APPENDIX B3

Primer on King County's Finances with a Focus on Roads

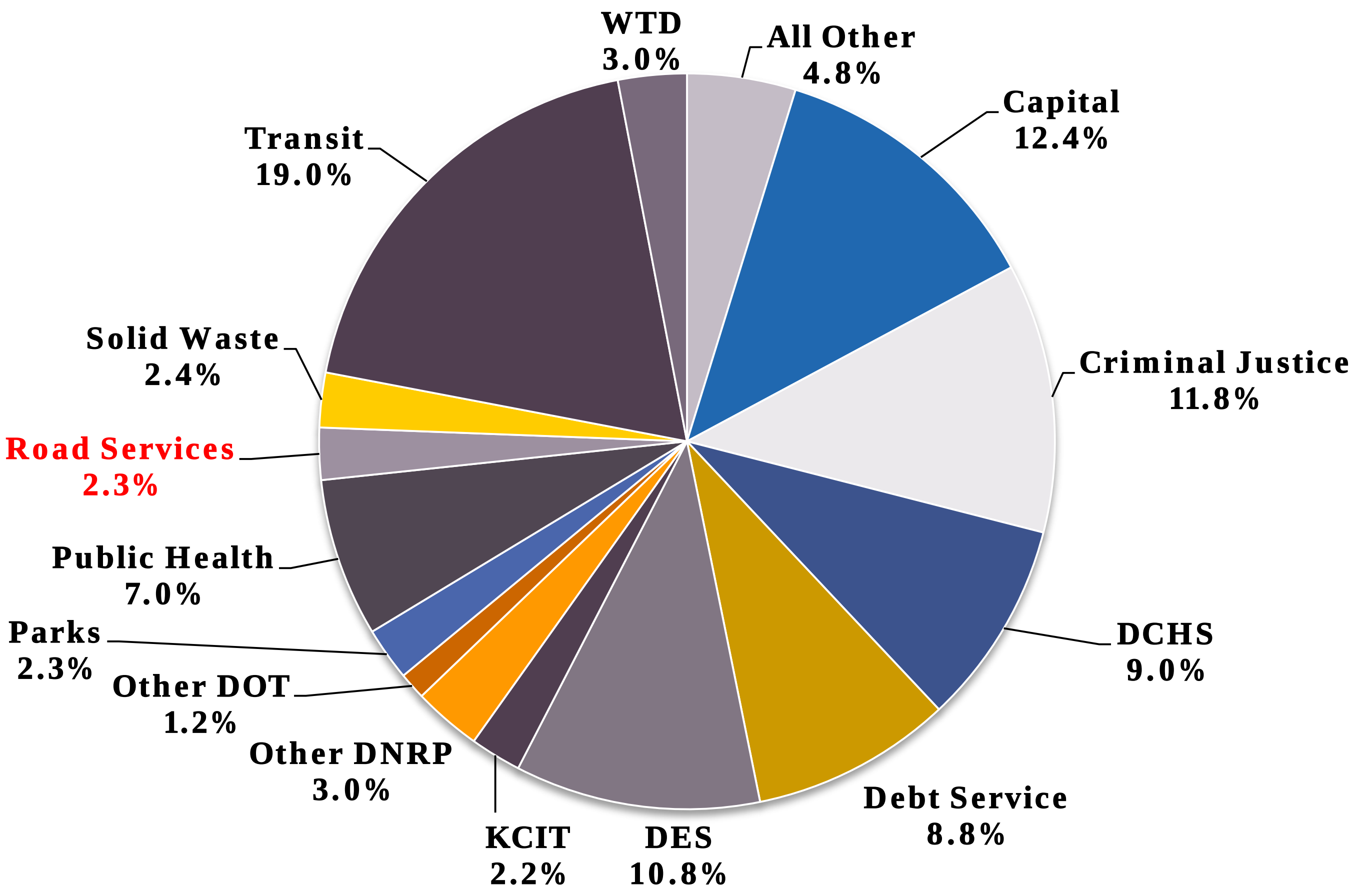
Presentation to Bridges & Roads Task Force

