2025-26 Legislative Session | FUNDING PRIORITY

WSAC
WASHINGTON STATE ASSOCIATION of COUNTIES

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 last Session's SB 5770.

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

   Similar to the state's graduated Real Estate Excise Tax (REET) system, implement 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. **Implement a county utility tax.**

   HB 1702 imposes a county utility tax of up to 3%, half the rate collected by cities. State and city utility taxes are already authorized.

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.

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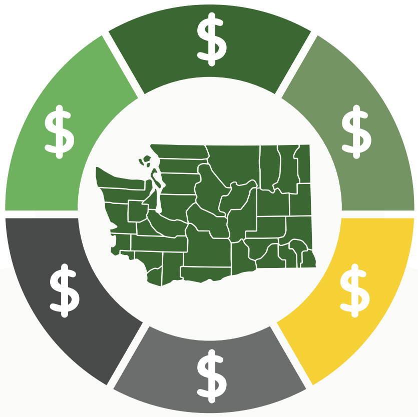

Diversifying county revenues, similar to the options currently available for cities and the state, is critical to ensuring counties have the resources they need to provide critical resident services, primarily public safety. Flexibility and options are key, as not all counties are the same, and different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