WASHINGTON STATE ASSOCIATION of COUNTIES

County Fiscal Relief

THE CHALLENGE

Counties are facing many of the same fiscal challenges as the state. Revenues are stagnant or even declining while costs continue to rise. All the while, service demands are growing.

There's no denying this is a fiscally challenging time for both the state and local governments. Counties are constantly being asked to do more and more, without adequate resources to meet all needs. While current costs rise, existing revenue sources are not growing fast enough and, in some cases, are actually declining. We must think differently to ensure our collective fiscal health now and into the future. One strategy is to focus on cutting costs, especially for outdated and unneeded requirements.

THE FIX

Help counties save valuable resources during this difficult financial climate by taking the following actions:

1. **Support local providers for county jail medical services.**
   SHB 1743 ....
2. **Create more flexibility for county procurement requirements.**
   Bill ....
3. **Protect local governments with reasonable liability limits on state-mandated services.**
   Bill ....
4. **Improve the new tax increment financing program.**
   Bill ....
5. **Pass the local government omnibus bill.**
   Bill ....
6. **Implement state labor policy for local governments.**
   Bill ....

County Fiscal Relief

Reasons to Support County Fiscal Relief

1. Counties across the state are struggling to provide jail medical services. Proper health care in a carceral setting reduces recidivism by:

- Stabilizing individuals' physical and mental health
- Addressing root causes of crime (substance abuse/ mental health)
- Fostering skills for reintegration
- Improving employment and housing prospects

Counties need help controlling costs.

- **Liability insurance costs are pricing out most local providers**
- **Counties are forced to contract with fewer and fewer providers**
- **Local or even in-state providers are dwindling**
- **Lack of competition is leading to high costs.**

2. Local government liability costs are out of control.

- Counties are required to provide several state-mandated services that no other entity provides, which are fraught with risk and high costs.
- Even in cases where gross negligence isn't found, jury awards are increasing at unprecedented rates and amounts.
- Insurance rates have tripled as a result.
- Taxpayers are footing the bill at the expense of other important services.

3. The new Tax Increment Financing program disadvantages counties in favor of cities and ports.

- Requirements for designating new tax increment areas are not being enforced properly.
- Counties lose valuable resources needed to meet new demands created by the Tax Increment Area designations, with no ability to negotiate or recover.
- Over time, county budgets will be further strained without reforms.
- TIF project creation and spending can be opaque, hidden from normal transparency requirements.

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WSAC
WASHINGTON STATE ASSOCIATION of COUNTIES

Sustainable Funding for a Safe County Transportation System

THE CHALLENGE

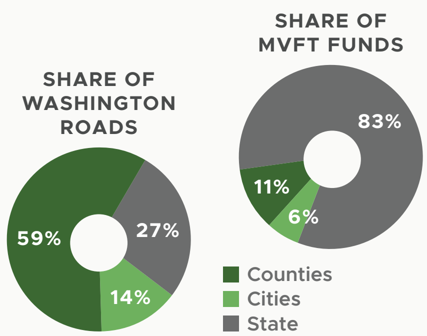
Counties are responsible for nearly half of our state's roads and bridges, but the system in place for providing resources to maintain them remains inadequate.

County property tax, the largest single revenue source, is capped at 1% growth plus the value of new construction annually, far below the rate of inflation alone. While state gas tax has more than doubled over the past 20 years, the distribution to counties has remained relatively flat and higher vehicle fuel efficiency is resulting in decreased gas tax collections further undermining our long-term ability to keep transportation infrastructure in good repair.

