Public Health Financing Trends

Presentation to the Joint Select Committee on Public Health Finance

Legislative Fiscal Committee Staff

September 20, 2005

Plans for this afternoon

- Key funding terms, statutory provisions, and dates.
- 6-year spending & financing trends
  - total, inflation-adjusted, & per person;
  - by revenue source;
  - statewide, and at local health jurisdiction level.
- Summary of key points.
- Ideas for future analysis.

Terminology and Context

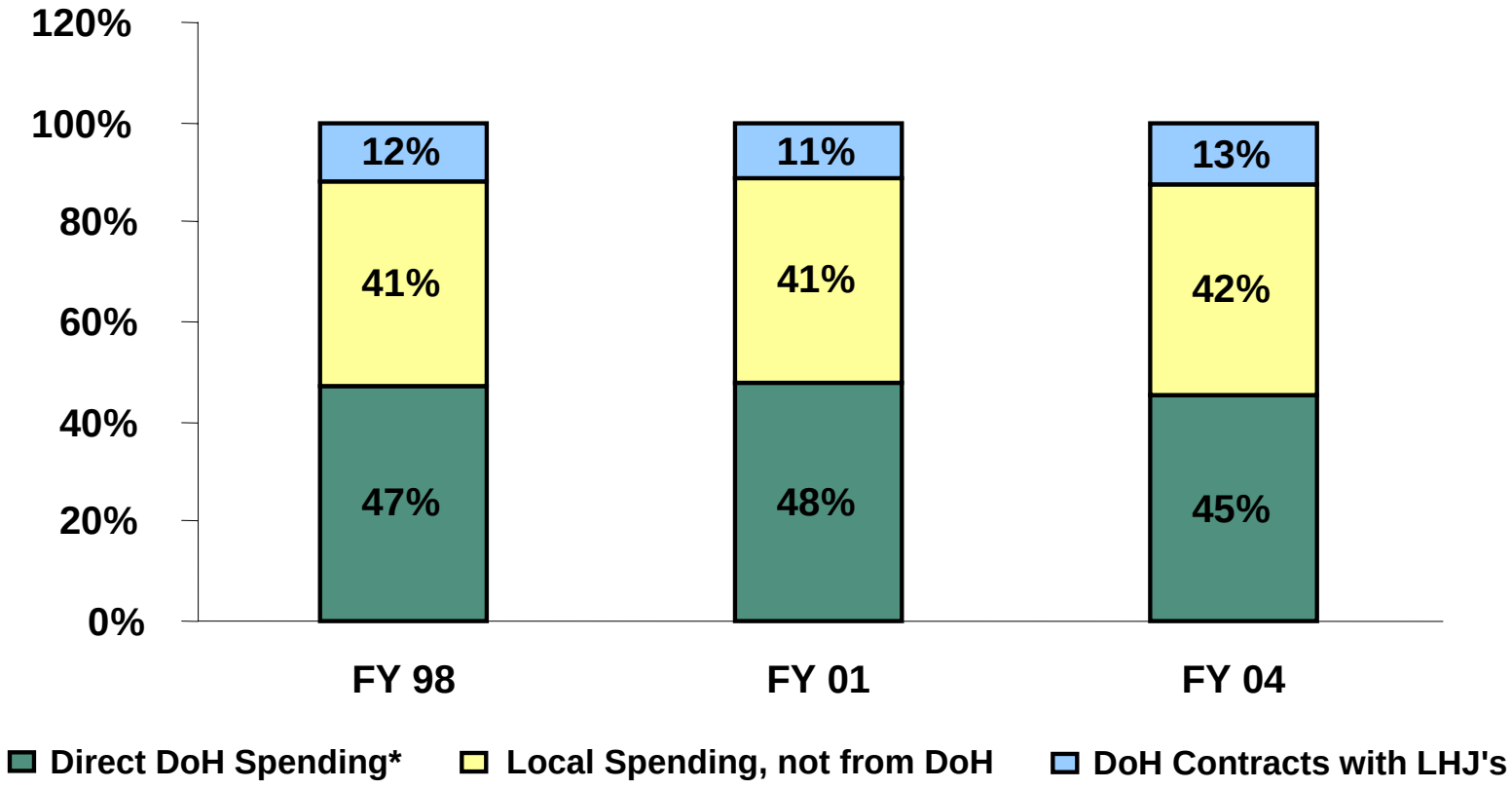
Some basic terms and acronyms

- **DoH:** the state Department of Health.
- **LHJ's**: the 35 local health jurisdictions.
- **Dedicated Funds:** revenues that can only be used for some specific, narrow range of purposes.
- **General Funds:** revenues that can be used flexibly, for many different purposes.
- **Categorical Funding or Programs:** revenues (whether dedicated or general) that by statute or contract can only be used for a specified activity.

State law assigns many duties to state and local health departments, but does not specify how these are to be paid for.

- **RCW 70.05.060:** local health boards responsible for "supervision over all matters pertaining to the preservation of the life and health" of people in jurisdiction.
- **RCW 70.05.130:** all expenses incurred in carrying out the above to be paid by county.
- **RCW 43.70.130:** state department of health has all the same powers and duties as local board, if local board does not fulfill them.
- **Statutorily dedicated revenues:**
  - tobacco prevention & control ($26 million/year).
  - trauma systems ($13 million/year).
  - fees for pubic health activities.

About half of total public health spending occurs locally, and about half at the state level.

