

INTRODUCTION

King County provides local and regional services to 2.3 million residents, with a two-year (biennial) budget of about \$15.8 billion and over 16,700 employees. The 2021-2022 budget was adopted about nine months after the start of the COVID-19 pandemic and reflected the negative effect COVID had on the economy. Thus, the 2021-2022 Adopted Budget included reductions in staffing and spending for many programs. However, rapid economic growth in 2021 allowed almost all of those reductions to be restored partway through the biennium. In addition, the County has adopted nine supplemental budgets for federal and state funding in response to the pandemic. These budgets total over \$1.6 billion.

The 2023-2024 Proposed Budget has been developed in unusual circumstances. The pandemic continues, albeit in a more manageable form. There is considerable global and national economic uncertainty, further exacerbated by the Russian invasion of Ukraine. Several of the County's funds, including the General Fund, continue to be adversely affected by structural revenue limitations imposed by the State of Washington. The 2023-2024 Proposed Budget for the General Fund uses a great deal of one-time money from fund balances built up due to federal revenue and salary savings. This budget is not sustainable, and the General Fund is projected to be out of balance by \$80 to \$100 million for 2025-2026.

King County is the 13th largest county by population in the United States and is the ninth largest in terms of total employment. The county is the home of many famous businesses and organizations, including Amazon, Boeing Commercial Airplanes, the Gates Foundation, Microsoft, Starbucks, and the University of Washington. The county experienced remarkable growth in the last decade, which expanded wealth and economic opportunities but also led to higher housing prices and growing income inequality. How

EXECUTIVE SUMMARY

COVID and the increase in teleworking will affect future growth is uncertain, but King County still has strong advantages due to its high-quality workforce, successful organizations, wealth, and natural beauty.

King County government is unique nationally in the range of services it provides. It is both a regional government, providing services throughout most or all of the county, and a local government, providing services in the unincorporated area (outside of cities). Regional services include public health, transit, wastewater treatment, housing, behavioral health, elections, property assessment, solid waste transfer and disposal, corrections, regional parks and trails, and the prosecution, defense, and adjudication of felonies. Local services include roads, police protection through the Sheriff's Office, land use regulation and permitting, and surface water management. Many other governments contract with King County to provide certain services, including police protection, courts, jails, public defense, and additional transit service.

King County uses a biennial (two-year) budget. Budgets are adopted in the fall of even-numbered years and are in effect for the two following calendar years. This may change as a result of a November ballot measure that would switch the County from odd-year to even-year elections.

THE BEST OF TIMES, THE WORST OF TIMES

While all budgets reflect the circumstances in which they are developed, King County’s 2023-2024 Proposed Budget is affected by a very unusual combination of circumstances, some highly favorable and others less so. This situation is further complicated since the County operates from about 140 different funds, each with its own revenue sources that have specified uses. Some funds are in strong financial condition while others face ongoing challenges.

COVID AND UNPRECEDENTED FEDERAL AND STATE SUPPORT

The COVID-19 pandemic changed the world in many ways and further changes will be realized over time. King County was the epicenter of COVID in the United States. Public Health – Seattle & King County led the County’s response and created many innovative programs that led to high and equitable testing and vaccination rates. Other departments took the lead in providing appropriate shelter for people experiencing homelessness, creating facilities where individuals could isolate or quarantine, providing rental assistance, and providing economic relief for businesses, arts and cultural organizations, and individuals adversely affected by the pandemic. The County made particular efforts to ensure that all of these efforts targeted BIPOC communities that traditionally have been left out of such prevention and relief programs.

Almost all of the funding the County used for these programs came from the federal or State governments. In total, the County received over \$2 billion in federal funding in 2020 through 2022 both

Agency	Proposed 23-24 Reappropriation
DCHS	\$72,500,000
DPH	\$43,600,000
PSB	\$40,200,000
Jobs and Housing	\$18,800,000
PAO	\$6,800,000
DPD	\$6,300,000
OESJ	\$5,600,000
KCSC	\$5,500,000
Parks	\$5,100,000
DLS	\$4,300,000
FBOD	\$2,700,000
DJA	\$2,400,000
CDA	\$2,200,000
KCDC	\$1,400,000
Risk Management	\$400,000
KCSO	\$300,000
Exec	\$100,000
Totals	\$218,200,000

Fig. 1

directly and indirectly through the State of Washington. Some of these funds were restricted to particular purposes, such as nearly \$900 million for Metro Transit, but others were fairly flexible. Funds received in 2020 generally could be used more quickly than those received in 2021 since the latter allocation of federal money came with more restrictions on use and with more constraining contracting requirements. Since the final federal rules did not come out until the end of 2021, much of the funding wasn’t distributed until 2022. Some COVID-response programs are intended to be reappropriated in 2023-2024 to continue responses, particularly in the areas of public health, homelessness, economic recovery, and reducing the backlog in the criminal legal system that built up during the pandemic. **Figure 1** summarizes reappropriations of pandemic response funds that are included in the 2023-2024 Proposed Budget.

One aspect of the federal funding was that some could be used for costs traditionally funded by the County’s own revenues, particularly in the General Fund. The 2021 American Rescue Plan Act (ARPA) included a calculation of “lost revenue” for each eligible government. ARPA funds were allowed to replace such lost revenue. The federal calculation determined that King County lost \$80.8 million of revenue due to the pandemic. **Figure 2** shows how this was allocated.

Fig. 2

Revenue Replacement Program Allocation	Agency	Allocation
Business and Economic Resiliency Fund	PSB	\$25,700,000
Shelter Capital Costs	DCHS	\$18,000,000
General Fund Fund Balance	GF	\$14,500,000
Youth and Amateur Sports	Parks	\$3,700,000
Unmet needs Grant	DCHS	\$3,200,000
Digital Equity	PSB	\$2,000,000
Additional Admin Costs (Defrags Central Rates)	FBOD	\$2,000,000
Additional Admin Costs (Defrags Central Rates)	PAO	\$2,000,000
Harbor Island Tenant Improvements	FMD	\$1,500,000
Harbor Island Rent	FMD	\$1,500,000
Greater Seattle Partners (GSP)	PSB	\$1,100,000
Equity Recovery and Reconciliation Alliance Support	PSB	\$1,000,000
Local Food System Facilities	PSB	\$1,000,000
Additional Flexibility for already Approved Programs	TBD	\$700,000
Downtown Concierge Services	PSB	\$500,000
Andy Hill Cancer Research Endowment Study	PSB	\$500,000
OneAmerica Driver Solidarity and Services Center Support	PSB	\$400,000
Diaper Delivery	DCHS	\$400,000
Aerospace Industry COVID-19 Recovery Analysis	PSB	\$300,000
Blood Donation	PSB	\$300,000
City Hall Park	DCHS	\$200,000
Organ Transplant	PSB	\$200,000
Virtual Hiring Hall	PSB	\$100,000

The County used this lost revenue in several ways. First, \$14.5 million was used to cover General Fund costs in 2022, allowing the General Fund to start the 2023-2024 biennium with a higher fund balance. Second, \$66.3 million was used to fund pandemic response programs that would be difficult to qualify for direct federal support because of contracting restrictions or eligibility challenges. This second category essentially transfers federal money to replace General Fund lost revenues and then uses that General Fund for the new programs. Third, \$4.0 million was used for additional 2022 costs to administer the federal funds.

The initial response to the COVID-19 pandemic was a shutdown of much economic activity and a consequent decline in revenues. However, people and organizations responded in clever ways, which meant that King County’s economy recovered far faster than expected. Two examples illustrate this. First, many restaurants shifted to take-out and delivery, which provided cashflow when such businesses could not be open in the normal manner. The restaurant industry was still hit hard by the pandemic, but this saved many businesses and jobs. Second, there was a huge shift to delivery of goods to homes and businesses and away from traditional stores. This allowed sales tax revenue, which supports many County programs, to bounce back far faster than expected.

The long-term effects of COVID on the regional economy are hard to predict. Many office workers successfully shifted to remote work, and it seems certain that a full return to the pre-COVID office workplace will never occur. King County, for example, is closing one of its three downtown Seattle office

EXECUTIVE SUMMARY

buildings permanently since very few office workers will be there five days a week. This change reduces Metro Transit ridership and fare revenue and also affects the economies of downtown Seattle and downtown Bellevue. On the other hand, it reduces congestion and air pollution, and, in many cases, seems to have increased productivity and job satisfaction. It also has had interesting and unpredicted effects, such as large increases in remodeling to build home offices!

