



King County

2021-2022 BIENNIAL BUDGET

EXECUTIVE PROPOSED

September 2020

Executive Summary

KING COUNTY, WASHINGTON

Dow Constantine
King County Executive



2021-2022 BIENNIAL BUDGET

Executive Summary

Office of the King County Executive
Office of Performance, Strategy and Budget

September 2020

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King County

Dow Constantine King County Executive

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King County

KING COUNTY OVERVIEW

KING COUNTY provides local and regional services to 2.2 million residents, with a two-year budget of about \$12.4 billion and over 15,000 employees. Many County programs have been affected by the COVID-19 pandemic and the resulting economic recession. Significant reductions were required in many areas of the 2021-2022 Proposed Budget, including services supported by the County's General Fund and bus and rail service provided by Metro Transit. The County has been providing a wide array of COVID-related services in 2020, relying mostly on federal and state funds. The County's ability to continue this response in 2021 is dependent on additional funding being available. County leaders are committed to an anti-racism agenda, which is reflected in significant reallocation of funds within the Executive's 2021-2022 Proposed Budget. Finally, 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.

King County is the 12th largest county by population in the United States and is the eighth 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, increased congestion, and growing income inequality. How COVID and the current recession 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 programs, elections, property assessment, solid waste transfer and disposal, 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.

BUDGETING IN A TIME OF UNPRECEDENTED UNCERTAINTY



King County

The County's 2021-2022 Proposed Budget has been developed in a period of great uncertainty. There are four inter-related factors that create this uncertainty: 1) the impact of the COVID-19 virus; 2) the resulting economic recession; 3) the lack of a continued federal response; and 4) the November federal election.

COVID-19

King County was the epicenter of COVID-19 in the United States. The first known case occurred here and the first large outbreak followed shortly thereafter. Public Health – Seattle & King County led the initial response to the pandemic with strong support from state and federal agencies. King County officials were among the first to call for restrictions to help contain COVID and County Public Health leaders have played major roles in the state and national response.

In the spring, Governor Jay Inslee announced a series of steps to limit the spread of COVID and support response by public health organizations, hospitals, and other health care institutions. These led to a significant decline in cases while most people stayed at home, but case counts rose again as some people returned to work and as summer encouraged social gatherings. At this writing in early September, cases are trending down again, but many businesses remain closed or are operating in very limited ways. In King County, all public school districts are doing remote learning for at least the rest of 2020.

King County's COVID response has been led by the Office of Emergency Management (OEM), Public Health, and the Department of Community and Human Services (DCHS). The County employed its incident command structure to coordinate responses across agencies. Many new programs and facilities were developed, including expanded testing and contact tracing through Public Health, a comprehensive public education campaign with particular emphasis on immigrant and Limited English Proficiency populations, and establishment of a call center. The Facilities Management Division (FMD)

led the effort to acquire or site facilities for individuals to isolate and quarantine if they could not do so at home. DCHS worked with FMD to lease hotels and provide hotel vouchers so homeless individuals previously housed in large shelters could have individual rooms. OEM made major purchases of personal protective equipment (PPE) and masks, and the County is distributing masks through several partner organizations and community locations.

Other parts of King County government also have been substantially affected by COVID. The County Executive ordered all employees who can to telework. County office buildings are largely vacant and most office employees have quickly adapted to a new way to work. The work from home order for County employees currently applies through early January but is likely to be extended.

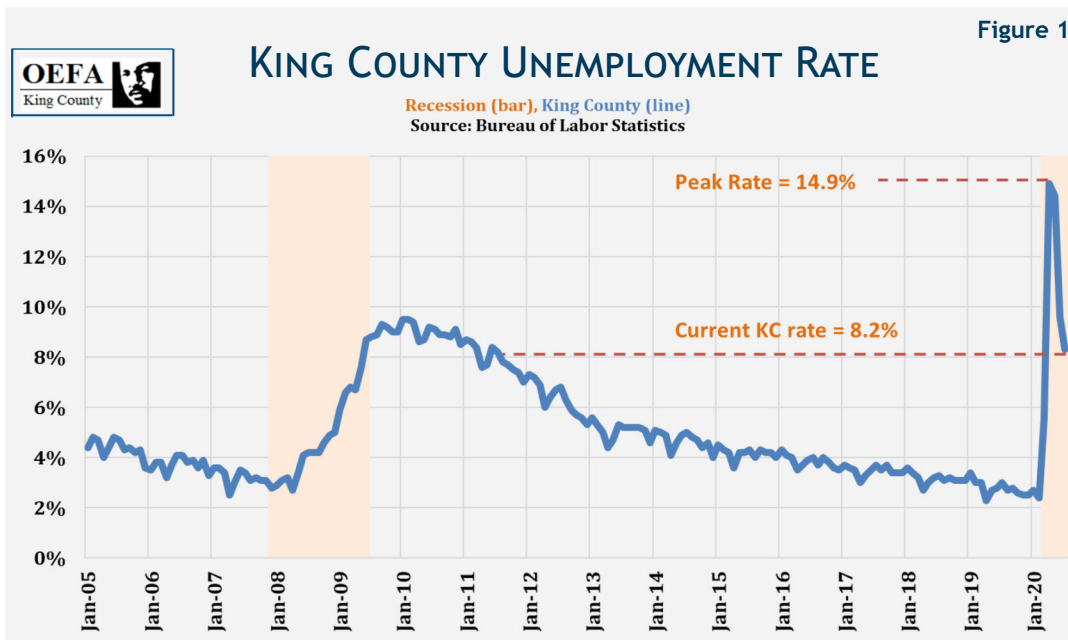
Metro Transit experienced a decline in ridership of about 75 percent and had to develop ways to ensure employee safety and to create social distancing on buses and trains. The courts expanded electronic services but jury trials were suspended until July and only a few are being conducted today. The Department of Adult and Juvenile Detention (DAJD) worked with the County's Continuous Improvement Team to apply principles of the Lean management system to reduce the jail population and ensure social distancing. This has helped to protect the health of inmates and staff. The County Council switched to virtual meetings and will do its budget deliberations remotely this fall.

While there is hopeful news about potential treatments and vaccines, County leaders have no expectations that COVID will pass quickly. This budget has been developed with the assumption that COVID remains active through at least the summer of 2021.

COVID RECESSION

The need to respond to COVID-19 led to a recession throughout almost the entire world. By most measures, this recession is the deepest in the United States since the Great Depression. In King County, the effect has been felt most severely by the lodging industry, which depends on people attending conventions and on tourists, including cruise ship passengers. Hotel occupancy quickly fell by 90 percent compared with 2019 and remains very low today. The restaurant industry has also been severely affected, despite ingenious efforts at takeout and delivery. The region's aerospace industry has been hurt by the collapse of air travel and the sluggish market for new airplanes, leading to thousands of layoffs. Many nonprofit organizations have struggled as it has become more difficult to raise funds. Health care organizations, especially hospitals, have suffered large financial losses due to postponement of normal procedures and the added costs of personal protective equipment.

Figure 1 shows the King County unemployment rate from 2005 to 2020. The rate peaked at 14.9 percent in April and declined to 8.2 percent in July, but there is concern that job losses could grow as federal support for paycheck protection expires. As in other parts of the country, these job losses have particularly affected Black, Indigenous, People of Color (BIPOC) individuals, whose jobs tend to be concentrated in service industries.

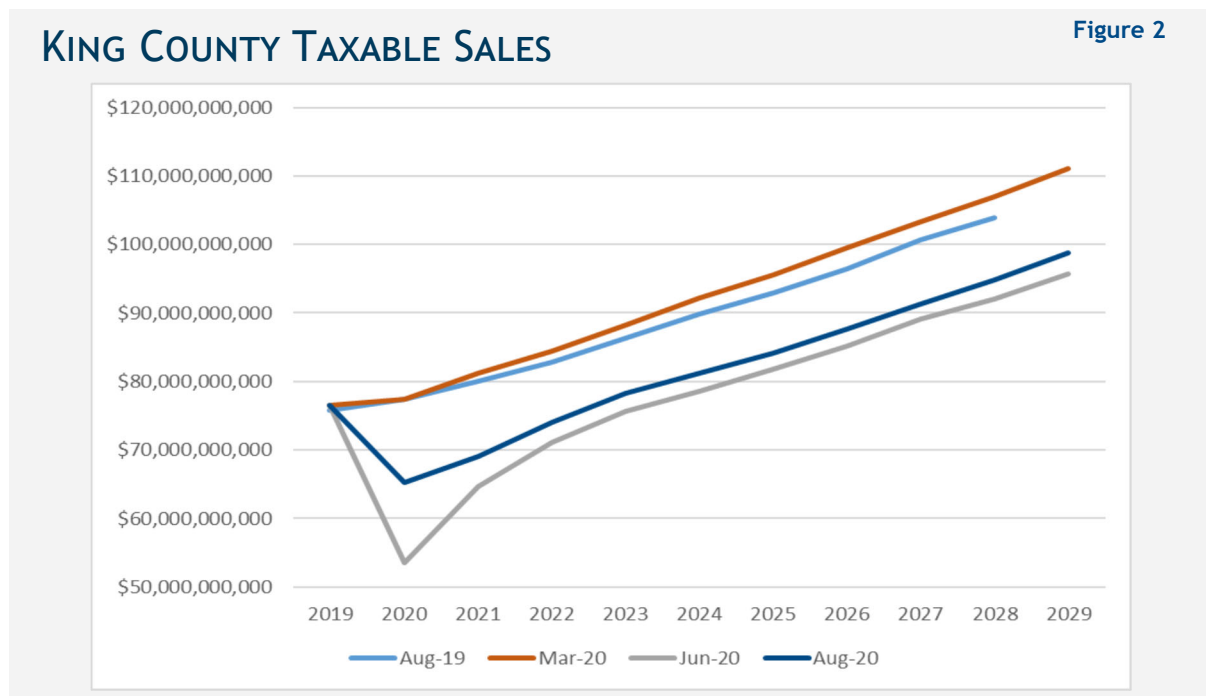


There have been economic winners during COVID. Delivery services have flourished as stores have been closed and as people are reluctant to leave their homes. Most of King County's technology businesses have continued to do well, with expanding demand for equipment and

software to support remote learning and telework. Clever entrepreneurs have come up with new services to replace traditional approaches during COVID.

One aspect of COVID that has profound effects on budgeting is the uncertainty about its future course. The United States has not experienced anything like this in a century and thus has no model to follow.

