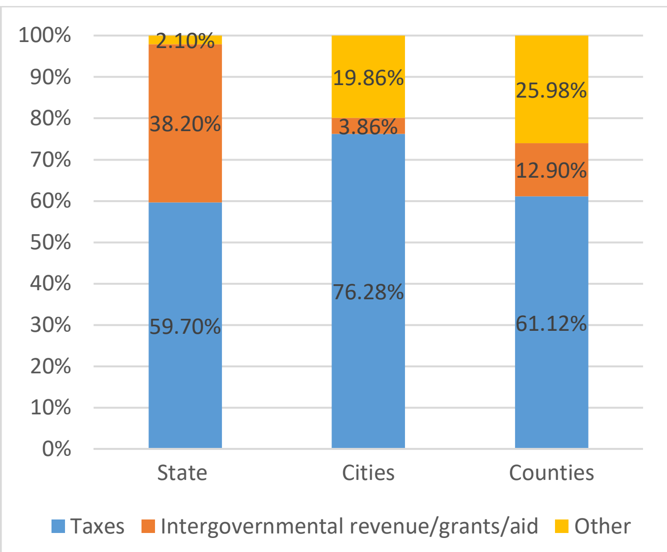
City and county revenue growth

As the state Legislature grapples with its budget challenges, some lawmakers have asked whether revenues for cities and counties are growing faster than state revenue. A number of factors complicate an accurate revenue comparison for Washington's state, county, and city governments. Overall, city and county revenues have not grown as quickly as state revenue and are not keeping pace with inflation and population growth.

Cities, counties, and the state rely on different revenues

Cities, counties, and the state rely on different revenue sources to fund services. For example, the state and counties receive significant intergovernmental aid while cities generate nearly all of their revenue through taxes and fees. In addition, the state and counties have mechanisms to raise substantial transportation revenue; cities do not. Likewise, the state and some cities impose business and utility taxes; counties do not share these authorities. As a result, an accurate comparison of revenue needs to include a comprehensive list of revenues, not just taxes.

General fund revenue mix



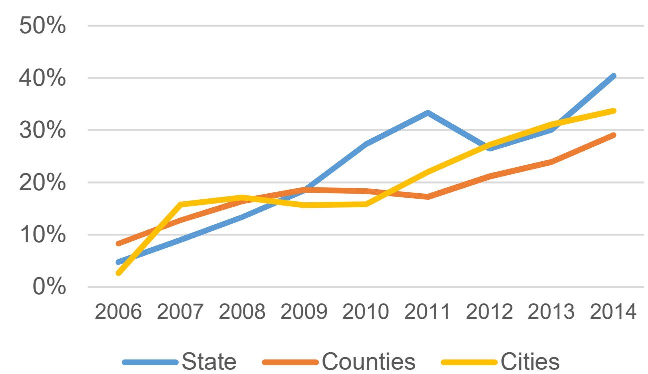
Revenues are growing overall but do not keep up with inflation and population growth

With different revenue mixes, growth can be calculated in different ways. One approach is to look at all revenue regardless of whether it must be used for a dedicated purpose. Another is to look only at general fund revenue that can be used for any purpose. Using either approach, revenues for cities, counties, and the state have all grown over the past 10 years. While the state's revenue is growing faster than inflation and population growth, city and county revenue is not.

Some of the "growth" in city and county revenue also can be attributed to new revenues authorized by the state, such as the mental health sales tax, and the adoption of a B&O tax by some cities to address budget pressures.

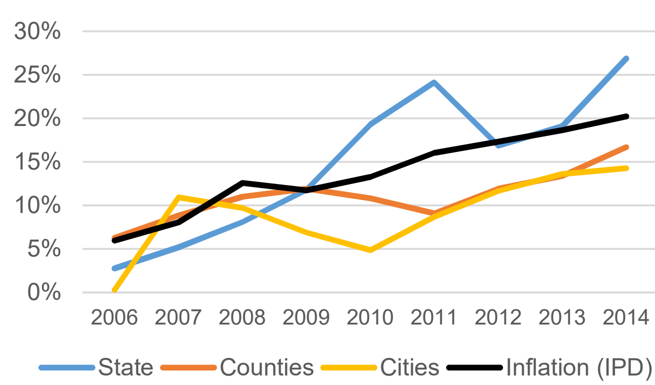
The charts below show revenue history with the inclusion of dedicated or restricted funds, such as the county road levy and the Real Estate Excise Tax (REET), which must be used for capital purposes.

Cumulative revenue history – General (unrestricted) & special (restricted) revenue



During this same period, the state's population has grown by nearly 11%. Here's how that same revenue looks on a per capita basis.

