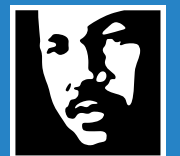


King County Budget and Legislative Update

Presentation to the
King County Board of Health

Dwight Dively, Director
Office of Performance, Strategy and Budget
March 21, 2024



King County

Budget Structure and Timing

King County has used a biennial (two-year) budget for over a decade. The current budget is for 2023-2024.

In November 2022, the county's voters approved a Charter amendment moving County elections from odd-numbered to even-numbered years to increase voter participation and turnout.

To reset the budget cycle to the new election cycle, the County will do an annual budget for 2025 and resume biennial budgeting for 2026-2027.

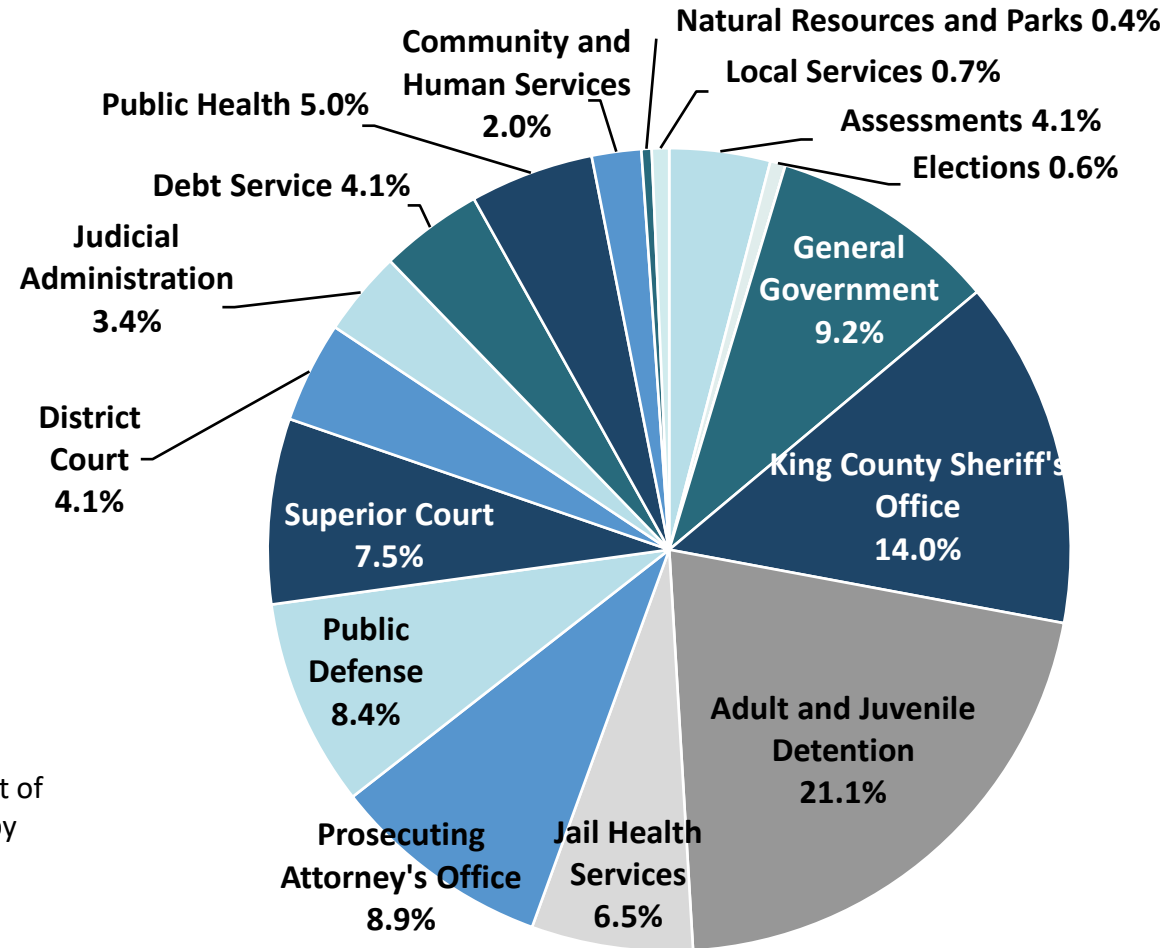
Fund Structure and Restrictions on Revenue

State law and the King County Charter impose **restrictions on the uses of many revenues**. For example, funds from the Best Starts for Kids levy lid lift may be used only for purposes described in the ballot measure and implementation plan.

