Public Funding for Health and Human Services in King County

Health and human services programs, and the people they serve in King County, depend on funding from public and private sector sources. Over the past three years, each of the four primary sources of public sector support has been adversely affected by economic and public policy factors. With Washington State facing the increased likelihood of a slow recovery from recession and ongoing budget shortfalls at all levels of government, the Washington Research Council conducted this review of public sector health and human services funding. The primary purposes of the report are to:

- strengthen the overall base of information from which public policy and budgeting decisions affecting health and human services in King County are made;
- quantify the current magnitude of public funding for health and human services in King County, and the changes in public funding anticipated in the next several years;
- set the stage for an interpretive analysis in Fall 2002 about the implications for King County’s residents of these anticipated changes in public health and human services funding;

This work has been conducted for the Annie E. Casey Foundation (based in Baltimore), the Northwest Area Foundation (based in St. Paul), The Seattle Foundation and United Way of King County.

Long-time fiscal observers in this state have, perhaps, become inured to cries of financial distress from various communities of interests jockeying for access to limited public funding. In robust economic times, worst-case scenarios are rarely realized, as public officials find the resources necessary to satisfy various constituent groups.

These, however, are not robust economic times. In addition to the impact of the recession, public policies enacted over the past few years, some by citizen initiative, have placed fiscal restraints on government and removed tax base from county government, further reducing revenue flows. In the following pages, we review the fiscal conditions for the primary governmental units providing human services funding, describe the present status of such funding in King County, and suggest the probable budget implications for the next few years on service providers and their clients.

Several factors should be considered in evaluating the near-term budget situation.

- Governments have redistributed human services funding, causing some programs to lose support even as aggregate funding has increased.
- An economic slowdown generates new and increased demand for services, such that the gap between need and funding grows even if there is no budget cut.
- The loss of funding from one level of government creates a new demand for funding by another entity (e.g., loss of state money causes providers to seek support from cities or the private sector). The ripple effect may then lead to reduced funding for other services as budgets are stretched to accommodate new programs.

Based on the available data, the fiscal stress of the past eighteen months will continue into the next several budget cycles. Services relying on discretionary public spending will remain at risk.
Introduction

Major government support for human services throughout King County flows from the federal government, the state, county government, and the various cities in the county. Seattle provides the largest share of municipal support.

Significantly, all four levels of government face budget challenges that have consequences for health and human service programs. We address each of these in more detail throughout the report. Briefly:

- The federal government, experiencing the effects of increased defense spending and economic recession, has abandoned its short-lived commitment to a balanced budget and has again accepted deficit spending. Opponents to such deficit spending will push for reduced domestic spending. Budget debates will be vigorous.

- In 2002, state government responded to a $1.5 billion budget shortfall with a combination of one-time tactics (e.g., budget transfers and reserve spending) and budget reductions. Heading into 2003, the budget outlook has not improved. Problems stemming from the recession-related revenue declines have been exacerbated by voter initiatives repealing the motor vehicle excise tax, capping property tax growth, transferring tax money to dedicated accounts, and mandating salary increases for certain personnel.

- King County’s revenue base is in long-term decline as incorporations and annexations reduce both property and sales tax dollars going into county coffers. Property tax limitations impose additional restrictions on the county budget. Further, like most counties in the state, King County’s public safety costs are rising, increasing pressure on other, more discretionary, areas of county spending. The combined effect of slower revenue growth and escalating mandatory spending will continue to squeeze the county budget for the foreseeable future.

- Several cities, including Seattle, have made major commitments to human services funding. City governments operate under different fiscal conditions than other levels of government. They have a more diversified revenue base that insulates them somewhat from the fiscal effects of recession. Although property tax limitations apply to city budgets as they do to other governments, the cities’ access to utility, sales and business taxes mitigate to some extent the effects of these limitations. Nonetheless, most cities in King County will experience some near-term fiscal stress.
Many human service programs are at risk because they are, in large part, discretionary. The competition for dollars - not only with mandated services, including health and human services that are mandated, but between providers within the health and human service community whose funding support is discretionary - will be increasingly intense in the coming months.

**Fiscal Overview**

Human services are provided in King County by a complex web of interconnected governments. City and county governments use their own tax money to provide certain services and use state and federal grants to provide other services. The state government provides some services directly, which it pays for from state taxes and from federal grants. The state also provides grants to the county and cities, and it passes federal grants it has received on to local governments. The federal government provides grants to the state, the county, and the cities.

As a result of the grant making, preparing a picture of human services in the county is not simply a matter of adding budgets of all the governments. Doing this would result in considerable double counting, since grants appear as expenditures on the books of the granting government.

Further complicating matters is the mismatch between the fiscal years used by the different governments. For the federal government, fiscal 2002 began on October 1, 2001 and will end on September 30, 2002. For the state, fiscal 2002 began July 1, 2001 and ended June 30, 2002. For the county and cities, fiscal 2002 is the current calendar year.

Figure 1 presents the Research Council’s estimate of human services funding available in King County from federal, state and local sources. Technically these funds cannot be totaled due to the varying fiscal year bases used by each level of government, but their sum – approximately $2 billion – is a reasonable estimate of funding in the most recent year for which data are available.¹

The county and city governments spent about 25 percent of these funds. Other local governments provide a small share of the human services spending; for instance, public schools participate in the national school lunch program. State government accounts for the remaining spending through such programs as Medicaid, Temporary Assistance for Needy Families (TANF), and the Basic Health Plan.

The state requires all cities and counties to prepare a Comprehensive Annual Financial Report (CAFR) after the end of each fiscal year. These reports use a common system of accounts. The state auditor assembles
all of these reports into a single consistent database, the Local Government Financial Reporting System (LGFRS).²

The most recent year available in LGFRS is 2000. LGFRS shows that in 2000 King County and its cities spent about $428 million in a broad range of human services.³ Figure 2 shows how the spending was distributed across governments. King County accounts for the lion’s share of the spending, 70 percent, $298 million. Seattle accounts for 26 percent, $113 million. The cities in the county provided only 4 percent of the total, $18 million.

Figure 3 shows the services that the county and cities provided. Public health represented the largest category, $176 million, and 41 percent. Second was mental health, $84 million, and 20 percent. Third was housing and community services, $56 million, and 13 percent.

Federal Budget

In federal fiscal year (FFY) 2001, which runs from October 1, 2000 to September 30, 2001, the federal government provided $317 billion in health and human service grants to state and local governments throughout the country. The Bush administration proposes that these grants will grow to $346 billion this fiscal year and to $405 billion by FFY 2005.

In FFY 2001, three departments – Agriculture, Health and Human Services, and Housing and Urban Development – granted $227 billion in four areas of human services:

- Health;
- Income security;
- Community and regional development; and
- Education, training, employment and social services.

Documentation to President Bush’s 2003 budget provides detail on the $3.9 billion provided to governments in Washington State in FFY 2001.⁴ See Figure 4.
Health programs in Washington – mostly Medicaid – received $2.6 billion, accounting for 66 percent of the $3.9 billion; $928 million – 24 percent — went for income security programs, with Temporary Assistance for Needy Families (TANF) receiving about half of this total. Other significant income security programs included the national school lunch program, the special supplemental program for women, infants and children, and child support enforcement.

Three hundred and sixteen million dollars – about eight percent – went to education, training, employment, and social services programs. The main programs in this category include childcare and development, head start, and the social services block grant.

Finally, $68 million – about two percent of Washington’s $3.9 billion – went for community and regional development primarily through the community development block grant program.

Figures 5 and 6 show how actual federal health and human service grants to state and local governments grew from FFY 1993 to FFY 2001 and the growth the Bush administration anticipates for FFY 2002 through FFY 2005. To remove the effects of inflation, grants amounts are expressed in constant 2002 dollars.

At an estimated $156 billion, health grants in FFY 2002 are 65 percent greater than they were in FFY 1993. This largely reflects growth in the Medicaid program. Federal health grants are expected to increase another 20 percent by FFY 2005. The rate of growth in income security grants has been slower. With an estimated $77 billion in FFY 2002, grants are 39 percent greater than in FFY 1993. Overall, growth in the value of income security grants is expected to keep pace with inflation from FFY 2002 to FFY 2005.

Education, training, employment, and social services grants of $10.6 billion in FFY 2002 are 12 percent higher than in FFY 1993. Periods of growth in this category (FFY 1993-1995 and FFY 1999-2002) are associated with expansion in children and family services programs. Further growth is expected for FFY 2003, after which grants are expected to keep pace with inflation.

Community and regional development grants of $5.5 billion for 2002 are 46 percent above their FFY 1993 level. They are expected to increase...
further in FFY 2003 and FFY 2004 and then fall back in FFY 2005. The expected value of FFY 2005 grants is nominally above the FFY 2002 level, but 4 percent below when adjusted for inflation.

Overall, then, over the last ten years, health and human service grants to state and local governments from the federal departments of Agriculture, Health and Human Services, and Housing and Urban Development have grown faster than the rate of inflation. The Medicaid program has seen the largest growth, but other human service programs have also experienced significant growth. President Bush’s budget proposals show Medicaid grants continuing to grow rapidly, at over 9 percent per year. Other programs are also projected to grow, but, on average, only at the rate of inflation.

State Budget

Last summer, state economists recognized that the bursting of the Internet bubble might push the national economy into recession. They believed that Washington could avoid a downturn, however. Growth in Internet and other technology companies had propped up the state’s economy in the late 1990s, offsetting declines in employment in the aerospace sector. By the summer of 2001, employment at Boeing was growing, and it was thought that this would provide insulation.

The events of September 11 changed this. The financial crisis in the airline industry led Boeing to announce it would layoff as many as 30,000 workers.

