



King County
Metropolitan King County Council
Budget & Fiscal Management Committee

Agenda Item No.: 4

Date: May 13, 2010

Proposed No.: 2010-0273

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STAFF REPORT

SUBJECT:

This item is a briefing on Proposed Ordinance 2010-0273 which, if approved by the Council, would send a measure to the ballot allowing voters to decide whether to increase the sales and use tax in King County. The Executive has transmitted this proposal, under authority granted by RCW 82.14.450, due to looming deficits facing the county's general fund. The proposal, if approved by the Council and the voters, would increase the countywide sales and use tax from 9.5% to 9.7% on most purchases. The majority of spending from this tax, if approved, will be focused on the criminal justice system within the County's general fund.

BACKGROUND:

The King County Budget:

King County's general fund budget was adopted at \$628 million in 2010, compared to \$627 million in 2009. However, in order to balance the 2010 budget, the County had to cut approximately \$56 million of costs that would have been incurred to maintain services at 2009 levels. This 2010 budget balancing occurred after previously cutting \$93 million in the 2009 budget and approximately \$60 million in the 2008 budget. Many of these cuts came in the areas of human service, public health, capital improvement and other key county programs that were unable to be maintained at then current levels.

Follow-up Request:

Councilmembers at the April 29th committee meeting asked for a breakdown of the various cost-drivers that comprise what is known as the county's structural gap. At the time of the May 4th Committee meeting that work had yet to be completed. We now have the following information available.

Approximately 70% of the General Fund budget is related to personnel costs. This cost has historically increased by about 4.8% per year. The remainder of the general fund grows annually at 2.5%.

Of the growth that is related to personnel costs:

- **Salaries:** Salary growth is primarily attributable to step raises (2.4% for eligible employees) and Cost of living adjustments (COLA). From 2001-2009 this growth increased at 4.3% per year. This represents almost 70% of the cost growth within the personnel cost increases.
- **Benefits:** The growth of employee medical benefits has been well documented. From 2001-2009 the growth rate for the employee benefit package has averaged 6.4% per year. This increase represents 11.8% of the personnel cost increases.
- **Retirement:** The State of Washington sets the retirement contribution rates for the various employee retirement plans. From 2001 to 2009 this increase has averaged 6.5%. This increase represents 3.9% of the personnel cost increases.
- **Other:** this category is a catch-all for other employee related costs like industrial insurance, FICA, overtime, etc. From 2001-2009 this category grew by an average of 5.4%. This represents 14.8% of the cost growth within the personnel cost increases.

Table 1: Personnel Cost Growth

Item	2010 Percentage of Personnel-Related costs	2001-2009 Growth Rate
Salaries	69.5%	4.3%
Benefits	11.8%	6.4%
Retirement	3.9%	6.5%
Other (Ind. Insur., FICA, Overtime)	14.8%	5.4%
Total	100.0%	4.8%

Additionally, there was a question regarding the additional costs that come from having interest-arbitration eligible employees. Council staff followed up with the budget office and it turns out that since 1998, regular and overtime pay increases for interest arbitration eligible employees have not been higher than other employees in the general fund. With adoption of new contracts (sheriff's deputies and corrections officers) in 2009, that trend is not likely to continue over the next several years.

Current economic projections identify a general fund deficit in excess of \$60 million for 2011 and an additional deficit of \$80 million for 2012. This creates a total deficit of \$140 million over the next two years in the fund that provides for many of the mandated services for county government, including the County's criminal justice system. In 2010, approximately 76 percent of the County's general fund budget is dedicated to the criminal justice system – this is up from 67 percent in 2001.

As a result, the County's ability to contribute general fund money to services besides criminal justice, such as public health functions, continues to diminish. Additionally, human service programs were almost completely eliminated from the County's general fund in preparation of the 2010 budget. Approximately \$850,000 in general fund support

for domestic violence, sexual assault and legal assistance services were maintained on a one-time basis.

Sales Tax Authority

For many years, counties across Washington have had the authority to go to the voters and request that a criminal justice sales tax be implemented. Such a criminal justice tax could increase the sales tax rate by as much as 3/10^{ths} of 1%. To date, five counties have implemented this tax.

Until recently, however, the state statute authorizing this tax authority has required that the use of the tax be solely for new or expanded services. This could have created the situation of having to allocate funding to new or expanded programs, while existing, effective programs were reduced or eliminated. During the 2010 legislative session the Washington Legislature passed, and the Governor signed, Engrossed Substitute House Bill (ESHB) 3179 which removed the non-supplanting language. This change allows counties to use this revenue source to maintain existing services, subject to voter approval.

Proposed Ordinance 2010-0273 would forward a proposition to the voters of King County that, if approved by voters, would allow an increase the Sales and Use Tax by two tenths of one percent (0.2%). Key facts about the sales tax authority proposed by the Executive are as follows:

- Following state law, the proceeds would be split between King County and the cities in the county. King County would retain sixty-percent (60%) and the cities retain forty-percent (40%).
- The state law also establishes that a minimum of 1/3 of the taxes collected must be used for criminal justice (both the county portion and the city portion).
- A 2/10th of 1% increase to the sales tax is expected to generate approximately \$80 million in 2011. The cost to the typical household would be \$56 per year.¹
- Of the \$80 million, the County would keep \$47 million and cities would receive \$32 million. The cities' portion is allocated based upon population. The County's estimate of that distribution to cities is contained as Attachment 3 to this staff report.
- The Executive has included in his proposal a detailed spending plan that would use the majority of the County's proceeds for criminal justice related expenses.

ANALYSIS:

Proposed Ordinance 2010-0273 would put the question of a 2/10th of one percent sales and use tax increase to the voters of King County. If approved, this tax would increase the sales tax rate for most taxable purchases in the county to 9.7%.

If the voters approve the sales tax proposed by the County Executive, the County would still face deficits for 2011 and 2012. Specifically, the sales tax would generate approximately \$47 million in 2011. With the County facing a \$60 million deficit for 2011

¹ King County Office of Economic & Financial Analysis 2010.

and the new tax bringing in \$47 million, an estimated \$10 million gap would still exist. Therefore, the County will still need to address the deficit, either through finding more inexpensive ways of operating or continuing to reduce service levels.

Use of Proceeds:

As noted previously, State law requires that at least one third of the proceeds from this tax be spent on criminal justice activities. However, the proposal from the executive includes a spending plan (included as an attachment to the Executive's transmittal letter – Attachment 2) that would dedicate approximately seventy percent (78%) of proceeds to direct criminal justice programs in 2011. In addition the Executive intends to fund human services that benefit the criminal justice system like domestic violence, sexual assault and legal advocacy programs in 2011. In addition to funding criminal justice programs and services, the Executive proposes to spend the following amounts of the proceeds on:

- Public Safety & Criminal Justice: 33.3 million in 2011
 - Sheriff: \$9.4 million
 - Prosecuting Attorney: \$5.0 million
 - Office of the Public Defender: \$4.3 million
 - Superior Court: \$4.3 million
 - Judicial Administration: \$2.0 million
 - District Court: \$2.0 million
 - Adult & Juvenile Detention: \$4.7 million
 - Jail Health Services: \$1.5 million
- Major Maintenance of Facilities: \$1.3 million in 2011
- Animal Control: \$0.8 million
- Elections/ DDES/ Security Screening: \$0.7 million in 2011
- Public Health—Seattle & King County: \$3.3 million in 2011
- Department of Community and Human Services: \$3.2 million in 2011
- Office of Emergency Management: \$0.2 million in 2011
- Mental Illness and Drug Dependency (MIDD) Supplantation: \$5 million in 2013, \$10 million in 2014, and \$16 million in 2015

In reviewing the final item in the above list, it is important to remember that the County is currently supplanting in excess of \$13 million from the MIDD. All of these programs benefit the criminal justice system. The County's ability to continue this supplantation begins to expire in 2013. This proposal reserves funds to allow for the rollback of the MIDD supplantation without endangering the programs currently being supplanted. These funds should also be considered part of the criminal justice funding under the Executive's proposal.

Budget Planning for Criminal Justice

As part of the preliminary planning process for the 2011 budget submittals, the Executive asked the separately elected criminal justice agencies to identify cuts that would be necessary in their respective agencies if the \$60 million in necessary cuts were allocated equally across the agencies. Such a cut would result in a reduction of approximately 12 percent compared to what it would take to provide 2010 service levels in 2011.

