



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**October 17, 2008**

**Resolution**

**Proposed No. 08-11.2**

1                   A RESOLUTION identifying potential public health  
2                   financing options.

3  
4                   WHEREAS, over the past century, public health functions have led to remarkable  
5                   gains in health that have significantly increased longevity and improved quality of life,  
6                   including accomplishments such as: safe food and water dramatically reducing illness  
7                   and deaths; fluoridation of water reducing tooth decay and tooth loss; population-wide  
8                   vaccination programs eradicating smallpox worldwide and making other once-common  
9                   diseases rare; and better hygiene, nutrition, antibiotics and access to health care,  
10                  contributing to a ninety percent decrease in infant mortality and a ninety-nine percent  
11                  decrease in maternal mortality since 1900, nationwide, and

12                  WHEREAS, state law vests in the King County Board of Health oversight of all  
13                  matters pertaining to the preservation of the life and health of the people of King County,  
14                  including the adoption of countywide public health policy and the enactment and  
15                  enforcement of local public health regulations, and

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16           WHEREAS, it is the responsibility of King County government to provide  
17 regional public health services to the 1.8 million residents of King County, as well as the  
18 hundreds of thousands of workers and tourists who enter the county each day, and

19           WHEREAS, public health functions provided by the King County government  
20 protect, promote and provide for the health of the public every day, and

21           WHEREAS, over the past decade, federal and state revenues that support public  
22 health, such as the motor vehicle excise tax, have been eliminated, limited or reduced,  
23 and

24           WHEREAS, elimination by the state of the motor vehicle excise tax has required  
25 counties and other local public health jurisdictions to annually request that the State  
26 provide backfill for these revenues from the state's general fund in order to maintain  
27 services and has created uncertainty for local jurisdictions about the level of funding that  
28 will be available from year to year, and

29           WHEREAS, the elimination of a growing source of dedicated revenue and lack of  
30 growth in other revenues has required significant increases in the level of King County  
31 general fund resources to support public health services, and

32           WHEREAS, increases in King County general fund contributions to public health  
33 are not sustainable in the near term or over the long term, and

34           WHEREAS, in a study on county financial health, the Washington state  
35 Department of Community, Trade and Economic Development found that all counties  
36 across the state are fiscally distressed, and

37           WHEREAS, the Washington state legislature's 4410 Joint Select Committee  
38 concluded that the Washington state public health system is under-funded by more than

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39 \$600 million each biennium and that the lack of a stable source of funding dedicated to  
40 public health has eroded the ability to maintain a reliable statewide system that protects  
41 the public's health, and

42 WHEREAS, the 4410 Joint Select Committee found that the types of public  
43 health services offered across jurisdictions statewide vary in their availability and quality  
44 and that funding is needed statewide to stop communicable disease; promote healthy lives  
45 and families; assure safe food, water and air; and help people access medical and dental  
46 care, and

47 WHEREAS, the 4410 Joint Select Committee found differing levels of demand  
48 and need for public health services across local jurisdictions, and

49 WHEREAS, the 4410 Joint Select Committee concluded that funding for public  
50 health must be a joint responsibility of the state and local jurisdictions, and

51 WHEREAS, counties have limited local authority to provide for adequate funding  
52 for public health, and

53 WHEREAS, the King County Board of Health adopted BOH Resolution 08-07,  
54 finding that the lack of adequate financing for public health results in unacceptable risks  
55 to the health of the public; calling on the state of Washington to provide adequate, stable,  
56 dedicated, long-term financing for local public health statewide and to provide financing  
57 options for local jurisdictions to protect, promote and provide for the health of the public;  
58 and urging the state to examine any and all adequate and stable options for state and local  
59 financing for public health; and making a commitment to work with community and  
60 local, regional and state partners to educate the public about the value of public health  
61 and the need for adequate, stable, dedicated, long-term state and local funding, and

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62           WHEREAS, the King County Board of Health directed staff to prepare a list of  
63 any and all possible financing options for public health which the Board of Health  
64 reviewed and provided direction on at its August and September meetings;

65           NOW, THEREFORE, BE IT RESOLVED by the Board of Health of King  
66 County:

67           The King County Board of Health identifies, through Attachment A to this  
68 resolution, twelve potential state and local financing options for public health that would  
69 require authority from the state to implement. The Board of Health urges the state to

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71 consider these and any other adequate, stable, dedicated, long-term options for financing  
72 for public health.

