

HOUSE BILL ANALYSIS

HB 1699

Brief Description: Public health financing through the County Sales and Use Tax Equalization Account.

Background: The Health Services Act of 1993 amended the distribution of Motor Vehicle Excise Taxes (MVET) between cities and counties for local public health purposes. The MVET distribution percentage to cities for public health was reduced by 2.95 percent and the counties distribution percentage was increased by the same percentage. The change in the city and county distribution percentages was originally scheduled to take effect July 1, 1995. An analysis using the revised distribution percentage identified that the 2.95 percent shift from cities to counties would result in certain cities contributing less funding to support local public health services than they were providing before the 2.95 percent shift. The effect was that certain local health jurisdictions would receive less funding for public health services using the new distribution percentages. The statewide funding shortfall was estimated to be \$2.25 million. The additional \$2.25 million would enable county health departments and local public health districts to continue current levels of service after July 1, 1995, the effective date of the shift. The county and local public health district funding problem was thought to be resolved during the 1995 Session with the passage of SSB 6058 (15 L 95 E1). SSB 6058 included the establishment of a funding benchmark that would ensure that no city contribution was less than the Calendar Year 1995 level expended for public health purposes. The implementation date of the revised distribution percentages was also extended to January 1, 1996. The 1995-97 Appropriations Act contained the funding to ensure that city contributions met the required CY 1995 levels. This was accomplished by a \$2.25 million State Treasurer transfer from the state Public Health Services Account to the County Public Health Account. The County Public Health Account was created to provide a means to distribute funds to local public health entities. The situation that was not contemplated in SSB 6058 was the inclusion of populations in cities that were in the process of incorporating at the time the solution to the 2.95 percent shift problem was being developed. The population in these newly incorporated cities were not recognized in the new distribution formula and as a result certain local public health jurisdictions were still under funded.

The director of the Department of Community, Trade and Economic Development is required to certify the amounts for distribution to each local public health jurisdiction using actual 1995 city public health contributions as a base.

A portion of all Motor Vehicle Excise Tax receipts are deposited into the County Sales and Use Tax Equalization Account for allocation by the State Treasurer to counties meeting certain criteria. Currently, after all county equalization allocations are made, the unexpended balance from the County Sales and Use Tax Equalization Account is deposited in the State General Fund.

Summary: Newly incorporated city populations are included in the calculation of city contributions to counties. This corrects the funding calculation contained in SSB 6058, as adopted by the 1995 Legislature. The unexpended balance in the County Sales and Use Tax Equalization Account is used to cover the cost of including the excluded city populations in the local public health funding calculation. The two local public health jurisdictions affected by this funding correction are Seattle/King and Tacoma/Pierce. In addition, the fund source used in the 1995-97 Appropriations Act to remedy the original under funding of the city 2.95 percent shift is changed to the County Sales and Use Tax Equalization Account. The fund source change would take effect July 1, 1997 and continue indefinitely.

The director of the Department of Community, Trade and Economic Development is required to adjust the certified amounts for distribution to local public health jurisdictions in the following order: (1) to counties with populations greater than one million as well as counties with cities that incorporated during Calendar Years 1994 and 1995; and (2) the remainder is to be distributed to all local health jurisdictions on a state-wide per capita basis. Beginning June 30, 1999, after allocations to counties for sales tax equalization payments are made, the available fund balance in the County Sales and Use Tax Equalization Account is to be distributed to local public health jurisdictions as opposed to being deposited in the State General Fund.

Fiscal Note: Requested on February 11, 1997

Effective Date: July 1, 1997.