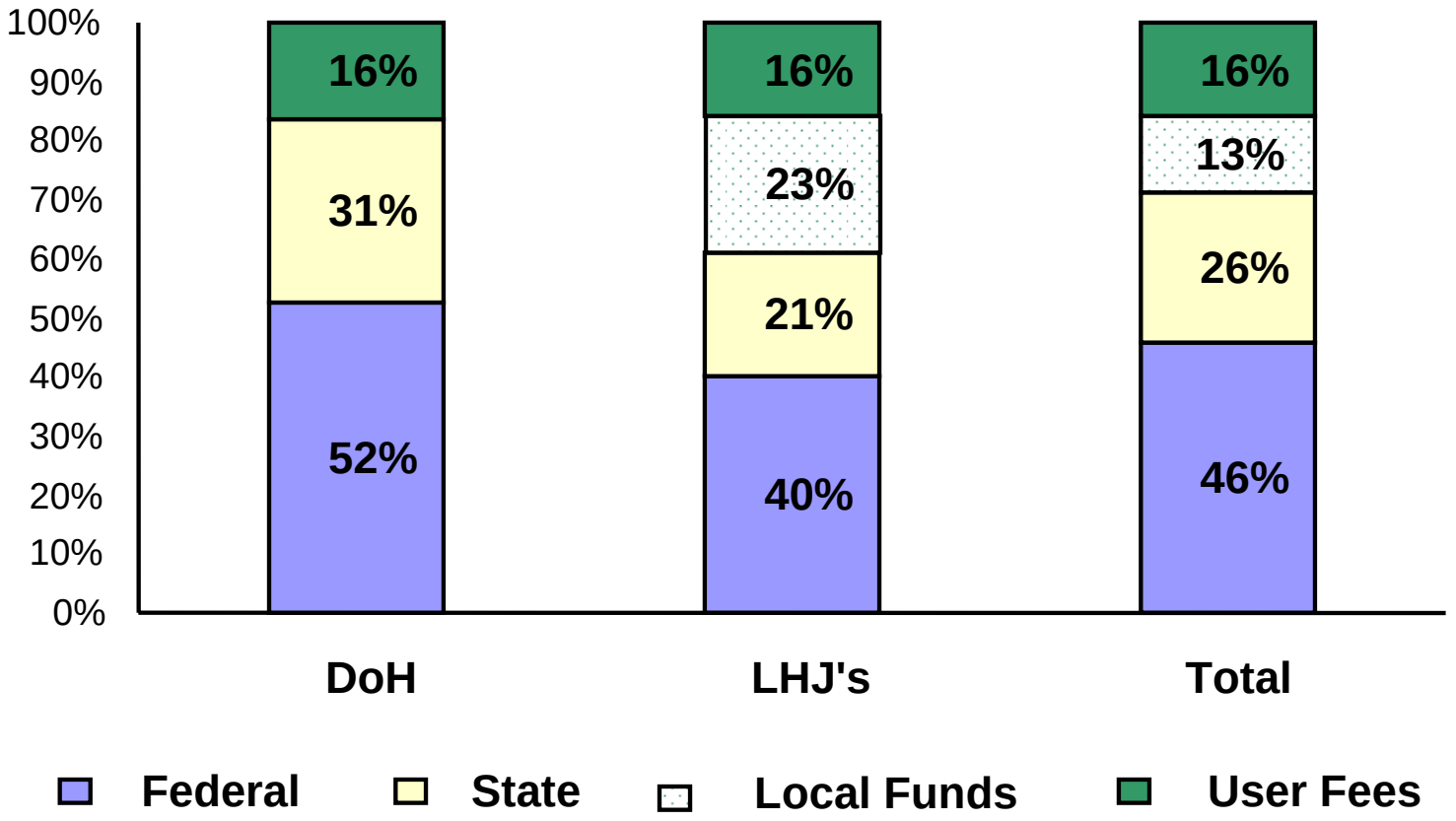


*All charts in this presentation exclude $18 - $23 million per year of fee-supported state Department of Health professional licensing and regulatory activities.

Funding for public health is from a variety of sources.

- **State**
  - General Fund-State & Health Services Account
  - Dedicated Funds (e.g. Tobacco Prevention, Trauma)
- **Federal**
  - block grants; on-going categorical funds (WIC, AIDS, Bioterrorism); and short term issue specific grants.
- **User Fees**
  - licenses, permits, fees, and sales.
- **Local Taxes**

Federal revenues are the largest single source of funding, at all levels of the system.