Dwight Dively, King County

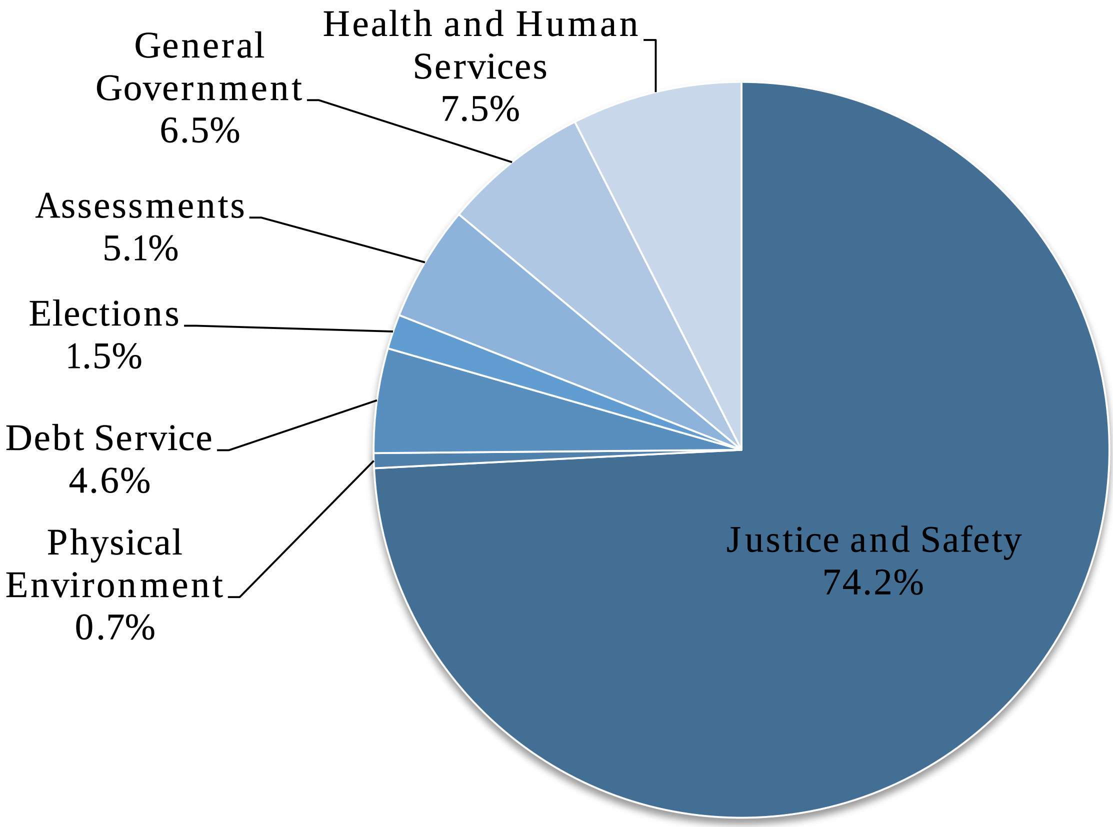
September 16, 2015

King County

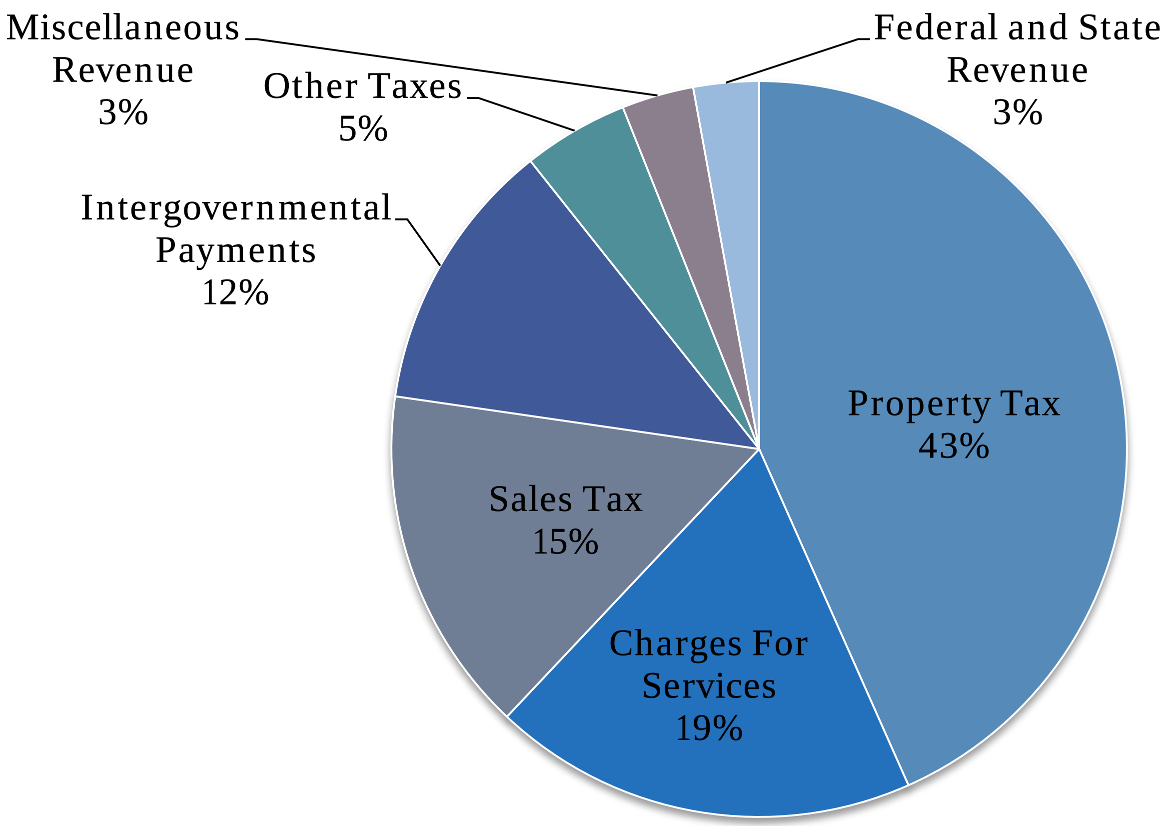
King County 2015/2016 Total Budget
(approximately $8.9 billion)