Other effects of the pandemic seem to have been transitory. The County is experiencing a large tourist season and hotel occupancy is now approaching pre-COVID levels. The cruise industry is having a record year and traffic at SeaTac Airport is growing rapidly. Convention business is recovering more slowly, but the opening of the Seattle Convention Center addition around the end of 2022 should bolster this industry.

WAR

The Russian invasion of Ukraine in February 2022 created another uncertainty affecting the County's budget. While all wars have damaging consequences for people involved and for local economic conditions, a war on this scale has affected the global economy. Embargoes on Russian oil and gas exports have raised fuel prices worldwide, creating shortages and feeding inflation. Ukraine is a major wheat exporter and reductions in such shipments have created food shortages in some parts of the world and raised prices everywhere else. Approximately one-third of Ukrainians have been displaced, with many becoming refugees in neighboring countries. The U.S. and many other countries are providing economic and military support to Ukraine, creating additional tensions and risks. At this writing, the war appears to be a stalemate, but if it continues into the winter Russia will have the ability to reduce gas supplies to Europe, leading to further misery and economic damage.

A STRONG ECONOMY AND HIGH INFLATION

The combination of the COVID pandemic, the federal response, and the war in Ukraine have put the global, national, and local economies into turmoil. Most economic measures for King County are very favorable. Employment growth in the second quarter of 2022 was 6.0 percent above the prior year and unemployment remains at historic lows. Many employers, including King County, are struggling to hire workers. Taxable retail sales were up 9.4 percent in June compared with 2021. Housing prices are increasing very rapidly, and countywide assessed property value is expected to be \$849 billion in 2023, essentially double what it was seven years previously.

On the other hand, inflation is at the highest levels seen in decades. After years in the 1.0 to 3.5 percent annual range, the Seattle CPI-W for August 2021 versus August 2020 was up 5.2 percent and the same measure for August 2022 versus August 2021 was up 9.0 percent. This inflation is driven by many factors. The difficulty in finding employees because many people retired or quit the workforce during the pandemic is pushing up wages. Supply chain disruptions during the pandemic have raised prices for many commodities and for shipping. The war in Ukraine has raised fuel and food prices. The large federal response to the pandemic put a lot of additional money into the economy, stimulating purchasing. Inflation is projected to decrease gradually over the next two years. The latest County forecast puts the June-to-June CPI-W at 4.99 percent for 2023 and 2.85 percent for 2024.

Inflation is particularly damaging for the County's budget because several critical funds are dependent on property tax revenues for the bulk of their funding and State law limits the growth of these revenues to 1 percent per year. This issue is explored in more detail in the General Fund section of this

document, but the challenge is easy to see when costs are growing at 5-9 percent per year and revenue is only growing by 1 percent.

HIRING AND VACANCIES

As noted previously, the unemployment rate in King County is very low and organizations are competing for workers in ways that were unimaginable even in the strong pre-COVID economy. King County as an employer is no exception to this challenge. The County has unprecedented numbers of vacancies in many jobs, including Sheriff deputies, corrections officers, nurses, and bus operators. The County has offered hiring and retention bonuses for some of these positions, but success has been limited because many other public sector employers are using similar programs. The large number of vacancies has made it difficult to maintain service levels. For example, Metro Transit is in the process of eliminating some bus service due to lack of operators.

The vacancies create salary savings but in many cases additional overtime is needed to keep programs operating. On balance, the effect is usually that departments underspend their salary budgets, so additional 2022 year-end balances are projected for many County funds.

Many of the organizations that contract with the County to provide services are facing similar staffing challenges. This is especially true in behavioral health, where expanding demand for services coupled with low wages for workers is significantly limiting service delivery. The 2023-2024 Proposed Budget attempts to address this with increases in funding for behavioral health staff.

RISK AND WORKER’S COMPENSATION

Another negative factor affecting the 2023-2024 Proposed Budget is the growing costs for risk management and worker’s compensation. These costs siphon money away from direct services and thus reduce the County’s ability to provide such services.

Risk management costs have been growing for at least two reasons. First, courts and juries are awarding significantly larger payouts for personal injuries, deaths, and employment issues, often far beyond the actual economic effects on individuals. This is a national trend and is clearly seen in Washington State. This also affects the cost of voluntary settlements since plaintiffs understand that they likely can get large awards if cases go to trial.

Similarly, insurance costs have been rising and coverage has been harder to obtain. This is due in part to the growing cost of judgements and settlements but also because of the recent spate

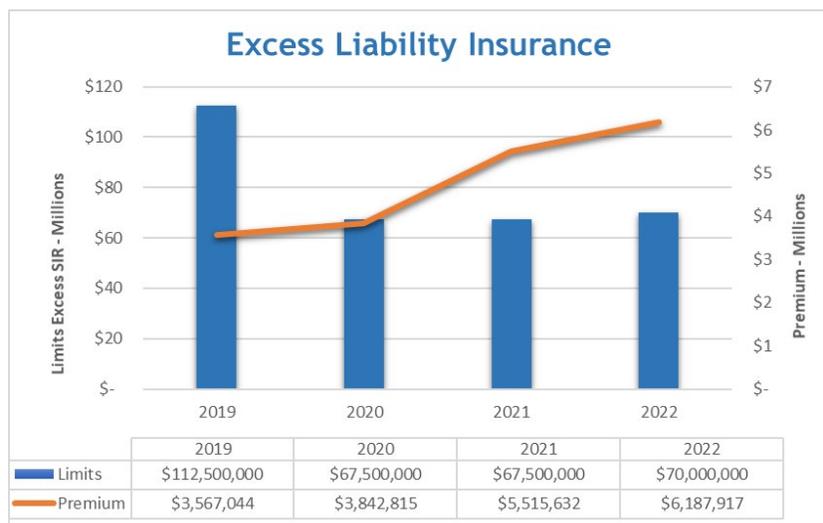


Fig. 3

EXECUTIVE SUMMARY

of natural disasters that have adversely affected insurers. As shown in **Figure 3**, in 2019, the County had \$112.5 million of liability coverage at a cost of \$3.6 million. In 2022, the County could obtain only \$70 million of coverage at a cost of \$6.2 million. The County's strong reputation and well-regarded risk management program allowed it to maintain more coverage than many other governments were able to.

The County funds risk-related costs on an actuarial basis. In other words, the County estimates future exposures and maintains reserves for them. To comply with this policy under these circumstances necessitated an increase in risk costs of 53 percent in 2022 (an unusual mid-biennium increase) and 16 percent in 2023.

The COVID pandemic also had a significant effect on worker's compensation costs. These are the costs that are incurred when a county employee is injured on the job. COVID inevitably led to more workplace infections and corresponding absences, but the biggest issue is related to "light duty" assignments. In normal times, many employees who work at physically demanding jobs can be assigned to other work while they recover. This typically has been office reception, copying, and other administrative work. Since County offices largely shut down during the pandemic, light duty assignments were not available, so injured employees were off work longer. In addition, the pandemic's effect on health care providers made it harder to get appointments for treatment, further prolonging this effect and the corresponding cost. The County thus had to increase the safety and claims fund by 18 percent in mid-2022 and an additional 6 percent in 2023 for a total of 24 percent increase from the adopted budget rates in 2022.

EXECUTIVE PRIORITIES

Executive Dow Constantine had four priorities for the 2023-2024 Proposed Budget:



Anti-Racist and Pro-Equity: Proactively address the harms of racism by co-creating and implementing anti-racist, pro-equity operational practices and policies with our communities.



Environment: Preserve what we love about our region and restore what was lost.



Affordable Housing and Homelessness: Create more affordable and supportive housing, prevent people from becoming homeless, and support the King County Regional Homelessness Authority in a successful crisis response for people living outside and in shelters.



Justice and Safety: Keep people out of our criminal legal system by connecting them with community-based alternatives and reducing systemic racial and ethnic disparities.

These track very closely with the priorities adopted by the County Council for the 2023-2024 budget, which are behavioral health, housing and homelessness, a safe King County, investing in people, and climate and the environment.

For each Executive priority, the Proposed Budget continues efforts that were already underway and adds new initiatives.