We now know that the dot-com layoffs actually pushed the state into recession in the second quarter of 2001. And with Boeing layoffs, the recession is now expected to be deeper and longer in Washington than in most other states. Employment is not expected to surpass its most recent peak of early 2001 until early 2004.

The state of Washington operates under a two-year budget cycle. The current budget was initially written during the 2001 legislative session, and covers the period from July 1, 2001 to June 30, 2003. During the 2002 session, the Legislature passed a supplemental budget for the biennium that accommodated revenue shortfalls and mandatory spending increases.

Revenue to the state flows into a large number of distinct “fund” or accounts. The largest of these accounts is called the general fund. The legislature has a great deal of discretion in determining how money from the general fund is spent. In contrast monies received by other state accounts, the “dedicated” funds, are earmarked for specific purposes.

Budget analysts distinguish two operating budgets for the state: the general fund budget, which includes only appropriations from the general fund, and the all-funds budget, which
includes spending from the dedicated accounts as well as the general fund. Most budget attention focuses on state general fund spending. It is with this fund that the legislature has the most flexibility in setting priorities. The original 2001-03 budget called for $22.783 billion in state general fund spending. The supplemental budget reduced this to $22.451 billion. Figure 7 shows how these funds are distributed across broad spending categories.5

Public Schools receive the largest share of state general funds, 44 percent, or $9.9 billion. The Department of Social and Heath Services (DSHS), which accounts for the bulk of the state’s human services spending, receives the second largest share, 28 percent or $6.2 billion.

Other Human Services total $1.2 billion, amounting to five percent of state general fund spending. The Department of Corrections represents most of this category. For our purposes in this report we will review only two sub-accounts of Other Human Services: Washington State Health Care Authority and the Department of Health.

Revisions to the state revenue forecasts following September 11 reduced available funds by $1.225 billion. In addition, increases in forecasted public school enrollment, prison population, Medicaid enrollment, and Medicaid per capita costs boosted mandatory spending by $266 million. Thus, in the supplemental budget, the 2002 legislature had to fill a hole of nearly $1.5 billion in the general fund budget.

Legislators closed the gap with a combination of four tactics: revenue increases, spending reductions, transfers, and reserves. Figure 8 depicts how the supplemental budget filled the hole. New revenues of $88 million provided six percent of the solution. Transfers, mostly derived from the tobacco settlement, amounted to $522 million and provided 34 percent. Reserves contributed $300 million or 20 percent of the solution. Finally,

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**FIGURE 8**

**Plugging a $1.5 Billion Gap**

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Responsibility Shifted From General Fund</td>
<td>8.0%</td>
</tr>
<tr>
<td>Net Program Reductions</td>
<td>32.3%</td>
</tr>
<tr>
<td>New Revenue</td>
<td>5.9%</td>
</tr>
<tr>
<td>General Fund Reserves</td>
<td>20.1%</td>
</tr>
<tr>
<td>Other Funds Transferred to General Fund</td>
<td>3.5%</td>
</tr>
<tr>
<td>Tobacco Securitization Transfer</td>
<td>30.2%</td>
</tr>
</tbody>
</table>

Source: Research Council compilation from SWM and LEAP Committee reports

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**FIGURE 9**

**Human Services Supplemental Budget Changes 2001-03**

<table>
<thead>
<tr>
<th>Description</th>
<th>General Fund</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Supplemental Changes</td>
</tr>
<tr>
<td>DSHS</td>
<td>6,182,481</td>
<td>95,780</td>
</tr>
<tr>
<td>Washington State Health Care Authority</td>
<td>13,309</td>
<td>-</td>
</tr>
<tr>
<td>Department of Health</td>
<td>132,249</td>
<td>-</td>
</tr>
<tr>
<td>Combined</td>
<td>6,328,039</td>
<td>95,780</td>
</tr>
</tbody>
</table>

Source: LEAP Committee
$598 million was cut. Of this, $478 million was cut from general fund-supported programs and $120 million in funding responsibility was shifted to other accounts. Factoring in the mandatory spending increases, state general fund spending was reduced by $332 million.⁵

The all-funds operating budget combines state general fund spending with dedicated accounts that fall outside the general fund, as well as with federal funds. With the changes made in the supplemental budget, total budgeted spending for the 2001-03 biennium is $43.043 billion. Of this, $15.5 billion, 36 percent, is budgeted for DSHS and $3.4 billion, 8 percent, goes to Other Human Services. The Washington State Health Care Authority and the state Department of Health make up 39 percent — $1.4 billion — of Other Human Services in the all-funds budget.

The supplemental budget reduced all-funds state spending by $286 million for the biennium.

Figure 9 shows the overall supplemental changes for DSHS and for our two other key agencies, the Health Care Authority and the Department of Health.

For DSHS, maintenance changes required an additional $96 million in state general fund spending. Three main factors contributed to this: caseload growth; a decrease in the share of program costs covered by the federal government; and health care cost increases. Policy changes reduced general fund spending by $152 million, yielding a net reduction of $56 million for DSHS. Policy changes reduced state general fund contributions to the Washington State Health Care Authority by $7 million and to the Department of Health by $20 million.

On an all-funds basis, the picture is quite different. Overall, policy changes added $41 million to spending in the three agencies. In part this
reflects $18 million in new federal money to fight bio-terrorism. However, it also reflects the efforts of budget writers to shift program responsibilities out of the state general fund to other accounts and programs supported either with dedicated state funds or with federal funds. These shifts have blunted the immediate impacts of reductions in state general fund support. The key question is whether this is a sustainable strategy.

The spending cuts made in the supplemental budget impact primarily in the second year of the biennium, SFY 2003. Nevertheless DSHS all-funds spending will be greater in 2003 on alcohol and substance abuse, aging and adult services, developmental disabilities, mental health, and the children’s administration than in 2002. (See Figure 10.)

The state has been cashing in on anomalies in two federal programs (the disproportionate share hospital and Medicare upper payment limit programs) in order to capture extra Medicaid matching funds for Washington. Essentially, the state overpays public health hospital nursing homes in order to collect the extra matching funds. These overpayments, which may total $1.3 billion in the current biennium, distort the picture of DSHS spending presented by the all-funds budget. With the overpayments removed, DSHS all-funds spending for the 2001-03 biennium is actually $14.1 billion.

Figure 11 shows how spending is divided among DSHS’s broad programs. The medical assistance program at $5.8 billion is the largest agency of DSHS, accounting for 41 percent, followed in order by Economic Services (16 percent), Aging and Adult Services (15 percent), and Developmental Disabilities (9 percent).

For the biennium, federal funds cover half of DSHS spending. Forty-four percent is paid for from the general fund. (See Figure 12.)

In SFY 2000, DSHS estimates it spent $1.48 billion in King County. The distribution of this spending by program is shown in Figure 13. Medicaid accounted for the largest share of this, $544 million; aging and adult service programs, $264 million, ranked second; economic
assistance, including the TANF program, ranked third, at $245 million.

Figure 14 shows March, 2002 King County caseloads for four state programs, Temporary Assistance to Needy Families (TANF), food stamps, General Assistance (GA), and childcare provided by the Division of Income Assistance. Cases have been grouped by four geographic areas, based on the community service offices through which the cases are served.

The cases are concentrated in the south King County region.

In March there were 12,000 TANF cases in the county, serving roughly 10,000 adults and 22,000 children. Grants totaled $5.7 million, an average of $462 per case or $176 per individual. More than two-thirds of the cases were in the south county region.

More than 34,000 King County households received food stamps in March. These households included 40,000 adults and 30,000 children. The total value of the grants was $5.2 million, an average of $154 per household. Almost 60 percent of the households were in south King County.

In March there were 6,000 GA cases, including 6,000 adults and 3,000 children. Grants totaled $1.6 million. Forty-two percent of these were in the south county. And in March, 13,000 children received childcare through the

**FIGURE 14**
Selected DSHS Caseloads in King County
March 2002

Source: DSHS
division of income assistance. Sixty percent of these were in south King County.

Statewide caseload forecasts, for the most part, foresee little change. The state expects TANF caseloads to fluctuate seasonally over the next three years, with little change in the annual average. Likewise GA caseloads are expected to remain constant.

Nursing home populations are expected to fall. Savings will be offset by rising caseloads for home and community services. Foster care caseloads are expected to remain constant. The developmental disabilities program is one area where caseloads are expected to rise. State forecasters are expecting an increase of about 10 percent per year.

The state revenue forecast was most recently revised on June 18th and will be reviewed again in September and November. Figure 15 presents a balance sheet for the 2001-03 and 2003-05. With the revised forecast, expenditures are now expected to exceed revenues by $1,311 million during the 2001-03 biennium. The projected general fund ending balance is $343 million, while the expected Emergency Reserve Fund ending balance is $55 million.

The ability of the state to cope with recession has been compromised by a number of recent initiatives. The legislature, respecting the will of the people who passed Initiative 695, eliminated the motor vehicle excise tax. Initiative 728 diverted property taxes and lottery profits from the general fund to enhance public school funding. Initiative 732 requires annual cost-of-living increases for state-funded teachers. And Initiative 747 limits the growth of state (and local) property tax revenues.

Based on Office of Financial Management forecasts of caseload growth and cost increases, the projected “maintenance level” spending for 2003-05 is estimated to be $24.225 billion. This figure assumes that all state employees will receive cost-of-living increases at the rate mandated for teachers by Initiative 732, that state-paid medical costs will increase by 12 percent per year, and that higher education enrollments will be increased.

Using the $24.225 billion figure, spending is expected to exceed revenues by $1,260 million for the biennium. In that case the ending balance of the general fund would be negative $917 million. The Emergency Reserve Fund would also be tapped out. Current law requires $70 million to be transferred from the Emergency Reserve Fund to the Multimodal Transportation Account during the biennium. Only $57 million is projected available for transfer, however.

