



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 22, 2009

Ordinance 16663

Proposed No. 2009-0507.2

Sponsors Gossett

1 AN ORDINANCE relating to the use of the additional sales
2 and use tax of one tenth of one percent for the delivery of
3 mental health and chemical dependency services and
4 therapeutic courts to be consistent with Chapter 551, Laws
5 of Washington 2009, Section 2; making technical
6 corrections; and amending Ordinance 15955, Section 2, as
7 amended, and K.C.C. 4.08.318, Ordinance 15949, Section
8 4, as amended, and K.C.C. 4.33.020 and Ordinance 15949,
9 Section 5, as amended, and K.C.C. 4.33.030.

10

11 **PREAMBLE:**

12 In 2005, the Washington state Legislature authorized counties to implement
13 a one-tenth of one percent sales and use tax to support new or expanded
14 chemical dependency or mental health treatment programs and services and
15 for the operation of new or expanded therapeutic court programs and
16 services. The initial statute providing for this tax, which is RCW 82.14.460,
17 did not permit the revenues to be used to supplant existing funding. King

18 County authorized the one-tenth of one percent sales tax in 2007 via
19 Ordinance 15949.
20 During the 2009 legislative session, Washington state legislators approved a
21 change to the state statute, modifying the non supplantation language of the
22 law. The modification allows the one-tenth of one percent tax revenue to be
23 used to supplant funds for mental health, chemical dependency, and
24 therapeutic court services and programs. Supplantation is allowed for five
25 years, beginning in 2010 and ending by 2015. Beginning in 2010, up to fifty
26 percent of the one-tenth of one percent tax revenue collected can be used to
27 supplant lost funds. There is a ten percent reduction to the amount of funds
28 used each year, ending at ten percent in year 2014.
29 2009 brought unprecedented financial challenges to King County, including
30 a ninety-three-million-dollar general fund deficit and declining one-tenth of
31 one percent sales tax revenues of more than thirteen percent than budgeted
32 amounts. 2010 sales tax revenue forecasts include a decline of sixteen
33 percent over 2009 budgeted amounts.
34 In order to allow King County to supplant one-tenth of one percent funds to
35 existing mental health, chemical dependency, and therapeutic court
36 programs, King County finds it necessary to amend King County Code and
37 previous legislation in order to conform to state law and allow supplantation.
38 When the mental illness and drug dependency fund was established by
39 Ordinance 15955 for the purpose of accounting for the proceeds of an
40 additional one-tenth of one percent sales tax imposed by King County, a new

41 strategy reserve was also established within the fund. The purpose of the
42 new strategy reserve is to set aside revenue for new programs and strategies
43 not envisioned or included in the initial adopted mental illness and drug
44 dependency plans, in recognition that the needs of the county's residents may
45 change over time and that new and innovative mental health, chemical
46 dependency, and therapeutic court programs and services are continually
47 being developed and implemented. The new strategy reserve gives King
48 County the flexibility to respond to the changing needs of the county's
49 population as well as to accommodate new mental health, substance abuse
50 and therapeutic court strategies and programs.

51 The new strategy reserve was established at a time when sales tax revenue
52 was projected to increase over time and when use of the sales tax revenue
53 was limited to new or expanded mental health, chemical dependency and
54 therapeutic court programs. However, given the current and projected
55 economic conditions of declining tax revenues to the fund and the need for
56 expenditure of funds to supplant existing mental health, chemical
57 dependency and therapeutic court programs as authorized by state law that
58 will result in the county's adopted mental illness and drug dependency
59 strategies being reduced or delayed, the county finds it is necessary to
60 modify its approach to the new strategy reserve for 2010.

61 The new strategy reserve is intended for use to fund new strategies during
62 periods of economic stability or growth; not for use to fund new strategies
63 during times of economic hardship when revenues are flat or declining.

64 In 2010, the unencumbered funds remaining in the new strategy reserve will
65 be transferred to the fund's undesignated fund balance in order to offset
66 deeper reductions in service or longer delays for implementation of the
67 mental illness and drug dependency strategies.

68 In 2010 the county will review this ordinance's restrictions on the new
69 strategy reserve in preparation of the 2011 budget. Should economic
70 conditions improve, the reserve may be reactivated and replenished by
71 ordinance in 2011 or thereafter.

72 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

73 SECTION 1. Ordinance 15955, Section 2, as amended, and K.C.C. 4.08.318 are
74 each hereby amended to read as follows:

75 A. There is hereby created the mental illness and drug dependency fund,
76 classified as a special revenue fund, for the purpose of accounting for the proceeds of an
77 additional one-tenth of one percent sales tax imposed by King County for collection
78 beginning in 2008.

79 B.1. In accordance with ~~((the ordinance imposing the mental illness and drug~~
80 ~~dependency tax))~~ K.C.C. chapter 4.33, the proceeds of the sales tax ~~((will be placed in~~
81 ~~one fund designated and))~~ shall be used solely for the purpose of providing new or
82 expanded chemical dependency or mental health treatment services and for the operation
83 of new or expanded therapeutic court programs and shall not be used to supplant existing
84 funding for these purposes, except as authorized in RCW 82.14.460(4), as it exists on the
85 effective date of this ordinance.

86 2.a. In order to reserve funds for new strategies not currently specified in the
87 implementation plan, a new strategy reserve is hereby created in the mental illness and
88 drug dependency fund. The purpose of this reserve is to fund new strategies and
89 programs that meet the county's policy goals established in K.C.C. 4.33.010.