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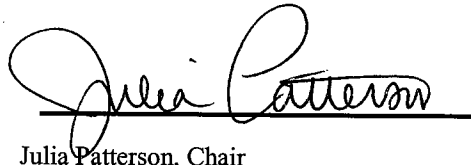
Resolution was introduced on and passed as amended by the Board of Health on  
10/16/2008, by the following vote:

Yes: 11 - Mr. Ferguson, Ms. Lambert, Ms. Patterson, Mr. von Reichbauer,  
Ms. Clark, Mr. Hutchinson, Ms. Frisinger, Dr. Nicola, Dr. Counts, Mr.  
Gossett and Mr. Licata

No: 0

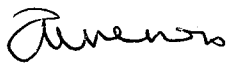
Excused: 5 - Mr. Dunn, Mr. Rasmussen, Dr. Sherman, Ms. Manning and Mr.  
Conlin

BOARD OF HEALTH  
KING COUNTY, WASHINGTON



Julia Patterson, Chair

ATTEST:



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Anne Noris, Clerk of the Board

**Attachments**      A. Potential Public Health Financing Options

# ATTACHMENT A. POTENTIAL PUBLIC HEALTH FINANCING OPTIONS

## I. Local Option Revenue Authority – 6 options

The State Legislature could grant counties the authority to raise the revenues listed in this category.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>1. Countywide Real Estate Excise Tax</p> <p>This revenue source is <i>in addition to</i> the ½ of 1% that most cities and counties currently levy for parks.</p>	<p>Based on 2007 collections:  <u>Statewide \$</u>            @ 1% = \$770 million, of which  <u>King County \$</u>            @ 1% = \$340 million</p> <p><u>Growth</u>            REET collections vary with the value of real estate sold and thus can be quite volatile year-to-year, but generally grow robustly over time.</p>	<ul style="list-style-type: none"> <li>- Counties have authority to levy, with voter approval, a 1% REET for purchase and maintenance of conservation areas.</li> <li>- Counties that levy the 1% for conservation areas can also levy an additional ½ of 1% for affordable housing.</li> <li>- The State has already given counties the authority to raise this revenue, but requires its use for purposes other than public health. By majority vote, the State legislature could expand allowable use of this revenue source to Public Health.</li> </ul>	<ul style="list-style-type: none"> <li>- Only one county (San Juan) has levied the 1% REET for conservation areas since it was established in 1990.</li> <li>- No county has levied the ½ of 1% for affordable housing.</li> <li>- Mitigation could be built in for 1<sup>st</sup> time home buyers.</li> <li>- County could impose less than the full 1% (e.g., ¼ of 1%).</li> </ul>	<p>Current REET in most jurisdictions is 1.78%, levied on the sale of real property:</p> <ul style="list-style-type: none"> <li>- The State imposes a 1.28% REET statewide.</li> <li>- The County and most cities in the County impose ½ of 1% REET that is dedicated to parks capital needs.</li> </ul>

Local Option - Con't.

**I. Local Option Revenue Authority – Con’t.**

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>2. Countywide Public Health District with independent property tax authority</p>	<p><u>Countywide \$</u>            Every 1¢ raises about \$3.2 million</p> <p>5¢ = \$16.2 million            10¢ = \$32.4 million            15¢ = \$48.7 million            20¢ = \$65.0 million            25¢ = \$80.0 million</p> <p><u>Growth</u></p> <ul style="list-style-type: none"> <li>- Typically about 3% annually (1% plus new construction)</li> <li>- Voters can authorize higher growth rates (e.g., medical rate of inflation).</li> </ul> <p>Initial levy rate can be established to cover growth in costs over a several year time horizon</p>	<ul style="list-style-type: none"> <li>- State would have to authorize creation of public health districts and property tax authority for them, similar to current authorities for public hospital districts.</li> <li>- The State could authorize the district board to enact taxes or could require a vote of the people.</li> <li>- A district board would have to be created that provide equal representation on the Board of all people in the district.</li> </ul>	<ul style="list-style-type: none"> <li>- Other levies will be on the ballot in 2009 (e.g., Seattle Pike Place Market, Seattle Parks, regional sales tax increase for Sound Transit).</li> <li>- Median residential assessed value/typical property tax in:                Seattle: \$429K/\$4,128                Issaquah: \$460K/\$4,584                Shoreline: \$336K/\$4,042                Kent: \$268K/\$3,170</li> <li>- On a \$350K home, a 10¢ levy would increase property tax \$35 annually.</li> <li>- Increases in the King County levy can sometimes bump junior taxing districts and lessen their collections while effectively limiting the total tax assessment on individual households</li> </ul>	<p><u>2008 County levies:</u>            EMS levy = 30¢ (through 2013)            Parks = 5¢ (2013)            Zoo/Open Space/Trails = 5¢            Vets/Human Services = 4¢ (2011)            AFIS = 5¢ (2012)</p> <p>Flood District = 10¢            Ferry District = 5.5¢</p>