FIGURE 15
2001-03 and 2003-05 General Fund State Balance Sheet
(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2001-03</th>
<th>2003-05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February Forecast</td>
<td>20,961.9</td>
<td>22,789.8</td>
</tr>
<tr>
<td>June Forecast Revision</td>
<td>85.1</td>
<td>(29.5)</td>
</tr>
<tr>
<td>2002 Legislative Revenue Changes</td>
<td>93.2</td>
<td>204.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,140.2</td>
<td>22,965.0</td>
</tr>
<tr>
<td><strong>2001-03 Appropriations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Original Budget</td>
<td>22,783.2</td>
<td></td>
</tr>
<tr>
<td>2002 Supplemental Budget</td>
<td>(332.0)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22,451.2</td>
<td></td>
</tr>
<tr>
<td><strong>2003-05 Maintenance+ Budget</strong></td>
<td>24,225.0</td>
<td></td>
</tr>
</tbody>
</table>

| **General Fund Balance**    |         |         |
| Beginning Balance           | 599.1   | 342.7   |
| Revenue Less Appropriations  | (1,310.9)| (1,260.0)|
| Transfers                   | 1,054.6 |         |
| **Ending Balance**          | 342.7   | (917.2) |

| **Emergency Reserve Fund**  |         |         |
| Beginning Balance           | 462.1   | 55.1    |
| Appropriations/Transfers    | (420.0) | (57.0)  |
| Interest                    | 13.0    | 1.9     |
| **Ending Balance**          | 55.1    | 0.0     |

| **Total Reserves**          | 397.8   | (917.2) |

A common rule-of-thumb holds that a prudent budget includes a reserve equal to 5 percent of annual spending, $600 million in this case. Adding such a reserve raises the projected shortfall for 2003-05 to about $1.5 billion.

The staff of the Senate Ways and Means Committee has indicated that the shortfall might range between $900 million and $2.3 billion. Of particular concern to Ways and Means staff is an emerging deficit of about $500 million in the Health Services Account. In early September the federal government rejected a state claim for an additional $237 million in Medicaid reimbursement. The state will only receive $70 million, and this will deepen the deficit in the health services account.

Forecasts of medical costs and state revenue are volatile. If medical cost inflation should prove to be less severe and state revenues more robust than forecasted, the pressure on the state budget would be lessened substantially. But one cannot count on the realization of such a rosy scenario. As things stand now, the legislature looks to face severe budget crunch next January when it returns to Olympia to write a budget for the 2003-05 biennium.

County Budget

Services provided by King County government can be categorized as regional, local or contract services.

- Regional services are those offered to all residents of the county, such as the courts and public health.
- The county acts as a de facto local government for unincorporated communities. Local services, then, are those provided to residents of these unincorporated areas, in addition to the regional bundle.
- Lastly, some city governments contract with the county for particular services (e.g., police support).

Revenue to the county flows into a number of distinct funds. Of primary interest the general fund. Most of the money in King County’s general fund is held in a sub-fund called the current expense (CX) fund. The county has great flexibility in how money in the CX fund is spent.

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**FIGURE 16**

King County CX Funded Services

Mandatory vs Discretionary, Draft Inventory

Regional Services:  
Sheriff  
District Court — municipal services in unincorp.  
Portion of Public Defense for misdemeanants  
Portion of Prosecuting Attorney for misdemeanants  
Animal Control  
Pools in unincorporated areas and cities

Local Services:  
All local government functions  
Childcare Subsidies  
Senior Services  
Children and Family Services  
Recreation Programs and Playgrounds  
Code enforcement

Homelessness Services and Affordable Housing  
Sheriff Regional Resources  
Harborview Medical Center — capital costs  
Regional Parks including fairgrounds and Aquatic Center  
Mental Health  
Alcoholism and substance abuse

Contract Services

The County provides a variety of services to cities on a contract basis beyond regional and local services

*Italic* = discretionary

Source: King County Budget and Fiscal Management Committee, Metropolitan King County Council.
Services that the county is legally required to provide to residents are termed “mandatory”; services that are optional are termed “discretionary”. Figure 16 shows a list drafted by county analysts in an attempt to identify which services are mandatory and which are discretionary. This table lists only those services funded by the county’s current expense budget, and is not an exhaustive list of county services.

Local government charters, voter-approved services, and state legislation dictate the services offered to county residents. Mandatory services are defined by one or some combination of these. For example, state law might require King County to provide drug treatment services and provide state funds to the county for this explicit purpose. If the county determines that it needs to spend more than it receives from the state, the difference is supported from the county’s CX or general funds. The service is a state requirement, but the county may construct its program model in such a way that local general funds are required to fulfill the requirement.

Another example is voter-approved dedicated funds establishing specific services to be delivered by the county. The revenue collected for specific purposes must be isolated in separate accounts and spent only for the required services.

King County services have been affected by the shift of population into incorporated areas. People are not necessarily relocating to cities. Rather, jurisdictional boundaries are being redrawn by new incorporations and annexations. Figure 17, King County Annexations and Incorporations, shows the changing boundaries of communities over the past decade. Unincorporated areas within the county have been losing ground, literally, and with it, population at a rate of 31.9 percent over the last decade. For the county budget this results in an appreciable loss of tax base.

The county’s tax revenues are further constrained by two property tax limits.
The first limit on county property taxes is the cap on county’s tax rate. By state law, the maximum possible rate on county regular taxes is 0.018 percent of assessed value. For 2002, King County’s regular countywide property tax rate is 0.011975 percent, well below this maximum rate.

The second limit on county property taxes is the lid on the year-to-year growth in property tax revenue imposed by Initiative 747. I-747 says (roughly) that the county’s take from regular property taxes can increase by no more than 1 percent annually (with an additional increment of growth allowed to reflect new construction). County taxes this year are at the maximum allowed by I-747.

The I-747 limit is not an absolute constraint on regular taxes, however. The county would able to increase regular taxes by more than 1 percent were county voters to approve — by simple majority — a “levy lid lift.”

The next section reviews the King County budget, focusing primarily on its human service funding, and proposals for human services reductions in 2003.

2002 Budget

The county budget defines six broad areas of spending: Physical Environment, General Government, Health and Human Services, Law, Safety and Justice, Debt Service, and Capital Projects. Also itemized are “non-categorized” revenues and expenditures, which typically consist of dedicated funds. The county has 33 non-categorized “special funds,” seven that apply to health and human services. These funds are included in total revenues and expenditures, but are categorized outside of the CX or general fund numbers.

The bulk of King County’s revenue is generated from two sources – taxes and charges for services.

King County’s total 2002 budget includes expenditures of $2.9 billion. About 17 percent are CX expenditures, which total $493.8 million.
2002 Expenditures

Figure 18 illustrates how King County’s 2002 total budget is apportioned.

Physical Environment is 27 percent of total funds for management of water, transit, parks and land use development. These services are delivered by three departments: Environmental Services, Natural Resources and Parks, and Transportation. Capital Improvements, totaling about $640 million or 22 percent of the 2002 budget, pay for transportation and wastewater treatment facilities largely associated with projects and functions of departments in Physical Environment.9

General Government and Law, Safety and Justice make up 12 and 13 percent of total spending, respectively. The non-categorized funds, which consist of several dedicated funds spanning a variety of services, are three percent of 2002 total expenditures.

Health and Human Services (HHS) is 14 percent of the total 2002 budget, totaling $424 million. As shown in Figure 18, about 73 percent of these funds pay for public ($182.3 million) and behavioral ($125.9 million) health care for county residents. Housing programs are five percent of health and human services, and emergency medical services receive eight percent of these funds.

The county’s general fund is made up of a number of distinct sub-funds. By far the largest of these sub-funds is the current expense fund. CX revenues are not restricted in the way that they can be spent. The other, much smaller, sub-funds are restricted. Relevant to this discussion, the most important of these restricted sub-funds is the Children and Family Services Fund (which receives the Children and Families Set Aside – a portion of the county’s sales tax revenue).

Figure 19 illustrates King County’s current CX budget, which totals $493 million for 2002. The Law, Safety and Justice category commands the largest share – 68 percent – of the CX budget with $335 million. Physical

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FIGURE 19
King County 2002 CX Expenditures, $493 Million

Source: King County 2002 Adopted Budget and Regional Policy Committee Presentation, July 11, 2002.
Environment receives 5.7 percent of CX funds, while General Government receives 18 percent.

Health and Human Services receives seven percent or $33 million of CX funds. Figure 19 shows how this is distributed:

The Department of Public Health receives $15 million in CX funds for 2002. The Children and Families Commission, which is administered through the Office of Regional Policy and Planning, received $2 million. Human services programs administered through the Department of Community and Human Services (DCHS) received $9 million. Mental Health, Alcohol, and Substance Abuse programs through DCHS received $2 million. DCHS’s Work Training program received $1 million. Finally, special programs received $1 million.

In addition to the $33 million in CX funds, health and human service programs received $4 million from the Children and Family Services Fund in 2002. Thus the total general fund support for health and human service programs in the county’s 2002 budget is $37 million. (Some presentations by county staff slide over the distinction between the CX Fund and The Children and Family Services Fund and identify the $37 million as CX.)

2002 Revenues

As shown in Figure 20, key revenue sources in 2002 include charges for services (which include fees for transportation, sewer and water services) at 37 percent and taxes at 34 percent. Federal, state and intergovernmental payments, along with other revenue sources, make up the balance of total revenues at 31 percent. Charges for services have grown as a share of total revenue since 2000, while tax revenues have been relatively flat.

CX revenue for 2002 is shown in Figure 21. By comparison the CX fund is much more reliant upon tax revenue than Total Revenues. State and federal funds shrink to one percent each in the CX 2002 revenues. Charges for services also provide a reduced share of CX revenues, 17 percent, and Intergovernmental payments are 11 percent of CX funds.