Figure 2 gives an example of this uncertainty. It shows forecasts of the County's sales tax base (the amount of transactions subject to sales tax) at different times. COVID obviously has had a huge effect on this revenue base but predicting the effect has been challenging.



FEDERAL AND STATE COVID RESPONSE

The federal and state governments responded quickly to the spread of COVID. A series of federal appropriation bills have been passed that provide funds for unemployment benefits, paycheck protection, small business support, public health response, and a variety of other programs. The State Legislature included emergency funding in its supplemental budget and the state has also passed along a portion of certain federal funds it has received. King County government has received large amounts of federal and state funding to support its COVID response. Most notable is funding from the federal Coronavirus Aid,

FEDERAL AND STATE COVID FUNDING (IN MILLIONS)

CARES Act—General	\$262
CARES Act—Metro	\$243
CARES Act—Airport	\$18.10
CARES Act—DCHS	\$4.30
CARES Act—Other	\$2.80
State—Housing	\$28
State—Public Health	\$6.30
State—Other	\$10.70
TOTAL:	\$575.20

Figure 3

Relief, and Economic Security (CARES) Act approved in March. **Figure 3** shows the major categories of federal and state funds received by the County through early September.

In addition, many of the County's COVID-related expenditures are eligible for reimbursement from the Federal Emergency Management Agency (FEMA). The amount of such reimbursements is currently unknown but will be in the tens of millions of dollars.

The federal and state funds have paid for the previously described County activities and have been used to provide direct support to individuals and organizations. The County Council has passed four emergency appropriations bills to cover County programs, food assistance, rental assistance, child care, legal aid, small business grants, and support for cities and arts and cultural organizations. Most of these have come from either expected FEMA reimbursement or the \$262 million of relatively flexible CARES Act funding. A final COVID appropriations ordinance is expected to be sent to the County Council in October.

The largest categories of planned 2020 COVID-related spending include (all figures are estimates by year-end except where noted):

- \$40 million for new and redeployed staff to respond to COVID and incremental COVID-related leave.
- \$60 million for costs eligible for FEMA reimbursement, including acquisition and development of isolation and quarantine facilities, PPE, and shelter de-intensification. This is an estimate as of late July and will increase significantly since the federal COVID emergency has been extended.
- \$30 million for the local portion of matching funds needed for costs partially covered by FEMA or for those deemed ineligible.
- \$29 million for Public Health testing and contact tracing.
- \$22 million for Public Health community mitigation and support.

- \$20 million for food, rental, and legal assistance for individuals.
- \$13 million to support arts, culture, live music, and tourism organizations adversely affected by COVID.
- \$12 million for purchases of masks and hand sanitizer for distribution to the public.
- \$4 million for grants to small businesses adversely affected by COVID in the unincorporated area.
- \$2 million for economic recovery support distributed through cities plus another \$1 million distributed to chambers of commerce and other business organizations.

There are many other categories of spending, including upgraded information technology equipment and systems to facilitate teleworking and video courts, additional support for organizations responding to domestic violence, and incremental costs for County agencies to purchase equipment and supplies necessary to respond to COVID. Almost all of the County's COVID-related expenditures are outside of the City of Seattle since Seattle received its own direct allocation of federal CARES Act funds.

Despite the initial strong federal response, no new appropriations have been provided for several months as the House, Senate, and President have gridlocked over amounts and priorities. Much of the existing funding, including the flexible funding under the CARES Act, expires on December 30. No funding has been provided to offset lost state or local revenues. The Executive's 2021-2022 Proposed Budget thus must assume no new federal or state funding for COVID response. It appears some money will be available to Public Health for continued testing and contact tracing, but most other aspects of the County's COVID response will not continue into 2021 due to lack of funding.

NOVEMBER FEDERAL ELECTION

The November federal election includes races for President and key Senate seats, each of which will affect the partisan balance of the federal government. The two parties have very different philosophies about government and their policies will have profound effects on King County government and its residents. This uncertainty extends beyond COVID response and potential federal funding to a wide range of other programs the County provides, including justice, human services, environmental protection, and transit.

EXECUTIVE'S APPROACH TO THE 2021-2022 BUDGET



Executive Dow Constantine used eight principles in developing his 2021-2022 Proposed Budget:

1. **Advance an anti-racism agenda.** The County has been developing and implementing its Equity and Social Justice (ESJ) strategy for over a decade. The death of George Floyd and the ensuing national debate about the effects of centuries of systemic racism brought heightened attention to the need for the County to realign its programs to meet the needs of BIPOC communities. The Executive establish a core team to identify opportunities to expand anti-racist programs and the Proposed Budget reflects many of these ideas.
2. **Continue criminal legal system reform.** King County has been a pioneer in justice reform, especially in reducing juvenile detention and creating alternatives to traditional courts. The average daily population in juvenile detention has fallen to about 20 and the County has succeeded in reducing the average daily population in the adult jails from about 1,900 pre-COVID to about 1,300 today. Despite this progress, the criminal legal system remains heavily focused on low-income people of color. The Executive brought together leaders of the other branches and agencies to identify ways to increase diversion, reduce costs, and improve outcomes, several of which are reflected in the Proposed Budget.
3. **Expand opportunities for community engagement and co-creation.** King County has had success in engaging communities to allocate funds and set priorities in a few limited areas, especially with the Best Starts for Kids and Veterans, Seniors, and Human Services property tax levies. More generally, the County has made few efforts to support budget engagement and co-creation. The Executive's core team identified several new possibilities that are reflected in specific proposals in this budget, including alternatives to traditional policing in the unincorporated area and a proposed group of community navigators to work at a countywide level.
4. **Utilize multi-biennial planning to allow investment in new initiatives and divestment from existing systems.** Existing systems, especially in the criminal legal area, tend to resist change. Alternatives have to be developed and deployed first before they can replace parts of the existing system. The 2021-2022 Proposed Budget includes several programs that make investments in new approaches that will eventually be paid for by divesting from existing programs. Some of these investment/divestment programs balance within the 2021-2022 Proposed Budget but others recognize that the balance won't be obtained until the next biennium. This multi-biennial approach allows much more progress than limiting the time period to two years.

5. Continue progress on critical priorities, especially environmental initiatives.

Executive Constantine has made environmental policy and programs a key priority for County government. There are three major inter-related environmental priorities:

- Strategic Climate Action Plan (SCAP) update, which sets goals for reducing carbon emissions in the county and identifies specific programs that need to be created or expanded. One example of this is electrification of the entire Metro bus fleet by 2040.
- Clean Water/Healthy Habitat initiative, which seeks to identify and implement the most cost-effective ways to improve water quality for people, salmon, and orcas.
- Land Conservation Initiative, which sets targets for acquiring open space in critical areas of the county for recreation and environmental benefits.

The Proposed Budget continues efforts in all three areas despite the economic downturn. Other priorities that are reflected in this budget include long-term steps toward expanding access to transit and continued progress to reduce homelessness and create affordable housing.

6. **Make prudent use of reserves.** Over the last decade, the County built reserves in most of its economically sensitive funds. For the General Fund, the unreserved fund balance was increased from 6 percent to 8 percent, which is the maximum allowed by County policy. A separate \$26 million Rainy Day Fund was also funded. For Metro Transit, a reserve sufficient to maintain service through a typical recession was created. For the Mental Illness and Drug Dependency (MIDD) Fund, a recessionary

reserve was also created, but some of this was used to expand critical services in the 2019-2020 Budget. These reserves allow many services to be maintained that would otherwise have to be reduced due to the COVID recession.

Figure 4 shows how the County's General Fund reserves have changed over time:

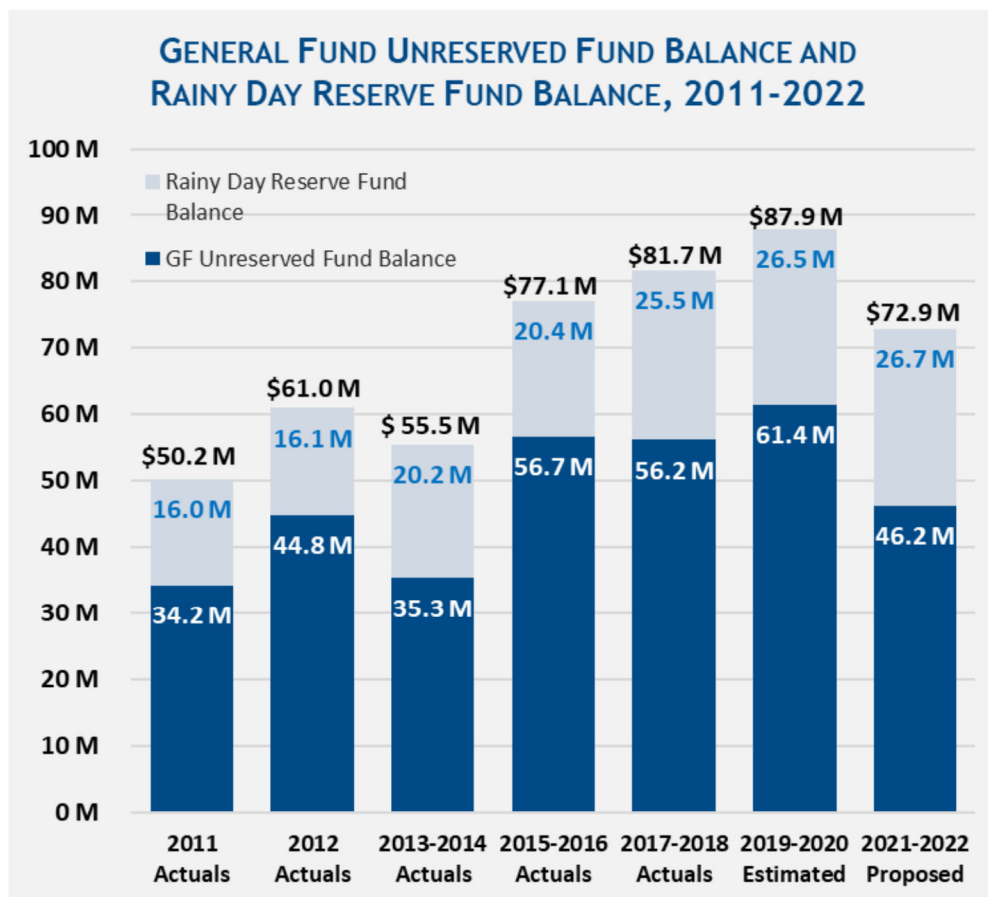


Figure 4

The General Fund emerged from the Great Recession with a 6 percent unreserved fund balance and \$16 million in the Rainy Day Fund. The unreserved fund balance was gradually increased to 8 percent by 2016. On several occasions, unexpected General Fund revenues were deposited into the Rainy Day Fund to bring its balance above \$26 million. **Figure 4** shows the proposal to reduce unreserved fund balance to 6 percent as part of the 2021-2022 Proposed Budget.