ANTI-RACIST AND PRO-EQUITY

Advancing the anti-racist and pro-equity agenda requires changes in what King County government does and how it does it. Many of the programs that promote equity are described under other priorities, such as environmental programs targeted to lower-income BIPOC communities and efforts to reduce inequities in the criminal legal system. In addition, the Proposed Budget increases funding for translation and interpretation, expands the number of languages used for election materials, and continues programs to help individuals vacate convictions that stemmed from the “War on Drugs.”

The County continues to change processes to be more inclusive. The first effort at participatory budgeting was included in the 2021-2022 budget and concluded successfully in August 2022. This process involved representatives from the five urban unincorporated areas who identified and selected capital facilities for their communities using a \$10 million budget. The success of this program led Executive Constantine to propose another \$10 million in the 2023-2024 budget.

Another example of process changes was the development and use of community needs lists by the Department of Local Services. These were reviewed with operating departments and some items were selected for inclusion in the 2023-2024 Proposed Budget.

ENVIRONMENT

There are three different aspects of the Executive's environmental agenda that are addressed in the Proposed Budget. The first is efforts to reduce greenhouse gases that are causing climate change. The 2023-2024 Proposed Budget continues work for Metro Transit to fully electrify its fleet by 2035. In addition, the budget reflects a commitment to shift other County vehicles to electric power, including rules prohibiting purchase of gas-powered vehicles when electric ones are available plus investment in a network of charging stations for County vehicles. The Proposed Budget adds another \$1 million to a program to install heat pumps or solar panels to homes owned by low- to moderate-income residents in the unincorporated area. It also uses \$1.9 million of federal funds to create a loan loss reserve to support commercial lending for similar installations.

The second environmental priority is the Clean Water Healthy Habitat initiative. The Proposed Budget accelerates investments to remove culverts that block fish passage with \$29 million of additional funding. By the end of 2024, departments expect to have completed projects that yield 46 stream miles of new habitat. In addition, the Wastewater Treatment Division is continuing work to increase reliability of the West Point Treatment Plant and to study ways to remove additional nutrients from wastewater.

The third environmental priority is the Land Conservation Initiative, designed to preserve the remaining significant natural land in the county for open space, recreation, forests, and agricultural uses. The key initiative is the proposal to reset the Conservation Futures tax rate to its statutory maximum that is on the November 2022 ballot. This would more than double the revenue available from this source and add about \$30 million annually for land purchases.

The Executive is also proposing to create a new Climate Office to coordinate County climate initiatives and oversee programs managed by departments.

AFFORDABLE HOUSING AND HOMELESSNESS

Housing is increasingly expensive in King County and is one of the underlying causes of homelessness. One major County initiative is the continuation of the Health Through Housing program that started in 2021. This program is funded by a dedicated 0.1% sales tax collected in most parts of the county (some cities opted out and will run their own programs). Eleven hotels, motels, and apartment buildings have been acquired and are being converted to permanent supportive housing. Such facilities combine housing with on-site treatment programs to help people transition from homelessness. The Proposed Budget continues funding toward the goal of 1,600 units, provides money to operate the facilities, and includes \$25 million to remodel the "Bob G" building, which was one of the first acquisitions.

The County has dedicated a portion of the lodging tax to Transit-Oriented Development (TOD) housing, which is affordable housing located near transit stops. Lodging tax revenues were devastated by the pandemic, which eliminated conventions and shut down most tourism. Tax revenues fell from \$35.9 million in 2019 to only \$9.8 million in 2020. This industry recovered quickly starting in early 2022 and 2023 revenue is now forecast to exceed that received in 2019. This additional revenue creates the capacity to support another \$45 million in bonds for TOD projects, such as city of Burien/Metro Joint Redevelopment Project, and Northgate Project (BRIDGE Housing /Community Roots Housing).

The 2023-2024 Proposed Budget includes \$89 million for the King County Regional Homelessness Authority, consistent with the agreement between the County and the Authority.

JUSTICE AND SAFETY

Improving the criminal legal system and enhancing safety is reflected in the Proposed Budget in several ways. This is the first budget since the Sheriff became an appointed official in January 2022. The Sheriff now reports to the County Executive instead of being elected separately. This new relationship allows more effective coordination with other Executive departments, which will facilitate new programs. The Sheriff has proposed to create two new divisions - Special Operations and Community Programs and Services - to improve internal management and external engagement. These are funded in the Proposed Budget. In addition, the Sheriff's Office receives funding for a gun violence special emphasis team, two additional major crimes detectives, additional training, and an equity and social justice program focused on the specific needs of Sheriff's Office personnel.

Many police responses involve individuals with behavioral health challenges. Several programs around the country, including the RADAR program in the north part of King County, have demonstrated that a co-responder model where a trained behavioral health professional accompanies or substitutes for a uniformed officer can be more effective. The Proposed Budget include \$1.7 million to expand co-responders. This is mostly supported with money from the Mental Illness and Drug Dependency (MIDD) sales tax.

The Proposed Budget continues many initiatives started in 2021 and 2022 to address gun violence, counter inequities in the criminal legal system, and divert first-time, lower-level offenders from the court system. The Proposed Budget provides \$12 million to continue the planned level of effort for the Regional Gun Violence program. This is mostly funded with federal revenue and support from the City of Seattle. The Community Diversion Program for adult first-time offenders and the Restorative Community Pathways program for juveniles are continued.

The Proposed Budget also includes money to address the large number of vacancies for Sheriff's deputies and corrections officers through additional recruiting staff, hiring incentives, and the implementation of new labor contracts that substantially increase pay.

TOTAL PROPOSED BUDGET

The 2023-2024 Proposed Budget totals \$15.8 billion, a 28 percent increase from the 2021-2022 Adopted Budget. The 2021-2022 Adopted Budget reflected reductions in many funds due to the recession caused by the COVID-19 pandemic. Rapid economic recovery and the influx of large amounts of federal funding allowed many of these reductions to be reversed midway through the biennium, so this 28% increase is

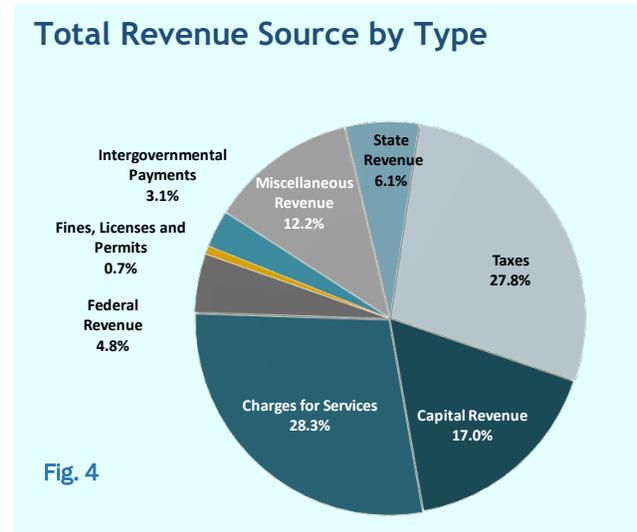


Fig. 4

somewhat misleading. **Figure 4** shows the major sources of revenue to support the budget.

Taxes represent only about 28% of the total revenue. These are concentrated in a few areas, including the General Fund, Metro Transit, Mental Illness and Drug Dependency (MIDD), and programs supported by voter-approved property taxes, such as parks, emergency medical services, and specific human services programs.

Charges for services is the other large category of revenue at 28 percent. Among the largest components of these revenues are solid waste tipping fees, wastewater treatment charges, and Metro Transit fares.

tipping fees, wastewater treatment charges, and Metro Transit fares.

Funds supporting capital projects make up about 17 percent of the total. Federal and state funds combined are about 11 percent and are concentrated in human services, housing, Public Health, and transportation-related grants.

Figure 5 shows the major categories of proposed appropriations by agency or groups of agencies. Metro Transit is the single largest at about 20 percent. The Wastewater Treatment Division is the second largest agency with over 15 percent of the total budget. The aggregated programs of the Department of Community and Human Services (DCHS) are now the third largest share of the budget. This growth is due to new tax-funded programs, such as Best Starts for Kids and the Health Through Housing 0.1 percent sales tax, and significant increases in State funding.