The only truly flexible source of funds is the General Fund. **General Fund revenues are severely limited by State law**, notably the 1% annual revenue growth limit on property taxes. The General Fund faces a deficit of \$35 million for 2025.

The General Fund provides financial support for portions of the budget of Public Health – Seattle and King County.

Net General Fund Appropriations (2023-2024 Adopted Budget): \$1.6 billion



Net General Fund removes the effect of contracts, such as services paid for by cities.

About 74% of the Net General Fund goes to the criminal legal system.

General Fund Support to Public Health

- The 2023-2024 Adopted Budget appropriated about \$180 million from the General Fund to Public Health. These funds go mostly to Community Health Services, Jail Health Services, and the Medical Examiner's Office (MEO).
- Jail Health Services received about \$118 million from the General Fund, a small portion of which is from grants. The provision of health services in jails is almost entirely dictated by federal and state laws and court decisions. There is almost no discretion in providing these services. In fact, additional requirements, many related to opioid treatment, have been imposed in recent years.
- The MEO has a 2023-2024 Adopted Budget of about \$19 million, almost all supported by the General Fund. This is a mandatory service and King County's MEO has caseloads that exceed almost all peer jurisdictions. The recent increase in deaths that require investigation, largely due to fentanyl, has required multiple supplemental appropriations to add staff to the MEO.
- Community Health Services provides direct services to residents through primary and dental care, parent-child health, health care for the homeless, and other programs. These vital programs are not mandated by law and thus are at great risk from General Fund budget cuts.
- The General Fund support for Community Health Services leverages far more money from Medicaid, insurance, and other sources. Thus, cuts in General Fund support are greatly amplified and result in large financial losses for Public Health and large reductions in services.
- The General Fund supports a few small programs in other Public Health divisions and contributes to the department's overhead expenses.

