



## Legislation Text

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Clerk 09/16/2009

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

### PREAMBLE:

In 2005, the Washington state Legislature authorized counties to implement a one-tenth of one percent sales and use tax to support new or expanded chemical dependency or mental health treatment programs and services and for the operation of new or expanded therapeutic court programs and services. The initial statute providing for this tax, which is RCW 82.14.460, did not permit the revenues to be used to supplant existing funding. King County authorized the one-tenth of one percent sales tax in 2007 via Ordinance 15949.

During the 2009 legislative session, Washington state legislators approved a change to the state statute, modifying the non supplantation language of the law. The modification allows the one-tenth of one percent tax revenue to be used to supplant funds for mental health, chemical dependency, and therapeutic court services and programs. Supplantation is allowed for five years, beginning in 2010 and ending by 2015. Beginning in 2010, up to fifty percent of the one-

tenth of one percent tax revenue collected can be used to supplant lost funds. There is a ten percent reduction to the amount of funds used each year, ending at ten percent in year 2014. 2009 brought unprecedented financial challenges to King County, including a ninety-three-million-dollar general fund deficit and declining one-tenth of one percent sales tax revenues of more than thirteen percent than budgeted amounts. 2010 sales tax revenue forecasts include a decline of sixteen percent over 2009 budgeted amounts.

In order to allow King County to supplant one-tenth of one percent funds to existing mental health, chemical dependency, and therapeutic court programs, King County finds it necessary to amend King County Code and previous legislation in order to conform to state law and allow supplantation.

When the mental illness and drug dependency fund was established by Ordinance 15955 for the purpose of accounting for the proceeds of an additional one-tenth of one percent sales tax imposed by King County, a new strategy reserve was also established within the fund. The purpose of the new strategy reserve is to set aside revenue for new programs and strategies not envisioned or included in the initial adopted mental illness and drug dependency plans, in recognition that the needs of the county's residents may change over time and that new and innovative mental health, chemical dependency, and therapeutic court programs and services are continually being developed and implemented. The new strategy reserve gives King County the flexibility to respond to the changing needs of the county's population as well as to accommodate new mental health, substance abuse and therapeutic court strategies and programs. The new strategy reserve was established at a time when sales tax revenue was projected to increase over time and when use of the sales tax revenue was limited to new or expanded mental health, chemical dependency and therapeutic court programs. However, given the current and projected economic conditions of declining tax revenues to the fund and the need for

expenditure of funds to supplant existing mental health, chemical dependency and therapeutic court programs as authorized by state law that will result in the county's adopted mental illness and drug dependency strategies being reduced or delayed, the county finds it is necessary to modify its approach to the new strategy reserve for 2010.

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

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

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

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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

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

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

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

4.33.010.

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

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

d. The new strategy reserve shall be initially funded:

(1) in 2008 by:

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

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

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

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

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

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

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

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

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

A. For the purpose of providing funding for the operation or delivery of ~~((new or expanded))~~ mental health and chemical dependency programs and services, and ~~((new or expanded))~~ therapeutic courts programs and services as authorized RCW 82.14.460, as it exists on the effective date of this ordinance, an additional sales and use tax of one-tenth of one percent is hereby levied, fixed and imposed on all taxable events within King County as defined in chapter 82.08, 82.12 or 82.14 RCW, except as provided in subsection B. of this section. For the purposes of this section, "programs and services" includes, but is not limited to, treatment services, case management, and housing that are a component of a coordinated chemical dependency or mental health treatment program or service. The tax shall be imposed upon and collected from those persons from whom sales tax or use tax is collected in accordance with chapter 82.08 or 82.14 RCW, and shall be so collected at the rate of one-tenth of one percent of the selling price, in the case of a sales tax, or value of the article used, in the case of a use tax. This additional sales and use tax shall be in addition to all other existing sales and use taxes currently imposed by the county.

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

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

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

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

C. For the purposes of this section, "proceeds" means the moneys raised by the additional sales and use tax authorized by this chapter and any interest thereon.

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