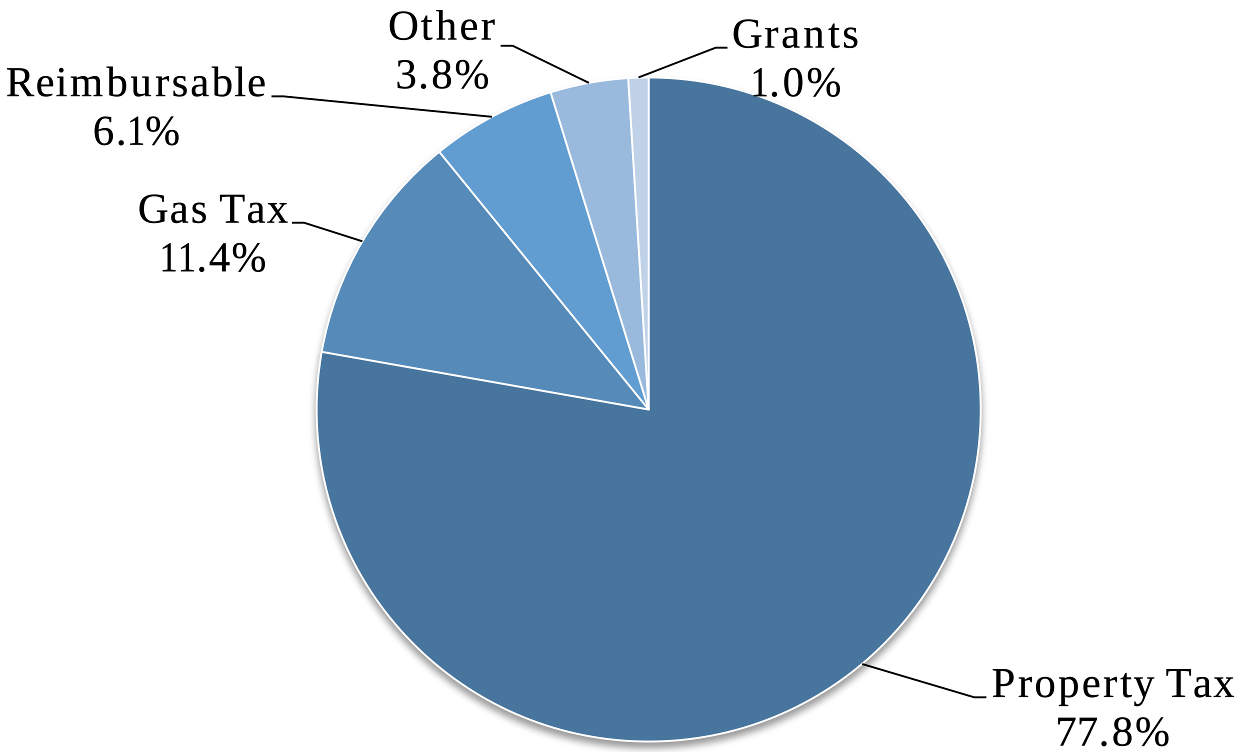
King County 2015/2016 General Fund Expenditures
(contracted and charged services removed)