90 b. Mental illness and drug dependency programs or strategies that are funded
91 from the new strategy reserve shall receive funding from the reserve for two full years.
92 No project or strategy funded from the new strategy reserve shall utilize more than
93 twenty percent of the total annual new strategy reserve amount. The annual new strategy
94 reserve amount is based on the later of either the annual mental illness and drug
95 dependency fund financial plan as transmitted by the executive with the proposed annual
96 county budget or as amended by ordinance. The two-year period for funding new
97 strategies from the new strategy reserve shall commence when the ordinance approving
98 the new strategy is enacted. During the two-year period of funding from the new strategy
99 reserve, these programs and strategies shall be reviewed as part of the annual mental
100 illness and drug dependency evaluation cycles. After the initial two-year period, the new
101 strategies and programs shall be subject to expansion, revision or elimination.

102 c. The new strategy reserve shall be limited to five million dollars.

103 d. The new strategy reserve shall be initially funded:

104 (1) in 2008 by:

105 (A) allocating one million eight hundred thousand dollars of the mental
106 illness and drug dependency fund's revenue stabilization reserve to the new strategy
107 reserve; and

108 (B) allocating seven hundred thousand dollars of the mental illness and drug
109 dependency fund's 2008 revenue; and

110 (2) in 2009 by allocating up to two million seven hundred thousand dollars of
111 the mental illness and drug dependency fund's 2008 ending undesignated fund balance to
112 the new strategy reserve at the end of the 2008 fiscal year.

113 e. In 2010, the new strategy reserve shall not be replenished.

114 f. Effective January 1, 2010, all unencumbered funds in the new strategy
115 reserve shall be transferred to the undesignated fund balance.

116 g. In ~~((2010))~~ 2011 and thereafter, the new strategy reserve will be replenished
117 each year by allocating up to one half of the mental illness and drug dependency fund's
118 previous ending year's undesignated fund balance less the target fund balance to the
119 reserve until the five-million-dollar limit is reached.

120 C. The department of community and human services shall be the fund manager
121 for the mental illness and drug dependency fund.

122 D. For investment purposes, the mental illness and drug dependency fund shall
123 be considered a first tier fund.

124 SECTION 2. Ordinance 15949, Section 4, as amended, and K.C.C. 4.33.020 are
125 each hereby amended to read as follows:

126 A. For the purpose of providing funding for the operation or delivery of ~~((new or~~
127 ~~expanded))~~ mental health and chemical dependency programs and services, and ~~((new or~~
128 ~~expanded))~~ therapeutic courts programs and services as authorized RCW 82.14.460, as it
129 exists on the effective date of this ordinance, an additional sales and use tax of one-tenth
130 of one percent is hereby levied, fixed and imposed on all taxable events within King

131 County as defined in chapter 82.08, 82.12 or 82.14 RCW, except as provided in
132 subsection B. of this section. For the purposes of this section, "programs and services"
133 includes, but is not limited to, treatment services, case management, and housing that are
134 a component of a coordinated chemical dependency or mental health treatment program
135 or service. The tax shall be imposed upon and collected from those persons from whom
136 sales tax or use tax is collected in accordance with chapter 82.08 or 82.14 RCW, and
137 shall be so collected at the rate of one-tenth of one percent of the selling price, in the case
138 of a sales tax, or value of the article used, in the case of a use tax. This additional sales
139 and use tax shall be in addition to all other existing sales and use taxes currently imposed
140 by the county.

141 B. If, as a result of the imposition of the additional sales and use tax authorized in
142 subsection A. of this section, the county imposes an additional sales and use tax upon
143 sales of lodging in excess of the limits contained in RCW 82.14.410, the sales shall be
144 exempt from the imposition of that additional sales and use tax.

145 SECTION 3. Ordinance 15949, Section 5, as amended, and K.C.C. 4.33.030 are
146 each hereby amended to read as follows:

147 A. The moneys collected under K.C.C. 4.33.020 shall be used solely for the
148 purpose of providing for the operation or delivery of new or expanded chemical
149 dependency or mental health treatment programs and services and for the operation or
150 delivery of new or expanded therapeutic court programs and services, except a portion of
151 the proceeds may be spent as authorized by RCW 82.14.460(4), as it exists on the
152 effective date of this ordinance, and subsection B. of this section. For the purposes of
153 this section, "programs and services" includes, but is not limited to, treatment services,

154 case management, and housing that are a component of a coordinated chemical
155 dependency or mental health treatment program or service.

156 B. The proceeds of the tax authorized and imposed K.C.C. 4.33.020 may not be
157 used to supplant existing funding for these purposes, (~~provided that~~) except as
158 authorized by RCW 82.14.460(4), as it exists on the effective date of this ordinance,
159 though nothing in this section shall be interpreted to prohibit the use of moneys collected
160 under this section for the replacement of lapsed federal funding previously provided for
161 the operation or delivery of services and programs as provided in this section.

162 C. For the purposes of this section, "proceeds" means the moneys raised by the
163

164 additional sales and use tax authorized by this chapter and any interest thereon.

165 SECTION 4. Sections 2 and 3 of this ordinance expire January 1, 2017.

166

Ordinance 16663 was introduced on 8/24/2009 and passed by the Metropolitan King County Council on 9/21/2009, by the following vote:

Yes: 8 - Mr. Constantine, Mr. Ferguson, Ms. Hague, Ms. Lambert, Mr. von Reichbauer, Mr. Gossett, Mr. Phillips and Ms. Patterson

No: 0

Excused: 1 - Mr. Dunn

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Dow Constantine, Chair

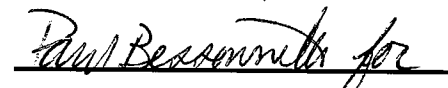
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KING COUNTY COUNCIL

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 15th day of October, 2009.



Kurt Triplett, County Executive

Attachments None