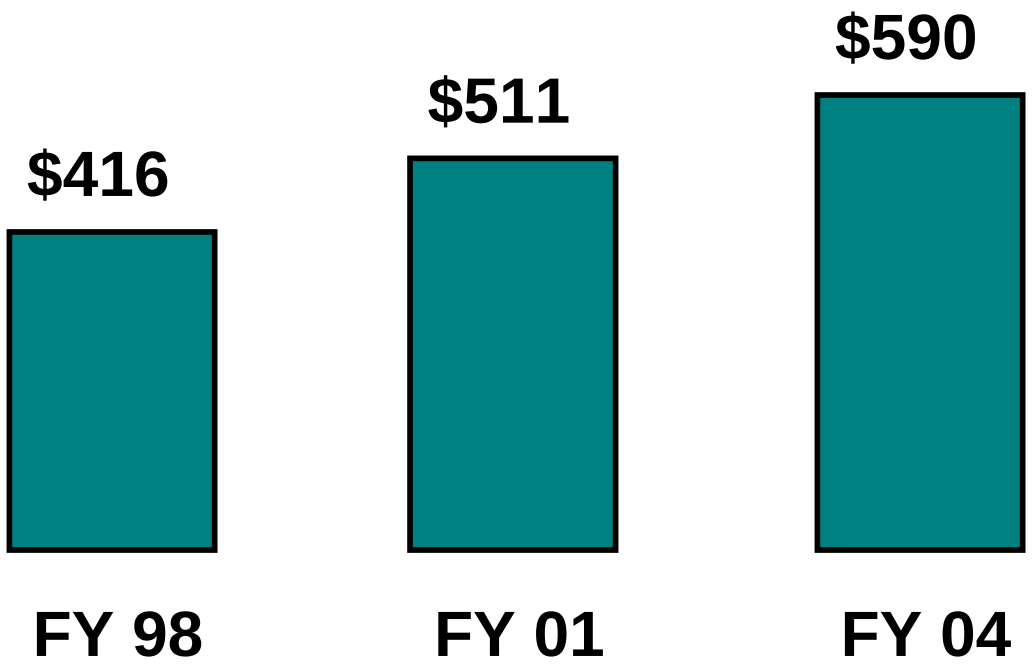
Key dates in public health financing

- **1976** – Repeal of requirement that portion of local property tax be dedicated to public health
- **1993** – 2.95% of Motor Vehicle Excise Tax (MVET) is dedicated to local public health. Cities relieved of fiscal responsibility.
- **2000** - MVET funding is repealed through I-695; Legislature "backfills" MVET revenues at 90% of former level ($22 - $24 million per year)
- **2001** – Initiative 773 requires appropriation of $26 million per year to tobacco use prevention.
- **2002** – Federal bio-terrorism funding begins ($17–$18 million per year)

Statewide Funding Trends

Total state and local public health spending has increased by $174 million (42%) over the past six years.

Combined State- and Local-Level Funding
(in Millions)



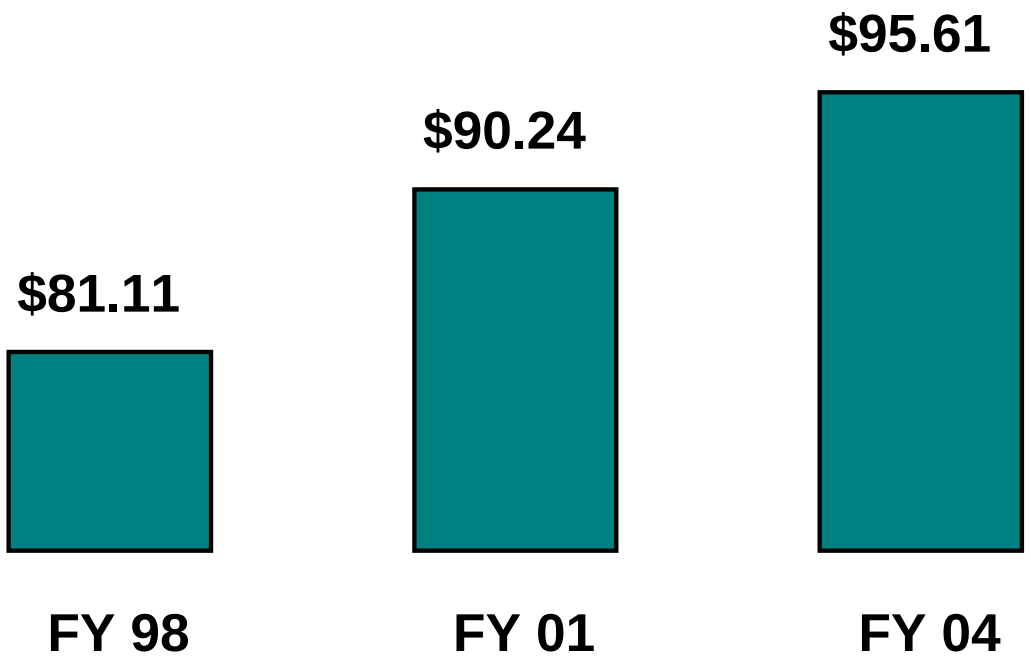
This is a 27% increase after adjusting for inflation . . .

Combined State- and Local-Level Spending
Inflation-Adjusted to 2004 Dollars
(in Millions)

Inflation as measured by the implicit price deflator for personal consumption (IPD).

. . . and an 18% increase after adjusting for both inflation and state population growth.