The information on the potential 12 percent reductions was submitted to the Executive on April 9th. A special meeting of the Budget & Fiscal Management Committee was held on April 14th to allow the separately elected leaders of the County's criminal justice agencies to present their findings to the Council. At that meeting the Council heard the following potential reductions to public safety budgets:

- **King County Sheriff's Office:**
 - The Sheriff noted that a reduction of 82 positions including 70 sworn personnel who are primarily responsible for property crime investigations, drug investigations, school resource officers, storefront deputies, violent crime and drug task force officers, fugitive task force duties and homeland security duties may be imposed.
 - The Sheriff also indicated that the current level of staffing is far below average for Washington cities. Currently King County Sheriff's Office has 0.77 officers per 1,000 residents compared to other Western Washington cities who average 1.80 officers per 1,000 residents.
 - The Sheriff also told the Committee that the per capita cost of the KCSO is \$133 compared to the average for other Washington cities of \$360.

- **Superior Court & Judicial Administration:**
 - The Court would reduce supervision of juvenile offenders. The Court noted that this would reduce the contact standards with offenders and noted that high-risk youth supervised under lower standards tended to commit more frequent or violent crimes.
 - The Court would also eliminate family court services, a program that allows clients and the Court to settle family law cases safely and promptly by providing mediation and evaluation services. Without family court services, there will be more trials, longer waits and delayed calendars, and judges may not have access to domestic violence or other assessments when asked to rule on cases.
 - The Court would also eliminate facilitators, early resolution managers, specialized attorneys for key civilian volunteers, the step-up program (a program that is dedicated to reducing teen violence), customer service staff, incoming phone call services (people seeking information would need to use the web or come to the Courthouse in person) and reduce the Clerk's office hours.
 - In prior years, the Court has eliminated positions in civil case management, family court services, unified family court and juvenile probation along with saving money by using a more cost-effective method for allocation of interpreters.

- **King County Prosecuting Attorney:**
 - The Prosecuting Attorney (PAO) noted that its target cut is the equivalent of the salary and benefit cost of 36 deputy prosecuting attorneys (DPA) (this represents 22% of the current number of deputy prosecuting attorneys). The Prosecutor further pointed out that taken with the 20 DPAs

cut during the 2009 budget, the number of attorneys in the office will be down over 1/3 in the last three years. This would have the effect of doubling the caseload of those remaining in the office. The increased caseloads will also increase the time necessary for handling of cases. .

- The prosecutor further pointed out that such a level of reduction is the equivalent of the total number of deputies assigned to the Maleng Regional Justice Center, the total number of deputies assigned to the special assault unit and the domestic violence unit, and it approximately 2/3 of the deputies assigned to the County's civil division.

- **King County District Court:**

- The Court noted that probation services, a program for serious domestic violence and driving under the influence offenders would be completely eliminated. Repeat drunk drivers and domestic violence offenders would go without supervision.
- The Relicensing program that helps individuals with suspended licenses once again become licensed drivers would be completely eliminated. This will result in an increase in criminal filings since driving without a license is a criminal offense.
- The Court would also eliminate passport services, a community service that allows approximately 10,000 people per year to get their passports at their local district court.
- The Court also noted that its caseload is on the increase and is currently at its highest level since 2003. This has been absorbed into existing staff through technology improvements.
- The Court also noted that many of these services serve as a diversion to persons who would otherwise be facing more serious offences. This may actually lead to increased costs.

Also at the April 14th BFM special meeting, council staff, and the Director of the Office of Management and Budget presented information to the Council on the overall outlook of the 2011 budget process as well as the steps to reduce costs that have already been undertake over the last several budget cycles. These steps include:

- Use of general fund cash reserves totaling \$90 million. During the years of 2004-2007 the County revenues came in higher than budgeted and expenses were actually lower than budgeted. This allowed the County to bank funds for future years. These reserves reached a high of \$144 million (22% of that year's operating budget). These reserves have been used to reduce the severity of cuts over the last several years.
- Reduction of Building Maintenance costs totaling \$5 million. This deferring of maintenance allowed additional funding to be diverted to public safety services, but is not sustainable over the long-term. Efficiencies in building operations (i.e., reducing hours of HVAC and lighting in county buildings and custodial services) have also been implemented in the last two years and cannot be reduced further without affecting county business operations.

- Elimination of regional voting centers and drop boxes for elections. This is an optional service the County is now meeting its mandate to have in-person voting and relies on voters to mail in their ballots as opposed to using a drop box.
- Reduction in planned safety improvements for Superior Court facilities. The Council identified over \$1 million for immediate safety improvements budget could not sustain the planned level.
- Implemented a \$3.8 million mid-year cut in 2009 to reduce the Assessor, Elections, Council and Executive budgets to preserve vital human service programs. 2010 budgets had a minimum cut of five percent and a maximum cut of 13% in these county agencies.
- In total, the County has eliminated over \$150 million in spending over the last two years. This has resulted in reduced service levels in most areas of the general fund.
- The reduction of \$25 million of general fund to human services since 2006.

While many of these reductions were used to preserve spending on public safety services, they were also primarily one-time actions. Draw-downs of fund balance, reductions of building maintenance, cancelling of capital projects are examples of budget actions that reduce costs. However, they can only be used one-time.

Follow-up Request:

At the April 29th committee meeting, there were a number of questions regarding other counties in the State of Washington. Some Councilmembers expressed questions about other counties that were doing well, while other Councilmembers didn't believe there were very many other counties doing well. Budget Committee staff reviewed the budgets for as many of the 39 other counties that had budget documents available online. The full compiled document is included in the staff report as Attachment 4. A summary of our findings is included below:

- We compiled data on 25 of the 38 other (King excluded) counties. 13 counties did not have sufficient information available online to determine trends in their respective general fund budgets. The largest county without data was Grant County with a population of 86,000. The smallest county without data was Garfield County with a population of 2,250.
- Of the 25 counties we reviewed, 23 adopted general fund budgets that were lower than the prior year. The ranges varied from a 1% reduction in Clallam County to a 15% reduction in Ferry County.
- Two counties Cowlitz and Walla Walla Counties had increased expenditures in 2010. However, Cowlitz had a 7% drop in revenue, so there is likely a significant use of fund balance and Walla Walla has a voter approved levy beginning this year. Island County, after cutting 17% from 2008 to 2009 had an increase in 2010. Staff did not have time to determine how Island County was able to increase its budget in 2010.

- Kitsap County has eliminated 10% of its workforce since 2008. Clark County cut 118 general fund positions mid-biennium (including 56 in law enforcement). Thurston County eliminated 98 positions after doubling the road fund diversion.

Additionally, the Washington State Department of Community, Trade and Economic Development (CTED) conducted a research study in 2007 entitled "County Financial Health and Governance Alternatives Study" which found that:

"All counties, charter and non-charter, are fiscally distressed. It is a matter of degree"

Budget Planning for Human Services

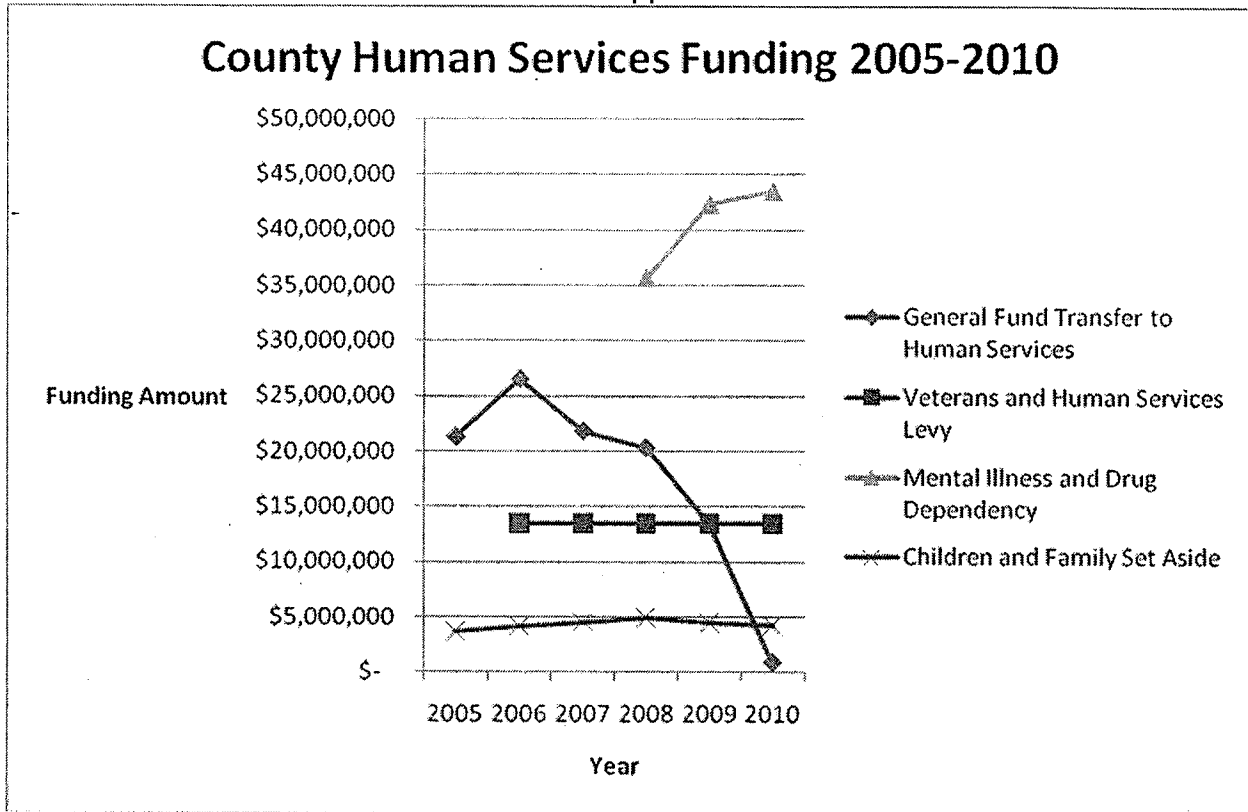
There has also been another major ongoing reduction in spending from the County's general fund. In 2006, the County's general fund contributed in excess of \$26 million to regional human service programs. These programs could be food banks, homelessness programs, domestic violence and sexual assault programs or others that allowed key services to be provided throughout the County. There are four major sources of funding for human service programs:

- **The Children and Family Set Aside (CFSA)**
 - Established in 1988, receives a portion (.046 percent) of sales tax revenue. Revenue from the County parking garage is also dedicated to the set aside.
 - Funds prevention and early intervention services for children and families in DCHS and Public Health.
- **Dedicated property taxes or "millage"**
 - In effect since the early twentieth century, a percentage of property taxes set aside to support the County veterans (Vets), mental health (MH), and developmental disabilities (DD) services.
 - 1.5 percent of the regular property tax levy is dedicated to MH and DD (50 percent each), with Vets dedicated funding at .67 percent of the regular levy.
- **The Veterans and Human Services Levy (VHSL)**
 - Passed by King County voters in 2005, generates approximately \$13,300,000 per year (\$0.05 per \$1,000 assessed valuation) for six years.
 - The collection period expires at the end of 2011.
- **The Mental Illness and Drug Dependency (MIDD) sales tax**
 - Authorized by the King County Council in 2007, generates approximately \$40-50 million per year through a one tenth of one percent sales tax.
 - The collection period expires at the end of 2016.
 - MIDD funds are supplanting over \$13 million in lost General Fund in 2010.

In prior years the general fund was also a major contributor to the human service program. However, the 2010 budget includes less than \$1 million for human services, a 97 percent reduction from 2006. 2010 general fund supported services include services

for survivors of domestic violence and sexual assault, and legal advocacy programs. Table 2 illustrates the reduction of general fund support for human service programs over the last several years. However, it should also be noted that the overall funding for human services has increased since 2008 with the addition of the Mental Illness and Drug Dependence (MIDD) sales tax.

Table 2: General Fund Support for Human Services



In 2010, a portion of the general fund reduction support for human services is being backfilled by the Mental Illness and Drug Dependence (MIDD) sales tax revenue and other sources. However, over the next several years, the County's ability to use MIDD to support existing services will roll-back under the current version of state law. As MIDD support is set to decline, the structural funding problems facing the general fund are exacerbated. With projected deficits of \$60 million followed by an additional \$80 million in 2012, it is possible that the County would make an additional \$140 million in cuts only to be faced with eliminating Drug Court and Mental Health Court in 2013.

Employee Data:

The County's general fund has remained relatively unchanged in terms of the number of employees budgeted to support general fund services over the last ten years. Table 3 illustrates the total number of employees supported by the general fund and also highlights the total number of employees dedicated to the County's criminal justice system.

Of note, the number of employees budgeted in 2010 is actually lower than the number budgeted ten years ago in 2001. Also of note, the County's criminal justice budgets made up just over ¾ of the budgeted employees in 2001 and still comprise roughly the same amount of the budgeted FTEs in 2010.

Table 3: General Fund Budgeted Employees

General Fund		Criminal Justice		CJ as % of FTE
Year	FTE	Year	FTE	
2001	4,406	2001	3,379	77%
2010	4,322	2010	3,378	78%
Change	(84)		(1)	

At the April 14th BFM special meeting Councilmembers heard from several agencies (District Court, Sheriff) that the overall demand for services was up. District Court caseloads are at their highest levels since 2003. Councilmembers also expressed a concern that in a recession crime rates will spike. Councilmembers also heard from the Superior Court and the Prosecutor that although caseloads were not necessarily higher, many lower-level cases were not being filed – this is due in large part to filing changes implemented by the Prosecutor to achieve budget reductions in recent years. The remaining cases that are being filed are often more complex and more violent crimes.

Finally, discussed later in the report, is another change related to employment factors. While the overall number of employees is similar to the 2001 employment numbers, those that were receiving a benefit package in 2010 has been dramatically reduced. What this means is that there are either more positions being held vacant or there are positions that are still “authorized” but are not being filled by departments as they try to ease the problems caused by the last several rounds of budget reductions.

National Trends in Health Care Costs:

The number of employees supported by the General Fund has declined by about seven percent since 2001, but costs per employee have grown substantially. Health care costs have been a major factor, with the cost per employee going up a little over 58 percent (an average of 9.6 percent per year) since 2004. Costs for similar health plans in the Seattle area grew by 41 percent during that same period (an average of 7.1 percent per year.) The higher cost growth rate for the county is due, in part, to factors such as higher average age of the workforce (costs are higher for older employees) and a larger number of family members covered under the plan.

King County is not alone in dealing with issues surrounding the cost to provide health care to employees. *Previous staff reports included a table showing data from the Bureau of Labor Statistics regarding overall cost trends in the provision/purchase of pharmaceuticals since 2005. Executive staff provided information on pharmaceutical cost growth from Express Scripts (ESI), the largest pharmacy benefit manager in the*

U.S. Table 4 below has been updated to include this data, as well as the annual percent change in King County's pharmacy costs.

Table 4: Pharmaceuticals

Pharmaceuticals ²			
Year	BLS % Change	ESI Western U.S. % Change	King County % Change
2005	3.54%	13.0%	10.2%
2006	4.37%	9.0%	9.6%
2007	1.26%	8.4%	7.1%
2008	2.20%	5.4%	5.8%
2009	3.35%	3.8%	12.1%
Average	2.94%	7.92%	8.96%

Note that 2010 pharmacy cost growth is expected to significantly decrease in 2010. As a result of changes to the negotiated benefits package, co-pays for generics are decreasing (from \$10 to \$7) while preferred and non-preferred brand medications are increasing significantly (from \$15 to \$30 and \$25 to \$60, respectively). This should provide a much greater incentive for individuals to choose generic drugs, which will help restrict the county's pharmaceutical cost growth. Comparing January through March 2010 to the same period last year, King County's pharmaceutical costs are actually lower by 8 percent.

Additionally, Table 5 shows the same five year period focusing on the overall cost of hospital services. Over this same time period, the County's cost of medical care increased by an average of 9 % annually (overall, not hospital costs shown below).

Table 5: Hospital Costs

Hospital Services CPI ³	
Year	% Change
2005	5.36%
2006	6.39%
2007	6.48%
2008	7.56%
2009	6.76%
Average	6.51%

In aggregate, while the number of employees county-wide receiving benefits has not changed dramatically over the last five years, the costs to provide that level of coverage has increased. Table 6 shows the annual health care costs over five years and the number of employees receiving medical benefits. Without changes to the cost-drivers through lower employee usage, or regulation restricting costs, the County's only alternatives to affecting cost increases will be to reduce the level of coverage or

² King County Office of Economic & Financial Analysis and Executive staff

³ King County Office of Economic & Financial Analysis

increase the costs to employees. Both of these changes would be subject to collective bargaining.

