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BRIEFLY

Over the current biennium, MVET distributions to cities and counties are expected to total about \$362 million. The funds are directed toward public health and public safety services and assistance to communities with limited tax bases.

City and County Impacts Vary Widely

The 1999-2001 state budget directs \$362 million of the MVET to local governments (excluding transit discussed elsewhere in this series) for a variety of programs: police and fire protection, criminal justice, public health, and general operating support. The \$362 million amounts to just under one-fourth of total MVET spending. If I-695 passes, because the state will have already collected six months of MVET funding, the biennial revenue loss will be three-quarters of the \$362 million, about \$274 million.

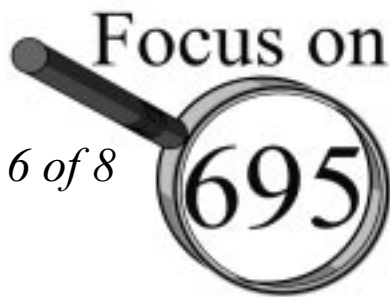
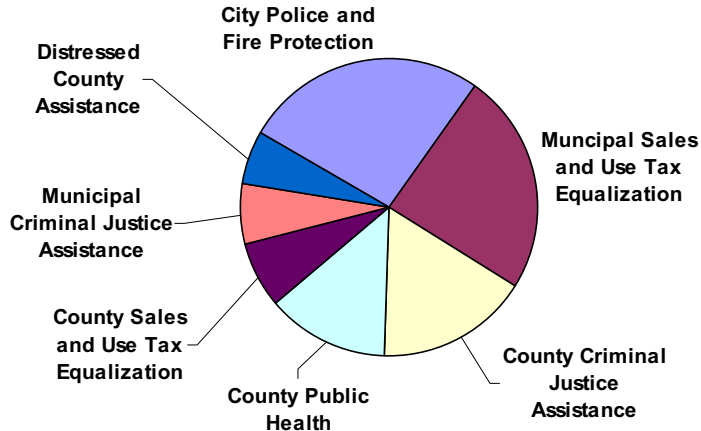
For the 2001-2003 biennium, MVET distributions are expected to be \$406 million, allocated as they are presently.

The following chart shows how the money is spread across programs.

Local Government MVET Distribution,

1999-2001 Budget: \$362 million

2001-2003 Budget: \$406 million



General Municipal Impact According to an analysis done by the Office of Program Research of the state House of Representatives, the overall percentage of city operating revenues from all MVET distributions in 1997 ranged from 43.1% in Nespelem (Okanogan County) to 0.2% in Dupont. More than 100 cities received more than 10% of their operating budgets from MVET distributions.

If I-695 passes, some cities with tax bases too small to cover fully the cost of municipal operations may look to disincorporate, annexing themselves to another jurisdiction or becoming unincorporated communities within their counties. Others are already planning increases in property, utility and business taxes.

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The major MVET distributions to local governments involve the sales and use tax equalization fund, criminal justice assistance and city police and fire protection.

- ❑ **Sales and Use Tax Equalization.** The MVET supports the sales tax equalization fund, adopted in 1982 in part as a response to the loss of federal revenue sharing. The fund distributes money to cities with per capita sales tax revenues falling below 70 per cent of the statewide average per capita sales tax collections for cities. Cities with relatively low sales tax collections – a consequence of limited retail activity – receive a revenue bonus from the state. About 168 cities share in the distribution, which for Calendar Year 2000 is expected to amount to \$31.4 million. Counties receive a similar benefit, about \$5.8 million for CY 2000.
- ❑ **Municipal and County Criminal Justice Assistance.** MVET funds are allocated to cities and counties for criminal justice according to a formula that includes consideration of crime rate, population and criminal cases. The funds are to be spent “exclusively for criminal justice purposes and shall not be used to replace or supplant existing funding,” according to statute. Authorized purposes include domestic violence services, assistance to parents dealing with runaways, and direct support of the criminal justice system. The revenue loss for CY 2000 amounts to about \$8.5 million for cities and \$21 million for counties.
- ❑ **City Police and Fire.** The state also distributes a share of the MVET to cities and towns for police and fire protection. The distribution, about \$10.50 per capita in 2000, would total \$34.6 million in CY 2000. It was expected to increase to \$49.1 million in CY 2001, about \$14.52 per capita.

In addition to these city and county distributions, the MVET provides funding for county health departments and infrastructure support for rural and distressed counties.

Public Health. In CY 2000 the public health account is expected to receive \$25.5 million in MVET funds for distribution to county health departments. Among the counties, the health departments’ reliance on MVET varies from 1.9% of the budget in San Juan County up to 22.7% for the Benton-Franklin Health District. The average of the 34 public health districts is 9.2%

Much of the money goes to the large urban county health departments: \$9.5 million for the Seattle-King County Health Department, \$3.3 million for Tacoma-Pierce County, \$2.4 million in Snohomish County and \$2.4 million in Spokane. All county health systems, however, will experience funding losses.

The uses to which the funds are put also varies, as the MVET contribution is one of the few flexible sources of funding. Typical uses would include communicable disease (HIV/AIDS, TB, hepatitis) testing and counseling, health education, maternal and child health programs, vital records maintenance, and environmental health programs.

Distressed County Assistance. For CY 2000, \$7.8 million was expected to go to distressed counties, increasing to \$11 million in CY 2001. The rural/distressed county assistance funds are intended to develop infrastructure for economic growth and job creation.

Focus on 695
contains eight Policy Briefs:

1. *Introduction & Growth of MVET*
2. *Surplus Won't Cover Shortfall*
3. *Not Much Discretion in the \$45 Billion Budget*
4. *MVET Off, Property Tax On & Other Tax Consequences*
5. *Let's Vote on It*
6. *City and County Impacts Vary Widely*
7. *Transit and Transportation Would Take Major Hit*
8. *Summing It Up*

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