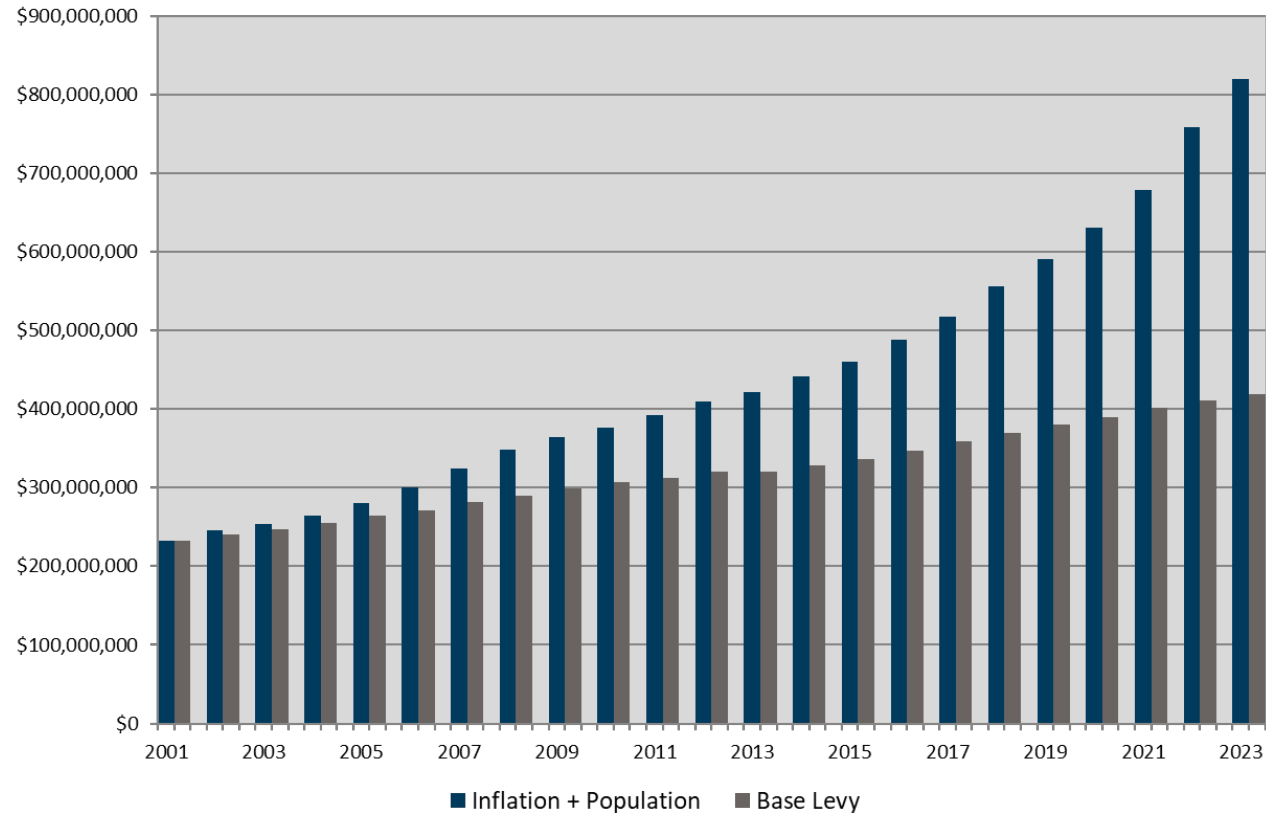
General Fund Gap

- Nearly 60% of the County's General Fund revenue comes from property taxes.
- The State has limited property tax revenue growth to 1% per year (plus the value of new construction) for over 20 years.
- Inflation averaged more than 6% per year from 2021 through 2023. This significantly increased the County's costs for wages, health care benefits, supplies, utilities, and construction.
- When the 2023-2024 budget was adopted, the County forecast a General Fund deficit of about \$50 million for 2025. About \$13 million in reductions were made in the fall of 2023.
- The financial forecast remains about the same, meaning that about \$35 million of additional reductions will be needed in the 2025 budget, unless new revenue is obtained.
- Roughly half of the net General Fund is services mandated by the State, such as courts, public defense, and jails. Thus, reductions will come from more optional programs, such as Public Health, human services, and support for victims and families in the justice system.
- The County and many other governments and organizations sought revenue reform in the current Legislative session, with limited success.

Revenue Options

- Unlike the State or cities, counties cannot levy business or utility taxes.
- King County and many others have sought to increase the 1% annual limit on property tax revenue growth for over 15 years. The Legislature again rejected this request in the 2024 session.
- The Legislature passed a bill eliminating the “non-supplant” requirement for voter-approved property taxes that applies only in King County. This creates the possibility for the County to seek a property tax levy lid lift to avoid or reduce General Fund cuts.
- The Legislature also amended an existing statute related to county hospitals to broaden the potential use of funds. This is a property tax authority available to counties that apparently has never been used. King County owns Harborview Medical Center so this could be a tool to support Harborview, assuming the Governor signs this legislation. This tax does not require a public vote.
- The County also has the authority to propose a sales tax increase for criminal justice and other purposes. This could be used to avoid or reduce General Fund cuts.
- If a ballot measure (property tax levy lid lift or sales tax) is proposed in 2024, it would need to be on the November ballot. It is not possible to get to an earlier ballot at this point. Since the Executive’s Proposed Budget must be balanced, it must include General Fund cuts even if a November ballot measure is pending.

King County General Fund Property Tax Revenues Don't Keep Up with Costs



2023 revenue would be \$400.6 million more if it kept up with inflation and population growth.

Budget Schedule

- The King County Office of Performance, Strategy and Budget (PSB) has started the 2025 budget process. King County agencies have received instructions to support budget submittals that are due at the end of June.
- Executive Dow Constantine will transmit the Proposed Budget to the King County Council on September 24.
- The Council will adopt the budget by late November.
- Input from individuals, groups, and organizations is welcome throughout the process. Formal public hearings occur after the Council has received the Proposed Budget, but informal participation is encouraged starting now.