Table 6: Employee Medical Costs

Medical Costs and Covered Employees				
	Total Medical	Percent Change	Benefitted Employees	Percent Change
2009	169,776,414	9%	13,362	-0.44%
2008	156,107,792	13%	13,421	2.10%
2007	138,709,249	6%	13,145	1.71%
2006	130,638,782	11%	12,924	0.35%
2005	118,033,590	7%	12,879	-0.17%
Averages		8.98%	13,146	0.71%

Employee Contributions to Health Care:

Beginning in 2010, the County began a new three-year cycle for employee medical plans. The new plan runs through the end of 2012. Under this new plan employees contribute more towards the cost of their medical coverage through increased co-pays, deductibles and co-insurance. The increased payments amount to an additional \$840 per year for the average employee and bring King County in line with many other public employers throughout the region as shown in Table 7.

Table 7: Employee Medical Contributions

	Port of Seattle	Everett	Pierce County	KingCare SM Gold	Tacoma	State of WA	Seattle	Snohomish	Bellevue
				2010-2012					
Plan Design	14.6%	16.3%	16.3%	16.6%	13.2%	18.3%	17.6%	16.8%	17.5%
Contributions	0.0%	0.0%	0.0%	1.4%	5.8%	5.0%	7.1%	10.7%	13.6%
Totals ¹	14.6%	16.3%	16.3%	18.0%	19.0%	23.3%	24.7%	27.6%	31.0%

Mercer Consulting performed an analysis comparing King County's 2008 medical costs to the costs of other employers in the Seattle area to determine the effects of a range of demographic factors. Mercer determined that certain demographic characteristics significantly affected the county's medical costs. Notably, the demographic characteristic with the largest impact on the county's costs was the high rate of unionization among county employees. The average age of employees, average salary, and percent of employees with dependents also contributed to the county's higher costs, though these factors had less of an impact.

Mercer's analysis also found that plan design (deductibles and co-pays) and employee contribution levels (premiums) also contributed to higher costs. However, the analysis did not include 2010 costs, which may be reduced by the significant increases made to employee deductibles, co-pays, etc., to discourage unnecessary medical spending.

Overall, of these variables, the two most significant factors were the high rate of unionization followed by the plan design. Given that the county cannot change the rate of unionization among its employees, it is noteworthy that the county has made marked changes to the plan design (deductibles and co-pays) for 2010-2012, as this is one of the primary factors affecting costs. The changes in plan design are summarized in Table 8 below. Again, Mercer's analysis focused on 2008 costs and do not capture any potential cost savings resulting from changes in plan design for 2010.

Table 8: Benefit Changes

KingCare Gold Coverage Changes Between 2009 and 2010-2012			
	2009	2010-2012	Projected 3-Year Savings
Deductible	\$100 per individual \$300 per family	\$300 per individual \$900 per family	\$17,295,000
KingCare Co-insurance	In-network: 90% Out-of-network: 70%	In-network: 85% Out-of-network: 65%	\$5,791,000
Prescription Drug Co-pays at Pharmacy	\$10 generic drugs \$15 preferred brand \$25 non-preferred brand	\$7 generic drugs \$30 preferred brand \$60 non-preferred brand	\$11,882,000
Benefit Access Fee	\$35	\$50	\$2,242,000
Total Savings			\$37,210,000

Possible Reductions to the Employee Benefit Package:

At recent meetings Councilmembers have expressed an interest in examining what parts of the employee medical package could be eliminated. In Table 9 below, some of the potential items are identified. Note that eliminating these services would be subject to bargaining.

Table 9: Potential Reductions to Health Care Costs

Benefit	Aetna standard	King County	Estimated Claims Paid 2009
Comprehensive Fertility	Covers diagnosis and treatment of underlying cause only	Covers artificial insemination, embryo transfer and IVF (in vitro fertilization)	\$955,000 (\$286,500 in GF)
Bariatric surgery	Excluded	Covers bariatric surgery if member meets Aetna's clinical guidelines. No additional requirements, e.g., Inst. of Quality or other standard.	\$943,000 (\$282,900 in GF)
Alternative Care	No standard in place. Aetna applies standards for maximums or coinsurance, the same	A total of 60 visits covered per year. 60-visit limit includes a combination of	\$675,000 (\$202,500 in GF)

	as any other licensed provider. An estimate was derived by using a stricter plan approach of 20 visit limit.	acupuncture, hypnotherapy, and/or massage therapy.	
TOTAL			\$2.6 million (\$771,900 in GF)

Employee Salaries:

At prior meetings, Councilmembers have asked about employee salaries. Table 10 below shows King County compensation compared to the Puget Sound region based upon data from BLS and King County. The table excludes overtime for all data sets and is based upon a standard work week. It should also be noted that King County policies call for compensation to be no more than five percent above or below the market average and all classifications are reviewed on a three-year cycle.

Table 10: Compensation Data

Year	Puget Sound		King County		% Difference
	Hourly ⁴	Annual ⁵	Hourly ⁶	Annual ⁷	
2008	\$30.10	\$62,608	\$28.87	\$60,050	(4.1%)
2009	\$31.86	\$66,269	\$30.76	\$63,981	(3.5%)
2010	\$31.92 ⁸	\$66,394	\$33.10 ^{9,10}	\$68,848	3.7%

At the April 29th Committee meeting, Councilmembers asked a number of questions regarding employee compensation

The first question was where the policies regarding tying salary pay to the market comparables on 3-year cycle originated.

Motion 10262 (1997) establishes principles regarding compensation. That motion set the policy that classifications should be assigned to salary ranges so that compensation falls no more than 5% above or below market averages. The motion also identifies the employers that make up our comparables for determining the market costs. Those comparable employers are:

- Pierce County
- Snohomish County
- City of Bellevue
- City of Everett
- City of Seattle

⁴ Data from King County Office of Economic & Financial Analysis, based on BLS data.

⁵ Assumes a 40 hour work week or 2080 hours per year.

⁶ Data from King County Human Resources & Office of Management & Budget

⁷ Assumes a 40 hour work week or 2080 hours per year.

⁸ Partial data. This represents January, February and part of March.

⁹ Reflects budgeted salary amounts.

¹⁰ Incorporates recent salary adjustments for corrections officers and sheriffs deputies.

- City of Tacoma
- Port of Seattle
- State of Washington
- University of Washington

Furthermore, King County Code 3.15.020 requires that those market comparisons be reviewed on a 3-year cycle.

The second question on compensation was a question regarding whether public employees or private sector employees worked longer hours. There do not appear to be any reliable studies that have documented this issue. We do have BLS data indicating that the average work week for private sector employees in the Seattle-Bellevue-Everett area in 2009 was 35.9 hours per week. Council staff has requested the average number of hours worked per week for County employees.

Scope of the Overall Problem:

This staff report has covered many of the aspects affecting the overall pending deficits facing the County's general fund. Following is a summary of the magnitude of the problems and the potential changes that could be made to solve the ongoing problem in the general fund. Please note that all of the items discussed below would be subject to collective bargaining.

Staff prepared several hypothetical scenarios for reducing employee benefit costs.

These are not presented as options for implementation, as any changes to the benefits package would need to be negotiated between the Executive branch and labor.

Instead, the intent is to provide members with information about the magnitude of savings that would be achieved by reducing or wholly eliminating healthcare benefits.

- *Institute premiums:* *If the county imposed premiums of \$200 per month per employee, \$400 per month for an employee plus a spouse or children, or \$600 per month for full family coverage, the General Fund savings would be about \$19 million. The county would still face a \$41 million General Fund deficit for 2011. (Note that the hypothetical premiums described above are three to four times the average premiums charged by the cities of Seattle, Bellevue and Tacoma, the state of Washington, and Snohomish County.)*
- *Reduce certain coverage:* *The county could also hypothetically reduce or eliminate specific coverage that may be perceived as generous to achieve the savings shown below:*
 - *Massages and other alternative therapies: \$202,500 in General Fund savings*
 - *Infertility treatment: \$286,500 in General Fund savings*
 - *Bariatric surgery: \$282,900 in General Fund savings*
 - *Total = \$771,900 in General Fund savings*

Based on the examples shown above, this approach would not yield significant savings.

- *Replace preferred provider organization (PPO) coverage with health savings account or health reimbursement account: This scenario would eliminate the KingCare plan and replace it with a high-deductible health plan, such as a health savings account (HSA) or health reimbursement account (HRA¹¹).*

Studies vary widely in terms of the potential cost savings from implementing this approach. A 2007 Aetna study indicated this could result in a 2 percent lower rate of annual growth. For example, if the County's rate of healthcare cost growth from 2009 to 2010 were reduced by 2 percent through fully replacing the KingCare plans with HRAs or HSAs, it would have saved about \$1 million in the General Fund in 2010.

A 2009 study by CIGNA noted that costs could be up to 13 percent lower for organizations with HRAs and HSAs instead of PPO plans. Based on this figure, savings of about \$6.6 million in the General Fund could be achieved.

