

Washington Research Council

= Public Policy Brief =

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Legislature approves local government aid package; sends property tax measure to voters

In a one-day session on June 5 the state legislature issued its response to local government requests for financial help, particularly for costs associated with criminal justice. Up to \$99.4 million is made available to cities and counties in fiscal year (FY) 1991, through general fund appropriations, increased revenue distributions and increased taxing authority (see box on back page). Some of these sources are available for a limited period of time and others are ongoing.

The legislature also sent to the voters in the next general election a proposed constitutional amendment that would allow taxing districts to impose excess property tax levies for up to six years with voter approval and changed the requirements relating to the state reimbursing local governments for the costs of new mandates.

Money for Criminal Justice

For criminal justice activities, a total of \$55 million will be distributed to cities and counties in FY 1991 — a one-time appropriation of \$20 million from the state general fund and \$35 million in ongoing assistance from the motor vehicle excise tax (MVET). An additional \$77 million will go to cities and counties from the MVET during the 1991-93 biennium, based on a percentage of MVET collections. The ongoing assistance expires on Jan. 1, 1994.

The funding for FY 1991 is distributed as follows:

- \$32.5 million to counties through a formula distribution based on population, crime rate and criminal filings;
- \$2.5 million to counties on a per capita basis;
- \$10.0 million to 24 selected high crime cities on a per capita basis; and
- \$10.0 million to all cities on a per capita basis.

These funds must be used for criminal justice and may not be used to replace existing funding.

Additional Sales Tax in Some Counties

Subject to voter approval, King, Pierce, Snohomish, Thurston, Clark and Spokane counties are authorized to divert 10 percent of the recently authorized 1 percent sales tax (a tax rate of 0.1 percent) for high capacity transit for criminal justice purposes. This option could generate as much as \$36 million a year, according to the legislative fiscal committees, and would be shared by the counties and the cities within those counties. This tax authority sunsets Jan. 1, 1994.

Proposed Constitutional Amendment Would Allow 6-Year Property Tax Levies

In addition to providing cash assistance and sales taxing authority, the legislature referred to the voters a proposal to amend the state constitution to allow local governments additional property taxing authority for nearly any purpose. The constitutional amendment will be placed on the ballot for the Nov. 6, 1990 general election, with a simple majority vote required to ratify of the amendment.

Under the proposed constitutional amendment, voters of any local taxing district in the state — not just cities and counties — could authorize excess (special) property tax levies for up to six years for any legal purpose of the district. This change would basically extend the length of time for which these special levies could be imposed.

The state constitution limits the combined rate of most regular property tax levies to 1 percent of the property's value. However, local taxing districts may, with voter approval, impose special levies for a single year (one or two years for a school district) to be used for any legal purpose of the taxing district, and school districts may ask the voters to approve levies for up to six years to be used for construction, modernization or remodelling of school facilities. Special levies may also be imposed for an unspecified number of years to retire general obligation bonds issued for capital purposes.

Estimates of how much money this change could generate are not available, however, given the permanent nature of the change, it could — if approved — have a greater revenue impact than all other items in the aid package combined (most of the significant changes expire on or before Jan. 1, 1994).

As with other special property tax levies, the levy would need to receive a 60 percent "yes" vote in order to pass, with the total number of "yes" votes representing at least 24 percent of the number of votes cast in the most recent general election.

Assistance Not Limited to Justice

In addition to the increased taxing authority and the cash assistance provided for criminal justice, Senate Bill 6913 (SB 6913) provides three smaller revenue sources that are permanent changes and not limited to specific purposes. The changes are as follows:

- **Sales Tax Distributions:** State distribution of local sales taxes to cities, counties and transit districts is changed from

bimonthly to monthly and investment earnings on the balances in these accounts will be credited to the accounts, rather than the state general fund. According to the legislative fiscal committees, this will generate about \$4 million for cities and counties in FY 1991.

- **Unclaimed Property:** Local governments are authorized to retain and spend certain types of unclaimed intangible property, rather than distributing the property to the state. This is expected to generate about \$200,000 per year for county governments.
- **Parking Violations:** Changes in the requirements on parking violations, including notification periods and administrative charges, are expected to increase city revenue by \$4 million in FY 1991.

Initiative 62 Revised

SB 6913 also clarifies the definition of what constitutes the state's reimbursement to local governments for new programs and services as required by Initiative 62. With the

change, increased local government revenue resulting from legislative acts since 1980, including revenue distributions and additional taxing authority, are to be counted as reimbursement under the provisions of the initiative.

The original provisions of Initiative 62, passed by the voters in 1979, state that the legislature may not impose responsibility for new programs or increased levels of services under existing programs on local governments unless the districts are reimbursed for the costs by the state. With this change, the state can reimburse the local governments either by sending money or by providing additional taxing authority.

Task Force to Examine Local Finance

Finally, the legislation creates a task force to examine issues of city and county finance with particular emphasis on criminal justice. It will be made up of ten legislators — five from each house — and two nonvoting representatives of the governor. The task force will submit a report to the governor and the legislature by Sept. 1, 1992.

Local Government Aid Package Estimated Revenue Impact (dollars in millions)

	FY 1991	FY 1992	FY 1993
Cash assistance:			
State general fund or MVET/1	\$55.0	\$37.2	\$39.6
Counties	35.0	26.6	28.3
Cities	20.0	10.6	11.3
Monthly sales tax distribution /2	4.4	4.6	4.8
Counties	1.6	1.7	1.8
Cities	2.8	2.9	3.1
Unpaid parking tickets /2	4.0	4.2	4.4
Counties	0.0	0.0	0.0
Cities	4.0	4.2	4.4
Unclaimed property /2	0.2	0.2	0.2
Counties	0.2	0.2	0.2
Cities	0.0	0.0	0.0
Total cash assistance	\$63.6	\$46.2	\$49.0
Counties	36.8	28.5	30.3
Cities	26.8	17.7	18.8
Additional revenue authority:			
0.1 percent sales tax /1	\$35.8	\$35.8	\$35.8
Counties	18.6	18.6	18.6
Cities	17.2	17.2	17.2
Six-Year Property Tax /2,3	YES	YES	YES
Total local assistance /4	\$99.4	\$82.0	\$84.8
Counties	55.4	47.1	48.9
Cities	44.0	35.0	36.0

1/ Must be used for criminal justice purposes.

2/ Permanent change.

3/ Revenue estimates not available.

4/ Does not include impact of additional property taxing authority.

Note: Totals may not add due to rounding.

Source: Washington Research Council, based on data from legislative fiscal committees.