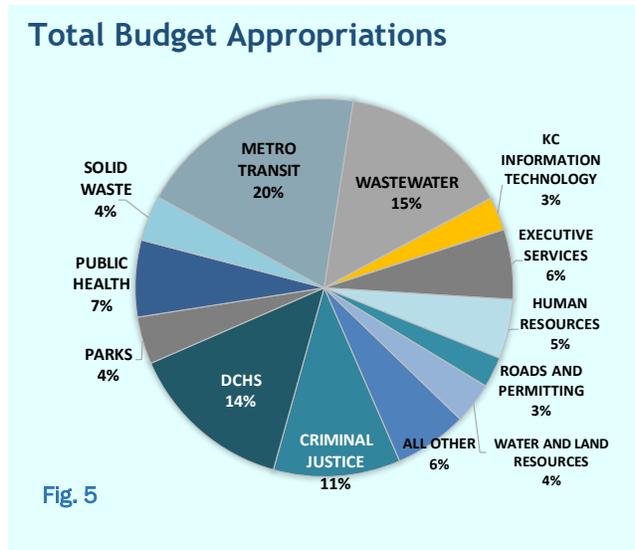


Fig. 5

All King County Appropriations Including CIP

APPROPRIATION UNIT	2023-2024 PROPOSED \$
ADULT AND JUVENILE DETENTION	\$ 498,466,027
ASSESSMENTS	67,074,126
COUNTY EXECUTIVE AGENCIES	118,311,438
DCHS - BEHAVIORAL HEALTH	750,211,199
DCHS - BEST STARTS FOR KIDS LEVY	283,036,860
DCHS - COMMUNITY SERVICES	137,264,829
DCHS - DEVELOPMENTAL DISABILITIES	168,893,817
DCHS - HOUSING	714,554,392
DCHS - MENTAL ILLNESS AND DRUG DEPENDENCY FUND	183,997,485
DCHS - VETERANS SENIORS AND HUMAN SERVICES LEVY	73,476,547
DES - AIRPORT	85,757,314
DES - BUSINESS RESOURCE CENTER	53,740,187
DES - FACILITIES MANAGEMENT DIVISION	427,440,928
DES - FINANCE AND BUSINESS OPERATIONS	73,967,010
DES - FLEET MANAGEMENT EQUIPMENT	91,546,345
DES - OFFICE OF RISK MANAGEMENT SERVICES	116,357,218
DES - OTHER	42,462,137
DES - RECORDS AND LICENSING SERVICES	36,986,921
DES - REGIONAL ANIMAL SERVICES OF KING COUNTY	17,076,379
DHR - EMPLOYEE BENEFITS	693,056,171
DHR - HUMAN RESOURCES MANAGEMENT	57,419,607
DHR - SAFETY AND CLAIMS MANAGEMENT	96,308,916
DISTRICT COURT	83,937,968
DLS - ROADS AND PERMITTING	415,324,450
DNRP - OTHER	27,520,540
DNRP - PARKS	648,052,553
DNRP - SOLID WASTE	678,429,089
DNRP - WASTEWATER	2,320,752,304
DNRP - WATER AND LAND RESOURCES	553,964,288
DPH - EMERGENCY MEDICAL SERVICES	259,634,852
DPH - ENVIRONMENTAL HEALTH SERVICES	78,135,021
DPH - PUBLIC HEALTH	701,301,475
ELECTIONS	52,583,956
JUDICIAL ADMINISTRATION	68,600,370
KING COUNTY INFORMATION TECHNOLOGY	456,381,436
LEGISLATIVE AGENCIES	67,288,581
METRO TRANSIT	3,087,775,424
OTHER AGENCIES	788,403,988
PROSECUTING ATTORNEY	216,873,365
PUBLIC DEFENSE	175,055,931
SHERIFF	531,297,216
SUPERIOR COURT	144,683,562
Grand Total Operating Appropriations	\$ 16,143,402,222

The combined budgets of the criminal justice branches and agencies constitute nearly 11 percent of the total county budget.

The large share shown for Human Resources is artificially inflated since all expenditures for County-provided employee benefits are included in that category.

Figure 6 shows the proposed appropriations by “appropriation unit”, which are typically departments or divisions within departments. Smaller units have been aggregated in this table.

Note: Includes double budgeted appropriation units such as General Fund Transfers, DCHS Transfers, and Lodging Tax transfers of approximately \$312M. Total budget is \$15.8 billion when double budgets are removed.

Fig. 6

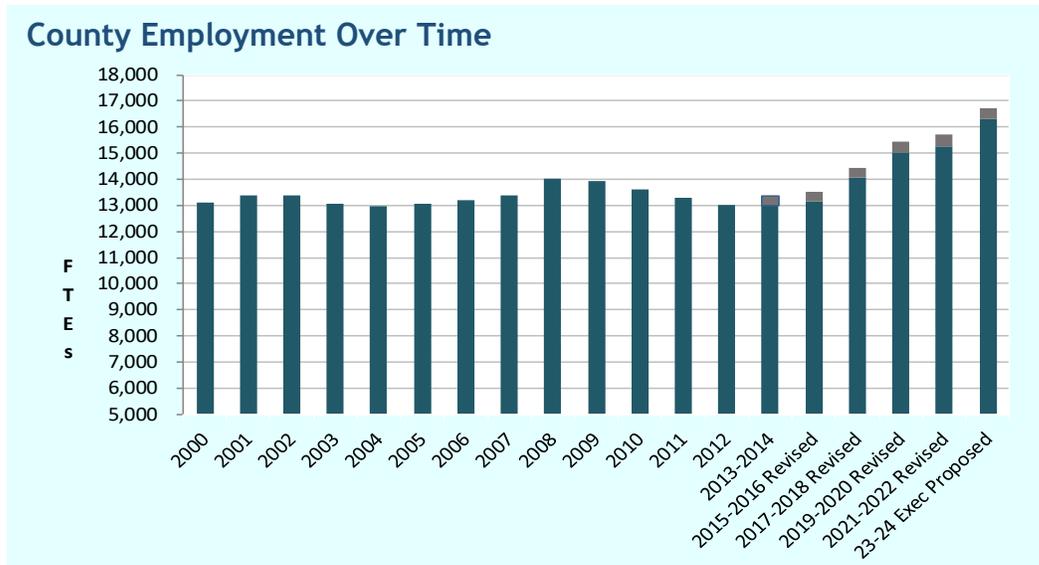


Fig. 7

Figure 7 shows how County employment has changed over time. The figure uses “full-time equivalents” (FTEs) since not all positions are full-time. For example, an individual employed three days a week would be 0.6 FTE. The figure shows that County employment is sensitive to economic conditions. Employment declined after both the 2001 recession and the Great Recession but remained in a range of 13,000 to 14,000 for two decades. In the 2013-2014 budget, the County took on the public defense function using its own employees instead of contractors as a result of a State Supreme Court decision. The lightly colored portions of the bars reflect these staff additions.

County employment grew substantially in the 2019-2020 budget, largely due to service expansions by Metro Transit and several agencies in the Department of Natural Resources and Parks (DNRP).

Figure 8 shows how positions are distributed among agencies in the 2023-2024 Proposed Budget. County programs that depend heavily on people to deliver services have large shares, including Metro Transit, the criminal justice agencies, and Public Health. Programs that are capital-intensive or deliver most services through contracts have much smaller employment, including Wastewater Treatment and DCHS.

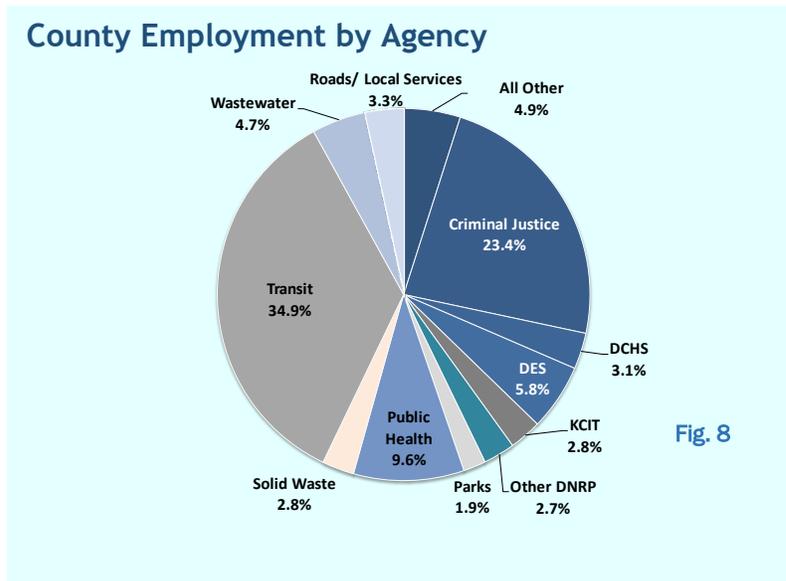


Fig. 8

PROPOSED GENERAL FUND BUDGET

The County’s General Fund is its only truly flexible money that can be used for any lawful purpose. General Fund revenues and expenditures are those associated with traditional county services in Washington State.