- *Cut all benefits other than salaries/wages: In 2009, completely eliminating all benefits (medical, pharmacy, dental, vision, accidental death and dismemberment, long-term disability and life insurance) would have saved about \$57 million in the General Fund. Even if the county went as far as to completely eliminate all compensation other than salaries/wages, the county would still face a \$3 million General Fund deficit for 2011.*
- *Cut Wages & Salaries 10%: In 2010 the County has budgeted \$325 million for salaries and wages for employees supported by the General Fund. A reduction of 10% to all General Fund salaries and wages would net savings of \$32.5 million. The County would still face a deficit of \$28 million.*

As noted above, these are not presented as options for cost savings, particularly as any strategies to reduce benefits or salaries would need to be negotiated. Rather the figures above give a sense of the magnitude of the deficit in relation to potential cost savings from reducing the employee benefits package.

REASONABLENESS:

Staff analysis of the proposed ordinance is complete. The item is ready for action and would constitute a reasonable business decision.

INVITED:

Dwight Dively, Director, Office of Management & Budget

¹¹ Under employer-sponsored consumer directed health plans such as HSAs and HRAs, employees control accounts that the employer deposits funding into, which can then be used toward medical expenses. This type of plan is intended to provide incentive for employees to be cost-conscious in seeking medical care. In some plans, preventive care is covered at 100 percent to ensure that individuals still seek cost-effective screening exams and other preventive care, such as mammograms, etc.

Sue Rahr, King County Sheriff
Dan Satterberg, King County Prosecuting Attorney
Bruce Hilyer, Presiding Judge, King County Superior Court
Barbara Linde, Presiding Judge, King County District Court

ATTACHMENTS:

1. Proposed Ordinance 2010-0273
2. Transmittal Letter dated April 28th, 2010
3. Distribution of Funds to cities
4. Summary of Findings of other WA county Budget information



KING COUNTY
Signature Report

April 29, 2010

Ordinance

Proposed No. 2010-0273.1

Sponsors Patterson

1 AN ORDINANCE directing the submission to the qualified
2 voters of King County at the August 17, 2010 special
3 election, a proposition authorizing an additional sales and
4 use tax of two-tenths of one percent pursuant to RCW
5 82.14.450 for criminal justice, fire protection and other
6 general governmental purposes; and appointing committees
7 to write the voters' pamphlet statements for the August 17,
8 2010 special election.

9 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

10 SECTION 1. Findings:

11 A. Public safety is one of the most fundamental purposes of government.

12 B. A strong system of criminal justice is necessary to maintain safe and livable
13 communities.

14 C. Under Washington state law, counties provide many regional and local
15 criminal justice functions, including police protection services and responding to
16 emergencies.

17 D. In order to have the greatest possible impact in helping those most in need and
18 the highest return on its investments, King County focuses on prevention and intervention

19 efforts, job readiness and employment services, ending homelessness, and providing
20 services that reduce criminal justice involvement and costs.

21 E. The current funding for criminal justice is limited and insufficient to provide
22 King County residents with the level of services that are needed to build and maintain
23 safe and strong communities.

24 F. King County has aggressively worked to reduce expenditures by consolidating
25 departments and functions, reducing labor costs, and eliminating positions and programs.

26 G. For many years, King County has also worked to obtain additional revenue
27 tools from the State Legislature to offset the structural funding problem facing King and
28 all other Washington counties. In the 2009 legislative session, King County was
29 successful in obtaining a number of the changes sought over the years, such as additional
30 flexibility for using certain revenues for a limited period of time. However, these
31 changes were not sufficient to solve the county's projected revenue shortfalls.

32 H. The county's projected 2011 and 2012 deficits threaten important criminal
33 justice and other essential government functions. The projected deficits will require that
34 cuts be made to these essential services unless additional revenue is approved by the
35 voters. In order to limit these cuts and maintain safe and strong communities, it is
36 important for the voters to consider a sales and use tax proposition to support criminal
37 justice and other essential county and city services.

38 I. The county's current expense fund faces continuing challenges in future years.
39 To balance the 2010 budget, the county was forced to cut fifty-six million dollars. For
40 2011, the deficit is projected to approach sixty million dollars. If the 2011 deficit is not
41 met with ongoing reductions, then by 2012, the deficit raises to eighty million dollars.

42 J. King County must continue to find efficiencies and capitalize on productivity
43 gains through the use of technology, better program management, and performance
44 measurement in order to contain costs and bring growth in revenues and expenditures
45 into equilibrium.

46 **SECTION 2. Authorization of additional sales and use tax.**

47 A. In order to provide funding for the purposes identified in section 4 of this
48 ordinance, the council hereby directs the submission of a proposition to the voters of the
49 county substantially as set forth in section 5 of this ordinance to authorize the county to
50 fix and impose pursuant to RCW 82.14.450 an additional sales and use tax of two-tenths
51 of one percent.

52 B. If approved by the voters, this additional sales and use tax:

53 1. Shall be in addition to other existing sales and use taxes currently imposed by
54 the county;

55 2. Shall be imposed on all taxable events as authorized under chapters 82.08 and
56 82.12 RCW and collected as of a date as determined by the council; and

57 3. Shall not apply to any exempt transactions identified in RCW 82.14.450.

58 C. If, as a result of the adoption of this proposition by the voters of the county,
59 the county imposes an additional sales and use tax upon sales of lodging in excess of the
60 limits contained in RCW 82.14.410, those sales shall be exempt from the imposition of
61 that additional sales and use tax.

62 **SECTION 3. Distribution of taxes collected.**

63 A. If approved by the voters, sixty percent of any sale and use tax proceeds
64 authorized by section 2 of this ordinance and collected by the state Department of
65 Revenue shall be paid to the county.

66 B. If approved by the voters, forty percent of any sales and use tax proceeds
67 authorized by section 2 of this ordinance and collected by the state Department of
68 Revenue shall be distributed to cities within King County on a per capita basis.

69 SECTION 4. Use of tax proceeds.

70 A. If approved by the voters, at least one-third of all proceeds from the sales and
71 use tax authorized under section 2 of this ordinance shall be used for criminal justice
72 purposes or fire protection purposes, or both. County proceeds will be used
73 predominantly for criminal justice purposes, including police protection, domestic
74 violence and sexual assault victim services. The remainder of county proceeds will be
75 used for other general county purposes. City proceeds will be used for criminal justice
76 purposes, fire protection purposes and other general city purposes.

77 B. For the purposes of this section, "proceeds from the sales and use tax" means
78 the principal amount of funds raised by the additional sales and use tax authorized by this
79 ordinance and any interest earnings on the principal amount of funds.

80 SECTION 5. Call for election. Pursuant to RCW 29A.04.321, it is hereby found
81 that the proposition, substantially as hereinafter set forth, be submitted to the qualified
82 electors of the county at a county special election to be held in conjunction with the
83 primary election on August 17, 2010. King County elections is hereby requested to
84 assume jurisdiction of and to call and conduct such election to be held within the county

85 on said date and to submit to the qualified voters of the county at such election said
86 proposition.

87 The clerk of the council is hereby authorized and directed to certify said
88 proposition to the director of elections in substantially the following form:

89 The Metropolitan King County Council adopted Ordinance _____ concerning
90 funding for criminal justice, fire protection, and other government purposes. This
91 proposition would authorize King County to fix and impose an additional sales
92 and use tax of two-tenths of one percent (0.2%) to be split between the county
93 (60%) and cities (40%). At least one-third of all proceeds shall be used for
94 criminal justice or fire protection purposes, or both. County proceeds shall be
95 used predominantly for criminal justice purposes, such as police protection,
96 domestic violence and sexual assault victim services. Proceeds may also fund
97 other governmental purposes. Should this proposition be:

98 Approved? _____

99 Rejected? _____

100 **SECTION 6. Voters' pamphlet.** RCW 29A.32.280 provides that for each
101 measure from a jurisdiction that is included in a local voters' pamphlet, the legislative
102 authority of that jurisdiction shall formally appoint one committee to write a statement
103 for voter approval of the measure and one committee to write a statement against the
104 measure.

105 **SECTION 7. Appointment of voters' pamphlet committees.** Pursuant to RCW
106 29A.32.280, the following individuals are appointed to serve on the voters' pamphlet

107 committees, each committee to write a statement for or against the proposed criminal
108 justice sales and use tax ballot measure:

- | 109 | FOR | AGAINST |
|-----|----------|----------|
| 110 | 1. _____ | 1. _____ |
| 111 | 2. _____ | 2. _____ |
| 112 | 3. _____ | 3. _____ |

113 **SECTION 8. Ratification.** Certification of the proposition by the clerk of the
114 council to the director of elections in accordance with law before the election on August
115 17, 2010, and any other acts consistent with the authority and before the effective date of
116 this ordinance are hereby ratified and confirmed.