7. **Continue effective human resources management to reduce the effect of job reductions.** Once the 2020 recession started, it was clear that significant staffing reductions were going to be needed for the 2021-2022 Budget. The County's Voluntary Separation Program (VSP) was extended to many agencies to help minimize the number of layoffs. VSP provides a cash incentive to an employee who chooses to retire, which allows the employing agency to eliminate the position without a layoff or to fill the position with a new employee at a lower wage level. As of September 3, 279 Metro Transit employees and 52 employees of other agencies had been approved for VSP. These numbers will grow over the course of the fall. Agencies also were prudent in holding vacancies open in anticipation of budget reductions. These actions will allow hundreds of positions to be eliminated with far fewer layoffs.
8. **Propose use of reserves to buy time for federal action.** It currently appears that the federal government will not take meaningful new steps to provide funding for COVID response until after the November election, if then. Through a separate proposal, Executive Constantine will propose using \$4 million from the County's Rainy Day Fund to continue two types of COVID responses for one month in 2021: operation of the isolation and quarantine facilities and continued deintensification of homeless shelters through hotel leases and vouchers. This will provide an opportunity for the federal government to provide additional funding for COVID response in January. State funding is expected to be available for continuing at least some Public Health COVID responses in 2021.



2021-2022 EXECUTIVE PROPOSED BUDGET

The 2021-2022 Proposed Budget totals \$12.4 billion, approximately a 7 percent increase from the 2019-2020 biennium.

Figure 5 shows the major sources of revenue to support the budget.

Taxes represent only about one-third 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 nearly 26 percent. Among the largest components of these revenues are solid waste tipping fees, wastewater treatment charges, and Metro Transit fares.

Funds supporting capital projects make up about 11 percent of the total. Federal and state funds combined are about 10 percent and are concentrated in human services, housing, Public Health, and transportation-related grants.

Figure 6 shows the major categories of proposed appropriations by agency or groups of agencies. Metro Transit is the single largest at about 17 percent. This is a smaller share than in recent budgets because of reductions in Metro's operating and capital budgets due to COVID. The aggregated programs of the Department of Community and Human

TOTAL BUDGET REVENUES BY TYPE

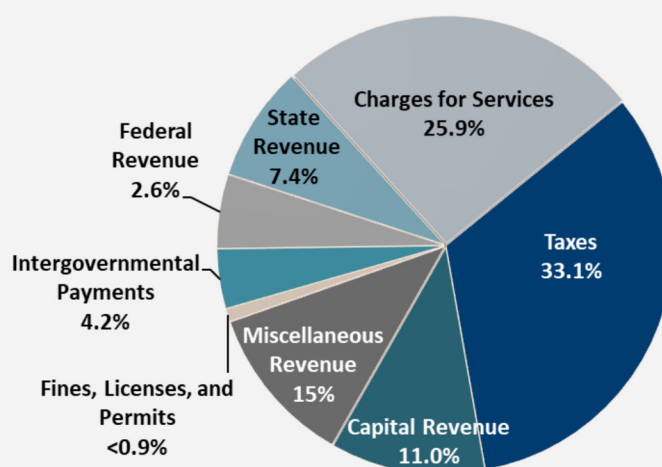


Figure 5

TOTAL BUDGET APPROPRIATIONS

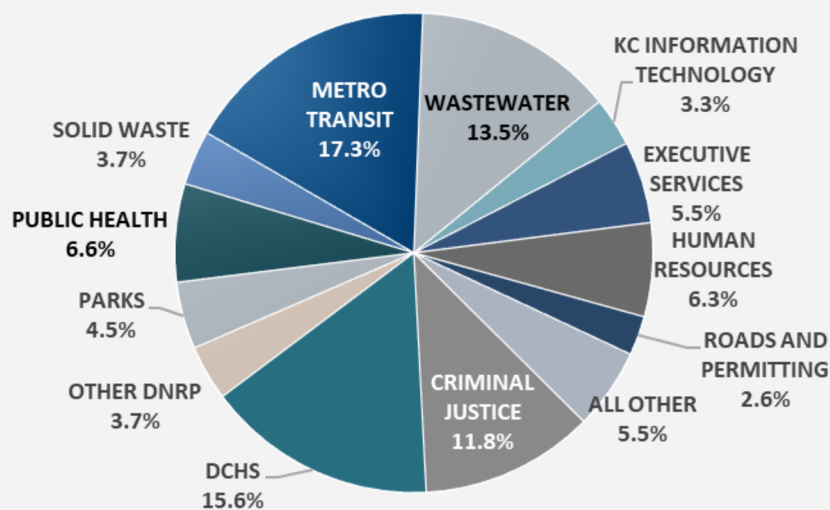


Figure 6

Services (DCHS) are now the second largest share of the budget. This growth is due to new tax-funded programs, such as Best Starts for Kids and the proposed Health Through Housing 0.1 percent sales tax.

The Wastewater Treatment Division is the third largest agency with over 13 percent of the total budget. The combined budgets of the criminal justice branches and agencies constitute nearly 12 percent of the 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 7 shows the proposed appropriations by "appropriation unit", which are typically departments or divisions within departments. Smaller units have been aggregated in this table.

APPROPRIATION UNIT	2021-2022 EXECUTIVE PROPOSED \$
ADULT AND JUVENILE DETENTION	416,155,826
ASSESSMENTS	59,377,670
COUNTY EXECUTIVE AGENCIES	50,089,064
DCHS - BEHAVIORAL HEALTH	556,007,164
DCHS - BEST STARTS FOR KIDS LEVY	91,826,601
DCHS - COMMUNITY SERVICES	129,657,764
DCHS - DEVELOPMENTAL DISABILITIES	147,522,847
DCHS - HOUSING	794,694,785
DCHS - MENTAL ILLNESS & DRUG DEPENDENCY FUND	133,566,995
DCHS - VETERANS SENIORS & HUMAN SERVICES LEVY	130,432,891
DES - AIRPORT	121,646,519
DES - BUSINESS RESOURCE CENTER	44,936,541
DES - FACILITIES MANAGEMENT DIVISION	221,403,169
DES - FINANCE AND BUSINESS OPERATIONS	58,087,691
DES - FLEET MANAGEMENT EQUIPMENT	82,768,114
DES - OFFICE OF RISK MANAGEMENT SERVICES	96,402,383
DES - OTHER	38,041,957
DES - RECORDS AND LICENSING SERVICES	34,201,885
DES - REGIONAL ANIMAL SERVICES OF KING COUNTY	15,316,249
DHR - EMPLOYEE BENEFITS	662,138,527
DHR - HUMAN RESOURCES MANAGEMENT	42,786,811
DHR - SAFETY AND CLAIMS MANAGEMENT	75,133,550
DISTRICT COURT	73,914,416
DLS - ROADS AND PERMITTING	356,941,321
DNRP - OTHER	467,198,933
DNRP - PARKS	558,784,950
DNRP - SOLID WASTE	456,007,657
DNRP - WASTEWATER	1,671,272,015
DPH - EMERGENCY MEDICAL SERVICES	209,521,741
DPH - ENVIRONMENTAL HEALTH SERVICES	105,745,428
DPH - PUBLIC HEALTH	557,369,585
ELECTIONS	47,860,630
JUDICIAL ADMINISTRATION	54,182,167
KING COUNTY INFORMATION TECHNOLOGY	410,236,743
LEGISLATIVE AGENCIES	55,453,696
METRO TRANSIT	2,131,825,818
OTHER AGENCIES	561,348,112
PROSECUTING ATTORNEY	170,297,712
PUBLIC DEFENSE	157,932,962
SHERIFF	451,828,778
SUPERIOR COURT	127,298,111
Grand Total Appropriations	12,627,215,780

ALL KING COUNTY APPROPRIATIONS INCLUDING CIP

Note:

Includes double budgeted appropriation units such as General Fund Transfers, DCHS Transfers, and Lodging Tax transfers of approximately \$276M. \$12.4 billion when double budgets are removed.

Figure 7

COUNTY EMPLOYMENT OVER TIME

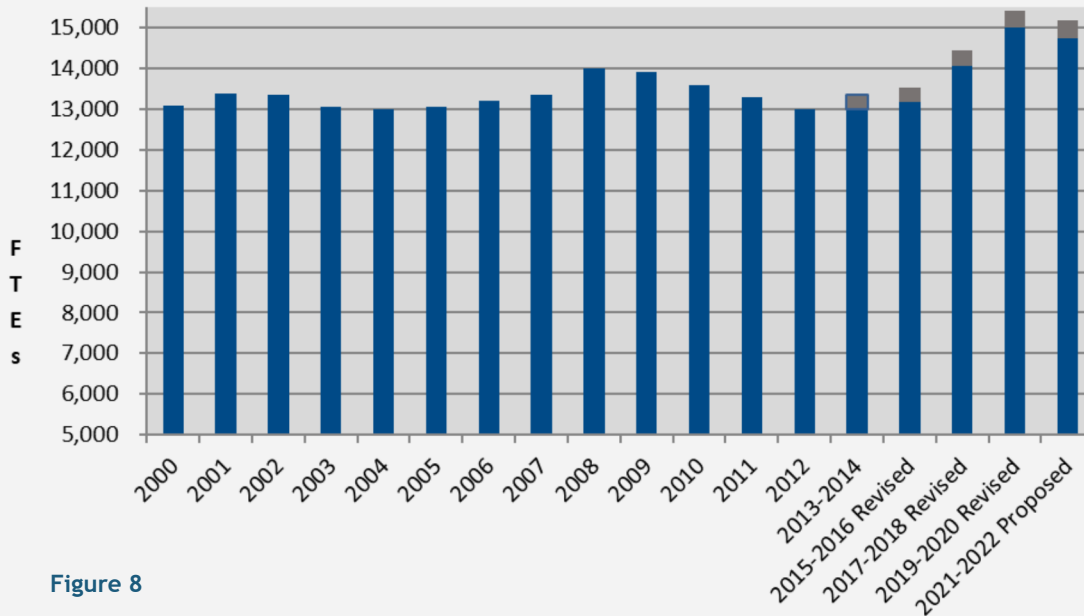


Figure 8

Figure 8 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). The recession caused by COVID will lead to the loss of nearly 400 positions in the 2021-2022 Proposed Budget.

