
Lewis County	13.47	14.42	15.70	16.28	17.29	18.69	20.38	22.95
Lincoln County	13.31	13.21	12.09	11.88	11.43	13.54	14.83	14.80
Mason County	8.64	8.60	9.30	10.14	10.71	11.11	12.24	13.86
Okanogan County	12.93	13.86	15.25	15.45	15.46	15.89	16.97	17.47
Pacific County	10.60	11.96	12.50	12.63	12.71	13.90	15.19	16.73
Pend Oreille County	13.06	11.02	11.90	12.32	11.88	12.18	14.62	13.04
Pierce County	14.11	15.34	16.18	17.15	18.08	19.22	20.66	21.69
San Juan County	24.39	25.02	26.71	28.70	31.63	34.04	34.80	37.45
Skagit County	19.37	20.66	20.68	21.90	23.09	24.43	26.53	26.49
Skamania County	8.84	9.61	9.55	11.15	12.40	14.06	14.48	16.72
Snohomish County	14.34	15.43	16.19	16.86	17.76	18.30	19.40	20.49
Spokane County	15.75	16.48	17.50	18.19	19.28	20.48	21.86	23.18
Stevens County	9.00	9.28	9.88	10.10	10.88	12.07	11.97	12.90
Thurston County	15.37	15.81	16.31	17.41	18.58	19.52	20.67	22.08
Wahkiakum County	9.62	9.22	9.14	9.49	10.05	9.45	10.48	11.08
Walla Walla County	13.95	14.02	14.58	15.41	16.13	16.68	18.82	19.07
Whatcom County	16.51	17.40	17.71	18.31	18.84	20.17	21.42	22.03
Whitman County	15.29	14.43	15.97	15.08	15.64	16.91	17.37	16.52
Yakima County	12.70	13.63	14.81	15.27	15.78	15.88	17.07	17.40
Grand Total	16.89	17.93	19.01	20.16	21.41	22.14	23.93	25.06

Justice/Public Safety Services at Risk

As a result, counties across the state have experienced:

- Delayed criminal/civil justice proceedings.
- Delayed public safety response times.
- Elimination of safety and security enhancements for jails and courthouses.
- Reduction in the number of deputies on the road.
- Limits on the number of inmates booked into county jails.
- Cuts to training.
- Public safety recruitment and retention issues.
- Delayed maintenance of critical equipment and infrastructure.



Financial Challenges

- Counties' cost of providing essential public services rises approximately 3-5% every year.
- General Fund revenues can't keep up largely due to a 1% cap on property tax and a lack of diversity in revenue sources – Structural Deficit.
- Lack of Equity in Sales Tax Collection for Services.
- Growth Management Implications; Annexations and incorporations hinder unincorporated sales tax collection.
- County financial constraints are structural in nature and not just a result of the Great Recession or now COVID-19!
- Greatly diminished revenue from Public Land Timber Harvest.
- In 2007 the CTED county financial health study found that “revenue authority has been eroded from 2001 to 2007 to such an extent that in many counties, funding is not adequate to sustain equal access to basic services.”



How are Counties Responding?

- **Reserves**
- **Road Funds Diversions (“Traffic Policing”)**
- **Voter Approved Taxes**
- **Program Reduction or Elimination (Cuts)**
- **Deferring**
- **Reduction in Force**
- **These Solutions are Not Sustainable**



How Can the Legislature help?

1

Limit Property Tax Revenue Growth to Inflation & Population

The legislature should protect citizens' access to justice, health and safety by tying property tax revenue growth to inflation and population growth – the factors that cause costs to grow – so that counties aren't forced to make dangerous cuts to core governmental services.

2

Provide Adequate Funding for Trial Court Public Defense

In order to continue effective access to justice, the Legislature must fund the full cost of trial court public defense services. Counties expend \$312 million a biennium and the state only provides \$6 million annually (4%).

3

Policy Choices

- * Remove Non-Supplanting Language
- * Revenue Flexibility – Remove Silos and Restrictions
- * Councilmanic Authority
- * Sustainability
- * Short Term (Acute) vs. Long Term (Chronic)



QUESTIONS?

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