117 **SECTION 9. Authority supplemental.** The authority granted in this ordinance
118 is supplemental to all other powers of the county, and nothing in this ordinance shall be
119 construed as limiting or restricting any powers or authority conferred upon the county by
120 law.

121 **SECTION 10. Severability.** If any provision of this ordinance or its application
122 to any person or circumstance is held invalid, the remainder of the ordinance or the
123 application of the provision to other persons or circumstances is not affected.

124

Ordinance

Robert W. Ferguson, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: None

“ ”



King County

Dow Constantine

King County Executive
401 Fifth Avenue, Suite 800
Seattle, WA 98104-1818

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April 28, 2010

The Honorable Bob Ferguson
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Ferguson:

King County faces an approximate \$60 million budget shortfall for 2011 due to an ongoing structural gap between revenues and expenses in the General Fund, which is dedicated primarily to protecting public safety and health. On March 8, 2010, I proposed addressing this and future projected shortfalls through a three-part plan: control costs, let voters decide if they want to increase revenues or reduce services, and save for a rainy day.

The strategy to control year-to-year increases in the cost of providing services is outlined below. I wish to thank the County Council for recently approving my proposal to elevate the labor negotiating function by creating the Office of Labor Relations and I look forward to the confirmation of our first Director of Labor Relations. This week I also will transmit to the Council our proposed Countywide Strategic Plan – a guide to prioritizing and more efficiently delivering services.

State law authorizes counties to approve a local option sales tax of up to 0.3 percent to pay for county and city government services. Today I am sending to the Council a measure to give King County voters the choice of whether to increase the sales tax by 0.2 percent in order to preserve crucial public safety and health programs that would otherwise face elimination in 2011. The measure would appear on the August 17 ballot and would take effect on January 1, 2011. The decision by voters will set the starting point for public safety and health programs in 2011. If voters approve the measure, the County will preserve the critical public safety and public health programs it provided in 2010. If voters do not approve it, they will have chosen a lower level of these services.

I recognize this poses a difficult decision. The economic recovery is now well underway, but many of our residents are continuing to struggle with the recession's lingering effects.

The Honorable Bob Ferguson
April 28, 2010
Page 2

Therefore, I am not proposing that we seek funds to restore the substantial programmatic cuts made over the past two years. I do believe the voters should have a choice about preserving the level of services they receive from their County government. Five other counties have already received voter approval for this tax at levels between 0.1 percent and the full 0.3 percent authorized by State law.

History and Context

The need to consider a ballot measure is a result of four major changes in King County's finances that have developed over the past decade:

- Limited growth in property taxes. In November 2001, the state's voters approved Initiative 747, which capped the growth in annual property tax revenues at one percent, plus the value of new construction. Even though this initiative was rejected by a majority of voters in King County, it severely limits the largest revenue source for the County's General Fund. The initiative was eventually ruled unconstitutional by the State Supreme Court, but the Legislature reenacted it in late 2007. This limitation means that the County's General Fund revenue will typically not keep up with inflation and population growth, leading to an ongoing structural gap. Since 2002, the combined increase in inflation and population growth has been 29.3 percent, while General Fund property tax revenues have grown by only 23.5 percent.
- Impact of annexation on sales taxes. Under terms of the state Growth Management Act, urban areas should be part of cities. Unfortunately, annexations and incorporations have so far occurred mostly in those areas that generate more in revenue than they consume in services, leaving the County government with the cost of serving unincorporated urban areas with small tax bases and large service needs.
- Growth in wage and benefit costs. King County, like most governments, delivers services by employing people: sheriff's deputies, public health nurses, jail guards, court clerks, and prosecutors, among many others. The number of employees supported by the General Fund has declined by about six percent since 2001, but costs per employee have grown substantially. Health care costs have been the largest factor, with the cost per employee going up by 58 percent since 2004. Much of this growth has been driven by national trends in health care costs, but the County's cost increases have been higher than the norm due to the higher average age of its workforce and a larger number of family members covered under its plans. King County has started to reduce this growth through its innovative and nationally recognized Healthy Incentives program as well as higher employee contributions for health coverage (equivalent to an additional \$70 per employee per month premium share), but large challenges remain.

- Use of reserves, transfers, and one-time measures to preserve services. The structural imbalance between revenue and expenditure growth has led the County to adopt short-term strategies to maintain service levels. This trend accelerated in 2008 when the national economy fell into its deepest recession since the 1930's. Over the last decade, the County has almost completely eliminated General Fund support for human services and parks. The County's voters have supported property tax levies that provide \$33 million for these programs in 2010. In addition, the County has gradually drawn down reserves and utilized one-time savings to balance budgets. The 2010 budget includes approximately \$30 million of non-sustainable items that cannot be used to cover costs in 2011.

The result is that King County's General Fund faces about a \$60 million shortfall for 2011, which represents the difference between the latest revenue forecast and the projected cost of providing the current level of services.

A Three-Part Approach to Solving the Structural Gap

As outlined in my "Blueprint for Reform" speech following my first 100 days in office, I am proposing three strategies to close the structural gap in the General Fund in both the short term and the long term:

- Get our costs under control over time. King County's costs cannot continue to grow at substantially above the rate of inflation and population growth. We must capitalize on productivity gains through the use of technology, better program management, and performance measurement to provide the same level of services at reduced cost. We must pursue the strategies identified in the Countywide Strategic Plan and use them to focus our efforts on programs of most value to our residents. Everything needs to be on the table, including how we purchase goods and services, how we assign and maintain vehicles, and how we can work more effectively as a regional partner with cities and other local governments.

We also need to engage our labor partners in a constructive dialogue about how compensation should be managed in the 21st century. As noted above, I have already taken steps to strengthen the County's labor relations function and to propose an improved oversight structure between the County Executive and the County Council. The next step is to start discussions with our labor partners about how we improve County performance. Our employees often have the best ideas about how to make programs more efficient – after all, they are the ones on the front lines of service delivery. We also need to agree that continued compensation growth at well above the rate of inflation is simply not sustainable.

- Let voters decide on revenues that keep up with inflation and population growth. Cost containment alone cannot allow the County to maintain vital services. The County's revenues need to cover cost increases caused by inflation and population growth.

The measure I am sending to the Council today implements this approach. It lets voters decide on the starting point for County services in 2011. If voters approve, the County will preserve the critical public safety and public health programs we provide in 2010. If voters do not approve, they will have chosen a lower level of these services.

We estimate a 0.2 percent sales tax would generate about \$47 million for these critical County programs in 2011. Under State law, cities receive 40% of the revenue collected from the tax, so they would get an additional \$32 million next year. Funds would be split among cities based on population. The combined cost to the average resident would be about \$40 annually.

- Save in the good times to help during the bad. There is hope that within a few years our economy will recover and there will be years when County revenues grow faster than inflation and population growth. When this happens, we need the discipline to save the surplus to help maintain programs when the economy relapses. I will be proposing financial policies with my budget later in the year to implement this proposal.

Today's Proposal

The ballot measure I am sending to the Council today is the result of extensive discussions I've had with County Councilmembers and the County's other elected officials. In particular, I want to thank Councilmember Julia Patterson, Councilmember Bob Ferguson, other councilmembers, Assessor Lloyd Hara, Superior Court Presiding Judge Bruce Hilyer, Elections Director Sherril Huff, District Court Presiding Judge Barbara Linde, Sheriff Sue Rahr, and Prosecutor Dan Satterberg for their help in developing this proposal. I have worked with these elected officials and the heads of the Executive departments to identify programs that would need to be cut in the absence of this revenue to balance the 2011 budget.

We recognized there are many services the County is required by state law to provide, such as conducting elections, operating the Superior and District courts, prosecuting and providing public defense for individuals accused of crimes, incarcerating misdemeanants and felons, and assessing property values. This means that most budget cuts would of necessity fall on optional or non-mandated programs and those that enhance our systems, but some cuts would also affect the level of service received by the public. For example, the users of County services might experience reduced hours of availability and longer lines for some services. As noted above, the County has almost eliminated General Fund support for parks, recreation, and human services, so cuts inevitably will fall on the 80 percent of our budget devoted to criminal justice (76 percent) and public health (4 percent). The programs and services that we are giving voters the choice to preserve are listed in Attachment A. Some of the most significant include:

- Retain as many as 82 positions in the King County Sheriff's Office that are dedicated to protecting our community. By preserving these positions, the Sheriff's Office will be able to continue to investigate property crimes; provide School Resource Officers to 11 schools; provide storefront deputies who are key points of contact with neighborhoods;

participate in regional crime, drug, and homeland security task forces; maintain current levels of investigation for homicides and other major crimes including sexual assaults and domestic violence; and provide specialized services such as the Bomb Squad, Marine Patrol, fire investigation, and animal cruelty investigation.

