

# SENATE BILL REPORT

## SSB 6689

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As Passed Senate, March 3, 2004

**Title:** An act relating to providing financial assistance to counties.

**Brief Description:** Providing financial assistance to counties.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Hewitt, Prentice, McCaslin, Rasmussen, Sheahan, Parlette, Morton, T. Sheldon, Doumit, Mulliken and Hale).

**Brief History:**

**Committee Activity:** Economic Development: 2/4/04 [DP-WM, DNP].

Ways & Means: 2/9/04, 2/23/04 [DPS].

Passed Senate: 3/3/04, 38-9.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Hale, Murray, Schmidt and Shin.

**Minority Report:** Do not pass.

Signed by Senators Benton and Kohl-Welles.

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6689 be substituted therefor, and the substitute bill do pass.

Signed by Senators Zarelli, Chair; Hewitt, Vice Chair; Parlette, Vice Chair; Carlson, Doumit, Fairley, Fraser, Hale, Honeyford, Johnson, Pflug, Prentice, Rasmussen, Roach, Sheahan, B. Sheldon and Winsley.

**Staff:** Catherine Suter (786-7442)

**Background:** The motor vehicle excise tax (MVET) was repealed by a vote of the people in 1999. After the Washington Supreme Court declared the initiative repealing the tax unconstitutional in 2000, the Legislature enacted the repeal. The impact of the repeal on local governments was a loss of about \$180 million per year. This loss has been partially relieved by a formulaic distribution to local governments of general fund dollars. The amount distributed has been substantially reduced over time.

The proceeds from the sales tax on liquor go to both the general fund and the liquor excise tax fund. The liquor excise tax fund is distributed to counties, cities, and towns, as well as to the county research services account which funds the Municipal Research Council.

**Summary of Bill:** The county assistance account is created in the custody of the State Treasurer. \$470,000 of liquor sales tax revenues is deposited each month into the account, and beginning July 1, 2005, this amount increases yearly by the fiscal growth factor. The account is to receive its interest earnings.

The County Financial Assistance Advisory Council is created in the Department of Community, Trade, and Economic Development (CTED). The council consists of four legislators, two representatives of the Washington State Association of Counties, and a chairperson appointed by the Governor.

The council must determine which counties have a tax base insufficient to provide basic services and recommend to CTED allocations from the county assistance account for grants to the counties. Counties are eligible for funds only if they had a budget decrease of 6 percent or greater due to the repeal of the MVET.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2004.

**Testimony For (Economic Development):** The small counties are facing funding problems. Counties lost about \$50 million when the Legislature repealed the MVET. The bill would create a revenue stream which would be about the same as the Legislature has provided to the counties in backfill over the last two years. This will help many of the rural counties with a limited tax base.

The uncertainty of funding sources has left ten positions unfilled in Stevens County. The sheriff's department has an aging fleet of cars that needs to be replaced. Any new revenues will be targeted to law enforcement. Stevens County needs more certainty in the funding stream.

**Testimony Against (Economic Development):** None.

**Testified (Economic Development):** PRO: Senator Hewitt; Scott Merriman, Assn. of Counties; Merrill Ott, Stevens County Commissioner.

**Testimony For (Ways & Means):** The objective of this bill is to provide on-going general assistance that is outside the state general fund for counties without a sales tax base to meet their basic needs and requirements. Not all counties would be eligible for this funding. On average, 68 percent of counties' general expense funds go to law and justice. Many counties are at their limit of property levies for general expenses. So while counties' costs are rising, their ability to pay is eroding.

Concerns: Cities also incurred losses when the MVET was repealed of over \$100 million, or 10 percent of operating revenues in many cities. They would also like to find ongoing assistance. When the liquor tax formula is changed, however, cities' proceeds are hit -- maybe

not much with this bill, but adding up to something significant if this bill is considered along side the Sunday sales bill, bank card bill, and others.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** Scott Merriman, Washington State Association of Counties (pro); Jim Justin, Association of Washington Cities (concerns).