Local Option - Con't.

**I. Local Option Revenue Authority – Con’t.**

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>3. Countywide Utility Tax</p>	<p><u>Countywide \$</u> \$40 million @ 1% on utilities countywide</p> <p><u>Growth</u> Collections would grow with expenditures on utilities countywide, reflecting usage, population, cost, and economic growth.</p>	<ul style="list-style-type: none"> <li>- Requires majority vote of the State Legislature.</li> <li>- The State could require that the local tax authority be councilmanic or voter approved</li> </ul>	<ul style="list-style-type: none"> <li>- Would be applied on top of city utility taxes.</li> </ul>	<p>City utility taxes vary both in terms of which utilities are taxed and the rates. Many cities impose a 6% tax, the statutory limit for most utilities.</p>
<p>4. Motor Vehicle Excise Tax</p>	<p><u>Countywide \$</u> \$122 million in 2001</p> <p><u>Growth</u> Grows with growth in number and value of vehicles licensed.</p>	<ul style="list-style-type: none"> <li>- Requires majority vote of the State Legislature.</li> <li>- The State could require that the local tax authority be councilmanic or voter approved</li> <li>- Could also be a Statewide source of revenue for public health</li> </ul>	<ul style="list-style-type: none"> <li>- Repeal of the MVET led to a loss of \$10 million in Public Health, \$6 million in criminal justice, and \$106 million in transit.</li> <li>- State provided 0.2% local sales tax option for transit in lieu of MVET (King County voter approved).</li> <li>- State backfilled \$9.5 million in public health, but amount has not grown.</li> </ul>	<p>Existing vehicle fees for non-commercial cars:</p> <ul style="list-style-type: none"> <li>- \$30 tab renewal fee</li> <li>- \$10 weight-based fee for most cars</li> <li>- Filing fee \$3.75</li> <li>- RTA tax in King/Pierce/Sno counties: 0.3% of car value. On a 2006 Honda Element, this is about \$60.</li> </ul>

Local Option - Con't.

**I. Local Option Revenue Authority – Con’t.**

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>5. Bottled water/bottled beverage fee</p> <p>May be better considered as a new Statewide revenue.</p>	<p>Reportedly about \$6 million Statewide; requires further research.</p>	<ul style="list-style-type: none"> <li>- Requires majority vote of the State Legislature.</li> <li>- The State could require that the local tax authority be councilmanic or voter approved</li> <li>- Could also be a Statewide source of revenue for public health</li> <li>- The ability to apply sales tax to bottled water is complicated by the Streamlined Sales &amp; Use Tax compact. Rather than a retail sales tax, a fee would have to be applied at the wholesale level.</li> </ul>	<ul style="list-style-type: none"> <li>- Prior to adoption of the product definitions in the Streamlined Sales and Use Tax compact, sales tax applied to bottled water in Washington State.</li> </ul>	<p>A litter fee is currently assessed on bottled beverages at the wholesale level.</p>
<p>6. Hazardous Substance Tax</p> <p>May be better considered as a new Statewide revenue.</p>	<p>At 0.7%, raises \$90 million statewide.</p>	<ul style="list-style-type: none"> <li>- Requires majority vote of the State Legislature.</li> <li>- The State could require that the local tax authority be councilmanic or voter approved</li> <li>- Could also be a Statewide source of revenue for public health</li> </ul>	<ul style="list-style-type: none"> <li>- Would apply on top of State tax.</li> </ul>	<p>The State Hazardous Substance Tax is administered by the Dept. of Ecology and is imposed on 8,000 petroleum, pesticide, and chemical products. Roughly half of the revenue goes for hazardous waste cleanup.</p>