Taxes

Property and sales taxes are the county’s main tax sources. Property taxes are limited to one percent annual growth by Initiative 747.

Property tax revenue has grown slightly since 2000, and is predicted to contribute an additional $6 million in each of the next two years. (See Figure 22.) Sales tax revenue has fallen each year since 2000, as have restricted revenues.
Combining the effects of Initiative 747 and continual incorporations and annexations, property tax revenue projections will increase at a slower rate than county forecasters had previously anticipated. Sales tax projections for 2003 and 2004, which are also affected by contracting county boundaries, show modest gains, reflecting the region’s slow recovery from recession.

The current county budget shortfall is part of a long-term trend affecting most counties in the state. It will continue until there is a reallocation of financing and program responsibilities among state and local governments.

**Spending History**

As illustrated in Figure 23, recent CX spending has grown in all categories from 2000 to 2001. From 2001 to 2002 only Law, Safety and Justice funds continued to grow. While the total budget remained flat between 2001 and 2002, Law, Safety and Justice grew by six percent, and other programs fell four to five percent. HHS, in particular, fell by five percent.

The rising costs of criminal justice and other mandatory services have constrained and will continue to squeeze discretionary funding for King County.

**Budget Shortfalls**

The county has structural budget problems. In 2003, there is a $50 million projected loss and for years 2004 and 2005, current predictions call for $30 million deficits each year. All discretionary funding is currently under review. Reducing 2003 CX expenditures is the current solution on the table.

Currently $6 million in cuts are proposed to the HHS CX funds for 2003. Public Health CX funds will be reduced between 15 and 50 percent. The county has not released any dollar amounts for other services. Executive Sims has stated that 20 parks will remain closed in the coming year and increased efficiencies in the Corrections Department will help balance the budget.
With increasing mandatory spending, discretionary services will continue to be threatened with significant cuts. Given the economic slowdown across the nation, combined with the lasting effects of September 11 on the region’s aerospace industry, King County anticipates deficits into 2005.

## FIGURE 24

**Human Services Proposed Reductions, viewed by King County Human Service Goals**

<table>
<thead>
<tr>
<th></th>
<th>CX Expenditures</th>
<th>Total Expenditures</th>
<th>CX Expenditures</th>
<th>Total Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food and Shelter</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeless &amp; Affordable Housing</td>
<td>$ 643,813</td>
<td>$ 643,813</td>
<td>$ 299,674</td>
<td>$ 299,674</td>
</tr>
<tr>
<td>HOF</td>
<td>$ 2,992,051</td>
<td>$ 3,349,051</td>
<td>$ 1,821,051</td>
<td>$ 2,178,051</td>
</tr>
<tr>
<td>Youth Shelters</td>
<td>$ 80,196</td>
<td>$ 378,114</td>
<td>-</td>
<td>$ 292,712</td>
</tr>
<tr>
<td><strong>Total Food and Shelter</strong></td>
<td>$ 3,716,060</td>
<td>$ 4,370,978</td>
<td>$ 2,120,725</td>
<td>$ 2,770,437</td>
</tr>
<tr>
<td><strong>Supportive Relationships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth &amp; Family Services</td>
<td>$ 1,278,441</td>
<td>$ 1,278,441</td>
<td>$ 328,988</td>
<td>$ 1,278,441</td>
</tr>
<tr>
<td>Child Care</td>
<td>$ 685,165</td>
<td>$ 1,672,881</td>
<td>$ 187,204</td>
<td>$ 187,204</td>
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<tr>
<td>Family Support</td>
<td>$ 493,349</td>
<td>$ 493,349</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Youth Programs</td>
<td>$ 437,139</td>
<td>$ 437,139</td>
<td>$ 308,616</td>
<td>$ 308,616</td>
</tr>
<tr>
<td>Aging Program</td>
<td>$ 813,343</td>
<td>$ 813,343</td>
<td>$ 633,554</td>
<td>$ 633,554</td>
</tr>
<tr>
<td>Criminal &amp; Juvenile Justice</td>
<td>$ 1,132,775</td>
<td>$ 1,132,775</td>
<td>$ 775,775</td>
<td>$ 775,775</td>
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<tr>
<td>Legal Assistance</td>
<td>$ 25,000</td>
<td>$ 25,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Supportive Relationships</strong></td>
<td>$ 4,865,212</td>
<td>$ 5,852,928</td>
<td>$ 2,234,137</td>
<td>$ 3,183,590</td>
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<tr>
<td><strong>Safe Haven</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Violence</td>
<td>$ 165,591</td>
<td>$ 723,426</td>
<td>$ 165,591</td>
<td>$ 723,426</td>
</tr>
<tr>
<td>Sexual Assault</td>
<td>$ 610,445</td>
<td>$ 610,445</td>
<td>$ 561,355</td>
<td>$ 561,355</td>
</tr>
<tr>
<td>Safe Communities</td>
<td>$ 384,000</td>
<td>$ 384,000</td>
<td>$ 384,000</td>
<td>$ 384,000</td>
</tr>
<tr>
<td><strong>Total Safe Haven</strong></td>
<td>$ 1,160,036</td>
<td>$ 1,717,871</td>
<td>$ 1,110,946</td>
<td>$ 1,668,781</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy Families</td>
<td>$ 819,216</td>
<td>$ 819,216</td>
<td>$ 654,918</td>
<td>$ 780,078</td>
</tr>
<tr>
<td><strong>Total Health Care</strong></td>
<td>$ 819,216</td>
<td>$ 819,216</td>
<td>$ 654,918</td>
<td>$ 780,078</td>
</tr>
<tr>
<td><strong>Education and Job Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Training</td>
<td>$ 840,139</td>
<td>$ 6,205,320</td>
<td>$ 294,879</td>
<td>$ 5,892,195</td>
</tr>
<tr>
<td><strong>Total Education and Job Training</strong></td>
<td>$ 840,139</td>
<td>$ 6,205,320</td>
<td>$ 294,879</td>
<td>$ 5,892,195</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc-eval/staffing/empl champ</td>
<td>$ 244,005</td>
<td>$ 244,005</td>
<td>$ 170,652</td>
<td>$ 170,652</td>
</tr>
<tr>
<td>Administration</td>
<td>$ 1,302,637</td>
<td>$ 2,053,436</td>
<td>$ 973,324</td>
<td>$ 1,403,713</td>
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<tr>
<td>Women's Advisory Board</td>
<td>$ 28,000</td>
<td>$ 28,000</td>
<td>$ 15,000</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Special Programs &amp; Admin.</td>
<td>$ 599,829</td>
<td>$ 599,829</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>$ 2,174,471</td>
<td>$ 2,925,270</td>
<td>$ 1,158,976</td>
<td>$ 1,589,365</td>
</tr>
</tbody>
</table>

Source: Office of Regional Policy & Planning
Health and Human Services Funding

Revenue from all sources — federal, state and local — for HHS will be tighter in the future. For a county with few choices, discretionary HHS spending is highly vulnerable to further cuts. There are certain human services provided to residents that are mandated through a combination of county charter, state legislation and voter approved dedicated funds. They include: mental health, public health, alcoholism and substance abuse, developmental disabilities, juvenile justice, and housing. To the extent, however, that services are not mandatory, they are, by definition, a lower funding priority.

County budget analysts have proposed $10 to $12 million in cuts over the next two years to programs operated by Children and Families Commission and the Community Services Division (CSD) in the Department of Community and Human Services — $6 million is proposed for 2003. If current proposals are approved, Human Services CX funding in the Community Services Division would be permanently cut in 2004.

Figure 24 shows the 2002 levels of expenditures for the programs that have been targeted for cuts compared to projected levels for 2003. The programs are grouped by the King County Human Service Goals. For 2002, these programs received $13.6 million in direct CX funding and $21.9 million overall. Of the non-CX funding, $2.6 million comes from the Children and Family Set Aside, $0.5 million from county Criminal Justice funds, and the remainder from state, federal and other grants.

Under the proposals for 2003, direct CX support for these programs would fall to $7.6 million and overall spending would fall to $15.9 million. In the case of Youth and Family Services it is proposed that a large reduction in direct CX support be completely offset by an increased allocation from the Children and Family Set Aside. Similarly, Work Training would receive more funding from the Set Aside. Marriage license revenues would be directed to the Healthy Families program to offset CX reductions.

The listed programs under the Food and Shelter goal received $4.4 million in 2002 and are slated for a 37 percent reduction.

The programs serving the Supportive Relationships goal account for $5.8 million in 2002 and are proposed to receive a 46 percent cut in 2003. Funding for Family Support and Legal Services is targeted for elimination. Childcare dollars are projected to decrease by 90 percent.

The programs under the Safe Haven goal received $1.7 million for 2002. These programs would be cut 3 percent overall. Domestic Violence and Safe Communities would be protected from cuts.

The Healthy Families program under the Health Care goal received $819,000 in 2002 and would be cut by 5 percent in 2003.

The Work Training program, under the Education and Job Training goal, received $6.2 million for 2002. It is slated for a 5 percent cut in 2003.

Most human services fall into one of four categories: survival, rehabilitation, support, or prevention. We have spoken to a number of people who worry that budget cuts will disproportionately impact prevention services. This worry seems to be well placed, as the benefits of prevention services are often not as immediate as the benefits of services in the other categories, and the losses that occur when these services are cut are not as visible. Moreover,
there are trade-offs and long-term consequences when reductions are made in the area of prevention. County staff has been unable to provide detail on the pending cuts beyond what is shown in Figure 24, so we have been unable to quantify the cuts to prevention-oriented services.