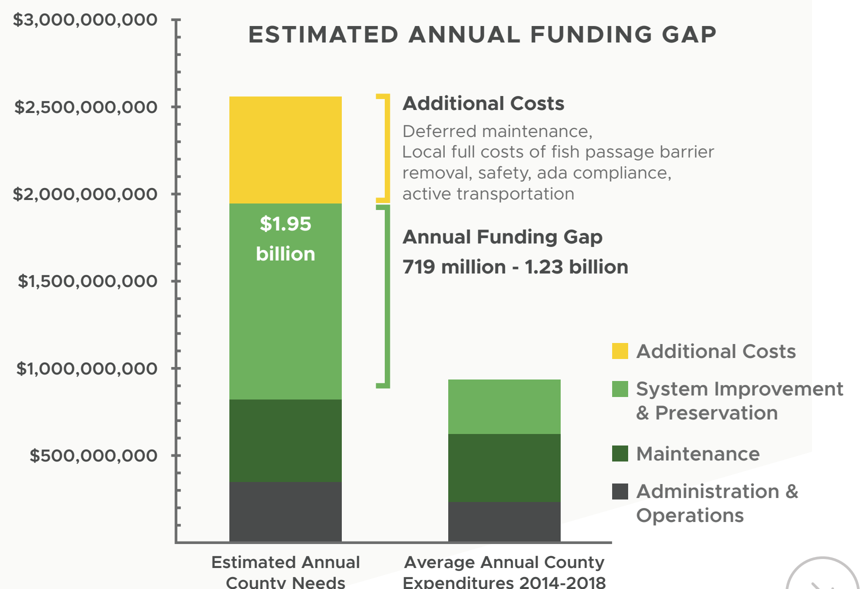
Bottom line – current local revenue options and state-shared resources are not keeping up with the ongoing and growing needs of county roads.

THE FIX

Provide additional state-shared revenue in the supplemental Transportation Budget for the preservation and maintenance of the local transportation system.



Maintaining and preserving our transportation system should be the foremost priority of transportation investments statewide. As owners of nearly 50 percent of the transportation system, counties should receive a more equitable share of revenue designed to fund state-wide transportation needs. Please support increasing direct distributions of state-shared transportation revenue to counties in the supplemental 2025-27 Transportation Budget.



Sustainable Funding for a Safe County Transportation System

Legislative Action Counties Support to Benefit Local Transportation

1. Provide funding to establish the newly authorized County Local Road Grant Program ($2.2 million).

Currently, there are no state or federal grant programs to preserve and improve county local roads. This means that approximately 49,000 lane miles of county roads, over 36% of the total lane miles in the state, have no opportunity to fund improvements other than through local sources such as the county road fund. As you can imagine, WSAC was very grateful when the legislature established a new grant program to address this challenge during the 2025 legislative session. We now request that the legislature provide enough initial funding to allow CRAB to hire a grant program administrator, reimburse counties for the design costs of preparing projects for construction in the 27-29 biennium, and draft rules and project scoring criteria for the administration of the program.

3. Fully fund the Brian Abbott Fish Barrier Removal Board's (FBRB) project list ($38 million).

WSAC requests that the supplemental Capital Budget fully fund the FBRB project list with an additional $38 million. There are over 8,000 locally owned fish barriers, with an average cost of $1.8 million to correct. As the rules and regulations associated with culvert replacement get more complicated, costs increase. With limited local resources to fund this infrastructure and few statewide resources available, fully funding the FBRB project list is crucial. WSAC supports the FBRB's coordinated approach to identifying priority investments and leveraging the benefits of other upstream and downstream fish passage projects to efficiently advance recovery.

2. Increase funding for the Reducing Rural Roadway Departures program ($4 million).

Traffic safety is a top priority and major concern for counties. In 2023, traffic deaths were the highest in our state since 1990, with 810 tragic losses of life. This trend is unacceptable. Of the 810 traffic deaths in 2023, 46% involved a lane departure. Historically, the County Safety program, managed by WSDOT Local Programs, has utilized scarce federal funding for projects aimed at reducing fatal and serious injury crashes on county roads through engineering improvements and countermeasures. The program has been oversubscribed during this critical time.

During the 2022 legislative session, the legislature established the new Reducing Rural Roadway Departures Program in the Move Ahead Transportation Package. It provided $4 million in additional state funding for these projects each year. This is a trend in the right direction. Please help decrease traffic fatalities in our state by increasing funding for this program in the supplemental Transportation Budget.

4. Improve and Make Permanent the Federal Fund Exchange Program.

WSAC appreciates the state establishing a Federal Fund Exchange Pilot Program during the 2023-25 biennium and now asks that the supplemental Transportation Budget include the necessary appropriations and changes to implement the Recommendations to Streamline Local Project Delivery Report (Joint Transportation Committee June 2025).