REVENUES

The General Fund is projected to receive \$1.89 billion in revenue in the 2023-2024 biennium. As seen in **Figure 9**, property taxes are the single largest source of revenue at about 37 percent of the total. Sales taxes account for about 17 percent of General Fund revenues, a slightly lower percentage than in the 2021-2022 Adopted Budget due to the effect of the recession on sales tax revenues.

Charges for services make up 29 percent and include two major components. The first is payments from other governments that purchase services from the County, including having the Sheriff’s Office serve as the police department for cities, transit agencies, and the Muckleshoot Tribe. Other examples in this category are payments for the District Court to serve as a city’s municipal court and a share of the cost of elections paid by

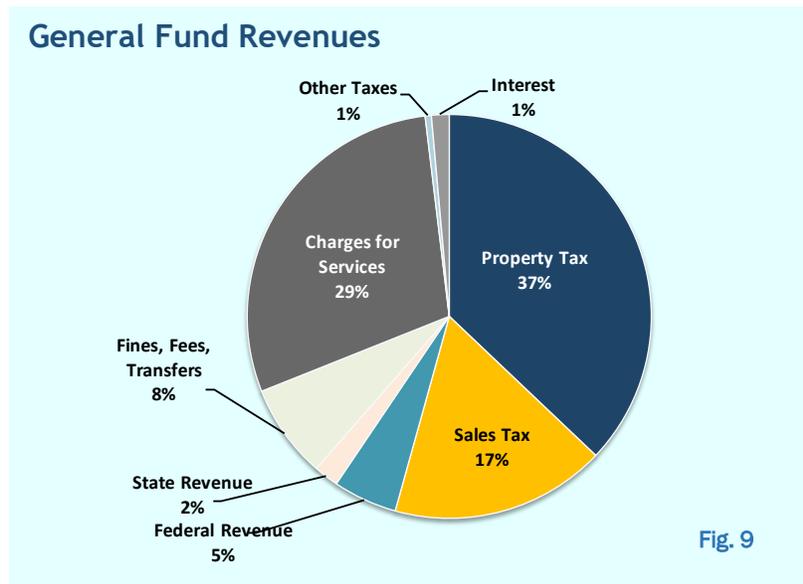
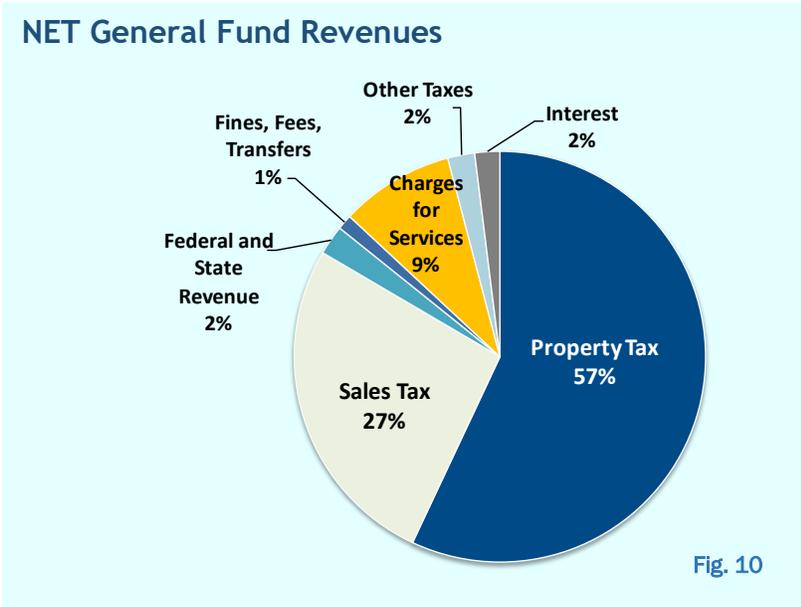


Fig. 9

other governments. The second major component is payments from other County agencies for services purchased from General Fund departments. This includes payments to the Prosecuting Attorney’s Office for civil legal services and allocations of costs for administrative agencies budgeted in the General Fund, such as the Department of Human Resources.

Fines, fees, and transfers account for about 8 percent of revenue, with penalties for late property tax payments and rent for County-owned rights-of-way being the two largest components. The County’s General Fund receives minimal direct support from the federal or state governments.

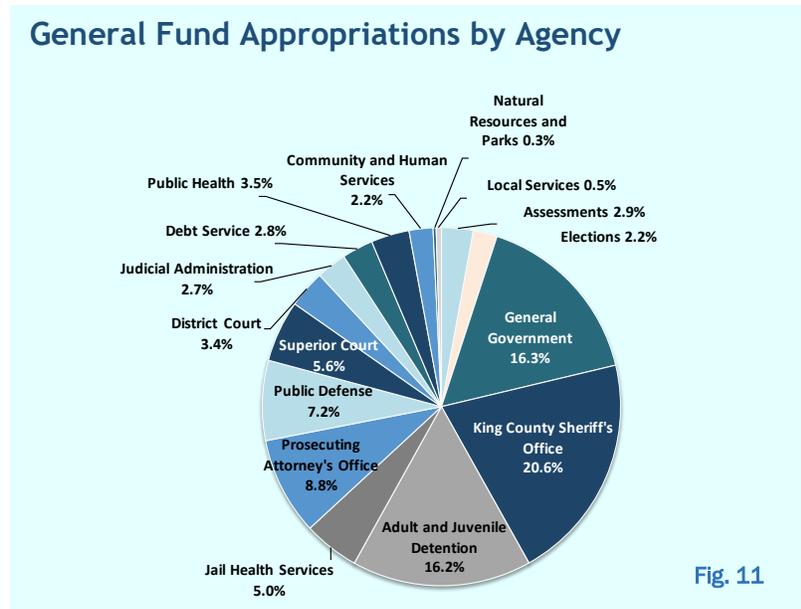
The County’s “net” General Fund revenue includes only those funds that are truly flexible. Most of the charges for service are for specific programs and cannot be used in other ways. When these are excluded, the County has about \$1.28 billion of flexible General Fund revenue for 2023-2024.



As seen in **Figure 10**, property tax accounts for 57 percent of this total, which is typical for counties in Washington. As will be described in more detail below, state law limits property tax revenue growth to 1 percent per year, plus the value of new construction. This means that the largest General Fund revenue source does not keep up with cost growth in most years, so the General Fund faces significant financial challenges even in good times.

PROPOSED APPROPRIATIONS

The 2023-2024 Proposed Budget includes \$2.346 billion of appropriations. **Figure 11** shows these by agency, with the general government units aggregated.



The criminal legal system consists of the Sheriff’s Office (KCSO), the Department of Adult and Juvenile Detention (DAJD), Jail Health Services, the Prosecuting Attorney’s Office (PAO), the Department of Public Defense (DPD), Superior Court, District Court, and the Department of Judicial Administration (the clerk’s function to support Superior Court).¹ Together, they comprise nearly 70 percent of the General Fund budget, with the Sheriff’s Office being the single largest

¹ This is slightly misleading since the PAO and both courts include civil legal functions.

expense. In response to Executive Constantine’s efforts to create alternatives to the traditional criminal legal system, the share of the budget devoted to these agencies decreased from prior budgets. The State-mandated assessment and elections functions are another 5.1 percent while 5.7 percent of the

budget goes to Public Health and human services.