Beyond the cuts to the Department of Community and Human Services, there will almost surely be cuts to the Department of Public Health. The magnitude of these cuts has not yet been announced. However, county staff indicates that more than 15 percent but less than 50 percent of CX funding for Public Health could be eliminated, a cut ranging from $3 million to $7 million.

Much of county health and human services spending is outside of the CX fund, and much of human services special revenue takes the form of federal and state grants. There are 33 special revenue funds in the county’s budget; 7 are earmarked for health and human services. It is in these dedicated funds that state and federal dollars are concentrated. Five out of seven of these funds received between 80 and 100 percent of total revenue from state and federal dollars in 2001. These funds are:

- Alcoholism and Substance Abuse Fund, 91 percent state and federal revenue;
- Community Development Block Grant, 100 percent federal;
- Developmental Disabilities Fund, 83 percent state and federal;
- Mental Health Fund, 96 percent state and federal; and
- Youth Employment Fund, 81 percent state and federal.

The Veteran’s Relief Fund receives no money from state and federal sources and the Public Health Pooling Fund receives 40 percent of its revenue from state and federal sources.

The state is predicting its largest human service budget reductions from 2002 to 2003 in Medical Assistance, a reduction of 16 percent, although a large share is due to policy changes which transfer clients to the Basic Health Plan. The Medical Assistance reductions will likely show up at the county level in lower reimbursement rates for community clinics. Economic Services has the next largest reduction, 4.74 percent, and Juvenile Rehabilitation faces reductions of 4.13 percent in 2003. Cuts to Economic Services and Juvenile Rehabilitation may reduce funding for county employment and criminal justice programs.

At the federal level, human service expenditures are projected to grow until 2004 in all categories except income security. This category shows modest growth in 2003 and a slight decrease in 2004. Federal changes to CDBG formulas will most likely not impact local grants until the 2004 budget cycle.

**Current County Efforts**

County officials are attempting to offset some of the consequences of sustained budget cuts. County staff members developed a human services policy framework in 1998 and are currently revising it to represent more
accurately the needs of the community. They are reclassifying services and developing updated criteria to prioritize spending. The policy framework is a guide for funding decisions and distinguishes “basic services,” which represent more urgent needs such as food and shelter, and “enhanced services,” which are viewed by some as preventive. Childcare is an example of a service that falls into the latter category.

Additionally, the county is working with cities’ human services staff and local providers to identify regional cost-sharing mechanisms. The County Council’s Regional Policy Committee staff has developed a human services work plan. Two objectives are to develop community-wide agreement on funding priorities and to identify potential mechanisms to financially support human service needs in the long run. County, city and non-profit staff have been meeting regularly to develop shared funding priorities.

These individuals convened in an all-day retreat in July and findings were subsequently presented to County Council. Staff noted that prioritizing funding (housing was the example given) was not recommended for all services, but rather that a continuum of services needed to be funded in order to support community needs.17 This first step toward countywide cost sharing will be important in securing future resources for health and human services.

To summarize, county government is sustaining long term losses in tax revenue and rising mandatory costs. The county is up against several years of tough choices, needing to balance a $50 million shortfall in 2003 and $30 million shortfalls in each of the next two years. The Community Services Division, in the Department of Community and Human Services currently stands to lose $6 million in CX funds for services next year, with no funds projected for Family Support and Legal Services in 2003. Childcare and Homeless and Affordable Housing will each face substantial losses in CX funds, 90 percent and 50 percent each.

City of Seattle

The City of Seattle’s system of financial accounts includes a general fund and a number of dedicated funds.

The all-funds budget Seattle adopted last fall calls for the city to spend $2.8 billion in 2002. Of this, $643 million represents general fund spending. Figures 25 and 26 show the distribution of this spending.

Over 59 percent of the city’s all-fund spending is associated with its utility operations. The 2002 budgeted expenditures for Seattle City Light, the city’s electric utility, totals about $1 billion. Budgeted expenditures for Seattle Public Utilities are $558 million. This agency supplies water and provides sewerage and solid waste disposal services.

The next largest category is public safety at $314 million and 11 percent of the budget. Included in this category are police, fire, and municipal court.

At $126 million, human services spending represents 4.4 percent of the all-funds budget.

The city general fund totals $640 million in 2002. All of the city’s public safety spending — $314 million — comes from the general fund,
representing 49 percent of the 2002 general fund budget. The second largest general fund category is administration with 15 percent, followed by arts, culture, and recreation with 12 percent.

Human services, with $40 million in general funds, accounts for only seven percent of general fund spending. Although human services receives a relatively small portion of the city’s general funds, these funds are a critical share – 38 percent – of the human service budget.

As Figure 27 shows, charges for services (primarily from utilities) are budgeted to bring in $1.1 billion in 2002. Taxes provide $708 million. Other financing sources – primarily borrowing – provide $568 million.

Taxes provide 85 percent of general revenue. The bulk is from four taxing sources: Property, sales, utility, and business and occupation taxes. (See Figure 28.)

Seattle began to experience revenue shortfalls late in 2000. The trend continued through 2001. Sales taxes collections for that year were 2.9 percent below 2000 collections. With little tax revenue growth expected in 2002 (see Figure 29) the adopted 2002 budget calls for only $3.1 million more in spending than the 2001 budget.

Revenue shortfalls continued in 2002. Through June, city general revenue collections were $5.4 million – about 2.3 percent – below forecast.

An April press release from the mayor’s office announcing actions to restrain spending noted, “city expenses since the mid-1990s have steadily increased while revenue growth has declined.” These increases are presented in Figure 30.

The Mayor projects a general fund budget gap for 2003 of $60 million.
City Finance Director Dwight Dively has emphasized that, while Seattle faces a serious short-term budget problem, the city's long-term fiscal health is good, noting it has more than adequate reserves to meet its long-term obligations. “According to our forecasting - which assumes we will be out of the recession in 2003 - if we take steps now to legitimately fix the problem, our fiscal situation looks sustainable for 2003 and beyond,” said Dively.18

In this way the city’s financial picture is fundamentally brighter than that of the county.

For 2003 Mayor Nickels has asked city departments to each cut expenses by at least nine percent.

Seattle human services spending spans several departments: Human Services, Economic Development, Office of Housing and Seattle-King County Department of Public Health. The city’s general funding for human services spending in each of those agencies in 2002 totals $43.246 million.

- In 2001 HHS general fund spending totaled $36.163 million.
- In 2000 HHS general fund spending was $35.506 million.

As policy makers allocate funding for 2003 they are likely to reduce spending on prevention as well as other services according to staff interviews.

The Human Service Department (HSD) receives approximately half – 47 percent – of its funding from federal sources.19 It will reduce its general fund allocation by four million dollars.

Seattle has developed a human services policy framework, which outlines current challenges the human service community faces, a
mission statement and human service goals. The framework outlines HSD’s role in the community and provides a discussion of city funding priorities. According to this document, “HSD is committed to maintaining a continuum of services, including crisis intervention and stabilization/prevention programs.”

Seattle Human Services staff members are coordinating with the county and other city human service providers to develop a regional solution to sustainable HHS funding.

In summary, Seattle faces a general fund budget problem of $60 million for 2003 that will necessitate a cutback in human service spending. In future years, however, the outlook is brighter. The city has a diversified portfolio of taxes. Spending levels achieved in 2003 should be sustainable in subsequent years.

**Other Cities and White Center**

Most of the smaller cities in the county receive the bulk of their human services funding either from city general funds or from federal Community Development Block Grant (CDBG) dollars, while unincorporated areas are supported by county general funds and federal grant funds. As increasing numbers of unincorporated communities within King County are incorporated or annexed into existing cities, the funds available to support HHS are shrinking.

As was noted earlier in this report, county government accounted for 70 percent of HHS spending in King County in 2000, Seattle accounted for 26 percent, and the county’s other 38 cities (the suburban cities) accounted for only 4 percent. (See Figure 2 on page 4.) This section presents HHS budget data from suburban cities and unincorporated areas within King County, along with insights provided by city representatives in interviews with Washington Research Council staff.

The Research Council conducted a telephone survey of the county’s 38 suburban cities. Officials from 28 of the cities agreed to participate. Twenty-three of these cities administer human service funds and about half were considering cuts at the time of the survey. Seven cities projected increases in 2003 and seven projected no changes for the 2003 budget cycle. WRC interviews were conducted in May and June, and since that time most cities’ 2003 budget processes have moved forward. Cities learned in late June about potential county budget cuts. This new information may alter some earlier expectations for next year’s budget.

Many cities are currently unable to predict their budgets two to three years out. Small staffs, unknown amounts of future local and state revenues, unpredictable congressional allocations and service needs make forecasting a time consuming and unproductive exercise for many smaller communities. With economic conditions in the region not anticipated to recover until 2004, human services managers are uncertain of future funding.

State laws delineate the specific services local government is obligated to provide. Upon incorporation, cities decide the mix of services they will provide their residents, within the constraints of the Revised Code of Washington. The Municipal Research Services Center’s *New City Guide* presents
a list of services traditionally offered by local government and the different scenarios of provision prior to and after incorporation.\textsuperscript{21}

Although a few of the larger cities have separate HHS functions formally identified and funded, many newly incorporated cities in King County do not have human service departments and provide only a small set of basic services, such as police and fire. The provision of human service programs is discretionary. Whether or not cities provide such services depends largely on revenue availability and spending priorities. Some cities have a volunteer human services commission, or a similar entity, which provides a list of spending priorities.

As the human services manager for a city in Southeast King County said, “It is all based on need. Whoever is deemed to have the most need in any given year” gets the funding.

Bellevue, for example, has its human services goals identified in the city’s Comprehensive Plan. The city requires funding to be spent in the areas of survival, prevention, support and rehabilitation services.\textsuperscript{22}

Mercer Island splits funding between prevention and emergency services.