Figure 9 shows how positions are distributed among agencies in the 2021-2022 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.

POSITIONS BY AGENCY

Figure 9

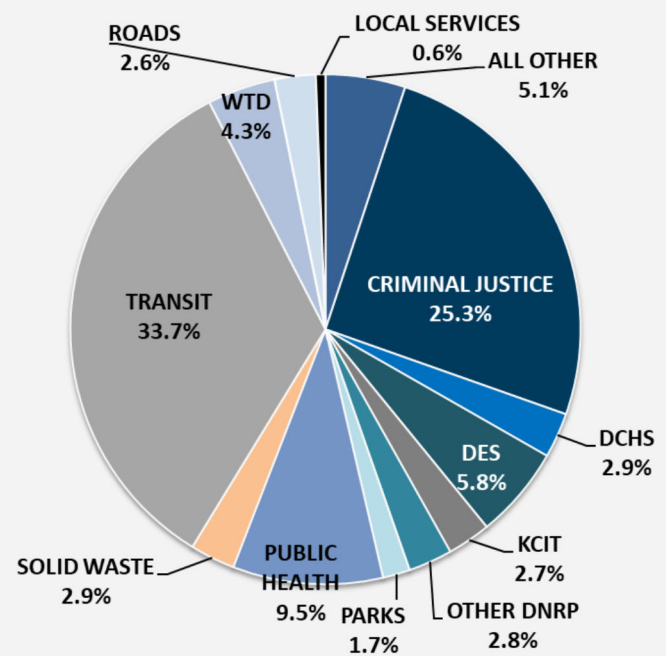


Figure 10 shows the FTEs included in the 2021-2022 Proposed Budget by agency. Because of the uncertainties about the economy and the gradual implementation of some criminal legal system reforms, staffing changes are proposed both in 2021 and in 2022. Most agencies will reduce positions over the biennium, with the largest decreases occurring in Metro Transit and the criminal justice agencies. A few agencies will see growth, including DCHS and DNRP.

FTE CHANGES BY AGENCY

	Revised Budget	Executive Proposed	Executive Proposed
	2020	2021	2022
	December	December	December
ADULT & JUVENILE DETENTION	1,128	1,109	1,070
ASSESSMENTS	213	210	210
COMMUNITY & HUMAN SERVICES	416	434	434
COUNTY EXECUTIVE AGENCIES	111	111	110
DISTRICT COURT	259	254	254
ELECTIONS	69	67	67
EXECUTIVE SERVICES	935	896	896
HUMAN RESOURCES	144	173	173
JUDICIAL ADMINISTRATION	201	202	202
KC INFORMATION TECHNOLOGY	448	418	418
LEGISLATIVE AGENCIES & OTHER AGENCIES - SPECIAL BUDGETS	165	163	160
LOCAL SERVICES	498	484	486
METRO TRANSIT	5,371	5,059	5,122
NATURAL RESOURCES AND PARKS	1,749	1,773	1,777
PROSECUTING ATTORNEY	498	494	494
PUBLIC DEFENSE ¹	426	453	419
PUBLIC HEALTH	1,254	1,246	1,245
SHERIFF	1,190	1,179	1,177
SUPERIOR COURT	384	375	360
KING COUNTY TOTAL	15,459	15,098	15,072

¹ Includes 20 contingent FTEs available to respond to case load increases

Figure 10

2021-2022 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 2021-2022 biennium. As seen in **Figure 11**, property taxes are the single largest source of revenue at about 41 percent of the total. Sales taxes account for about 15 percent of General Fund revenues, a slightly lower percentage than in the 2019-2020 Adopted Budget due to the effect of the recession on sales tax revenues.

GENERAL FUND REVENUES

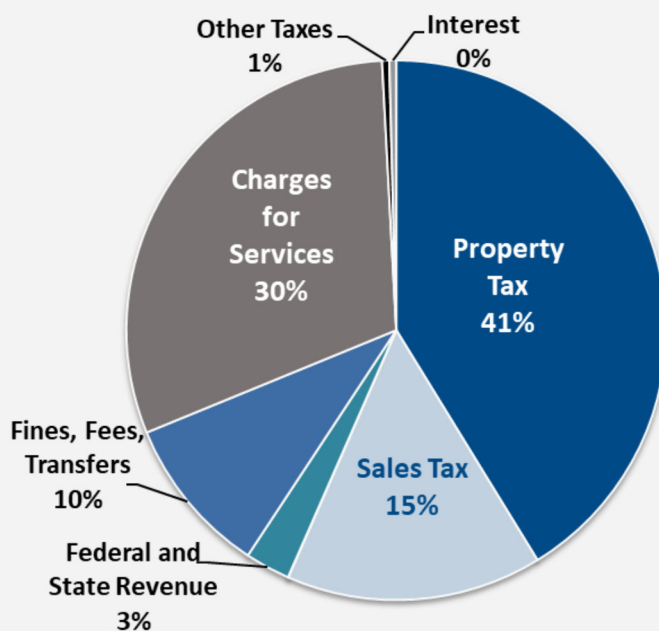


Figure 11

Charges for services make up 30 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 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 10 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.

NET GENERAL FUND REVENUES

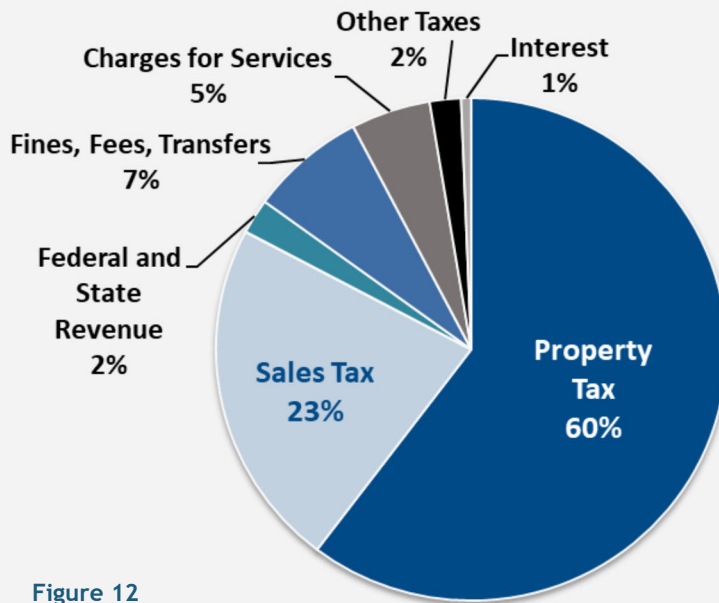


Figure 12

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 \$1.29 billion of flexible General Fund revenue for 2021-2022.

As seen in **Figure 12**, property tax accounts for 60 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% 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 2021-2022 Proposed Budget requests \$1.92 billion in proposed appropriations. **Figure 13** shows these by agency, with the general government units aggregated.

The criminal legal system consist 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 71.6 percent of the General Fund

GENERAL FUND APPROPRIATIONS BY AGENCY

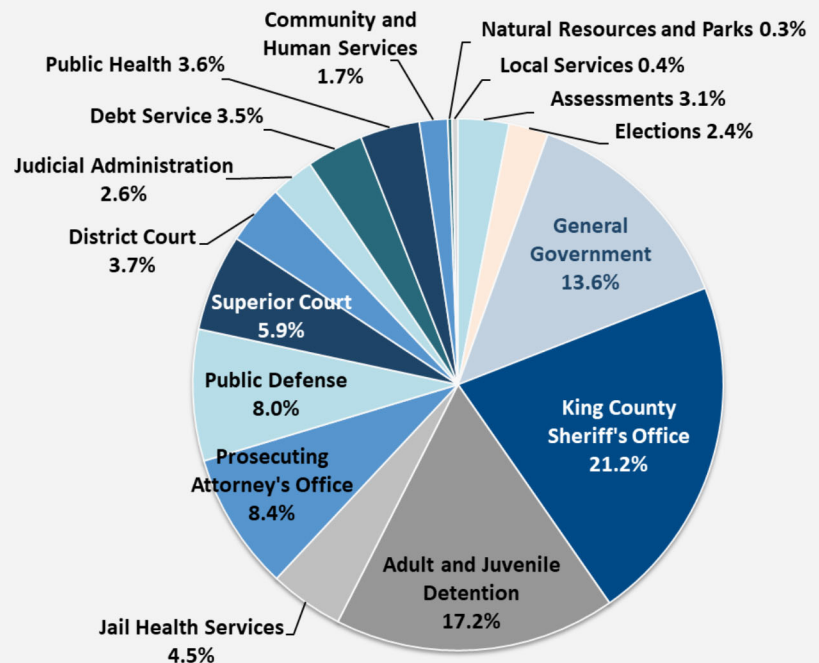


Figure 13

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

budget, with the Sheriff's Office being the single largest 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 5.5 percent while only 5.3 percent of the budget goes to Public Health and human services.

NET GENERAL FUND APPROPRIATIONS BY AGENCY

Figure 14

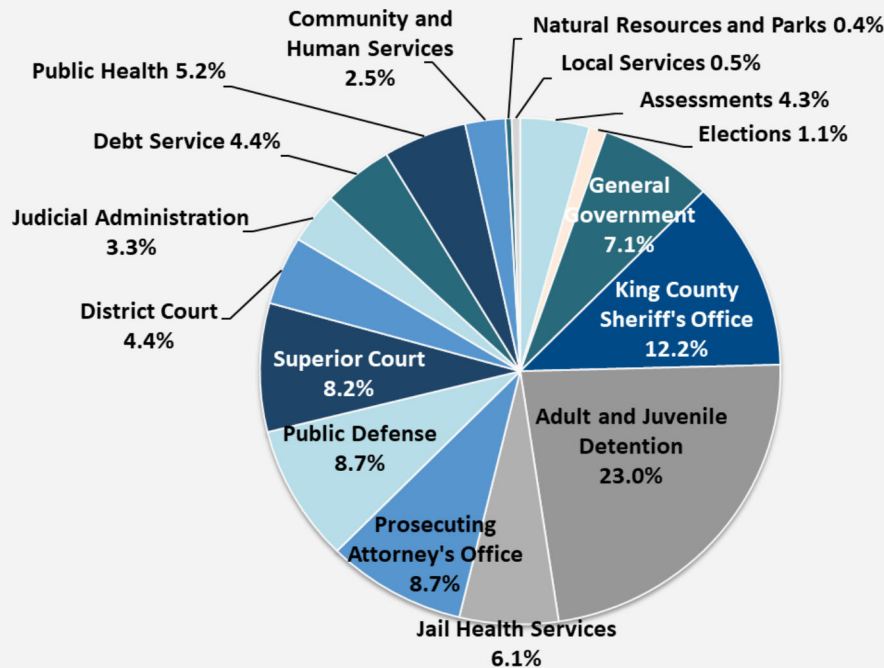


Figure 13 includes all the programs the County provides on behalf of other governments. When these are removed, the "net" General Fund appropriations look different, as seen in **Figure 14**.