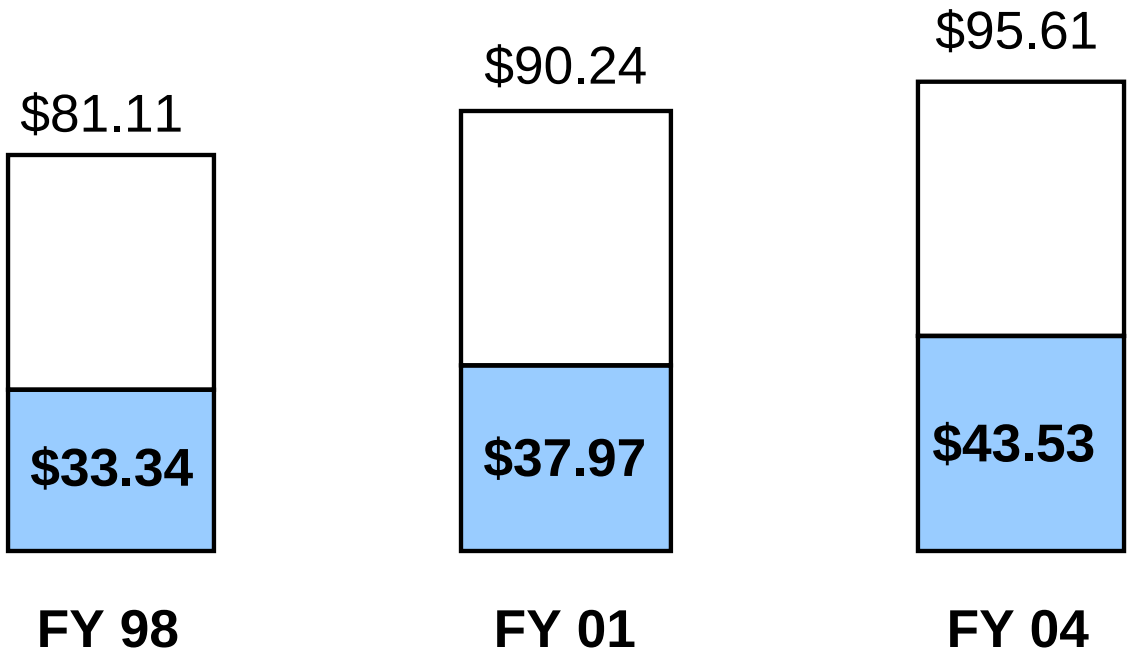
Combined State- and Local-Level Spending per Resident
Inflation-Adjusted to 2004 Dollars



Inflation as measured by the IPD; November 2004 Office of Financial Management state population report.

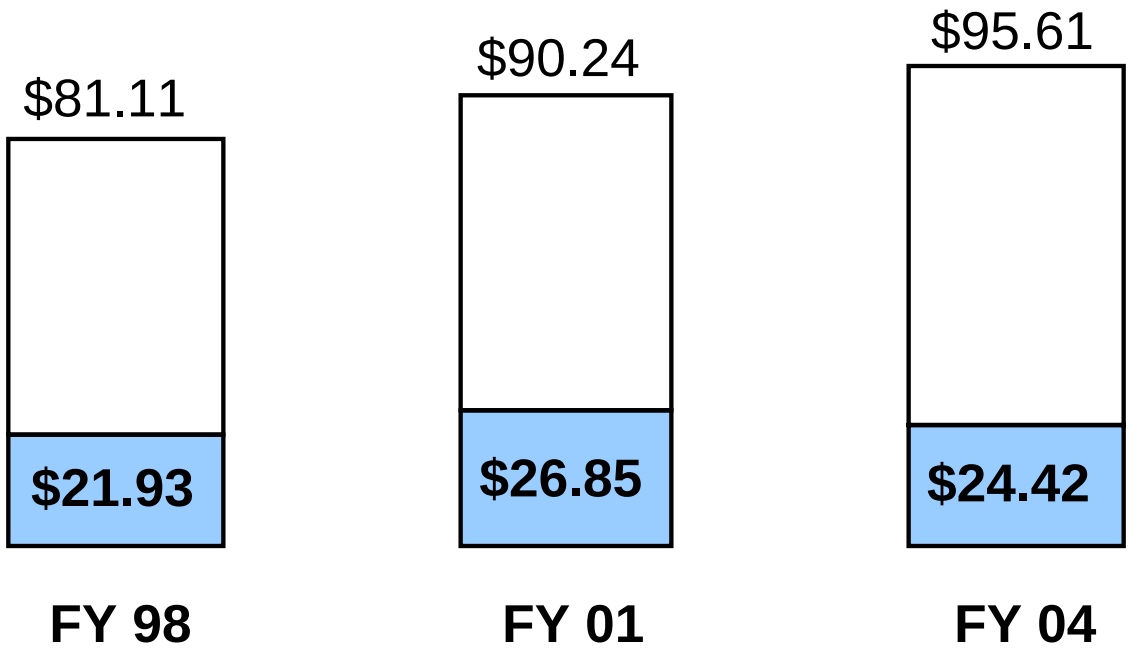
Federal funding increased by 30%, and accounted for 70% of the spending growth, between 1998 and 2004.

Combined State- and Local-Level Federal Spending per Resident
Inflation-Adjusted to 2004 Dollars