No one clear need stood out among cities for the coming year. When asked the question, “What do you see as the highest priority in health and human services for your city next year?” City personnel responded with a different list of priorities. Not surprisingly the human service priorities from community to community differ, likely in direct relation to the demographics of the community. The one consistent response voiced during WRC interviews was the need to maintain current funding levels.

Already, the impact of budget cuts from other levels of government is having an effect on the smaller cities.

“We are seeing the impact already by agencies receiving budget cuts, so in the community they have diminished capacity to serve people,” says one suburban human services manager. “Agencies are asking for more money, city money.”

The ability of a city to respond to such requests depends on both the depth of residents’ needs and the city’s fiscal capacity. And both need and capacity very considerably across the county’s cities.

\textbf{Poverty and Tax Capacity}

Figure 31 ranks King County’s 39 cities by two indicators of economic well being derived from the 2000 census, per capita income and percent of population below poverty status. The 2002 population for each city as estimated by the Office of Financial Management (OFM) is also shown.

Hunts Point was the city with the highest reported per capita income, $113,815. The next three cities in ranking were the adjacent east county cities of Medina, Clyde Hill and Yarrow Point.

Pacific was the city with the lowest per capita income, $18,228. Nearby Auburn and Algona ranked 38\textsuperscript{th} and 36\textsuperscript{th} in per capita income, respectively. SeaTac, also located in the south county region, ranked 37\textsuperscript{th}, rounding out the bottom four.
The median city in per capita income was Black Diamond, at $26,936. Seattle’s reported per capita income of $30,306 was above the median.

In general, low poverty rates correlate with high per capita incomes. However, there are exceptions. Clyde Hill, Medina, and Hunts Point have the lowest, second lowest, and fourth lowest poverty rates (0.8 percent, 0.8 percent, and 1.1 percent respectively). Black Diamond has the 3rd lowest poverty rate, although it had only the median per capita income.

Of the four cities with the greatest poverty rates, three are located in the south county region. Auburn had the county’s worst poverty rate, 12.8 percent. Tukwila, with a rate of 12.7 percent, ranked 38th; while Kent, with a rate of 11.6 percent, ranked 36th. Seattle’s poverty rate was 11.8 percent, ranking 37th among the cities, in contrast with its 17th place ranking in per capita income.

The “poverty index” shown in the right most column of Figure 31 facilitates comparisons of the poverty rates of the suburban cities to that of Seattle. The index is constructed by dividing each city’s poverty rate by Seattle’s rate and then multiplying by 100. The value of the index indicates the city’s poverty rate as a percentage of Seattle’s rate.

Nine suburban cities have poverty rates that exceed 70 percent of Seattle’s rate: Skykomish, Federal Way, Snoqualmie, Burien, Renton, Pacific, SeaTac, Kent, Tukwila, and Auburn. Seven of these nine cities are located in the south county region.

### City Per Capita Income and Poverty Rates

![Figure 31: City Per Capita Income and Poverty Rates](image)

<table>
<thead>
<tr>
<th>City</th>
<th>2002 Population</th>
<th>1999 Per Capita Income</th>
<th>1999 Poverty Rate</th>
<th>Poverty Index Seattle = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algona</td>
<td>2,500</td>
<td>$19,734 ($113,815)</td>
<td>4.5% (1.1%)</td>
<td>38.2</td>
</tr>
<tr>
<td>Auburn*</td>
<td>43,985</td>
<td>$19,630 ($34,222)</td>
<td>4.8% (4.8%)</td>
<td>40.3</td>
</tr>
<tr>
<td>Beaux Arts</td>
<td>310</td>
<td>$56,496 ($33,419)</td>
<td>4.2% (4.2%)</td>
<td>35.3</td>
</tr>
<tr>
<td>Bellevue</td>
<td>111,500</td>
<td>$36,905 ($23,737)</td>
<td>5.7% (5.7%)</td>
<td>48.1</td>
</tr>
<tr>
<td>Black Diamond</td>
<td>4,015</td>
<td>$26,936 ($23,737)</td>
<td>0.9% (0.9%)</td>
<td>8.0</td>
</tr>
<tr>
<td>Bothell*</td>
<td>30,470</td>
<td>$26,483 ($23,737)</td>
<td>5.1% (5.1%)</td>
<td>42.9</td>
</tr>
<tr>
<td>Burien</td>
<td>31,830</td>
<td>$23,737 ($23,737)</td>
<td>9.4% (9.4%)</td>
<td>80.1</td>
</tr>
<tr>
<td>Carnation</td>
<td>1,920</td>
<td>$21,907 ($19,734)</td>
<td>6.7% (6.7%)</td>
<td>57.2</td>
</tr>
<tr>
<td>Clyde Hill</td>
<td>2,900</td>
<td>$78,252 ($78,252)</td>
<td>0.8% (0.8%)</td>
<td>6.5</td>
</tr>
<tr>
<td>Covington</td>
<td>13,840</td>
<td>$22,230 ($22,230)</td>
<td>3.6% (3.6%)</td>
<td>30.3</td>
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<tr>
<td>Des Moines</td>
<td>29,600</td>
<td>$24,127 ($24,127)</td>
<td>7.6% (7.6%)</td>
<td>64.7</td>
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<tr>
<td>Duvall</td>
<td>4,860</td>
<td>$27,764 ($27,764)</td>
<td>3.8% (3.8%)</td>
<td>32.6</td>
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<tr>
<td>Enumclaw</td>
<td>11,180</td>
<td>$20,596 ($19,734)</td>
<td>8.2% (8.2%)</td>
<td>69.8</td>
</tr>
<tr>
<td>Federal Way</td>
<td>83,890</td>
<td>$22,451 ($22,451)</td>
<td>9.3% (9.3%)</td>
<td>78.9</td>
</tr>
<tr>
<td>Hunts Point</td>
<td>455</td>
<td>1 ($22,451)</td>
<td>1.1% (1.1%)</td>
<td>9.5</td>
</tr>
<tr>
<td>Issaquah</td>
<td>12,950</td>
<td>$34,222 ($34,222)</td>
<td>4.8% (4.8%)</td>
<td>40.3</td>
</tr>
<tr>
<td>Kenmore</td>
<td>18,790</td>
<td>$31,692 ($31,692)</td>
<td>5.7% (5.7%)</td>
<td>48.6</td>
</tr>
<tr>
<td>Kent</td>
<td>81,900</td>
<td>$21,390 ($21,390)</td>
<td>11.6% (11.6%)</td>
<td>98.3</td>
</tr>
<tr>
<td>Kirkland</td>
<td>45,770</td>
<td>$38,903 ($38,903)</td>
<td>5.3% (5.3%)</td>
<td>45.0</td>
</tr>
<tr>
<td>Lake Forest Park</td>
<td>13,160</td>
<td>$33,419 ($33,419)</td>
<td>3.8% (3.8%)</td>
<td>32.4</td>
</tr>
<tr>
<td>Maple Valley</td>
<td>14,590</td>
<td>$28,229 ($28,229)</td>
<td>3.5% (3.5%)</td>
<td>29.4</td>
</tr>
<tr>
<td>Medina</td>
<td>2,990</td>
<td>$81,742 ($81,742)</td>
<td>0.8% (0.8%)</td>
<td>6.5</td>
</tr>
<tr>
<td>Mercer Island</td>
<td>21,970</td>
<td>$53,799 ($53,799)</td>
<td>3.2% (3.2%)</td>
<td>27.0</td>
</tr>
<tr>
<td>Milton*</td>
<td>5,820</td>
<td>$22,400 ($22,400)</td>
<td>8.0% (8.0%)</td>
<td>68.0</td>
</tr>
<tr>
<td>Newcastle</td>
<td>7,815</td>
<td>$35,057 ($35,057)</td>
<td>2.0% (2.0%)</td>
<td>17.1</td>
</tr>
<tr>
<td>Normandy Park</td>
<td>6,405</td>
<td>$33,845 ($33,845)</td>
<td>4.0% (4.0%)</td>
<td>34.0</td>
</tr>
<tr>
<td>North Bend</td>
<td>4,755</td>
<td>$28,229 ($28,229)</td>
<td>4.7% (4.7%)</td>
<td>39.8</td>
</tr>
<tr>
<td>Pacific*</td>
<td>5,525</td>
<td>$18,228 ($18,228)</td>
<td>10.8% (10.8%)</td>
<td>91.2</td>
</tr>
<tr>
<td>Redmond</td>
<td>45,490</td>
<td>$36,233 ($36,233)</td>
<td>5.3% (5.3%)</td>
<td>44.6</td>
</tr>
<tr>
<td>Renton</td>
<td>51,140</td>
<td>$24,346 ($24,346)</td>
<td>9.7% (9.7%)</td>
<td>82.4</td>
</tr>
<tr>
<td>Sammamish</td>
<td>34,560</td>
<td>$42,971 ($42,971)</td>
<td>2.0% (2.0%)</td>
<td>16.8</td>
</tr>
<tr>
<td>SeaTac</td>
<td>25,380</td>
<td>$19,717 ($19,717)</td>
<td>11.5% (11.5%)</td>
<td>97.9</td>
</tr>
<tr>
<td>Seattle</td>
<td>568,100</td>
<td>$30,306 ($30,306)</td>
<td>11.8% (11.8%)</td>
<td>100</td>
</tr>
<tr>
<td>Shoreline</td>
<td>53,150</td>
<td>$24,959 ($24,959)</td>
<td>6.9% (6.9%)</td>
<td>58.6</td>
</tr>
<tr>
<td>Skykomish</td>
<td>215</td>
<td>$22,829 ($22,829)</td>
<td>9.0% (9.0%)</td>
<td>76.0</td>
</tr>
<tr>
<td>Snoqualmie</td>
<td>3,416</td>
<td>$22,239 ($22,239)</td>
<td>9.4% (9.4%)</td>
<td>79.5</td>
</tr>
<tr>
<td>Tukwila</td>
<td>17,230</td>
<td>$22,354 ($22,354)</td>
<td>12.7% (12.7%)</td>
<td>107.7</td>
</tr>
<tr>
<td>Woodinville</td>
<td>9,305</td>
<td>$31,458 ($31,458)</td>
<td>4.4% (4.4%)</td>
<td>37.2</td>
</tr>
<tr>
<td>Yarrow Point</td>
<td>1,010</td>
<td>$72,135 ($72,135)</td>
<td>3.4% (3.4%)</td>
<td>28.6</td>
</tr>
</tbody>
</table>

* Includes parts of city outside of King County.