Net General Fund appropriations total \$1.32 billion and 74.6 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 21.2 percent in the total to 12.2 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 13.6 percent of the total to 7.1 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 7.7 percent. This is due to the high priority assigned to these services by the Executive and the fact that they were not asked to make reductions to help balance the budget.

GENERAL FUND APPROPRIATIONS BY AGENCY

APPROPRIATION UNIT	2021-2022 EXECUTIVE PROPOSED \$
ADULT AND JUVENILE DETENTION	\$ 329,550,510
ASSESSMENTS	59,377,670
DCHS - GENERAL FUND TRANSFER TO DCHS	33,053,618
DES - EXECUTIVE SERVICES ADMINISTRATION	6,254,866
DES - FMD PARKING FACILITIES	10,014,708
DES - GENERAL FUND TRANSFER TO DES	5,967,800
DES - OFFICE OF EMERGENCY MANAGEMENT	7,030,502
DES - REAL ESTATE SERVICES	9,496,914
DES - RECORDS AND LICENSING SERVICES	30,570,182
DISTRICT COURT	70,374,858
DLS - GENERAL FUND TRANSFER TO DLS	6,938,254
DNRP - GENERAL FUND TRANSFER TO DNRP	4,984,000
DPH - GENERAL FUND TRANSFER TO DPH	55,629,206
DPH - JAIL HEALTH SERVICES	86,605,315
DPH - MEDICAL EXAMINER	14,074,557
ELECTIONS	46,180,692
EXEC - COUNTY EXECUTIVE	642,652
EXEC - OFFICE OF EQUITY RACIAL AND SOCIAL JUSTICE	7,411,169
EXEC - OFFICE OF LABOR RELATIONS	6,212,826
EXEC - OFFICE OF PERFORMANCE STRATEGY AND BUDGET	24,486,133
EXEC - OFFICE OF THE EXECUTIVE	10,163,733
GENERAL FUND TRANSFER TO DEBT SERVICE	66,545,331
HUMAN RESOURCES MANAGEMENT	42,786,811
INTERNAL SUPPORT	36,584,048
JUDICIAL ADMINISTRATION	50,759,218
LEG - BOARD OF APPEALS	1,714,299
LEG - COUNCIL ADMINISTRATION	33,804,434
LEG - COUNTY AUDITOR	5,077,979
LEG - COUNTY COUNCIL	4,111,688
LEG - DISTRICTING COMMITTEE	109,060
LEG - FLOOD CONTROL DISTRICT ADMINISTRATION	1,627,873
LEG - HEARING EXAMINER	1,251,000
LEG - KING COUNTY CIVIC TELEVISION	1,454,012
LEG - OFFICE OF LAW ENFORCEMENT OVERSIGHT	2,830,999
LEG - OMBUDS TAX ADVISOR	3,472,353
PROSECUTING ATTORNEY	160,949,706
PUBLIC DEFENSE	153,410,324
SHERIFF	407,959,643
SMALL AGENCY	8,300,161
SUPERIOR COURT	113,485,346
Grand Total:	\$ 1,921,254,451.95

Figure 15 shows the proposed 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.

Figure 15

Path to Balancing

At the start of the Executive's budget process the General Fund "gap," the difference between projected revenue and the cost of continuing all existing services, was \$150 million. This had increased from earlier estimates because of the economic effects of COVID. **Figure 16** shows how the General Fund budget was balanced.

The gap grew by about \$26 million to reflect additional expenditures. Some were unavoidable, such as additional staff in the Department of Public Defense (DPD) required due to increasing felony caseloads. Others represent policy choices by the Executive, such as additional diversion programs in the criminal legal system and expanded investment to support community-based organizations.

About \$84 million of budget reductions were made by eliminating positions, reducing or eliminating services, finding efficiencies in service delivery, and requiring internal service agencies to reduce their costs and charges. Labor cost growth assumptions were also reduced based on precedents such as provided by the King County Correctional Officers Guild, which agreed to a contract with no wage increase for 2021 and 2 percent for 2022.

Revenue estimates for 2020 improved by about \$30 million, mostly because federal CARES Act funds can be used to cover staffing costs for additional employees or employees reassigned to COVID response.

The 2021-2022 revenue forecast improved by about \$33 million during the period of budget development. This was driven by higher sales tax forecasts once the effects of COVID became clearer, partially offset by lower jail revenues. The Department of Adult and Juvenile Detention (DAJD) historically has housed a significant number of prisoners for the State Department of Corrections and the City of Seattle. In order to keep the jail population low to increase inmate and employee safety during COVID, DAJD substantially reduced the number of prisoners it accepts from these agencies and thus lost the corresponding revenue. Expenditure savings were not possible in the near term because the jails are operating all the housing units to support social distancing. Executive Constantine has directed that the number of prisoners be kept low after COVID has been resolved, so DAJD budget savings are assumed starting in mid-2022.

The other major revenue included in the \$33 million increase came from recognizing a new source of funding. In late 2019 the State Supreme Court determined that King County had the authority to impose rent for rights-of-way that it owns and are used by utilities to deliver services.² Negotiations about specific amounts owed are underway and the Proposed Budget uses a conservative estimate of \$24.7 million of revenue for 2021-2022.

PATH TO GENERAL FUND BALANCING

Starting Gap	(150,000,000)
Required Adds and Cost Increases	(12,000,000)
New and Expanded Services	(14,000,000)
Cost and Service Reductions	8,000,000
Efficiencies and Cost Shifts	33,000,000
Savings due to Reduced Demand	6,000,000
Change in Labor Cost Assumptions	21,000,000
Savings in Central Rates	16,000,000
Revenue Forecast Changes	7,000,000
Rent for the Right-of-Way	25,000,000
Policy-Driven Revenue Changes	1,000,000
Change in 2020 Year-End Balance	30,000,000
Use of Fund Balance and Reserves	29,000,000
Ending Gap	0

Figure 16

² King County v. King County Water Dist. No. 20, 194 Wn.2d 830.

PROGRESS TO TARGETS

Figure 17

Agency	Biennial Target	Percent Achieved
General Fund Agencies		
Adult & Juvenile Detention	\$4,250,000	120%
Assessments	\$2,300,000	100%
Council Administration	\$2,744,000	97%
Council Auditor	\$395,000	100%
Council - other agencies	\$598,000	84%
District Court	\$3,650,000	99%
Elections	\$1,400,000	393%
Executive Office	\$816,000	100%
Executive - Labor Relations	\$600,000	92%
Executive - PSB	\$1,950,000	100%
Human Resources	\$2,200,000	100%
Jail Health Services	\$600,000	353%
Judicial Administration	\$2,850,000	71%
Prosecuting Attorney	\$8,850,000	88%
Public Defense	\$4,400,000	95%
Real Estate Services	\$600,000	100%
Records & Licensing	\$2,200,000	91%
Sheriff	\$12,700,000	81%
Superior Court	\$6,350,000	42%
*Other General Fund	\$1,900,000	140%
Subtotal General Fund	\$61,353,000	98%
Internal Service Agencies		
Business Resource Center	\$3,100,000	103%
Employee Benefits	\$700,000	57%
Facilities Management	\$10,300,000	98%
Finance and Business Operations	\$3,800,000	104%
Fleet Services	\$2,600,000	100%
Geographic Information Systems	\$1,200,000	108%
KC Information Technology	\$15,900,000	100%
Risk Management Services	\$1,100,000	100%
Safety and Claims	\$1,300,000	100%
Subtotal Internal Service Agencies	\$40,000,000	100%
TOTAL	\$101,353,000	

*BRB, MEO, OEFA, DES Admin, Memberships, ETP, RES Overhead

Finally, Executive Constantine proposes to draw down the General Fund unreserved fund balance from 8 percent to 6 percent, as was done in the Great Recession. In addition, risk reserves in the General Fund will be reduced, leaving less money available for unexpected costs. These changes generated the final \$29 million to balance the 2021-2022 Proposed Budget.

As noted previously, large budget reductions were made in almost all General Fund agencies. Most agencies were asked to identify 5 percent reductions for 2021 and a further 5 percent for 2022, or an average of 7.5 percent over the biennium. The base for these reductions was the budget under an agency's control. For example, the entire Department of Human Resources budget is under its control, but budgets for DAJD and DPD are driven by jail population and case filings, respectively, neither of which they can control. A few small agencies, including the Offices of Emergency Management, Equity and Social Justice, and Law Enforcement Oversight, did not receive reduction targets for policy reasons.

Figure 17 shows how well agencies did in meeting targets. Most of these are the result of position and expenditure reductions, but in some cases agencies were able to increase revenue or identify budget savings that could be realized in other General Fund functions. For example, Elections vastly exceeded its target because of additional State revenue to support elections and the Prosecutor's Office developed programs to reduce case filings in 2022 and save money in DPD.

Figure 17 also shows budget reductions developed by internal service agencies, which serve other County departments. Only a portion of these savings benefit the General Fund. Collectively, these agencies fully met their targets, which generated savings for General Fund agencies and all other County departments. For example, these savings allowed the Road Services Division of the Department of Local Services (DLS) to significantly expand its paving budget for 2021-2022.

Anti-Racism/ Criminal Legal Reform/Community Engagement

Executive Constantine prioritized new investments to implement the County's anti-racism agenda and improve community engagement in the 2021-2022 Proposed Budget, despite the economic difficulties facing the County. This is consistent with the declaration that Racism is a Public Health Crisis issued in the summer of 2020. Most of these investments are funded from the General Fund. **Figure 18** summarizes the programs proposed as part of this commitment, which are grouped into five categories.

The first group of investments are programs to reduce the racial inequities in the criminal legal system. These include diverting lower-risk juvenile and adult cases from the legal system to community-based alternatives (including restitution for victims), working with the Sheriff's Office and communities to design programs that would supplement KCSO deputies in responses in urban unincorporated areas, and building and operating a unit in the King County Correctional Facility that would divert people from jail into a location that provides behavioral health and reentry services.