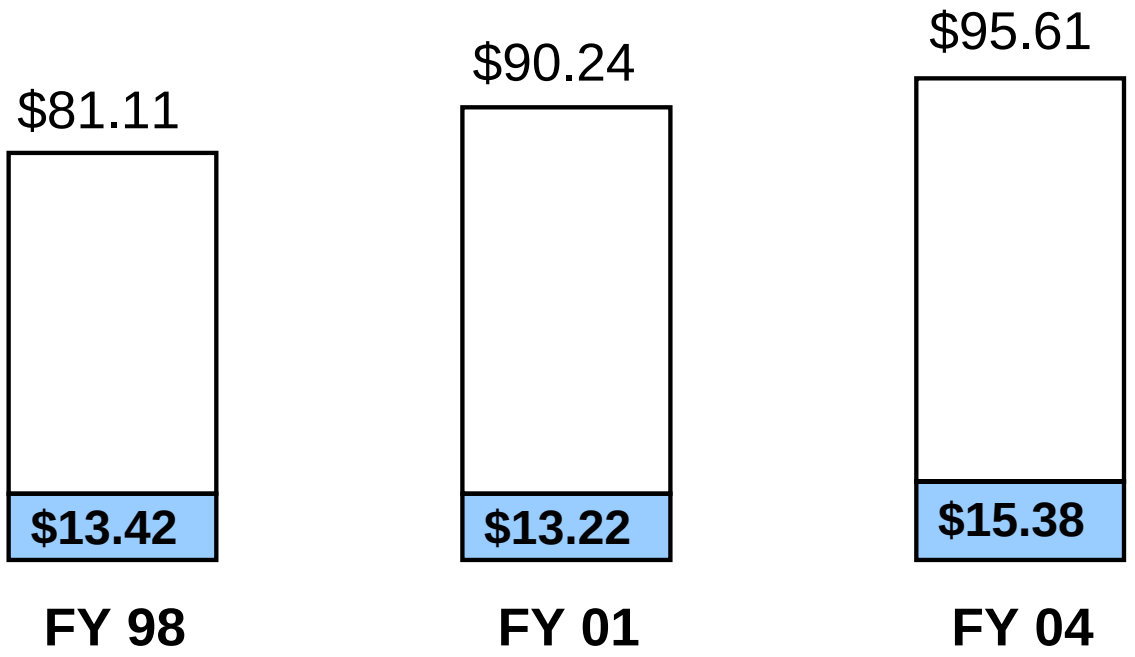
After an initial increase, state funding has not kept pace with inflation and population growth since 2001.

Combined State-Spending per Resident
Inflation-Adjusted to 2004 Dollars

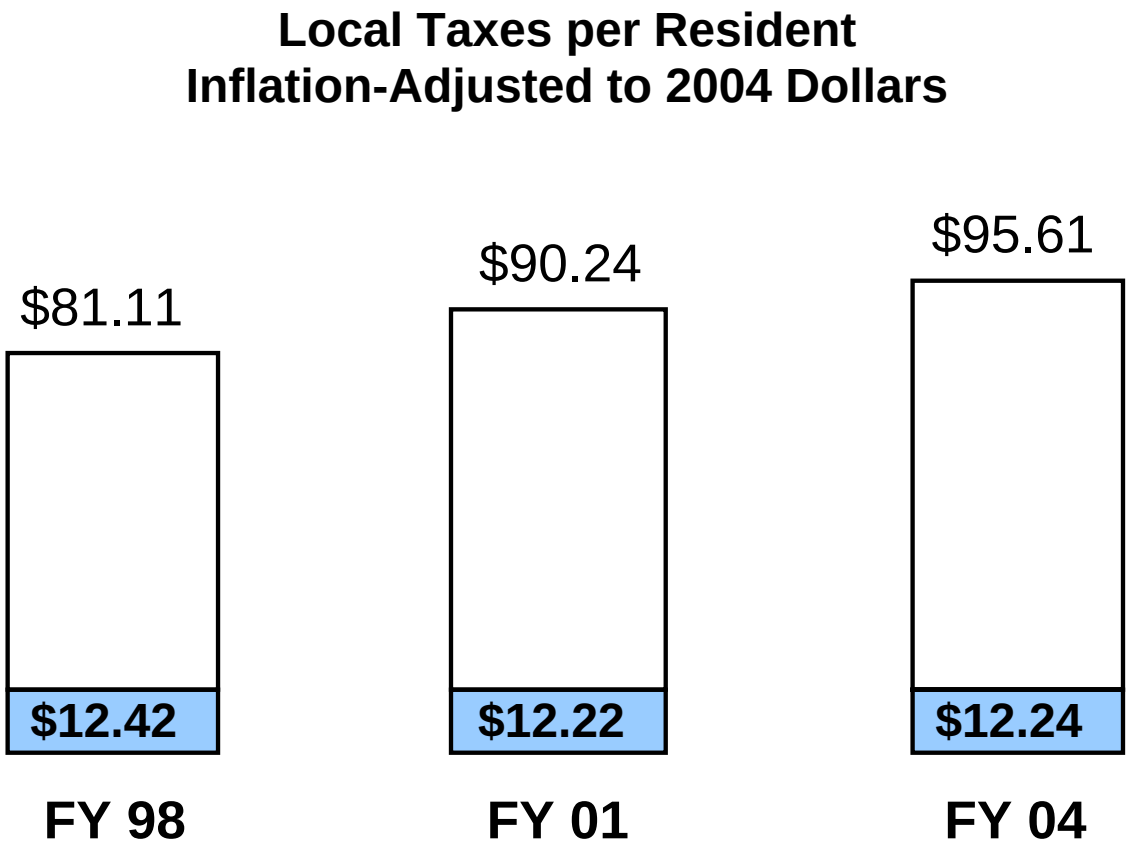


User fees increased by 15% between 1998 and 2004, at both the state and local levels.

Fee-Supported Funding per Resident
Inflation-Adjusted to 2004 Dollars



Local support from taxes and other sources has decreased by 2%, after controlling for inflation and population growth.