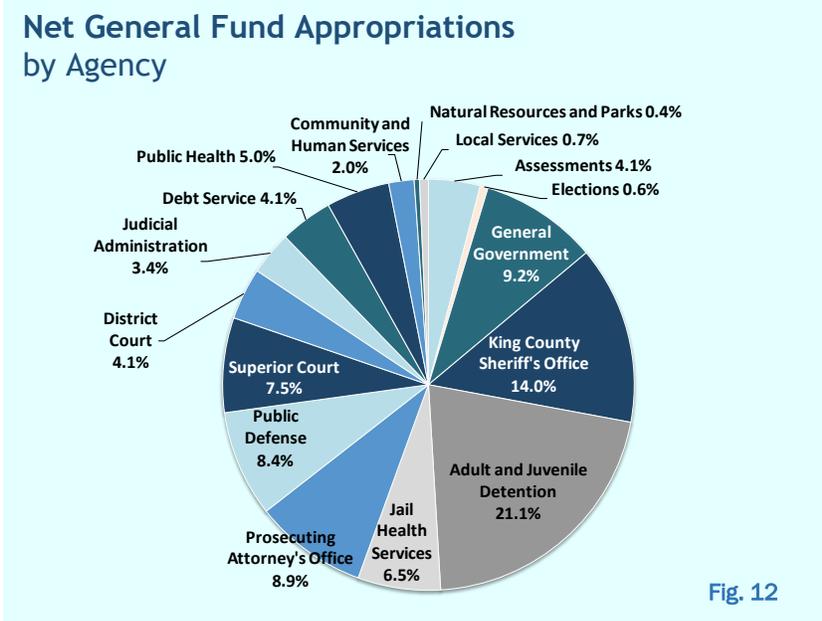


Fig. 12

Figure 11 includes all the programs the County provides on behalf of other governments. When these are removed, the “net” General Fund appropriations look different, as seen in **Figure 12**.

Net General Fund appropriations total \$1.35 billion, and 73.9 percent goes to the criminal legal system. The mix changes significantly because the KCSO budget includes large amounts of

contract revenue. The KCSO share of the budget goes down from 20.6 percent in the total to 14 percent in the net, while the shares for all other criminal legal agencies increase.

Note also that the portion of the budget for General Government, including the Executive’s Office, County Council agencies, Department of Human Resources, and others, decreases from 16.3 percent of the total to 9.2 percent of the net. This is because these agencies support the entire government and recover portions of their costs from other budgets.

The portion of the net budget allocated to assessments and elections remains largely unchanged but the portion for Public Health and human services goes up to 7 percent. This is due to the high priority assigned to these services by the Executive and the Council.

Figure 13 shows General Fund appropriations for each agency. Note that there are some other “appropriation units” that are not actual agencies but are used to appropriate money for other specific purposes. Many departments, such as Community and Human Services, Local Services, and Public Health, receive large amounts of additional money beyond that sent from the General Fund.

GENERAL FUND APPROPRIATIONS

BY AGENCY

APPROPRIATION NAME	2023-2024 PROPOSED
ADULT AND JUVENILE DETENTION	380,222,148
ASSESSMENTS	67,074,126
DCHS - GENERAL FUND TRANSFER TO DCHS	31,654,921
DES - EXECUTIVE SERVICES ADMINISTRATION	6,789,166
DES - FMD PARKING FACILITIES	6,503,670
DES - GENERAL FUND TRANSFER TO DES	8,678,216
DES - OFFICE OF EMERGENCY MANAGEMENT	8,991,173
DES - REAL ESTATE SERVICES	10,003,754
DES - RECORDS AND LICENSING SERVICES	33,034,924
DISTRICT COURT	79,204,130
DLS - GENERAL FUND TRANSFER TO DLS	11,087,844
DNRP - GENERAL FUND TRANSFER TO DNRP	6,546,000
DPH - GENERAL FUND TRANSFER TO DPH	62,436,000
DPH - JAIL HEALTH SERVICES	118,243,879
DPH - MEDICAL EXAMINER	18,643,564
ELECTIONS	50,757,712
EXEC - CLIMATE OFFICE	2,339,913
EXEC - COUNTY EXECUTIVE	702,493
EXEC - OFFICE OF ECONOMIC OPPORTUNITY AND CREATIVE ECONOMY	2,209,351
EXEC - OFFICE OF EQUITY AND SOCIAL JUSTICE	14,860,568
EXEC - OFFICE OF LABOR RELATIONS	7,609,155
EXEC - OFFICE OF PERFORMANCE STRATEGY AND BUDGET	70,458,200
EXEC - OFFICE OF THE EXECUTIVE	13,796,041
GENERAL FUND TRANSFER TO DEBT SERVICE	65,937,882
HUMAN RESOURCES MANAGEMENT	56,406,511
INTERNAL SUPPORT	39,946,570
JUDICIAL ADMINISTRATION	63,890,969
LEG - BOARD OF APPEALS	1,852,355
LEG - COUNCIL ADMINISTRATION	43,157,120
LEG - COUNTY AUDITOR	6,374,349
LEG - COUNTY COUNCIL	4,259,145
LEG - HEARING EXAMINER	1,339,718
LEG - KING COUNTY CIVIC TELEVISION	1,827,627
LEG - OFFICE OF LAW ENFORCEMENT OVERSIGHT	3,811,814
LEG - OMBUDS TAX ADVISOR	4,666,453
PROSECUTING ATTORNEY	206,963,029
PUBLIC DEFENSE	169,528,183
SHERIFF	483,333,368
SMALL AGENCY	50,534,096
SUPERIOR COURT	130,357,801
Grand Total	2,346,033,938

Fig. 13

WHAT WE DIDN'T FUND

Executive Constantine received hundreds of requests for General Fund support from County departments, the courts, and agencies managed by separately-elected officials. The vast majority of these were good ideas that would maintain or improve services for County residents. Unfortunately, the revenue limitations imposed by the State prevented most of these from being funded. Examples of desirable but unfunded proposals include:

- The Assessor's Office requested additional staff to address a large backlog of senior property tax exemptions that resulted from a change in State law.
- The Sheriff's Office requested \$13 million to replace its rescue helicopter, which is the only full-time unit in the state. The helicopter is about 50 years old and is increasingly difficult to maintain.
- Superior Court and District Court both requested funding to support all the technology added during the COVID-19 pandemic. This technology allows remote jury selection so potential jurors can stay at home or work and need not come to a courthouse for potential jury selection. It also allows much more efficient handling of documents and makes court processes more efficient. These requests were fulfilled using federal pandemic response money, but only for 2023.
- The Regional Gun Violence program requested an additional \$3 million to expand the regional peacekeepers program to additional locations experiencing gun violence.
- The Department of Local Services requested additional staff for updating King County codes and increasing code compliance efforts, which could only be partially funded.
- The Facilities Management Division requested additional funding for building maintenance and rehabilitation, especially for jails and courthouses. While the County has been increasing its funding for this work over the last six years, a maintenance backlog of several hundred million dollars remains.

THE REVENUE SYSTEM IS BROKEN AND THE CRISIS IS TWO YEARS AWAY

The revenue system used in the State of Washington has been widely criticized for decades. Its heavy dependence on sales and excise taxes means that it is volatile, does not keep up with economic growth, and is typically evaluated as the most regressive in the United States.² The revenue system for counties is even worse. The State determines which revenue sources are available to counties and has limited those to property and sales taxes.³ In contrast, the State itself and cities are allowed to impose property taxes, sales taxes, utility taxes, and a wide array of business taxes.

² A regressive tax or other revenue source is one that requires people with lower incomes to pay a higher percentage of their income in taxes than is paid by people with higher incomes.

³ There are a few other minor taxes, such as gambling taxes, but these constitute tiny fractions of county budgets.

EXECUTIVE SUMMARY

As noted previously, King County’s General Fund is heavily dependent on the property tax, which is projected to be over 57 percent of net General Fund revenue in 2023-2024. In 2001, State voters passed an initiative to limit annual property tax revenue growth for most governments to 1 percent per year (this initiative did not pass in King County). The initiative was later found to violate the State Constitution, but the Legislature immediately reinstated it. Efforts to change the limit over the last 20 years have been unsuccessful.

There are two exceptions to the 1 percent revenue growth limit. The first is that the value of new construction is added to the tax base. This varies widely from year to year but is typically in the range of 0.5 to 1.5 percent. Second, voters can approve higher taxes through levy lid lifts, which allow the 1 percent revenue growth limit to be exceeded. The cumulative effect of this limit has dramatically lowered King County General Fund revenues. **Figure 14** compares actual revenues with the revenue that would have been received if property taxes kept up with inflation and population growth.