ANTI-RACISM AND COMMUNITY SUPPORT INVESTMENTS

Figure 18

Systemic Changes

Restorative community pathways juvenile diversion	\$ 6,226,000
First felony diversion	\$ 2,500,000
Public safety alternative in urban UKC	\$ 500,000
Jail diversion and reentry hub in KCCF	\$ 1,350,000
Juvenile facility master plan	\$ 550,000

Investing in Community

Record vacation and LFO relief	\$ 2,800,000
Community programs to repair harm	\$ 1,350,000
Community-centered advisory board in UKC	\$ 450,000
Regional gun violence response	\$ 600,000

Capital Investment in Community

Capital projects selected by community in UKC	\$10,000,000
Contribution to community center in Skyway	\$10,000,000
Facility to support community based programs	\$10,000,000
Green projects and green jobs	\$20,000,000

Community Engagement

CBO capacity building	\$ 1,500,000
Community engagement model	\$ 2,590,000
KingCounty.gov translation program	\$ 1,000,000

Supporting BIPOC Employees

Equity and Inclusion managers	\$ 387,000
Affinity group support	\$ 400,000
Equity based system and policy consulting for agencies	\$ 253,000

NOTE: "UKC" is unincorporated King County.

The second group are investments in community programs, mostly funded by redirecting the entire \$4.6 million of marijuana tax revenue received by King County away from law enforcement and instead to community programs. This includes programs to help individuals vacate drug convictions and relieve legal financial obligations (LFOs) and investments in community programs to offset the adverse effects of cannabis dispensaries. These community investments would be co-created with a new advisory board working with DLS. This category also includes \$600,000 to continue the regional gun violence response program started in 2020.

The third group are capital investments to be supported by a proposed \$50 million bond issue. Of this total, \$10 million is set aside to begin planning and development of a community center in Skyway. Another \$20 million is allocated to capital projects to be selected by communities in the unincorporated area. The remaining \$20 million is intended for projects that will address environmental challenges and create jobs, such as work to improve salmon habitat.

The fourth group is focused on community engagement. This includes funding to support development by community-based organizations, including training in grant writing, support for information technology, and similar activities. This group also includes additional staff in the Office of Equity and Social Justice, funding for participants in County-sponsored boards and similar groups, and a new group of liaisons drawn directly from the community. Expanded translation of important materials on the kingccounty.gov website is also included.

The final category is support for BIPOC County employees, including additional funding for employee affinity groups.

These proposed General Fund investments total almost \$22.5 million plus \$50 million of debt-financed capital investments.

The Revenue System is Still Broken

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.³ 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.⁴ In contrast, the State itself and cities are allowed to impose property taxes, sales taxes, utility taxes, and a wide array of business taxes.

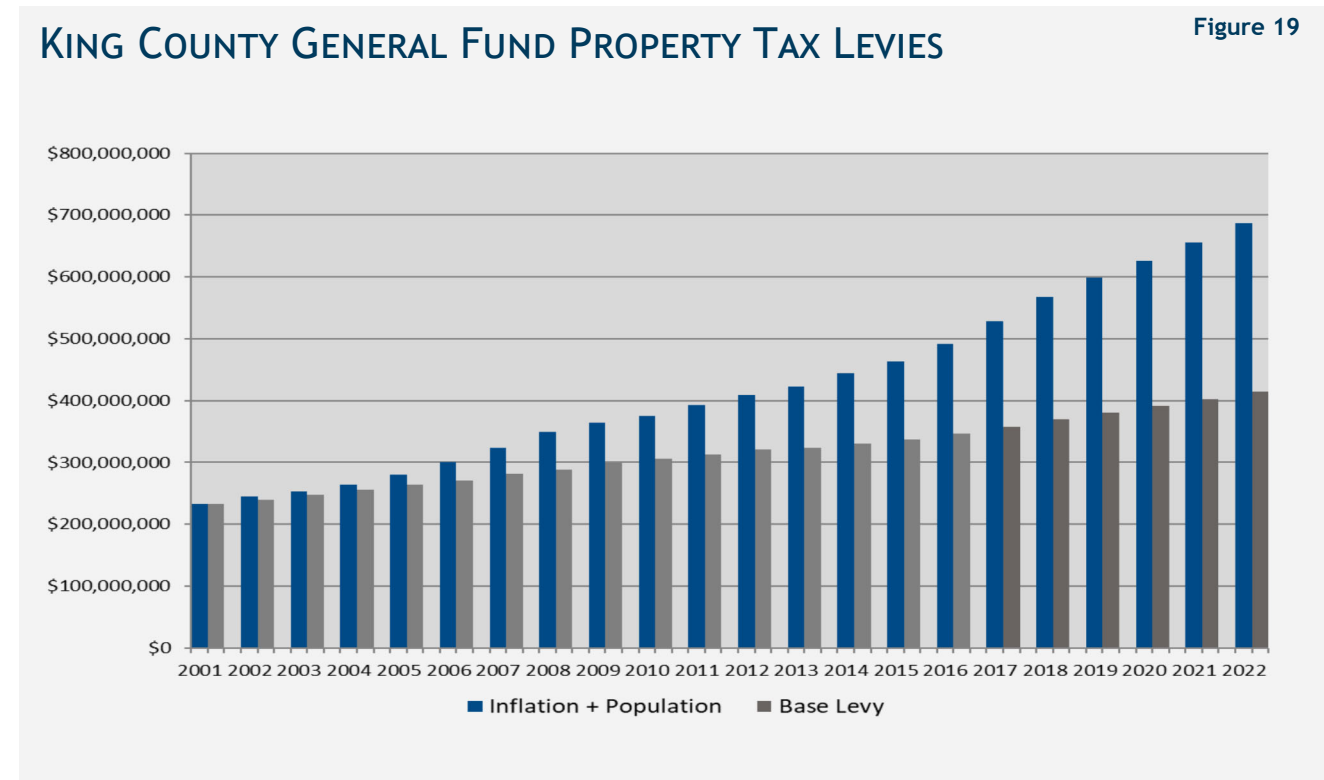
As noted previously, King County's General Fund is heavily dependent on the property tax, which is projected to be 60 percent of net General Fund revenue in 2021-2022. In 2001, State voters passed an initiative to limit annual property tax revenue growth for most governments to 1 percent per year (this 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.

³ 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.

⁴ There are a few other minor taxes, such as gambling taxes, but these constitute tiny fractions of county budgets.

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 19** compares actual revenues with the revenue that would have been received if property taxes kept up with inflation and population growth.

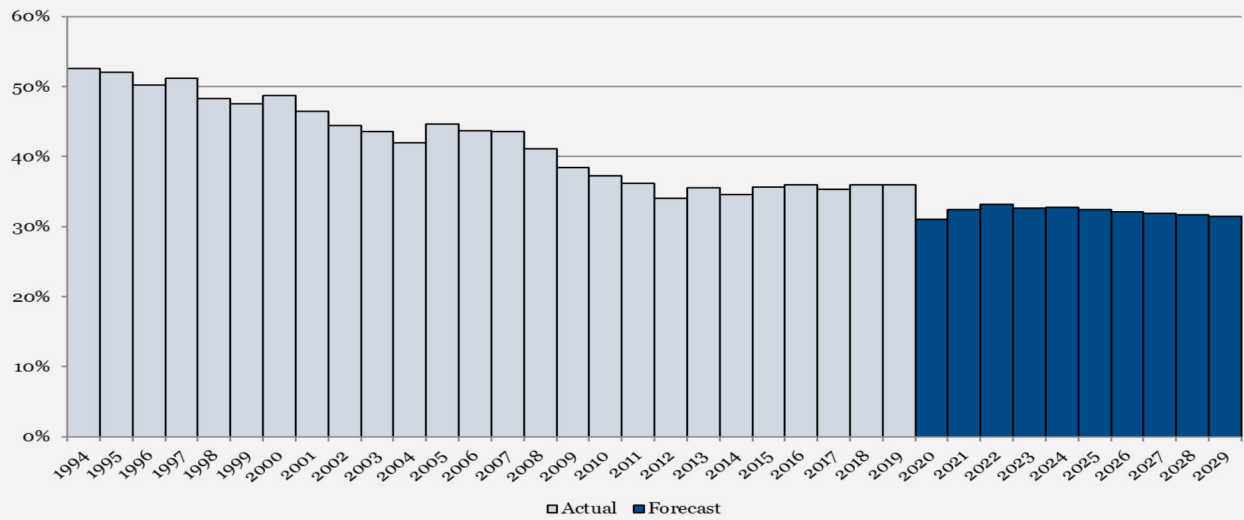


In 2020, the County's General Fund would have received about \$644 million had revenue kept up with inflation and population growth since 2001. Actual revenue was \$392 million. The County has asked voters to approve several levy lid lifts over the years, most for new programs such as land acquisition or emergency communications. About \$43 million of lid lift revenue in 2020 offset items that were budgeted in the General Fund in 2001, so a fairer comparison is \$644 million versus \$435 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 and would have adequate funds to respond to COVID.

Sales taxes in Washington State are an increasingly unproductive source of revenue. **Figure 20** 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 30 percent of personal income is spent on items subject to the sales tax, and this is not expected to change significantly in the future.

TAXABLE SALES AS A PERCENTAGE OF PERSONAL INCOME

Figure 20



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. 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 21 shows that King County only had 3.4 percent of its taxable retail sales in the unincorporated area in 2019, far lower than any of the ten most populous counties.