Source: OMF, 2000 Census

FIGURE 31

The 1999 poverty rates and per capita incomes for the suburban cities are shown in Figure 31. The index is constructed by dividing each city’s poverty rate by Seattle’s rate and then multiplying by 100. The value of the index indicates the city’s poverty rate as a percentage of Seattle’s rate.
Figure 32 provides information on the sales tax and property tax bases for King County’s cities.\(^{23}\)

The leftmost column shows the 2001 value of taxable retail sales per capita for each city. In that year, the four cities with the greatest taxable retail sales per capita were Tukwila, Issaquah, Woodinville, and Clyde Hill. The four cities with the least taxable retail sales per capita were Lake Forest Park, Normandy Park, Black Diamond, and Des Moines.

The third column shows, for 2001 property taxes, the assessed value per capita available for taxation in each city. The four cities with the greatest taxable property per capita were Hunts Point, Medina, Yarrow Point, and Clyde Hill. The cities with the least taxable property per capita were Pacific, Des Moines, Enumclaw, and Covington.\(^{24}\)

The fifth column presents for 2001 the “sales/property tax capacity” for each of the cities. This tax capacity is calculated multiplying taxable retail sales per capita by the city sales tax rate, 0.85 percent, and summing this with the product of the assessed property value per capita and the maximum possible city general property tax rate, 0.3375 percent.\(^{25}\) The tax capacity is a measure of the ability of local citizens to raise funds to provide government services.

(The Initiative 747 property tax limit does not enter into the calculation of cities’ tax capacities, since cities can tax beyond the I-747 limit with voter approval.)

<table>
<thead>
<tr>
<th>City Sale and Property Tax Capacities, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxable Retail Sales 2001</strong></td>
</tr>
<tr>
<td>Per Capita Rank</td>
</tr>
<tr>
<td>---------------</td>
</tr>
<tr>
<td>Algona</td>
</tr>
<tr>
<td>Auburn*</td>
</tr>
<tr>
<td>Beaux Arts</td>
</tr>
<tr>
<td>Bellevue</td>
</tr>
<tr>
<td>Black Diamond</td>
</tr>
<tr>
<td>Bothell*</td>
</tr>
<tr>
<td>Burien</td>
</tr>
<tr>
<td>Carnation</td>
</tr>
<tr>
<td>Clyde Hill</td>
</tr>
<tr>
<td>Covington</td>
</tr>
<tr>
<td>Des Moines</td>
</tr>
<tr>
<td>Duvall</td>
</tr>
<tr>
<td>Enumclaw</td>
</tr>
<tr>
<td>Federal Way</td>
</tr>
<tr>
<td>Hunts Point</td>
</tr>
<tr>
<td>Issaquah</td>
</tr>
<tr>
<td>Kenmore</td>
</tr>
<tr>
<td>Kent</td>
</tr>
<tr>
<td>Kirkland</td>
</tr>
<tr>
<td>Lake Forest Park</td>
</tr>
<tr>
<td>Maple Valley</td>
</tr>
<tr>
<td>Medina</td>
</tr>
<tr>
<td>Mercer Island</td>
</tr>
<tr>
<td>Milton*</td>
</tr>
<tr>
<td>Newcastle</td>
</tr>
<tr>
<td>Normandy Park</td>
</tr>
<tr>
<td>North Bend</td>
</tr>
<tr>
<td>Pacific*</td>
</tr>
<tr>
<td>Redmond</td>
</tr>
<tr>
<td>Renton</td>
</tr>
<tr>
<td>Sammamish</td>
</tr>
<tr>
<td>SeaTac</td>
</tr>
<tr>
<td>Seattle</td>
</tr>
<tr>
<td>Shoreline</td>
</tr>
<tr>
<td>Skykomish</td>
</tr>
<tr>
<td>Snoqualmie</td>
</tr>
<tr>
<td>Tukwila</td>
</tr>
<tr>
<td>Woodinville</td>
</tr>
<tr>
<td>Yarrow Point</td>
</tr>
</tbody>
</table>

* Includes parts of city outside of King County.

Source: DOR, WRC Calculations
The four cities with the greatest sales/property tax capacity are Hunts Point, Medina, Tukwila, and Yarrow Point. The four cities with the lowest sales/property tax capacities are Des Moines, Pacific, Covington and Milton.

Seattle’s sales/property tax capacity ranks 17th among King County cities.

The greatest stress in the funding of human services by local government arises from the conjunction of a high level of need with a low capacity to raise taxes to serve that need. For example, the 11.6 percent poverty rate for Kent is somewhat lower than the 12.7 percent poverty rate in Tukwila. However, the calculated sales/property tax capacity for Tukwila, $1,505, is nearly three times Kent’s $522 capacity. (Tukwila is unique among the suburban cities in that it has a very high sales/property tax capacity and a very high poverty rate.)

The capacity/poverty index presented in the fifth column in Figure 32 combines information on tax capacity and poverty. For each city the index is derived from the ratio of the city’s sales/property tax capacity to the city’s poverty rate. (This ratio, in effect, equals the city’s sales/property tax capacity per individual in poverty.) The results are then scaled so that the value of the index for Seattle is equal to 100.

Nine suburban cities have capacity/poverty indexes that are lower than Seattle’s. These cities are, in decreasing order: Kent, Auburn, Skykomish, Enumclaw, Milton, Burien, Federal Way, Des Moines and Pacific. All but Skykomish are in the south county region.

Lost Motor Vehicle Excise Taxes

The motor vehicle excise tax was a significant source of funding for many King County cities. Initiative 695 initially repealed this
tax. After the court invalidated I-695, the legislature itself re-repealed the MVET. This loss amplifies the effect of the recession on city finances.

MVET funds flowed to the cities through four different channels. Three of the channels directed funds to all cities: Some of these funds came earmarked for public safety functions; other funds came earmarked for criminal justice purposes, still other funds were unrestricted as to use. The fourth channel was the state’s sale tax equalization program. This program provided monies to jurisdictions that were “sales tax poor”.

Prior to the public vote on I-695, OFM projected future MVET receipts for the state’s cities. Figure 33 summarizes the OFM projections for total MVET losses of King County cities for 2002, 2003, and 2004. In addition, the 2002 losses are presented on a per capita basis. OFM lacked sufficient data on the newly incorporated cities of Kenmore and Sammamish to project their MVET losses. Therefore these two cities are omitted from the analysis.

OFM projected losses in MVET funds to King County cities to be $38.2 million. Of this, $12.7 million, one-third, was in sales tax equalization funds. Of the 37 King County cities analyzed by OFM, only 18 were projected to receive sales tax equalization funds. The sales tax equalization program provided MVET funds to cities that received relatively little revenue per capita from local sales taxes in 2002.

OFM projected significant variation in the per capita flow of MVET funds to King County cities. Normandy Park was the city with the highest per capita projection, $146, while Snoqualmie was the city with the lowest projection, $10. Variation in the receipt of sales tax equalization accounts for much of the variation in MVET funding.

Many of the top ten cities in terms of sales tax equalization, though sales tax poor, are property tax (and per capita income) rich.

The ten cities that were projected to receive the greatest per capita funding from MVET were in order: Normandy Park, Lake Forest Park, Clyde Hill, Newcastle, Des Moines, Yarrow Point, Beaux Arts, Covington, Mercer Island, and Pacific. Only four of these cities are in the south county region, and only two, Des Moines and Pacific, are among the ten cities most in need of aid according to the capacity/poverty index developed above.

The sales tax equalization program, thus, had limited success in distributing funds to the cities with the greatest need. Nevertheless, as cities struggle to fund human services in the face of declining tax and grant revenues, the MVET funds are missed.

**Budget Review**

The Research Council looked at the budgets of four cities in King County (in addition to Seattle): one in the North Region, one in the East, and two in the South. The cities were selected on the basis of population.

Figure 34 breaks out the general fund spending on health and human services for each of the four cities. Bellevue is by far the largest of the four cities, with the other three spending roughly equivalent amounts. As the table shows, Bellevue and Shoreline estimate flat spending moving from 2002 to 2003. Federal Way shows a drop and Kent estimates a budget increase.

For each of the cities, the human services fund represents a small fraction of general fund spending (see Figure 35). Bellevue’s spending of
nearly seven percent stands out, with the other three cities showing health and human services expenditures of less than two percent. (There may be variations in classification, however, that would increase this proportion slightly. For example, Kent’s human services manager noted that when staffing for the Senior Center and certain other administrative costs are considered, human services spending climbs to about four percent of the general fund.)

The WRC survey of local governments revealed that most cities maintain at least a minimal level of health and human services program and 22 of them provide some support from their general fund. Nineteen of the cities receive federal money for human services programs, eleven receive county funds and eleven receive state money. In addition, eight cities fund human services from special, dedicated accounts.

Despite the economic volatility of the past twelve months, only five cities revised their human services spending during the year. Surprisingly, two cities increased their budgets due to the availability of additional revenue. The three others cut spending.

What are they funding? Aging and domestic violence services were the most commonly funded, with 23 of the 24 cities indicating support for these programs. Twenty-two cities fund children and youth services; 19 fund housing services and 17 fund food services.