King County 2015/2016 General Fund Revenue
(approximately $1.5 billion)



Road Services Division 2015/2016 Budgeted Revenue
(approximately $203.5 million)



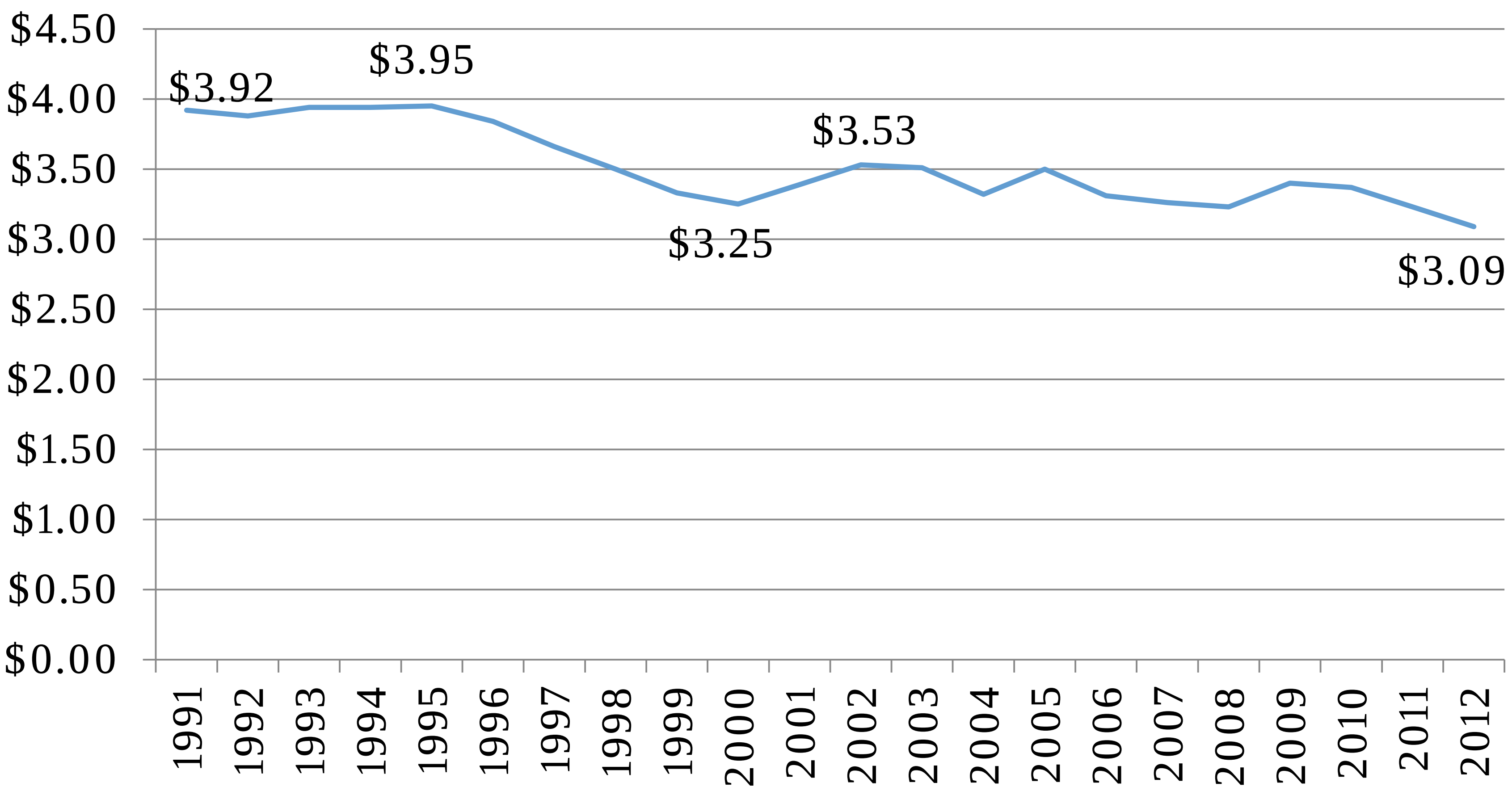
Revenue Context

- Washington's tax structure is based on the 1930s (property taxes, sales taxes, excise taxes) but we live in a 21st century economy
- Unlike the State government and cities, counties have only two significant tax sources: property tax and sales tax
- King County has very little commercial property in the unincorporated area: only 3.6% of taxable retail sales occur outside of cities, versus an average of 21.4% for other large counties