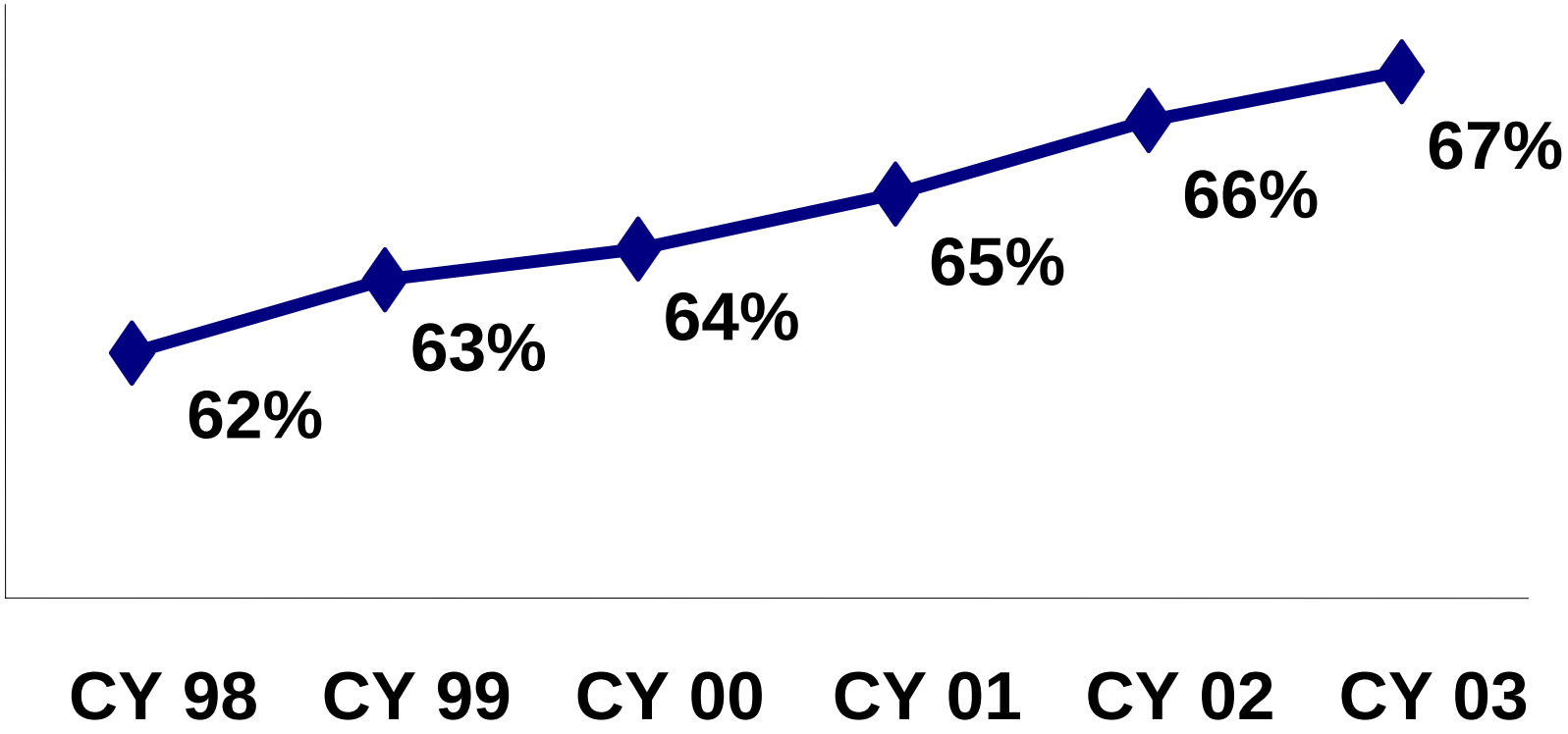


Local-Level Funding Trends

Reduced local tax support for public health is likely due to several factors.

- Increased county criminal justice costs.
- Motor Vehicle Excise Tax (MVET) repeal.
- I-747 limitations on local revenues.

Criminal Justice expenditures are consuming a continuously growing share of county general fund revenues.



The Motor Vehicle Excise Tax repeal had a major impact on city and county finances.