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WSAC
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Investing in Public Safety Where It Matters the Most

THE CHALLENGE

Counties utilize most of their resources investing in public safety. However, costs continue to rise faster than the ability to increase revenue to match. Critical public safety infrastructure and programs are deteriorating as a result.

Counties are highly dependent on property taxes, their main source of revenue. But property tax growth is limited to 1% annually plus new construction and cannot keep up with added demands. The need for revenue is based on ongoing costs, not local fiscal or policy choices. With constraints on property tax growth, revenue has lagged behind simple maintenance-level budgets for all counties. The key drivers of this problem are population growth, inflation, and new state mandates – all increasing faster than traditional revenue sources can match.

THE FIX

Diversifying County Revenues to Promote Fiscally Sustainable Public Safety Services

WSAC MEMBERS HAVE IDENTIFIED 4 FISCAL STRATEGIES THAT REQUIRE LEGISLATIVE ACTION:

1. **Raise the property tax cap from 1% to 3%.**

   HB 1334 replaces the current property tax revenue annual limit factor of 101% with a new limit factor of 100% plus inflation, with a cap of 103% per year, similar to SB 5770 in 2023.

2. **Implement a local graduated REET.**

   Similar to the state's graduated Real Estate Excise Tax (REET) system, **HB 2027** implements the following rates for local governments (the present rate is .25% regardless of sales price):

PROPOSED COUNTY GRADUATED REET RATES	
SALE PRICE	REET RATE
$500k or less	0.20% *(remains at up to 0.25% for rural counties)*
$500,001 - $1.5m	0.25% *(unchanged)*
$1,500,001 - $3m	0.55%
>$3m	0.60%

Like the state's program, timber and agricultural lands would stay at .25%.

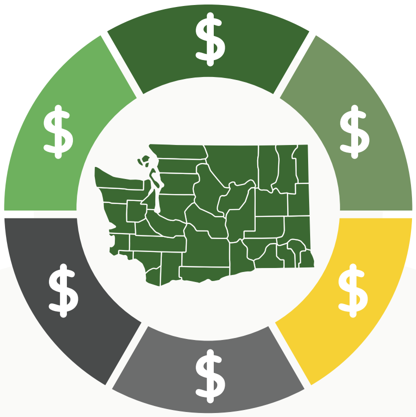
3. **Pass the Local Government Omnibus bill.**

   HB XXXX includes several strategies to improve county finances, including new revenue for critical services and using existing revenue more flexibly.

4. **Allocate a greater share of cannabis tax revenue to local governments.**

   HB 1704/ SB 5547 increases and streamlines the amount of cannabis tax revenue shared with local governments to 20% per year. It is worth noting that the state's cannabis tax revenue has risen to over $500 million annually. Of that, cities and counties share only $22 million.

Investing in Public Safety Where It Matters the Most



Diversifying county revenues, similar to the options currently available for cities and the state, is critical to ensuring counties have the resources they need to provide critical resident services, primarily public safety. Flexibility and options are key, as not all counties are the same, and different revenue options impact counties in different ways.

Counties are constantly being asked to do more with fewer resources. As a result, their ability to invest in public safety is declining.

Inflation Average
4.76%
(2019-24)

From 2019-2024, U.S. inflation has averaged about 4.76% annually.

Population Grew
22%
(2010-24)

Between 2010 & 2024, WA's population grew by about 1.3 million residents (nearly 22%).

Safety Cost is
70%
of County Budget

Public safety costs continue to increase and typically comprise 70% of county budgets.

Reasons to Support New County Revenue Options:

1. **Reduces county reliance on state funds.**
   Simply put, when counties cannot meet state mandates, these costs will be paid by the state in some fashion. Local revenues let counties help themselves.

2. **Makes counties accountable to determine and meet their own local needs.**
   When counties determine the best mix of funding to meet their budgets, local communities are empowered to be heard and engaged with their government.

3. **The revenue options promote equity for all areas of our state.**
   Many government services relate to providing help to underserved communities and those in need. These policies were originally implemented to promote equity. Without adequate funding, however, inequity persists.

4. **Options, not mandates.**
   The communities, needs, and priorities vary among the 39 counties. Simply put, one size does not fill all and a menu of options is needed.

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WSAC
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Costs Related to Implementing Proposed Substitute HB 1592

What's the Cost?