Property Taxes in Washington

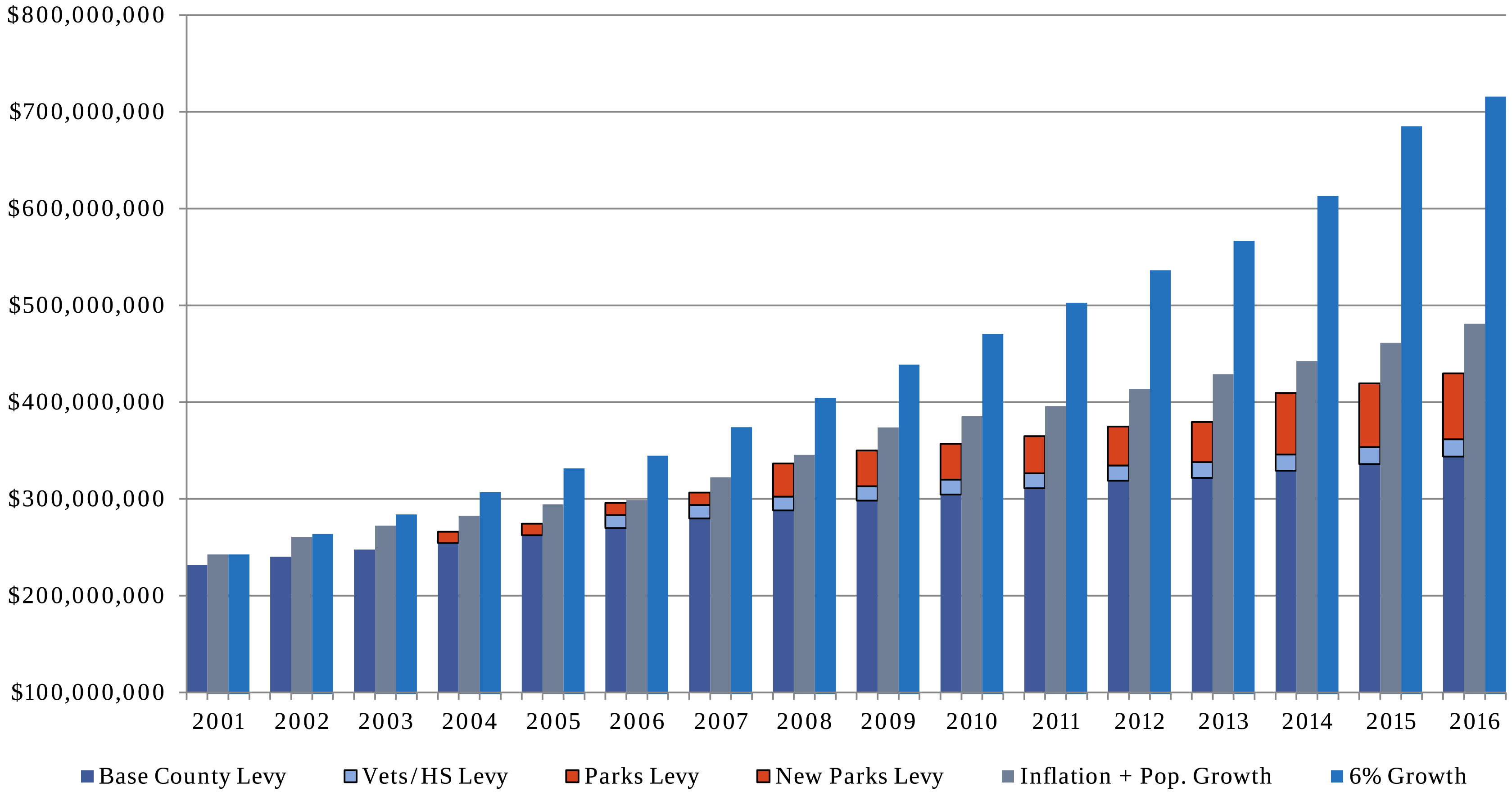
- Property taxes are subject to a variety of tax rate and revenue growth limits
- For the Road Services Division, the relevant tax base is the unincorporated area
- Revenues can grow at a maximum of 1% per year, plus the value of new construction, which is minimal
- Roads can levy a maximum tax rate of $2.25 per $1000 of assessed value, and has been at this tax rate for several years
- Four charts illustrate the overall revenue challenge