Fig. 14

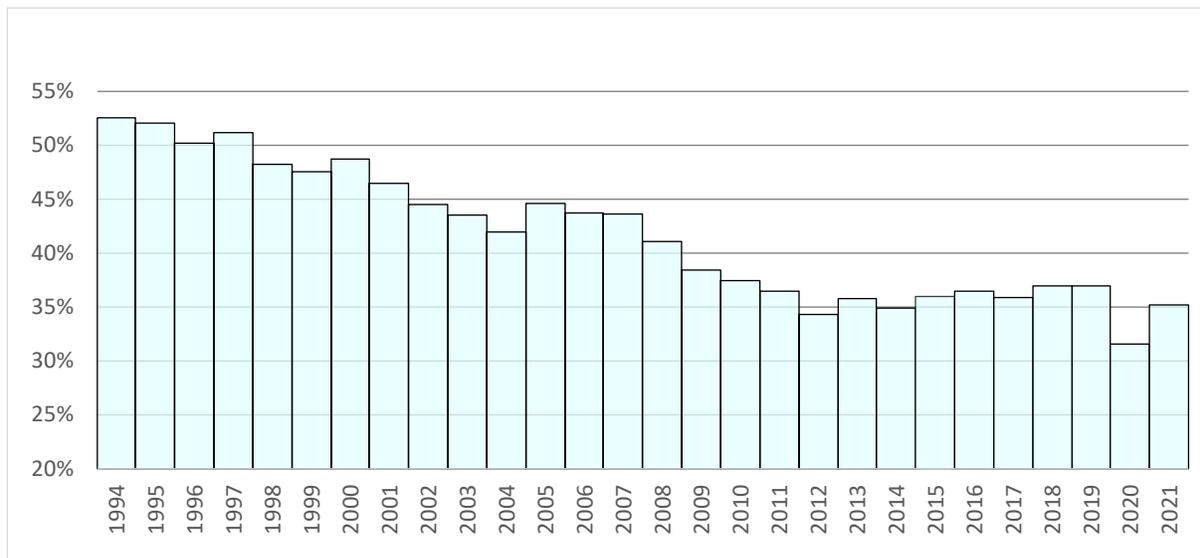
In 2021, the County’s General Fund would have received about \$675 million had revenue kept up with inflation and population growth since 2001. Actual revenue was about \$400 million. The County has asked voters to approve several levy lid lifts over the years, most for new programs such as land acquisition or emergency communications. About \$43 million of lid lift revenue in 2021 offset items that were budgeted in the General Fund in 2001, so a fairer comparison is \$675 million versus \$443 million. Had property tax revenue kept up with inflation and population growth, King County would have not needed to ask voters for many of the tax increases in recent years.

The only reason that counties have managed to maintain most service levels since 2001 is that inflation was low for the ensuing two decades. This reduced the need for wage increases and held down the costs of supplies, fuel, and construction. King County typically balanced its budget through efficiencies, modest service reductions, and small new revenues such as the franchise fee.

The recent increase in inflation ended the ability to cope in this way. Most County employees will receive wage increases of 4 percent in each of 2023 and 2024. Corrections officers and Sheriff deputies – the two largest groups of General Fund employees – will receive significantly larger wage increases under contracts that have recently been negotiated. These higher wages are needed to keep up with the labor market. Fuel prices have spiked and construction costs in the Puget Sound area have increased by about 20 percent in the last year. It is impossible to maintain services when costs are growing at these rates and property tax revenue is only allowed to increase by 1 percent annually. The

Sales Taxes as a Percentage of Personal Income (OEFA)

Fig. 15



2023-2024 General Fund Proposed Budget was balanced using one-time money from salary savings and federal COVID response. These will be exhausted at the end of 2024, leaving a 2025-2026 General Fund deficit that is projected to be \$80-100 million depending on the fund balance desired at the end of the bienniums. This is the equivalent of about 300-350 General Fund employees. Some County functions, such as corrections, elections, and public defense, are required by State law and thus cannot be meaningfully reduced. Thus, staffing cuts will fall disproportionately on the courts, prosecutors, administrative agencies, and internal service agencies that support all County departments.

Sales taxes in Washington State are an increasingly unproductive source of revenue. **Figure 15** shows the percentage of total King County personal income that is spent on items subject to the sales tax. Twenty-five years ago, over half of personal income was spent on items subject to the sales tax. Over time, this percentage has declined, with sharp drops at the beginning of the Great Recession and in 2020. Today, barely 35 percent of personal income is spent on items subject to the sales tax, and this is not expected to change significantly in the future.

There are many causes of this decline. The two most significant likely are: 1) a gradual shift from purchasing fewer goods to purchasing more services, which usually aren't subject to the sales tax; and 2) rising income inequality, which affects sales taxes because higher-income individuals spend a much lower percentage of their income on items subject to sales taxes. Online purchasing has had an effect, but this has largely been corrected by a recent U.S. Supreme Court decision that allows taxation of most remote sales. Changing consumer preferences are another factor, particularly in an area such as King County, where younger residents typically are occupying smaller dwellings and often don't purchase vehicles, thereby reducing demand for items subject to the sales tax.

The result of this long-term trend is that the sales tax revenue generally does not keep up with economic growth, especially when the tax base remains largely unchanged from the 1930s.

King County, unlike most other counties, also is adversely affected by the structure of the sales tax, for two reasons. First, the sales tax rate received by a county depends on where a sale occurs. If a sale occurs in the unincorporated area (outside of cities), the county receives the entire 1.0 percent local

Sales Tax in Unincorporated Area County Comparisons (OEFA)

County	2021 Taxable Sales	2021 Unincorporated Taxable Sales	County Share of Taxable Sales
Kitsap	6,354,613,869	2,950,408,142	46.4%
Clark	11,292,022,884	3,124,194,271	27.7%
Pierce	23,433,846,306	5,495,521,416	23.5%
Snohomish	20,789,289,941	4,565,904,160	22.0%
Whatcom	5,723,797,290	1,115,881,059	19.5%
Thurston	7,566,250,916	1,375,317,882	18.2%
Spokane	14,350,594,127	2,291,531,979	16.0%
Yakima	5,276,953,540	800,707,815	15.2%
Benton	5,990,200,989	711,588,765	11.9%
King	82,446,416,408	3,341,538,103	4.1%

Fig. 16

sales tax. If a sale occurs within a city, the county receives only 0.15 percent, and the city receives the remaining 0.85 percent. King County has actively complied with the State Growth Management Act that encourages urban areas (including almost all commercial areas where taxable sales occur) to be brought into cities. As a result, King County receives almost no sales tax at the full 1.0 percent rate. **Figure 16**

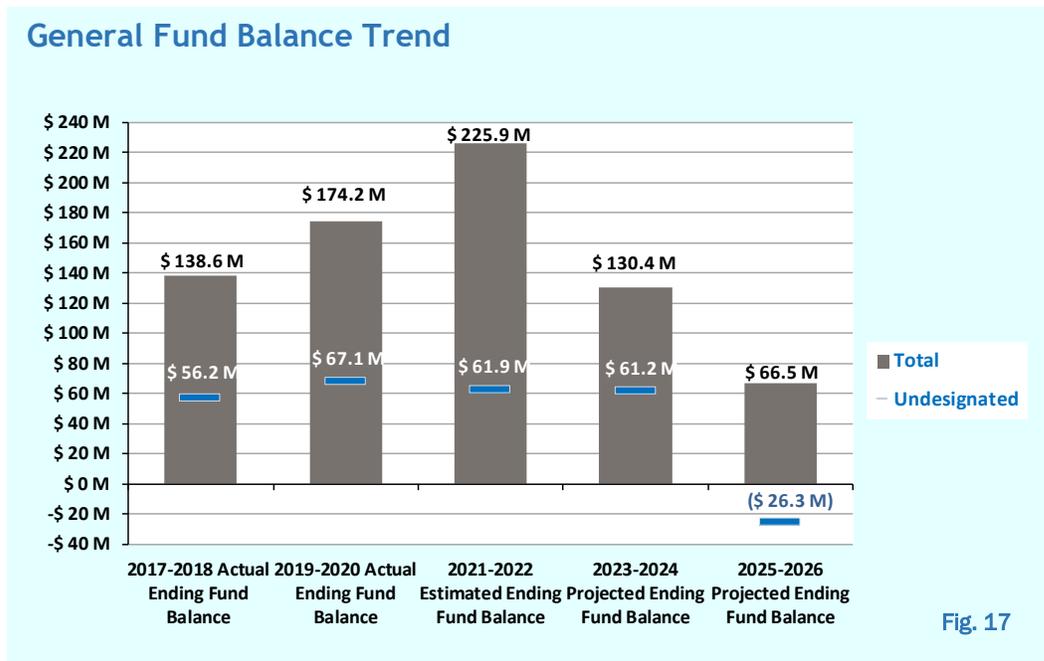
shows that King County only had 4.1 percent of its taxable retail sales in the unincorporated area in 2019, far lower than any of the ten most populous counties.