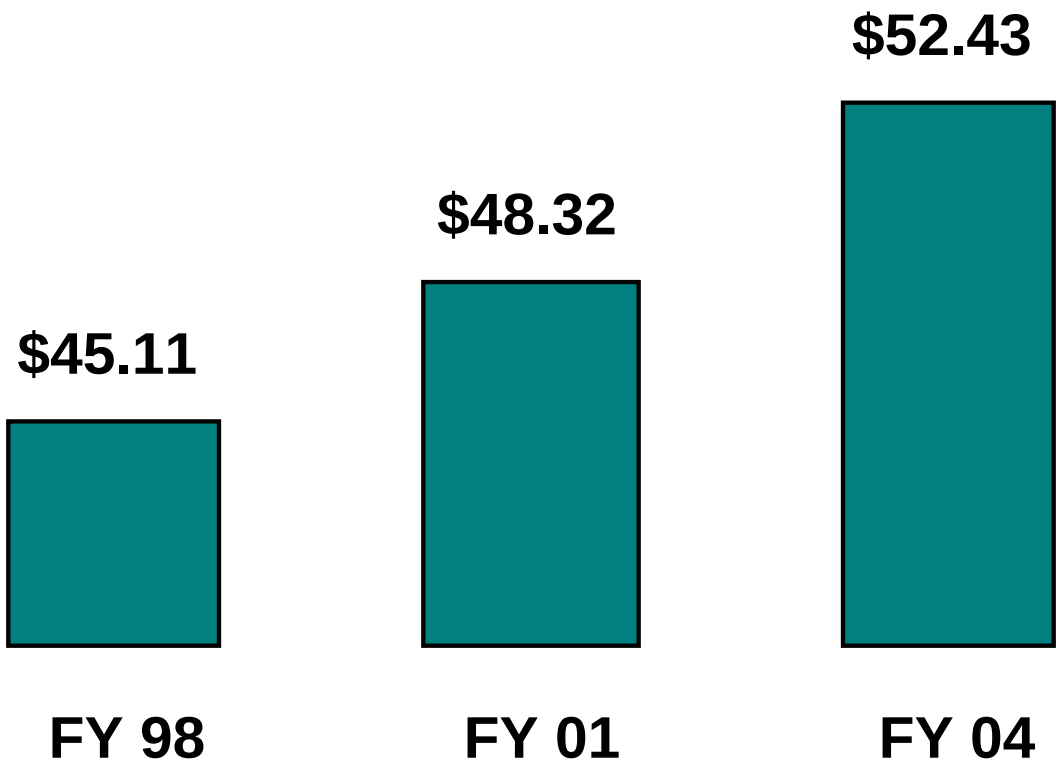
- local revenues for criminal justice, public health, and general government reduced by an estimated $274 million in 1999-01, and over $400 million in 2001-03.
- Legislature “backfilled” lost public health MVET funding at 90% of the 1999 level.
- public health is the only area for which significant state backfill continues.
- no inflation or population adjustment on $24 million/year public health backfill since 2003.

Initiative 747 had an additional significant impact on local government revenues.

- property tax revenues can increase only 1% annually, unless approved by voters.
- local revenues reduced by estimated $115 million in 2001-03, and $363 million in 2003-05.
- counties more dependent upon property tax than cities, because of limited sales tax revenues in unincorporated areas.

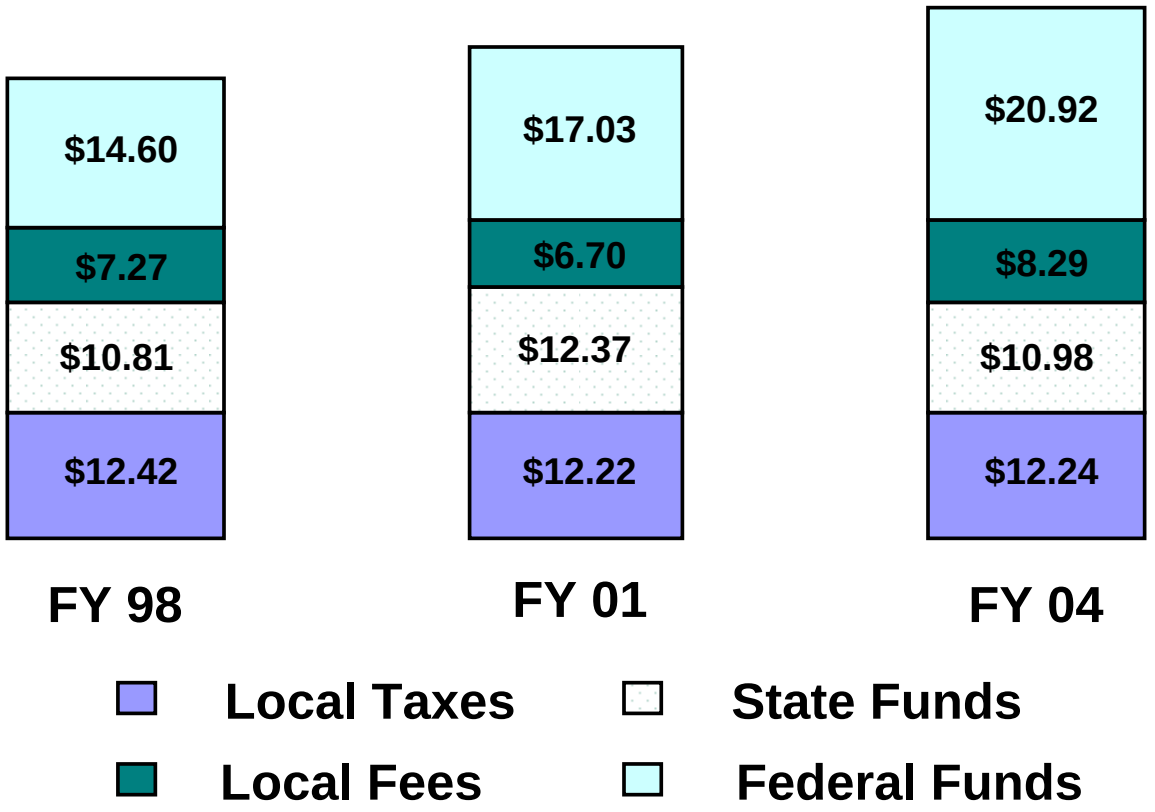
Though local tax support has decreased, local-level public health spending per person has increased by 16% since 1998.