- Preserve the equivalent of 36 deputy prosecuting attorneys (DPAs) in the Prosecutor's Office, which represents two-thirds of Civil Division DPAs, or all criminal DPAs assigned to Maleng Regional Justice Center (MRJC), or all DPAs assigned to the Special Assault and Domestic Violence units.
- Retain Superior Court programs designed to reduce recidivism, assist court litigants, help crime victims, and ensure a smoothly functioning justice system. For example, over 75 percent of family law litigants do not have lawyers to help them through their divorce, child support or custody cases, and the Family Court facilitators who would continue to be available if this proposal is approved help people navigate these legal processes.
- Preserve District Court programs, such as Probation Services, that help to reduce the number of people involved in court matters and ensure that those who are sentenced receive appropriate supervision.
- Preserve significant programs in alternatives to detention for both juveniles and adults. These programs assist people in obtaining life skills to reduce recidivism, provide community work crews, assist offenders in meeting their community service hours, and reduce other costs in the criminal justice system.
- Retain the ability of police agencies to book and transfer inmates at the MRJC. Closing the MRJC for intake and transfer would require south county police agencies to drive to Seattle to book inmates, which would reduce the time officers spend patrolling the streets of their communities.
- Preserve seven day a week animal control services by maintaining a second animal control officer in each control district.
- Retain key services Public Health provides to the public. The funding would preserve the current level of therapy to ensure tuberculosis patients take their medicine as scheduled, and would enable the Medical Examiner's Office to continue to make determinations of the cause and manner of death and conduct autopsies in a timely fashion so as not to unduly delay releasing remains to next of kin.
- Preserve funding for the Children and Family Commission, which provides grants to non-profit organizations that work to ensure safe communities and healthy families.
- Maintain critical support to the county's public health centers and the services they provide to the public, especially to mothers and children.

- Continue General Fund support to human services such as Domestic Violence Survivor Services, Sexual Assault Victim Services, Senior Centers in unincorporated areas, and programs for youth (including homeless youth) involved in the criminal justice system.

It is also important to understand what this proposal does not include:

- It does not provide money to restore many valuable programs that were reduced or eliminated in recent years. Many citizens and officials asked me to consider such increases, but I believe this package is the most our residents can afford. We are giving voters the choice to preserve vital programs they have in 2010; not roll back the clock to the programs the County funded four or five years ago.
- It does not avoid the need for budget cuts in 2011. We estimate the 0.2% sales tax would add about \$47 million in revenue next year. Our General Fund budget shortfall is approximately \$10-15 million larger than that. We will fill the difference with productivity improvements and cuts in lower-priority programs, including management and overhead functions.
- It does not solve the structural imbalance between revenues and expenditures in 2012 and beyond. The 0.2% sales tax measure simply sets the starting point for service levels in 2011. The County's General Fund will still have annual shortfalls estimated at \$10-\$20 million in future years that will require us to implement the efficiencies and cost-controlling measures I have outlined.

I appreciate the unprecedented collaboration among the County's elected officials that has led

The Honorable Bob Ferguson
April 28, 2010
Page 7

us to this proposal. I urge the Council to give it careful consideration and then give voters a choice to preserve the programs and values that add to our quality of life.

Sincerely,



Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Tom Bristow, Chief of Staff
 Anne Noris, Clerk of the Council
The Honorable Bruce Hilyer, Presiding Judge, King County Superior Court
The Honorable Barbara Linde, Presiding Judge, King County District Court
The Honorable Sue Rahr, Sheriff, King County Sheriff's Office
The Honorable Dan Satterberg, King County Prosecuting Attorney, Prosecuting
 Attorney's Office
The Honorable Sherill Huff, Director, King County Elections
The Honorable Lloyd Hara, King County Assessor
Fred Jarrett, Deputy County Executive, King County Executive Office (KCEO)
Rhonda Berry, Assistant Deputy County Executive, KCEO
Dwight Dively, Director, Office of Management and Budget, KCEO
Department Directors
Frank Abe, Director of Communications, KCEO
Patti Cole-Tindall, Labor Relations Manager, KCEO
Lorrie McKay, Customer Service Director, KCEO
Carrie Cihak, Director of Strategic Initiatives, KCEO



ATTACHMENT A

Total: \$42.5 million of General Fund programs in 2011

Agency data below are estimated impacts to expenditures supported by the General Fund. Some programs of the District Court, Office of Emergency Management, and the Department of Adult and Juvenile Detention generate revenue that will partially offset the impact to the General Fund.

PUBLIC SAFETY

King County Sheriff's Office: \$9.5 million in 2011

Retain as many as 82 positions that are dedicated to protecting our community. By preserving these positions, the Sheriff's Office will be able to continue to investigate property crimes; provide School Resource Officers to 11 schools; provide storefront deputies who are key points of contact with neighborhoods; participate in regional crime, drug, and homeland security task forces; maintain current levels of investigation for homicides and other major crimes including sexual assaults, and domestic violence; and provide specialized services such as the Bomb Squad, Marine Patrol, fire investigation, and animal cruelty investigation.

Prosecuting Attorney's Office: \$5.0 million in 2011

Preserve the equivalent of 36 deputy prosecuting attorneys (DPAs), which represents two-thirds of Civil Division DPAs, or all criminal DPAs assigned to Maleng Regional Justice Center (MRJC), or all DPAs assigned to Special Assault Unit and Domestic Violence Units. Preserving this level of service would maintain the region's responsiveness to crime, provide prosecutorial services to inform the courts to prevent the release of dangerous felons, and ensure the rights of victims are maintained.

Office of the Public Defender: \$4.3 million in 2011

Preserve the equivalent of 21 defense attorneys and supervisors and 14 support staff. These positions are integral to providing a fair and just court system. The U.S. Constitution mandates that anyone not able to afford an attorney be provided one, as such the court system cannot function without public defense.

CRIMINAL JUSTICE

Superior Court: \$4.3 million in 2011

Retain programs designed to reduce recidivism, assist court litigants, help crime victims, and ensure a smoothly functioning justice system. Over 75 percent of family law litigants do not have lawyers to help them through their divorce, child support or custody cases, and Family Court facilitators help people navigate the legal process. Other programs that would be preserved could include juvenile offender supervision, which uses programs proven effective to reduce juvenile involvement in the criminal justice system; and

attorneys and supervisors who assist citizen advocates who volunteer to represent the best interests of abused children in dependency cases.

Department of Judicial Administration: \$2.0 million in 2011

Preserve nationally-recognized programs and current levels of customer service to avoid lengthy delays in responding to public requests for information. For example, the Step Up program, the only domestic violence program in King County dedicated to addressing teen violence against parents would be preserved. Current hours of operation and level of staffing at the Clerk's Office would be retained and long waits for service minimized.

District Court: \$2.0 million in 2011

Preserve programs, such as Probation Services, that are key components of the criminal justice system. These programs help to reduce the number of people involved in court matters and ensure that those who are sentenced receive appropriate supervision.

Department of Adult and Juvenile Detention: \$4.7 million in 2011

Preserve significant programs in alternatives to detention for both juveniles and adults. These programs assist people in obtaining life skills to reduce recidivism, provide community work crews, assist offenders in meeting their community service hours, and reduce other costs in the criminal justice system. Also, retain the ability of police agencies to book and transfer inmates at the MRJC. Closing the MRJC for intake and transfer would require south county police agencies to drive to Seattle to book inmates, which would reduce the time officers spend patrolling the streets of their communities.

Jail Health Services (JHS): \$1.5 million in 2011

Preserve the current level of services to the sick and mentally ill within the county's jail population. JHS provides medical, dental, and mental health services to people incarcerated in county jails. These services include screening for medical conditions at booking, psychiatric treatment, and treatment and monitoring for chronic conditions and are essential elements of a safe and humane jail system.

GENERAL GOVERNMENT

Defer Major Maintenance of Facilities: \$1.3 million in 2011

Preserve major maintenance for county facilities, such as plumbing and wall finishes on a schedule that allows for optimum life of public assets.