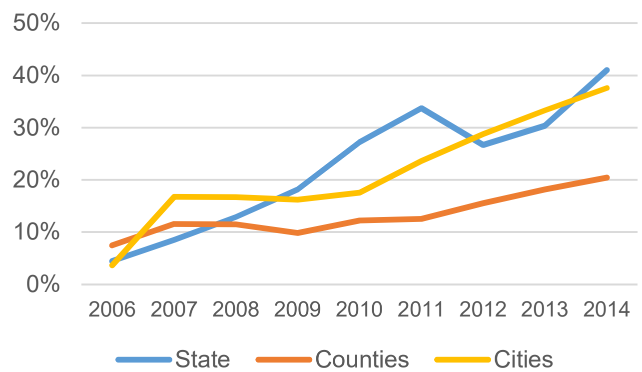
Per capita revenue history – General (unrestricted) & special (restricted) revenue



Looking only at unrestricted general fund revenue also shows that growth has not kept up with inflation and population increases. Using this approach, city revenue has grown more quickly, but this is in part because cities must fund most transportation needs through the general fund.

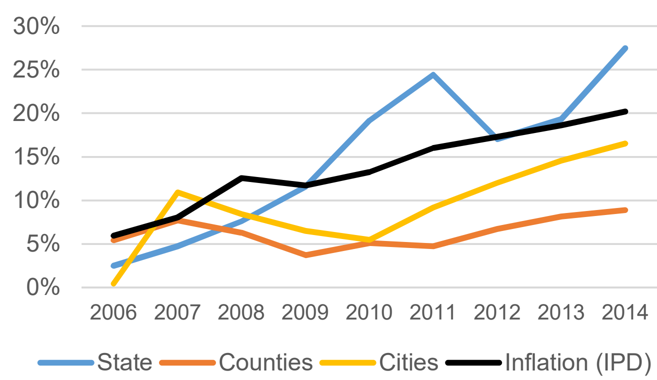
The charts below show only unrestricted general fund revenue.

Cumulative revenue history – General (unrestricted) revenue only



Here's how that same revenue looks on a per capita basis.

Per capita revenue history – General (unrestricted) revenue only

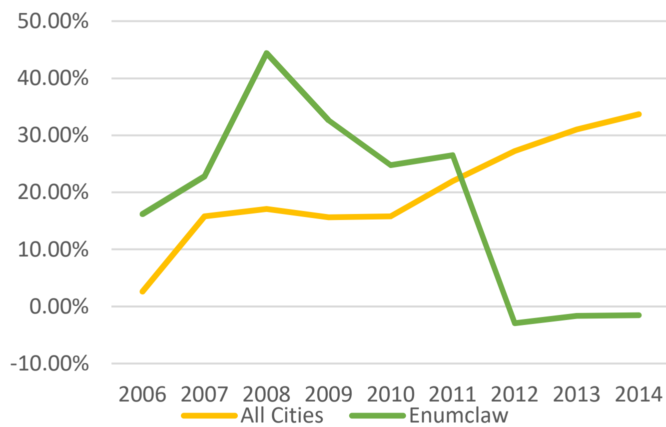


Revenue growth is uneven

Another challenge in comparing the state to cities and counties is that while the state is only one entity, Washington has 281 cities and 39 counties. Revenue growth is uneven throughout the state, and looking at the combined revenue growth conceals the very real budget challenges in many cities and counties.

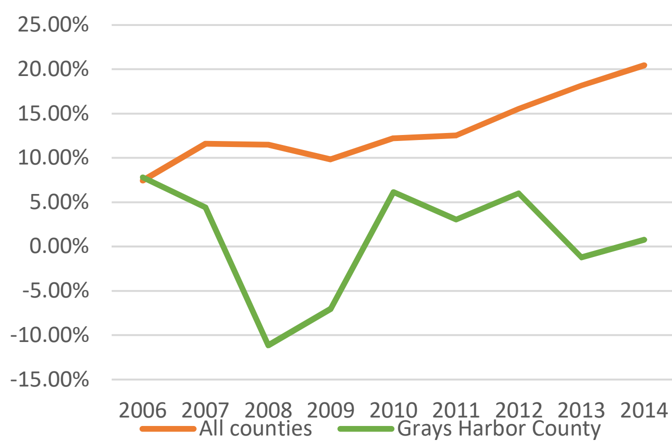
For example, a look at all city revenue shows at least 47 cities had less revenue in 2014 than they did in 2006. This represents 17%, or 1 out of every 6, cities in our state.

Example: Enumclaw compared to all cities



Similarly, five counties saw actual declines in general fund revenue while others have seen very little increase.

Example: Grays Harbor County compared to all counties



Sources:

- Washington State Auditor's Office, Local Government Financial Reporting System
- Washington State Department of Revenue, Tax Statistics 2015, Tables 1 and 3
- U.S. Bureau of Economic Analysis, Implicit Price Deflator for Personal Consumption Expenditures