Local Level Public Health Spending per Resident
Inflation-Adjusted to 2004 Dollars

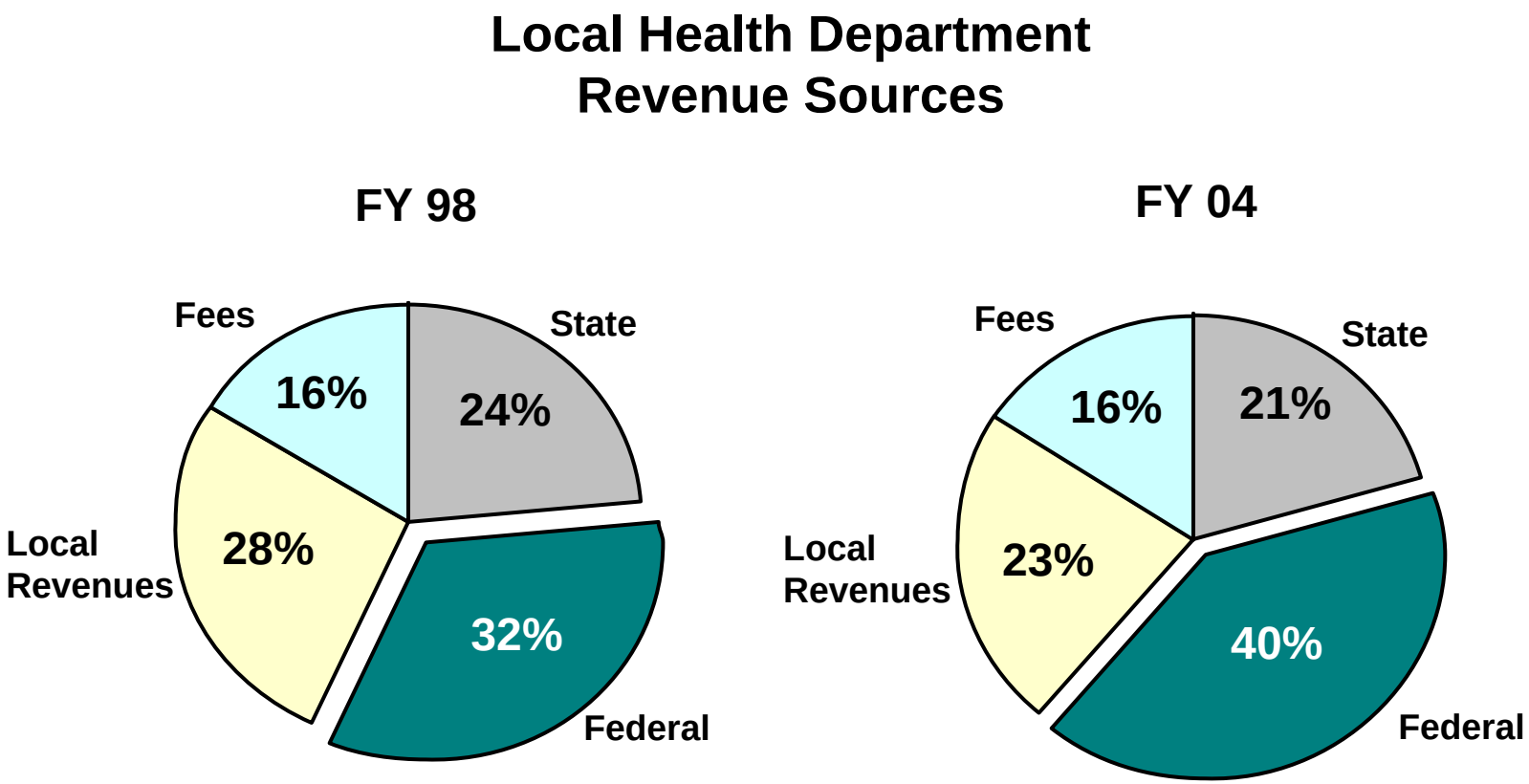


The decrease in state and local revenues has been more than offset by increased federal funding and user fees.

Local Level Public Health Spending per Resident
Inflation-Adjusted to 2004 Dollars



Increased dependence on federal funds may limit local flexibility, and leave services vulnerable to federal cuts.



Review of Key Points

Key Points on Total Spending

- Spending on Washington's public health system increased by 18% during 1998 – 2004, after controlling for inflation and population growth.
  - state department-level spending increased by 20% per state resident.
  - local department-level spending increased by 16% per resident.

Key Points on Federal Funding

- Federal revenues are the largest single source of public health funding, at both the state and local levels. They have also grown the most.
  - federal funding comprises 52% of the state DoH budget, and increased by 21% per resident during 1998 – 2004.
  - federal funding comprises 40% of local health department budgets, and grew 43% per resident during 1998 – 2004.

Key Points on State Funding

- State revenues fund 25% of the public health system – 31% at the state level, and 21% at the local.
  - inflation-adjusted spending per resident increased 22% between 1998 and 2001, due to the MVET backfill and the national tobacco settlement.
  - since then, state funding has not kept pace with inflation and population growth.

Key Points on User Fees

- Licenses, permits, and other user fees account for 16% of total spending, at both the state and local levels.
  - state and local user fees both increased about 15% per resident during 1998 – 2001.

Key Points on Local Tax Support

- Local taxes and other contributions fund about 25% of the cost of local health department functions.
  - local tax support for public health generally kept pace with inflation and population during 1998 – 2004; however
  - continuing to do so is likely to be challenging, given I-747 revenue limits and growing criminal justice costs.

Plans for Future Fiscal Presentations

- public health leader perspectives on today's fiscal discussion.
- per capita spending variations among local jurisdictions:
  - in total
  - by revenue source
  - by functional area.
- interstate comparisons (to the extent possible).