King County General Fund Property and Sales Taxes per $1000 of Personal Income



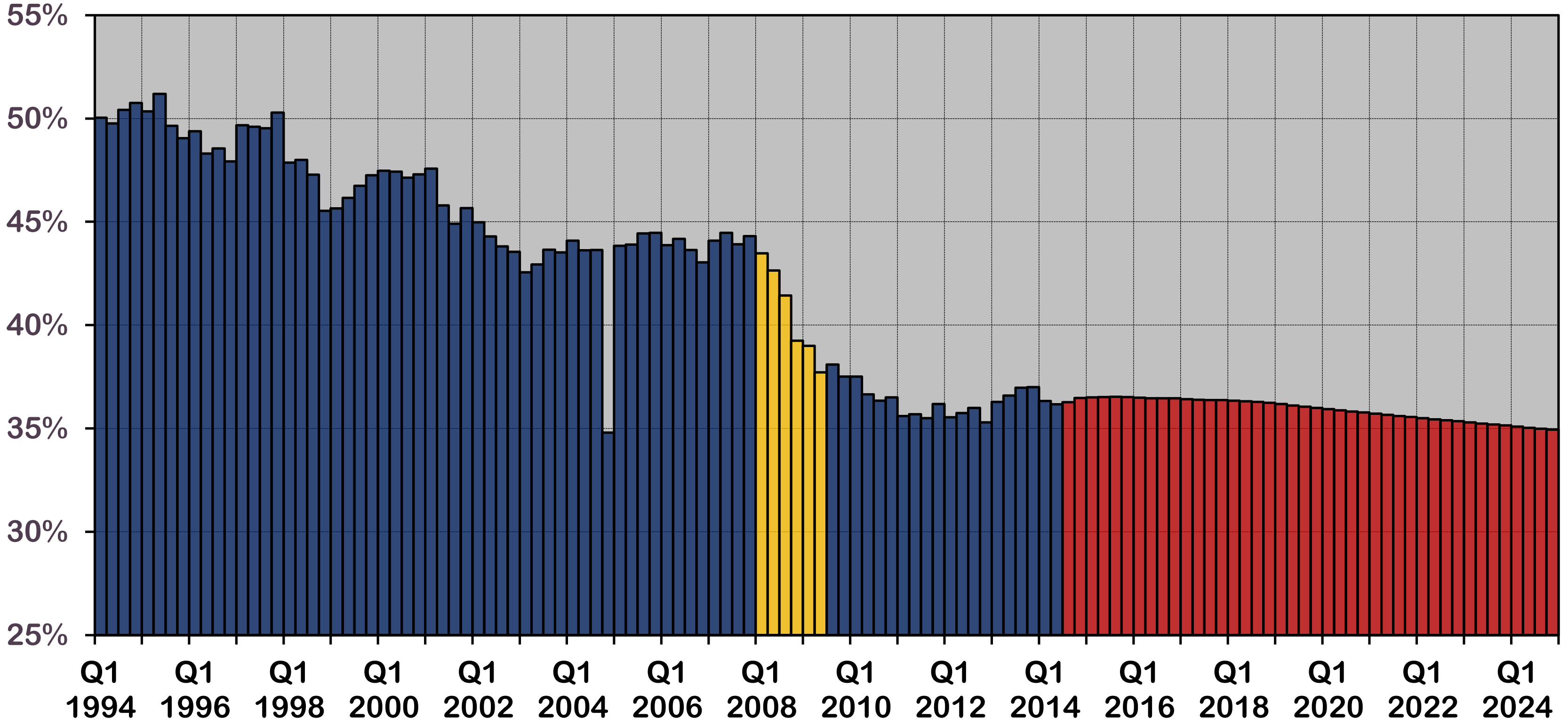
Effect of 1% Property Tax Revenue Growth Limit

(King County 2015 regular levy would be $42 million more if growing at inflation plus population)



Taxable Sales to Income Ratio is Declining

(Sales tax is less productive than before)



Roads Funding is Inadequate to Meet Needs
(System replacement cost is about $40 billion)