UNINCORPORATED AREAS SALES TAX

Figure 21

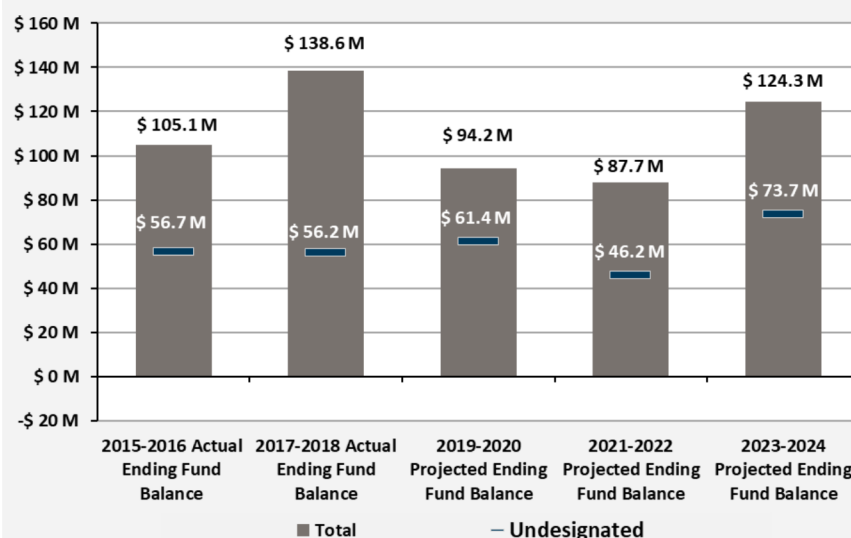
County	2019 Taxable Sales	2019 Uninc Taxable Sales	County Share of Sales Tax Revenue
Kitsap	5,324,701,987	2,440,026,394	45.8%
Clark	8,812,734,624	2,495,092,867	28.3%
Snohomish	17,417,090,997	3,991,012,693	22.9%
Pierce	19,326,892,999	4,070,533,293	21.1%
Whatcom	4,933,906,706	919,078,479	18.6%
Thurston	6,302,040,466	1,049,527,687	16.7%
Spokane	11,833,584,815	1,889,904,887	16.0%
Yakima	4,376,697,698	685,312,517	15.7%
Benton	5,028,972,705	616,881,445	12.3%
KING	76,440,564,625	2,565,809,922	3.4%

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.

GENERAL FUND BALANCES

Figure 22



The combined consequence of these revenue challenges and the COVID recession is that the General Fund balance is projected to decline in the current and next bienniums. As seen in **Figure 22**, the actual fund balance at the end of the last biennium (2017-2018) was \$138.6 million. This is projected to be \$94.2 million at the end of the 2019-2020 biennium and \$87.7 million at the end of the 2021-2022 biennium. The undesignated portion of the fund balance is projected to increase to \$61.4 million at the end of 2020 but decline to \$46.2 million at the end of 2022. This reflects the proposed reduction in the targeted

unreserved fund balance from 8 percent of revenues to 6 percent. King County came out of the Great Recession with a 6 percent undesignated fund balance and would again draw it down to that level to offset revenue losses. As the economy improves, fund balances are projected to increase again for the 2023-2024 budget to \$124.3 million total and \$73.7 million undesignated.

OTHER BUDGETS AND POLICY INITIATIVES



King County

While much attention is paid to the General Fund budget, it is a small portion of the County's total budget. There are many other budgets and policy initiatives that deserve attention.

METRO TRANSIT

Metro Transit is the County's single largest agency and has been heavily affected by COVID-19. Metro derives the vast majority of its revenue from sales taxes and fares, both of which fell substantially in 2020. Projected sales tax revenues for 2021-2022 are about \$200 million less than the pre-COVID forecast. Ridership decreased by about 75 percent and fare collection has been suspended for several months to enhance safety for drivers and passengers.

Metro also operates service for partners, including Sound Transit and the City of Seattle. Sound Transit has reduced service in a similar manner as Metro. Funding for Seattle's Transportation Benefit District expires at the end of 2020 and the City has placed a renewal measure on the November ballot. Even if this measure passes, the revenue available for bus service will be less than in the past.

Metro has suspended about 400,000 hours of service in response to ridership declines during the pandemic. The 2021-2022 Proposed Budget has funding to restore all these hours in 2021, but hours will only be added back when demand increases. Metro is currently identifying criteria that will be used to make these service restoration decisions. Current ridership is heavily focused on routes used by low-income BIPOC individuals, who rely on public transit to reach their jobs. Service restorations will likely be heavily focused on these routes.

METRO BUS SERVICE HOURS 2018-2022

Figure 23

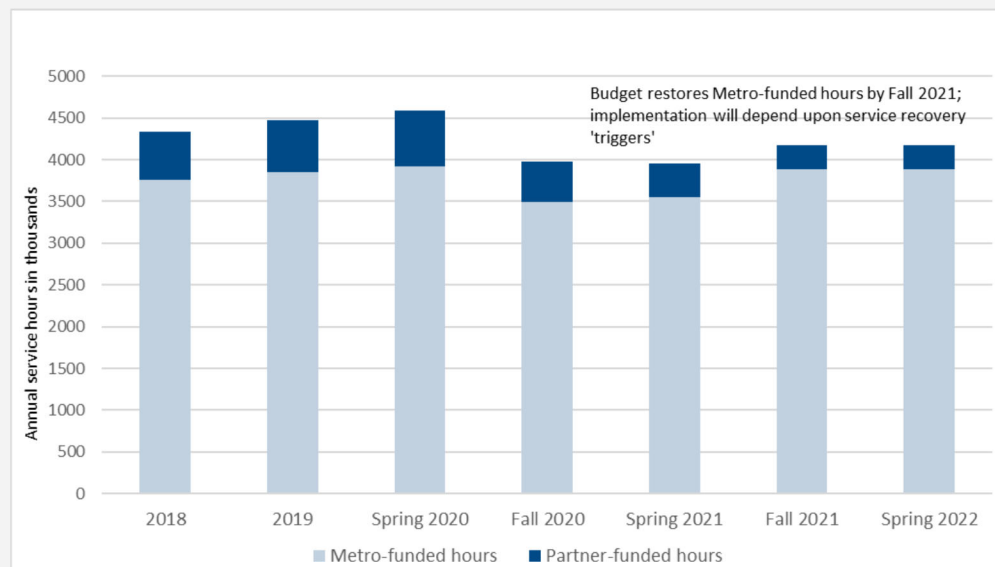


Figure 23 shows how Metro-funded and partner-funded hours have changed in the last three years and are expected to change in the upcoming biennium. Hours were significantly reduced in late spring 2020. Metro's hours likely will rebound to pre-COVID levels by the end of 2022, but partner hours are expected to remain well below prior levels.

Prior to the COVID recession, Metro had built significant financial

reserves. These funds, in addition to \$245 million of federal COVID funding, are expected to allow Metro to continue pre-COVID service levels through at least 2024. Service reductions will be needed after that unless additional revenues become available or unless financial policies are changed.

Metro's 2021-2022 Proposed Budget includes continued development of three RapidRide lines: Delridge to enter service in 2021, Madison in 2023, and Renton/Kent/Auburn in 2023. These lines provide more frequent service than conventional lines. Other planned RapidRides have been deferred due to lack of funding. Overall, Metro's proposed six-year capital budget is reduced by about 30 percent compared to previous assumptions.

The County is committed to an all-electric bus fleet by 2040. The 2021-2022 Proposed Budget includes \$270 million between 2021 and 2028 for this purpose, funded with a mix of cash and debt. Forty electric buses are scheduled to be purchased in 2021-2022 and will use new charging infrastructure being installed at South Base. An additional 260 electric buses are scheduled to be purchased by 2028. Current forecasts show that new sources of funding will be needed by 2028 to fully electrify the bus fleet.

Metro pioneered a low-income fare with its ORCA LIFT program. Starting this fall, Metro will introduce a free fare program, known as the New Subsidized Annual Pass Program, for very-low-income individuals who are currently receiving assistance from certain federal or state programs. The new program will be studied in 2021 for possible expansion in 2022.

A fare increase previously assumed for the 2021-2022 biennium will be deferred until 2023 to encourage renewed growth in transit ridership.

ENVIRONMENTAL INITIATIVES

One of Executive Constantine's highest priorities is improving the environment. The 2021-2022 Proposed Budget continues and expands many environmental initiatives from prior budgets. These fall into four main categories:

1. **Achieve healthy water quality and habitat.** The budget includes \$6.4 million to support improved fish passage, which will open up 8.5 miles of new fish habitat. The Wastewater Treatment Division (WTD) budget includes \$88 million in stormwater infrastructure investments. Significant new investments are included in floodplain management and in leachate management at the Cedar Hills landfill.
2. **Preserve, create, and maintain green spaces.** The Land Conservation Initiative (LCI) is the latest version of the County's work to preserve open space in urban and rural areas of the county. Since its inception in 2016, LCI has acquired nearly 2,000 acres and has purchased easements on another 1,500 acres that prohibit development. In the 2021-2022 biennium, LCI will use at least \$72 million to acquire over 2,400 acres of critical open space using funds from the Parks Levy and bonds supported by the Conservation Futures Tax (CFT). As part of the equity and social justice initiative, the requirement for communities to match CFT allocations will be waived in lower-income communities that lack green space. The Parks Division will invest \$87 million in expansion of trails.
3. **Reduce greenhouse gas emissions and create a clean energy economy.** The Proposed Budget includes 242 capital projects that are incorporating green building standards, including projects that meet the Living Building Challenge. Metro Transit is continuing its progress to an all-electric bus fleet and all County fleets are looking at converting to electric vehicles when available. The budget includes \$1 million to continue tree planting toward the new goal of 3 million trees planted or protected that is included in the proposed 2020 Strategic Climate Action Plan.
4. **Accelerate programs for zero waste of resources.** The Solid Waste Division's budget includes \$7 million to work with cities to develop new programs and systems to expand recycling and reuse of resources. WTD will develop a pilot project at the South Treatment Plant to convert biosolids to compost.

One long-term challenge facing the County is the need for significantly increased investment in WTD capital infrastructure. The division is under a consent decree to continue significant investments to reduce combined sewer overflows (CSOs) and also faces a growing backlog of investments needed to preserve or replace existing infrastructure, such as pipes and pumps. There is also a possibility that new regulations requiring higher levels of nutrient removal from wastewater could require very large capital investments.