## II. Statewide Revenue Sources – 6 options

Under Initiative 960, any of these options requires: a 2/3 majority of the State Legislature, an advisory ballot of the people, and email notification to registered interested parties of any legislative action.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
<p>7. Product-Specific Sales Tax</p> <ul style="list-style-type: none"> <li>- Car rental</li> <li>- Cigarettes and Tobacco</li> <li>- Liquor</li> <li>- Insurance Premiums</li> </ul>	<p><u>Statewide \$</u></p> <p><i>Car Rental:</i> at current rental levels, an additional 1% = \$20m</p> <p><i>Cigarettes:</i> at current sales levels, 10¢ per pack = \$20m. Additional tax could be collected on other tobacco products.</p> <p><i>Liquor:</i> at current sales levels, a 10% increase in all liquor taxes = \$20m.</p> <p><i>Insurance premiums:</i> at current sales levels, an additional 1% tax = \$190m.</p> <p><u>Growth</u> Grows with underlying growth in each sector.</p>	<ul style="list-style-type: none"> <li>- Requires 2/3 majority of State legislature</li> <li>- The Streamlined Sales &amp; Use Tax compact limits the ability of the State impose product-specific sales taxes. Moreover, product-specific taxes must be Statewide; they are not available as local option sales taxes.</li> </ul>	<ul style="list-style-type: none"> <li>- Most of these sectors already have additional sales tax rates applied to them.</li> </ul>	<p>Current tax rates on top of general sales tax:</p> <ul style="list-style-type: none"> <li>- Car Rental: 9.7%</li> <li>- Cigarettes: \$2.025/pack State tax + 39¢ federal tax</li> <li>- Tobacco: 75%</li> <li>- Liquor: 20.5% for consumers; 13.7% for restaurants + \$3.77/liter, other taxes for wine and beer</li> <li>- Insurance premiums: 2%</li> </ul>

Statewide Revenue Sources - Con't.

## II. Statewide Revenue Sources – Con’t.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
8. Elimination of Sales Tax Exemption on Medical Services	<u>State Revenue Share</u> \$725 million, plus <u>Local Revenue Share</u> \$225 million, of which local jurisdictions in King County would receive \$75 million	- Requires 2/3 majority of State legislature	- Cannot be a local option.	
9. Elimination of Sales Tax Exemption on Prescription Drugs	<u>State Revenue Share</u> \$370 million, plus <u>Local Revenue Share</u> \$114 million, of which local jurisdictions in King County would receive \$38 million  <u>Growth</u> Grows sales in prescription drugs, broadly reflecting population growth and economy	- Requires 2/3 majority of State legislature	- Cannot be a local option.	
10. Elimination of Sales Tax Exemption on Consumer Services (including detective, security, janitorial, custom software and securities broker services)	<u>State Revenue Share</u> \$362 million, plus <u>Local Revenue Share</u> \$137 million, of which local jurisdictions in King County would receive \$46 million  <u>Growth</u> Grows sales in consumer services, broadly reflecting population growth and economy	- Requires 2/3 majority of State legislature	- Cannot be a local option. - Recommended by Washington State Tax Structure Study Committee (2002). Does not include professional, financial, and medical services.	Most states tax services in some form.

Statewide Revenue Sources - Con't.

## II. Statewide Revenue Sources – Con’t.

Description	Preliminary Revenue Estimate	Process/Authorities	Considerations	Comparisons
11. Elimination of Sales Tax Exemption on Candy & Gum	<u>State Revenue Share</u> \$30 million, plus <u>Local Revenue Share</u> \$10 million, of which local jurisdictions in King County would receive \$3.5 million  <u>Growth</u> Grows with sales in candy & gum, broadly reflecting population growth and economy	<ul style="list-style-type: none"> <li>- Requires 2/3 majority of State legislature</li> </ul>	<ul style="list-style-type: none"> <li>- Cannot be a local option under the Streamlined Sales &amp; Use Tax compact which requires that local rates be applied to the same tax base statewide.</li> </ul>	29 other states tax candy & gum
12. Elimination of Sales Tax Exemption on Cosmetic Surgery	Requires more research	<ul style="list-style-type: none"> <li>- See heading notes</li> </ul>	<ul style="list-style-type: none"> <li>- Same as above</li> <li>- Senator Keiser sponsored a bill to eliminate this exemption in the 2005 legislative session (SB5451).</li> </ul>	New Jersey has a cosmetic surgery tax, estimated to raise \$25 million.