Animal Control: \$0.8 million

Preserve seven day a week animal control services by maintaining a second animal control officer in each control district. Include funding for dedicated staff and resources in the Sheriff's Office to conduct animal cruelty investigations.

Other Entities: \$0.7 million in 2011

Retain services such as the printed versions of the Voters Pamphlet, assistance to rural property owners with development proposals and code compliance, and security screening at all current entrances to the King County Courthouse.

HEALTH AND HUMAN SERVICES

Public Health—Seattle & King County: \$3.3 million in 2011

Retain key services Public Health provides to the public. The funding would preserve the current level of therapy to ensure tuberculosis patients take their medicine as scheduled, and will enable the Medical Examiner's Office to continue to make determinations of the cause and manner of death and conduct autopsies in a timely fashion so as not to unduly delay releasing remains to next of kin. Preserve funding for the Children and Family Commission, which provides grants to non-profit organizations that work to ensure safe communities and healthy families. Maintain critical support to the county's public health centers and the services they provide to the public, especially to mothers and children.

Department of Community and Human Services: \$3.2 million in 2011

Allow for the continuation of General Fund support to human services such as Domestic Violence Survivor Services, Sexual Assault Victim Services, Senior Centers in unincorporated areas, and programs for youth (including homeless youth) involved in the criminal justice system. These programs provide direct services to people who have been victims of crime or young people who are at risk of becoming involved in the criminal justice system as adults. These services help reduce the number of people involved in the criminal justice system in the long run.

Mental Illness and Drug Dependency (MIDD) Supplantation: \$5 million in 2013, \$10 million in 2014, and \$16 million in 2015

Enable the county to maintain the services temporarily shifted to the MIDD fund in the 2010 Adopted Budget. Programs such as Adult and Juvenile Drug Court, Mental Health Court, and Criminal Justice Initiatives are designed to address the underlying reasons people become involved in the criminal justice system. Under state law, the authority to use MIDD revenue to fund these programs (supplant) will ramp down starting in 2013. New sales tax revenue will enable the county to preserve these programs as MIDD revenues become unavailable.

EMERGENCY MANAGEMENT

Office of Emergency Management: \$0.2 million in 2011

Preserve the county's preparedness for disaster response by maintaining programs and staff that provide an emergency notification system and emergency collaboration. = =

2009 Washington State Population Estimates

King County and its Cities, April 1, 2009

Jurisdiction	2009 Estimate		2/10
			32,000,000
Algona	2,760	0.18%	\$ 56,394.15
Auburn (K.C. portion)	60,820	3.88%	\$ 1,242,714.48
Beaux Arts	315	0.02%	\$ 6,436.29
Bellevue	120,600	7.70%	\$ 2,464,178.99
Black Diamond	4,180	0.27%	\$ 85,408.53
Bothell (K.C. portion)	17,260	1.10%	\$ 352,667.74
Burien	31,890	2.04%	\$ 651,597.58
Carnation	1,910	0.12%	\$ 39,026.38
Clyde Hill	2,815	0.18%	\$ 57,517.94
Covington	17,530	1.12%	\$ 358,184.56
Des Moines	29,270	1.87%	\$ 598,064.01
Duvall	5,980	0.38%	\$ 122,187.32
Enumclaw	11,460	0.73%	\$ 234,158.30
Federal Way	88,580	5.66%	\$ 1,809,925.17
Hunts Point	465	0.03%	\$ 9,501.19
Issaquah	26,890	1.72%	\$ 549,434.27
Kenmore	20,450	1.31%	\$ 417,847.93
Kent	88,380	5.64%	\$ 1,805,838.63
Kirkland	49,010	3.13%	\$ 1,001,404.75
Lake Forest Park	12,820	0.82%	\$ 261,946.72
Maple Valley	20,840	1.33%	\$ 425,816.67
Medina	2,970	0.19%	\$ 60,685.00
Mercer Island	22,720	1.45%	\$ 464,230.07
Milton (K.C. portion)	830	0.05%	\$ 16,959.11
Newcastle	9,925	0.63%	\$ 202,794.17
Normandy Park	6,485	0.41%	\$ 132,505.81
North Bend	4,760	0.30%	\$ 97,259.47
Pacific (K.C. portion)	6,200	0.40%	\$ 126,682.50
Redmond	51,890	3.31%	\$ 1,060,250.81
Renton	83,650	5.34%	\$ 1,709,192.14
Sammamish	40,670	2.60%	\$ 830,996.35
SeaTac	25,730	1.64%	\$ 525,732.38
Seattle	602,000	38.44%	\$ 12,300,462.29
Shoreline	54,320	3.47%	\$ 1,109,902.18
Skykomish	210	0.01%	\$ 4,290.86
Snoqualmie	9,730	0.62%	\$ 198,809.80
Tukwila	18,170	1.16%	\$ 371,261.46
Woodinville	10,670	0.68%	\$ 218,016.50
Yarrow Point	965	0.06%	\$ 19,717.52
Cities Total:	1,566,120	100.00%	\$ 32,000,000.00
Uninc. King County:	343,180		

County Portion

Total Rev.

48,000,000

**ATTACHMENT 4
SUMMARY OF WASHINGTON COUNTIES' BUDGET CONDITIONS**

County	Budget Conditions	Source
Benton	2.4% reduction in General Fund revenues and expenditures	Benton County budget book
Chelan	8.8% reduction in expenditures, 3.5% reduction in revenues	Chelan County budget book
Clallam	1% reduction in expenditures and revenues	Email from Clallam County
Clark	Mid-biennium layoffs of 118 FTE, including 56 in law enforcement	Clark County budget staff report
Cowlitz	3% expenditure increase over 2009, 7% revenue decrease	Cowlitz County website
Douglas	3.5% operating deficit in 2010	Douglas County budget book
Ferry	16% reduction in revenue, 15% reduction in expenditures. Has received direct state aid.	Ferry County budget book
Grays Harbor	6% reduction in expenditures. Loss of over \$2 million in timber revenues alone.	Grays Harbor County budget book
Island	17% reduction in expenditures and 8% reduction in revenues in 2009	Island County budget book
Jefferson	2.5% reduction would have been needed, but new contracts allowed for stability	Jefferson County budget book
Kitsap	7% reduction in budget, 10% of workforce eliminated since 2008	Kitsap County budget book
Kittitas	2% reduction in expenditures	Kittitas County budget book
Klickitat	3.1% reduction in expenditures, 3.2% reduction in revenues	Klickitat County budget book
Lewis	2.3% reduction in expenditures, 4.5% increase in revenues (including 8% increase in tax revenue, likely from a voter approved levy)	Lewis County budget book
Mason	4.4% reduction in expenditures and revenues	Mason County budget book
Pacific	10% reduction in expenditures, 14% reduction in revenues	Pacific County budget book
Pierce	6% real dollar General Fund budget reduction from 2008 to 2010	Pierce County online report
San Juan	13.7% General Fund FTE reduction, 2.0% real dollar General Fund expenditure reduction from 2008 to 2010	San Juan County budget book
Skagit	8.5% reduction in General Fund balance since 2009, 3.6% real dollar reduction in General Fund revenue and 4.5% in General Fund expenditures from 2009 to 2010	Adopted budget documents on Skagit County website
Snohomish	2009 budget shortfall was \$21 million resulting in a 10% reduction from 2008 status quo level. 2010 executive proposed budget included \$60 million in reductions, a 9% real dollar reduction	Snohomish County online budget documents
Spokane	2010 General Fund revenue shows 7.5% real dollar reduction from 2009, 9.1% real dollar expenditure reduction from 2009 to 2010	Spokane County online General Fund summary reports
Thurston	Significant reorganization of General Fund agencies, 98 FTEs eliminated in 2009 and 58 FTEs in 2010	Thurston County website

Walla Walla	Slight increase in 2010 tax revenues – likely due to voter-approved levy	Limited data available on Walla Walla County website
Whatcom	2010 General Fund revenue 0.6% lower in real dollars, does not support 2008 service levels	Whatcom County website
Yakima	3.5% real reduction in General Fund revenue from 2009 to 2010 and 25% reduction in beginning fund balance in 2010	Yakima County adopted budget documents
No budget data were available for the following counties: Adams (population 18,000), Asotin (21,000), Columbia (4,000), Franklin (77,400), Garfield (2,250), Grant (86,000), Lincoln (10,450), Okanogan (40,500), Pend Oreille (12,900), Skamania (10,800), Stevens (40,000), Wahkiakum (4,000), and Whitman (43,000). Population statistics are from the U.S. Census Bureau.		