WASTEWATER CAPITAL INVESTMENT 2021-2026 (\$ IN MILLIONS)

Figure 24

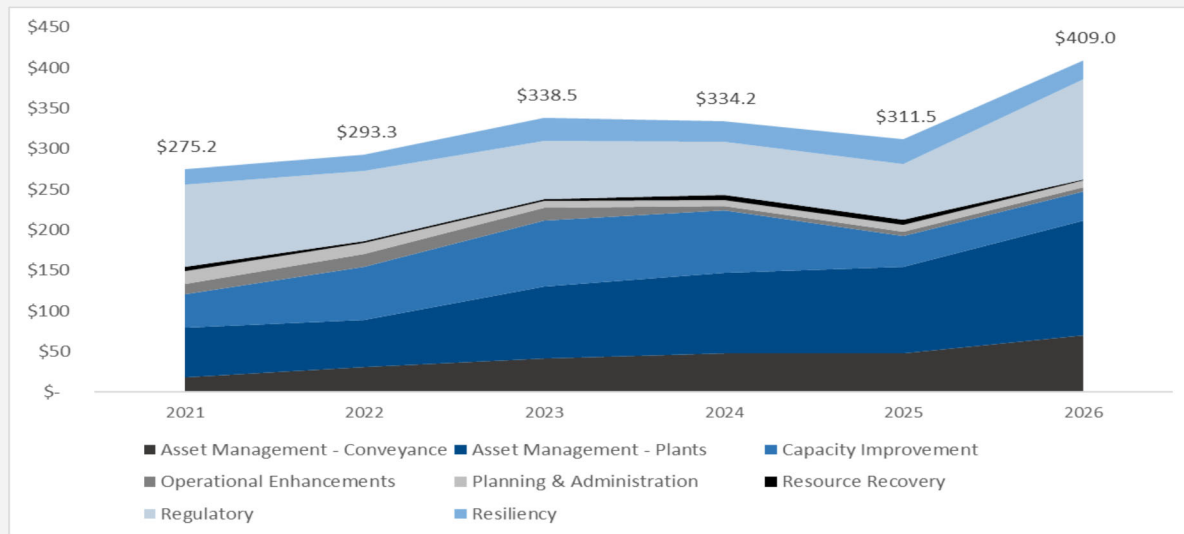


Figure 24 shows WTD's projected capital budget for the next three bienniums under current assumptions. This budget grows from about \$275 million in 2021 to \$409 million in 2026, without allowing for any new regulatory requirements. The County held down the WTD rate increase for 2021 in recognition of the economic challenges facing the region due to COVID, but significant capital budget and corresponding rate increases cannot be postponed indefinitely.

BEHAVIORAL HEALTH, MIDD, HOUSING, AND SALES TAX PROPOSAL

King County operates a large and complex behavioral health system that provides mental health and substance use disorder services. The County uses a mix of federal, state, and local funds for this purpose. This system faces major financial challenges due to increasing demand, the effect of the COVID recession, and inadequate base funding.

The Mental Illness and Drug Dependency (MIDD) 0.1 percent sales tax is a major source of funding for behavioral health programs. It also is used to pay for therapeutic courts, which focus on treatment rather than punishment. Since sales tax revenue has declined significantly, MIDD programs had to be reduced in 2020 and again by about \$21 million in the 2021-2022 Proposed Budget. Some of these reductions were realized by delaying the start of new programs or finding efficiencies, but cuts of nearly 30 percent had to be made in the categories of Recovery and Reentry programs and System Improvements. Therapeutic court funding was reduced by 12 percent.

Another driver of MIDD cuts was the need to use \$15-20 million per biennium to support the Behavioral Health Fund. This fund combines federal, state, and local money for behavioral health programs. King County is the only county in Washington that continues to play a role in the Medicaid behavioral health

system. Starting two years ago, the State shifted to funding Medicaid behavioral health directly through managed care organizations (MCOs) rather than through counties.. Because this approach would have created two parallel behavioral health systems – one for Medicaid-eligible individuals and one for others – the County has contracted with the MCOs to deliver an integrated behavioral health network. This creates efficiencies for providers and ensures equity for clients. However, the additional overhead charges by the MCOs reduces funding for the County, requiring use of MIDD funds to cover the gap.

In addition, the non-Medicaid behavioral health system is under immense financial strain due to inadequate State funding and the growing cost of Involuntary Treatment Act (ITA) court. This gap has been covered by fund balances and MIDD for the last few years, but this can no longer be sustained. The 2021-2022 Proposed Budget assumes all services in the Behavioral Health Fund not mandated by the State are completely eliminated in 2022. This will leave thousands of individuals without access to services and will lead to increased homelessness and emergency room visits.

To avoid this outcome, Executive Constantine is proposing the County implement an additional 0.1 percent sales tax as allowed by RCW 82.14.530, colloquially known as the HB 1590 tax after the bill number that authorized it as a Council-approved tax in the 2020 legislative session. If approved by the County Council, this revenue would be used for a new Health Through Housing program that would avoid the 2022 cuts to behavioral health programs and potentially reduce some of the MIDD cuts. In addition, the funds can be used for affordable housing and the Department of Community and Human Services is developing a plan to use funds for permanent supportive housing, in which housing is paired with services so individuals can rebuild their lives.

UNINCORPORATED AREA INVESTMENTS

Executive Constantine emphasized funding for unincorporated area services in the 2021-2022 Proposed Budget, with a particular focus on urban unincorporated areas. As noted previously, this includes planning to develop supplemental services to work with Sheriff's deputies, which might include behavioral health staff to respond to certain emergencies. It also includes programs funded by diverting marijuana tax revenue from law enforcement and sets aside future funding to support \$50 million of debt-funded projects in the unincorporated area.

Several capital projects will also benefit residents of the unincorporated area. An additional \$1 million is slated for improvements to Skyway Park and \$3.6 million of CFT bond proceeds will be used to acquire open space in lower-income neighborhoods that often lack such space. The proposal increases Real Estate Excise Tax (REET) revenue for bridge projects in the Road Services Division in 2021-2022 including: the South 277th Street Bridge near Kent, the Upper Tokul Creek Bridge near Snoqualmie, the Ames Lake Bridge between Redmond and Carnation, and the Baring Bridge in northeastern King County.

LODGING TAX

The State authorizes certain counties and cities to impose a tax on lodging (hotels/motels) with restrictions on what is taxed and how the funds can be used. King County's tax is governed by a specific statute that differs from that applied to any other county.⁵ In recent years, the revenue from the lodging tax has been designated for a stadium and exhibition center commonly known as CenturyLink Field. In 2021, the revenue will flow to the County and its use is governed by State statute and County ordinance, which allocates amounts among affordable housing (including services for homeless youth), arts and culture, and tourism support.

Because of the dramatic effect of COVID-19 on the lodging industry, revenue from this tax in 2021-2022 is projected to be much less than previously assumed.

Table 25 shows the allocations projected when the County Council adopted its plan for the lodging tax and those reflected in the 2021-2022 Proposed Budget.

As shown in the figure, the effect on specific programs varies widely. Some programs, such as tourism promotion, were allocated specific dollar amounts. Others represent debt service on previous investments in affordable workforce housing and capital facilities for arts, culture, and tourism, so these amounts are fixed or nearly so. The consequence is that funding for the remaining programs is very significantly reduced. This includes current funds for affordable workforce housing, ongoing support for grants managed by 4Culture (the County's public development authority to support arts and culture), and the Seattle Public Facilities District (PFD), which operates the baseball stadium in Seattle. 4Culture has accumulated a fund balance in recent years and thus won't need to reduce its spending in 2021-2022 despite the lower revenue forecast.

As the economy recovers, lodging tax revenue is projected to rebound. The projected 2021-2022 difference between the original assumption and the current forecast for lodging tax revenue is about \$27.2 million. This difference is expected to shrink to \$7.5 million for 2023-2024 and \$5.2 million for 2025-2026.

Distribution of Lodging Tax

Figure 25

PURPOSE	Original Plan	2021-2022 Proposed Budget	Percentage Change
Tourism Promotion	\$2,000,000	\$2,000,000	0.00%
Seattle PFD	\$6,676,963	\$3,694,475	-44.67%
Building 4 Culture Debt Service	\$4,458,000	\$4,458,000	0.00%
Subtotal Tourism	\$13,134,963	\$10,152,475	-22.71%
4Culture Programs	\$24,953,313	\$14,739,313	-40.93%
Building 4 Culture Debt Service	\$600,000	\$600,000	0.00%
Building 4 Equity Repayment	\$4,000,000	\$4,000,000	0.00%
Subtotal Arts and Culture	\$29,553,313	\$19,339,313	-34.56%
Homeless Youth Services	\$2,049,030	\$1,340,859	-34.56%
Affordable Housing Debt Service	\$18,390,718	\$18,698,218	1.67%
Affordable Housing	\$15,680,811	\$2,040,636	-86.99%
Subtotal Affordable Housing	\$36,120,559	\$22,079,713	-38.87%
TOTAL:	\$78,808,835	\$51,571,501	-34.56%

⁵RCW 67.28.180(3)

ONGOING COVID RESPONSE

The County's response to COVID-19 has been funded almost entirely with federal and state funds. The County lacks adequate revenues to pay for this response on its own. As of early September, there are almost no federal or state funds committed to COVID response in 2021. Preliminary estimates are that continuing the current Public Health response in 2021 would cost about \$77 million, continuing to operate isolation and quarantine facilities would cost about \$12 million, and continuing to deintensify homeless shelters through hotel leases and vouchers would cost about \$19 million.

The State has federal COVID funding for the public health response that remains available in 2021. Because the State has not yet determined how much funding will be allocated to King County, the 2021-2022 Proposed Budget does not include an appropriation of these funds. It is expected that the State will make a determination in time for the Council to include these funds in its 2021-2022 Adopted Budget.

The State does not, however, have federal funds available for isolation/quarantine facilities or shelter deintensification. Continuing these programs will require additional federal appropriations. Given the current gridlock among the House, Senate, and the President, Executive Constantine is concerned that new federal action is not likely until January 2021. In order to keep facilities operating, he will propose separate legislation to tap the County's Rainy Day Fund for approximately \$4 million to operate isolation/quarantine and shelter deintensification facilities for one month in 2021. This use of the County's last reserve demonstrates the seriousness of the COVID problem and the inadequacy of the current federal response.

DOWNTOWN OFFICE SPACE CONSOLIDATION

Most King County office workers have been teleworking since March. Departments have not noticed declines in productivity and a recent survey of office employees determined that two-thirds would prefer to telework at least three days a week after the pandemic ends. Teleworking eliminates commuting time and reduces greenhouse gas production.

As a result of the teleworking experience, the Facilities Management Division (FMD) asked departments to reconsider their space needs. Based on this analysis, FMD determined that the departments currently in the aging Administration Building could be consolidated into the Chinook Building and King Street Center in downtown Seattle, the Blackriver Building in Renton, plus a small amount of leased office space. These moves will mostly occur in late 2020 with a few occurring in 2021. The closure of the Administration Building will save about \$5 million in operating costs in the 2021-2022 biennium and will also avoid \$40 million in deferred maintenance costs.

RATE PROPOSALS

In response to the economic downturn caused by COVID, County agencies sought to minimize proposals to increase charges for services. The Wastewater Treatment Division reduced its 2021 rate increase to 4.5 percent. The Permitting Division of the Department of Local Services is only seeking a 2.4 percent rate increase. The Solid Waste Division found efficiencies that allowed it to avoid any rate increase for 2021. Other County rate-supported programs, including Surface Water Management and Noxious Weeds, plan no rate increases for the 2021-2022 biennium.