Second, many counties impose a separate 0.1 percent criminal justice sales tax. This tax has been in effect in King County since the early 1990s. Under State law, counties receive 10 percent of the revenue, and the remainder is split among cities and the county based on population (for the county, it is the population of the unincorporated area). As the County has implemented the State Growth Management Act, its unincorporated area population has declined. The County conducted a study in 2017 to identify total criminal justice expenditures by cities and the County and compare them with the distribution of the criminal justice sales tax. King County has about 37 percent of the total expenditures but only receives 20 percent of the revenue. The City of Seattle basically breaks even, and all the other cities received far more revenue than their share of criminal justice costs. This outcome is the result of State law that requires the County to bear the financial burden of juvenile justice and the incarceration and adjudication of all felonies, regardless of where they occur.

EXECUTIVE SUMMARY

The combined consequence of these revenue challenges and the COVID recession is that the General Fund balance is projected to decline in the future. As seen in **Figure 17**, the actual fund balance at the end of the last biennium (2019-2020) was \$174.2 million. This is projected to be \$225.9 million at the end of the 2021-2022 biennium due to the temporary availability of federal COVID response funds and underspending by departments due to vacant positions. The balance is projected to decline to \$130.4 million at the end of the 2023-2024 biennium.

The County’s financial policies require the General Fund’s undesignated fund balance to be between 6 and 8 percent of total revenue (excluding some contracted revenue). The undesignated portion of the fund balance is projected to be \$61.9 million at the end of 2022 (again due to salary savings and federal funds) but decline to \$61.2 million at the end of 2024. This reflects the planned reduction in the targeted unreserved fund balance from 8 percent of revenues to 7 percent. King County came out of the Great Recession with a 6 percent undesignated fund balance and gradually rebuilt to the 8 percent level. The current projection of 2026 ending fund balance is only \$66.5 million, with a negative undesignated fund balance, which violates County financial policies. The inadequacy of revenue options available to counties will necessitate large budget reductions in the future unless additional revenue flexibility is obtained.



OTHER NOTEWORTHY BUDGETS

BEHAVIORAL HEALTH

King County has several funds in the Department of Community and Human Services (DCHS) that support behavioral health programs and these funds interact in complex ways. Behavioral health programs are well funded for 2023-2024 due to increases in State funding, higher Medicaid enrollment, and strong sales tax revenue growth for the County's Mental Illness and Drug Dependency (MIDD) and Health Through Housing (HTH) funds.

The Behavioral Health Fund has a proposed budget of \$750 million for the 2023-2024 biennium. Most of the revenue comes from the State, but the County contributes \$15.5 million from MIDD and \$13.6 million from HTH. The General Fund contribution was eliminated as part of balancing the General Fund's budget. Most of the spending from the Behavioral Health Fund goes to managed care organizations (MCOs) to provide services. King County is the only remaining county in Washington to serve as an intermediary between the State and the MCOs and does so to ensure quality and to make sure State-funded programs are coordinated with County-funded ones.

The MIDD Fund is supported by a 0.1 percent sales tax and is proposed to spend \$206.8 million in 2023-2024. Strong revenue growth and underspending in 2021-2022 allowed significant program expansions in the 2023-2024 Proposed Budget. Inflationary adjustments are proposed for almost all MIDD programs at a cost of \$7.3 million. Prevention and early intervention strategies are to receive an additional \$3.4 million. A series of new crisis diversion programs, including respite beds, additional funding for opioid programs, and more co-responders are proposed to get an additional \$8.1 million. The co-responder program is to be coordinated with the Sheriff's Office and provides trained behavioral health professionals to work with law enforcement in situations where behavioral health referrals are likely to be more effective than jail.

The County Health through Housing program started in 2021 and is funded by another 0.1% sales tax. HTH's principal function has been to acquire and operate 11 hotels, motels, and apartment buildings to provide permanent supported housing. This is housing coupled with on-site services to help individuals recover the ability to function in society. Strong sales tax growth and the ability to lower HTH's contribution to the Behavioral Health Fund are projected to allow operation of all facilities and significant rehabilitation of one of the earliest acquisitions.

HOUSING

DCHS also operates the County's housing programs, which have expanded significantly in recent years. The County imposes a 2 percent tax on most lodging (hotels and motels) in the county. This revenue source plummeted during the pandemic, falling from \$35.9 million in 2019 to only \$9.8 million in 2020. Strong growth in tourism and the return of conventions has led to strong recovery in 2022, and the forecast is for this source to generate \$36.1 million in 2023. A portion of the lodging tax is dedicated to transit-oriented development (TOD) housing, which is affordable housing located near transit stops. The 2023-2024 Proposed Budget includes \$45 million in additional bond proceeds for TOD projects, with the debt service paid from the lodging tax.

EXECUTIVE SUMMARY

The State recently increased the fees charged for recording documents and dedicated the revenue to housing-related programs. DCHS expects to spend \$30 million from this source for supportive housing and \$20.5 million for rental assistance.

METRO TRANSIT

Metro is the County's largest agency and provides bus service throughout the county. Metro also contracts with Sound Transit to operate regional light rail. Metro's finances are in strong condition due to high sales tax growth and significant federal funding to support operations during the pandemic.

The Executive and Council have set a goal to fully electrify Metro's bus fleet by 2035. The 2023-2024 Proposed Budget continues these efforts. In addition, the Proposed Budget provides funding to continue planning and design of the RapidRide R line, which would serve the Rainier Valley.

Metro ridership is at about 50 percent of pre-pandemic levels since many office workers continue to work remotely. The 2021-2022 Adopted Budget anticipated full restoration of pre-pandemic service levels. This has not occurred due to continued low ridership and the difficulty in hiring bus operators in a very strong economy. Metro has the financial resources to restore service as demand increases.

PUBLIC HEALTH

Public Health – Seattle and King County is one of the country's premier health departments. Public Health has faced chronic funding challenges due to inadequate State funding. However, in recent years the State has significantly increased funding through its Foundational Public Health Services initiative. Public Health also received large amounts of federal and State COVID-19 funding, some of which will carry over into the 2023-2024 biennium. This additional funding means that the Public Health budget is stable for the 2023-2024 biennium. However, the longer-term financial situation is still challenging unless the State continues to increase its funding and the County's General Fund receives additional revenue.

RATE PROPOSALS

The County charges fees to support several of its functions. Many of these programs had no fee changes in the 2021-2022 budget to avoid cost increases for residents struggling with the pandemic. However, inflation, growing demand, and the need for new capital facilities has led to rate increases for the 2023-2024 biennium:

- A 2023 rate increase of 5.75 percent for the Wastewater Treatment Division was approved in the spring and is reflected in the 2023-2024 Proposed Budget. The capacity charge imposed on new residential units was increased by 3 percent. Much of the increase is due to an expanded asset management (equipment replacement and rehabilitation) program, investments to improve power reliability at the West Point treatment plant, and new permitting requirements.
- Annual rate increases of 9.6 percent for both 2023 and 2024 for the Solid Waste Division were recently approved by the County Council. These increases are driven mostly by a growing capital program to replace two transfer stations and add capacity at the Cedar Hills Landfill.

Expanded recycling and reuse programs as part of the Re+ initiative also contribute to the increase.

- The Water and Land Resources Division collects a surface water management (SWM) fee in the unincorporated parts of the county. The 2023-2024 Proposed Budget includes an 11.8 percent fee increase for this program, driven mostly by inflation.
- The County's noxious weed program removes such invasive weeds and provides educational programs for residents. The Proposed Budget includes a 16.5 percent fee increase due to increases in operating costs.
- The Department of Local Services Permitting Division administers land use and building permits in the unincorporated portions of the county. Significant staffing reductions were made in the 2021-2022 Budget due to reduced construction in the early phases of the pandemic. Building activity has rapidly recovered so a 13.7 percent fee increase is included in the Proposed Budget to restore staffing. A two-year surcharge of 2.5 percent is also proposed to rebuild fund balance drawn down during the pandemic.