Other programs supported by the majority of cities are mental health (15), developmental disabilities (15).

Eleven cities provide some funding for drug and alcohol services and ten support public health programming.

The operating arrangements for delivering the services vary, generally involving a combination of city and county staff support and contracts with private service providers. The housing programs are primarily staffed by city employees.

Impact of Federal Funds

CDBG funds play a prominent role in human services funding in these communities. In 2002, the region received $23.2 million in CDBG money through HUD. While three larger cities in the region (Seattle, Auburn and Bellevue) received individual block grants, smaller cities and local agencies compete for CDBG funds distributed by the county. Next year, Kent is eligible to receive funding on its own and can bypass the county process. CDBG money is dispensed by Congressional allocation and the amounts vary annually.
With new census data available, most cities anticipate additional changes in the population-based allocations in 2004 and 2005. As well, the economic successes of the tech industry in the 1990s, which is picked up by the census, may result in an overestimate of the region’s current economic health and might result in reduced block grant allocations.

The community of White Center

White Center is an example, but not the only example of an unincorporated community in King County that has unique human service funding and delivery issues. Skyway is another such example, but the discussion here focuses on White Center, which has been the subject of concern and attention from King County, the City of Seattle, United Way of King County, and numerous foundations. White Center is a densely populated urban neighborhood with a population of nearly 21,000 bordering southwest Seattle. The border is rather artificial. One side of Roxbury Avenue, its northern border and main arterial is within city limits; the other side is unincorporated King County.

The urban population density and landscape, combined with high rates of poverty and large immigrant populations, is much more typical of some city neighborhoods that it is of rural King County. It has a greater share of residents living in poverty than King County as a whole. The schools in the community are some of the most racially and ethnically diverse in the county. The student mix is 38 percent Caucasian, 33 percent Asian/Pacific Islander, sixteen percent Hispanic/Latino, and eleven percent Black/African American. There are 48 primary languages spoken in the Highline School District.

Although the community has the characteristics of a city, it does not have the resources of an incorporated municipality. Therefore, the effect of federal, state and county budget reductions are more apt to jeopardize human services in the community.

White Center’s situation reflects one of the problems the state’s Growth Management Act was intended to resolve. The GMA recommends that cities annex contiguous unincorporated areas. White Center, therefore, would be an annexation candidate. But the tax base does not generate sufficient revenues to pay for the level of services the community requires. Seattle relies heavily on business taxes to fund services for residents. In White Center business activity is not estimated to generate the tax revenues required, leaving the city with no incentive to annex.

King County spent $5.5 million on services for White Center area in 2001 (see Figure 36), including HHS spending totaling $2.16 million. This included CDBG and economic development funds. As with other areas of unincorporated King County, White Center faces the challenges of anticipated county budget cuts.

![FIGURE 36 County Spending in White Center, 2001](image-url)
Conclusion:

If current fiscal trends continue, as is probable, residents of King County will experience a reduction in the funding available for human services programs. These programs and services, offered by public and nonprofit providers, rely on funding from federal, state, county and municipal governments, as well as private contributions.

While we cannot know what decisions will be made by state and local officials in the coming months, preliminary public discussions strongly suggest that discretionary human services face imminent budget cuts, particularly those relying heavily on state and county support.

Both near-term and long-term projections point to an ongoing decline in public sector human services funding in the county. All four sources of public support face continuing fiscal stress.

Federal government. Although the federal government, uniquely, can run a budget deficit, the performance of the economy and the war on terrorism will nonetheless add to pressure to reduce domestic spending. Assistance to state and local governments and discretionary (i.e., nonentitlement) spending typically is in greatest jeopardy at such times. Although Medicaid expenditures are expected to grow rapidly, other federal human services spending will barely keep pace with inflation.

State government. The $1.5 billion - $2.3 billion state budget shortfall will put pressure on lawmakers to reduce spending. Most of the state budget can reasonably be considered to be nondiscretionary. About 45 percent of the budget goes to the public schools. While DSHS takes up the second largest slice of the budget, growth in Medicaid enrollments and other entitlement programs effectively limits the discretion of policy makers in redistributing human service funds. Aid to local governments has already been cut substantially. About one-fourth of DSHS spending directly flows to King County. The general fund reduction of about $56 million for state fiscal year 2003 understates the program impact of budget cuts. Increases in required spending (primarily caseload-driven) partially offset $152 million in policy driven budget cuts. While the cuts made in the 2002 legislative session were minimized by the use of one-time resources, there were nonetheless targeted reductions in juvenile rehabilitation, medical assistance and economic services. As the state develops its 2003-2005 budget, additional reductions in nonentitlement spending can be anticipated.

King County. It is in examining the King County budget that the most immediate substantial impacts on human service programs can be identified. Reductions in prevention services, e.g. family support and childcare, will sharply curtail program activity in those service areas. Currently discussions have placed $6 million in county health and human services funding at risk in the 2003 budget, with additional cuts anticipated in public health programs. Given projections of $30 million county budget shortfalls in 2004 and 2005, however, further reductions should be expected. Virtually every category of discretionary spending may be targeted for immediate and future expenditure reductions, including aging, criminal and juvenile justice, homeless and affordable housing, youth shelters, childcare, and family support services.
Municipalities. Human services funding by the City of Seattle comes from both dedicated accounts and the general fund. As long as the dedicated funding stream continues, programs funded from that account are relatively secure. General fund shortfalls, however, jeopardize other, more discretionary services as they do in other public budgets. A strong local economy allowed the city to increase health and human services funding by more than seven percent annually from 1997-2001; a return to that kind of growth is not anticipated for the immediate future. The Seattle shortfall is likely a cyclical event, imposing budget pressure this year, but stabilizing in the future. The city’s extraordinary commitment to human services notwithstanding, discretionary expenditures, particularly in the area of prevention and emergency services, are likely candidates for cuts in the coming budget.

For other cities in the region, the issue is rather different than that confronting the state and county. For them, and the communities they serve, the question is one relating to backfill: Will city government assure maintenance of support for high priority programs by using municipal funds to replace the loss of other public funding? The question exposes a fundamental fiscal problem in devolving human services funding to municipalities: The areas facing the greatest pressure to deliver services to low income or at-risk populations generally lack the fiscal capacity to fund such services. As shown in this report, many of the communities with the highest incidence of poverty are also those cities without substantial sales or property tax bases on which to draw. These cities are unlikely to be able to tap limited fiscal capacity to replace or augment programs facing budget reductions from federal, state, or county revenues.

The issues are not insignificant. Approximately $2 billion of governmental funds support a range of human services in the county. Budget shortfalls for these governments have already resulted in program cutbacks, and more are anticipated in the coming budget debates. Some programs, including many affecting children and other vulnerable populations, will not survive consecutive years of funding declines.

(Footnotes)

1 Federal grants estimated assuming 24 percent of federal grants to the state come to King County, see figure 4. State funding is from estimated DSHS spending in King County and apportionment of Department of Health and Health Care Authority spending. County is from King County budget. City is from Seattle budget and LGFRS.

2 www.lgfrs.sao.wa.gov/fgfrs

3 BARS codes 551-557, 559.2, 559.3, 561, 562, 564, 566, and 568.

4 www.whitehouse.gov/omb/budget/

5 Legislative Evaluation and Accountability Program Committee, 2002 Legislative Budget Notes. LEAP.leg.wa.gov/leap/budget/lbns/2002toc.asp


7 King County’s Metropolitan Parks Task Force recently recommended such a lid lift as part of its funding solution for county parks.

8 2002 Adopted King County Budget. p. 2.
To identify the potential scope of health and human service budget reductions, Washington Research Council analyzed state and county health and human services budgets for years 2000-2002, along with five human service budgets from cities within each of the four sub-regional service areas defined by United Way of King County. Local human service budgets presented in this report are from Bellevue, Federal Way, Kent, Seattle and Shoreline. These cities were chosen because they were the largest cities within each of the United Way service areas. Any projections that were made available are included in this report. When projections were unavailable, the Research Council developed budget projections based on current data. Other cities within King County were surveyed using a fixed set of questions.
State departmental budgets related to health and human services were also reviewed. The Council excluded from the WorkFirst budget review the budget figures for the State Board of Community and Technical Colleges. Also not included were any local tribal revenue or national tribal monies used for human services in King County. Future research should include tribal resources. The most recent state caseload data available, March 2002, is presented for Region 4, King County.

The Council reviewed current and proposed health and human services legislation and previous federal budgets for changes in funding allocations. We also spoke to local area non-profit providers about changes in health and human services funding from all levels of government.

Additionally, the Council developed a survey instrument to be administered to all 39 cities within King County, Washington. We used the research of the International City/County Management Association (ICMA) as a starting point for the survey. The survey questions attempt to gauge the tenor of municipal officials concerning reductions in health and human services funding and their potential community impact.

City managers or administrators were mailed letters explaining the research project, scope of the survey and estimated time to complete a survey. Letters were followed by calls to schedule appointments to administer surveys. Municipalities were phoned up to three times in attempt to schedule appointments. Eventually, 29 cities were interviewed and 24 gave complete responses. The five cities with incomplete responses were all very small.

The cities participating in the survey were:

- Algona
- Auburn
- Beaux Arts
- Bellevue
- Black Diamond
- Burien
- Carnation
- Covington
- Duvall
- Federal Way
- Hunts Point
- Kenmore
- Kent
- Kirkland
- Lake Forest Park
- Mercer Island
- Newcastle
- North Bend
- Pacific
- Redmond
- Renton
- Sammamish
- SeaTac
- Seattle
- Shoreline
- Skykomish
- Tukwila
- Woodinville
- Yarrow Point

◆ ◆ ◆