Joint Select Committee on Junior Taxing Districts, Municipal Corporations, and Local Government Finance

Summary of Received Revenue Flexibility Recommendations/Comments from the Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC)
January 3, 2013

Association of Washington Cities (Victoria Lincoln) - Received January 3, 2013
Using a list of revenues from the State Treasurer as its guide, the AWC identified three funds that it believes could be "flexed up or restored." These funds, which were identified by cities as the most important, are liquor, lodging, and the local Real Estate Excise Tax funds. Regarding the first fund (liquor), the AWC acknowledged that liquor profits and taxes were addressed in a previous recommendation of the Committee and it expressed its appreciation of the recommendation.

The second revenue fund the AWC is pursuing for ongoing flexibility in 2013 is the lodging tax. The AWC noted that cities would like to retain the flexibility of lodging tax revenue for operations of special events and non-profits. (*Note*: the Washington State Association of Counties also indicated support for this position.) The AWC noted that these expanded uses were granted by the Legislature in 2007 and will expire on June 30, 2013. For additional information, the AWC referred to fact sheet they produced on the subject that is available at:
http://www.awcnet.org/portals/0/documents/legislative/lodgingtax092412.pdf.

The AWC indicated that a third fund they have worked on in recent years is the local Real Estate Excise Tax (REET). As noted by the AWC, cities were granted a level of flexibility two years ago that will expire in 2015. The AWC did not explore with its members the possibility of pursuing the issue in 2013, since the expanded use provisions are two years from expiring.

The AWC closed it remarks by indicating that it will continue to explore all other options regarding revenue flexibility, and that it appreciates any assistance the Committee can give cities relating to the second item, the use of lodging tax funds for non-profit activities relating to tourism.

Washington State Association of Counties (Josh Weiss) - Received Dec. 21, 2012 and Jan. 2, 2013

The WSAC identified three ways the Legislature could help counties make existing revenue sources 'go further' without adding new taxing authority.

First, the WSAC noted that, although some local option revenue sources can be imposed solely through councilmatic action (through a vote the county legislative authority) many local option revenue sources require a vote of the public before they can be imposed. The WSAC indicated that converting these revenue sources to ones that can be imposed through councilmatic actions would be helpful. WSAC noted also that "While this may be concerning, keep in mind that most county commissioners/council members are very concerned about the political fallout of imposing taxes on their constituents – it is not something that is done lightly. There is political accountability built into the system for these actions."

Secondly, the WSAC recommended broadening the allowed uses of fund sources. The WSAC indicated that each revenue source has a statutory provisions specifying how the revenue can be used. The broader the allowed uses, the more flexibility counties are allowed. The WSAC noted that this approach "…might actually be more feasible for the revenue sources that come straight from the State, as opposed to the local option sources. The voters typically like to know exactly what they are paying for before they'll support it."

Lastly, the WSAC called for removing “non-supplant” language from existing fund sources. As described by the WSAC, non-supplant language requires counties to spend newly raised revenue on new programming, rather than using new revenue to replace program services that may have been reduced previously through budget cuts. The WSAC noted that "The result of non-supplant language is that it requires government to get bigger." The WSAC specifically identified the mental health and chemical dependency sales tax as an example of where non-supplant language has hampered counties.