Counties currently spend over $200 million dollars annually on costs related to public defense. Counties face about a 10% annual cost increase under the Supreme Court's June 2025 caseload order. Labor market shifts could push that number higher or lower.

The Proposed Substitute Allows Time to Implement

Counties ***are not* requesting state funds in the 2026 budget cycle**, the proposed substitute phases in the original cost sharing requirement of the bill over an eight year timeline.

The proposed substitute *does not* require an appropriation in this budget cycle.

Starting in FY 2028, the state's phased-in share **requires annual appropriations that grow from $2.4 million to $85 million** as the statutory percentages increase.

PUBLIC DEFENSE

State Costs with the Proposed Substitute to HB 1592

FISCAL YEAR	ANTICIPATED STATEWIDE EXPENDITURES	STATE % SHARE REQUIRED BY STATUTE	ESTIMATE OF APPROPRIATION REQUIRED BY STATUTE	INCREASE OVER PRIOR APPROPRIATION
2025	$242M	0%	$13.6M	$0
2026	$266M	0%	$13.6M	$0
2027	$293M	0%	$13.6M	$0
START OF PHASED IN SHARE				
2028	$322M	5%	$16.1M	$2.5M
2029	$354M	10%	$35.4M	$19.3M
2030	$389M	20%	$77.8M	$42.4M
2031	$428M	35%	$149.8M	$72M
2032	$471M	50%	$235.5M	$85.7M
2033	$518M	50%+future costs	$282.5M	$47M

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WSAC
WASHINGTON STATE ASSOCIATION of COUNTIES

Enhancing Housing Access and Affordability in Counties

THE CHALLENGE

Washington's counties have limited tools to address our ongoing housing crisis.

Most strategies for improving housing access and affordability rely on funding subsidies for developments requiring urban services, increases in allowed density or housing types for new development and redevelopment, or are limited to projects within city limits. Obviously, such tools are more easily deployed in cities with urban services. ***However, with legislative help, counties could implement strategies to improve housing access and affordability, too.***

THE FIX

County Housing Policy Priority Recommendations:

1. **Allow detached accessory dwelling units (ADU) on all residential lots.**

   SB 5413/HB 1345/SB 5470 authorizes detached ADUs on all rural residential lots with appropriate restrictions to prevent sprawl and protect the environment along with strict enforcement requirements.

2. **Make all counties planning under the Growth Management Act (GMA) eligible to utilize the Multi-family Tax Exemption (MFTE) program.**

   SB 5413/HB 1206/SB 5679 removes the limitations on GMA counties and makes this tool available for a majority of our state's counties.

3. **Expand state investment in infrastructure that supports housing development.**

   SB 5413/HB 1763/SB 5576 creates a new competitive grant program that can be utilized to develop and improve infrastructure to support housing. The lack of adequate infrastructure is a significant barrier to increased density and new housing development in many areas. The program is funded by a new tax on short-term rentals, having no impact on the state's existing revenues.

4. **Invest in a pilot program for counties to provide pre-designed and pre-approved housing plans.**

   Counties request funding to support a four-county pilot program offering predesigned, preapproved plans for efficient single-family homes, accessory dwelling units, and duplexes. The plans would be designed to meet state and local development and construction requirements and offered free of charge, improving the permitting process and reducing applicants' costs.

Enhancing Housing Access and Affordability in Counties

*"…the **state needs to add 1.1 million new homes** over the next 20 years, and more than **half of them need to be affordable** for residents at the lowest income levels."*

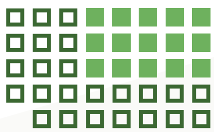
Washington State Department of Commerce, March 2023

Many of the homes our state needs will NOT be built in cities…

34% of residents live outside cities.

Outside King County, **44% of residents** live outside cities.

40% of residents in 26 counties live outside cities.



In 15 counties, the majority of residents live outside cities.

Lack of infrastructure is a major obstacle for housing developers

*"**Major infrastructure investments promote efficiencies** in transportation, land use, and public works that spur investments, ease regulatory barriers to construction, reduce costs for owners and operators, and support a healthy housing market. **Such investments will relieve stress on the housing market, open up new development opportunities, and promote housing affordability across the income spectrum.**"*

National Apartment Association

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