EXECUTIVE SUMMARY

OVERVIEW

King County provides local and regional services to nearly 2.4 million residents, with a 2025 Proposed Budget of about $10.2 billion and nearly 17,700 employees. The County has used biennial (two-year) budgets for the last decade, but in 2022 the County's voters approved a proposal to shift County elections from odd-numbered years to even-numbered years to increase turnout. In order to properly align the budget cycle and the election cycle, the County is doing an annual budget for 2025 and will revert to biennial budgets for 2026-2027 and beyond.

The 2025 Proposed Budget largely continues current programs and activities. Most of the federal money received for COVID-19 response has been expended, with small amounts carried over into 2025. The County intends to complete all such spending by the end of 2025. Several of the County's funds, including the General Fund, continue to be adversely affected by structural revenue limitations imposed by the State of Washington. The 2025 Proposed Budget for the General Fund uses a great deal of one-time money from fund balances built up due to salary savings and shifts the costs of Public Health clinics to a new property tax revenue source approved by the Legislature in the 2024 session. The General Fund budget is not sustainable, and the General Fund is projected to be out of balance by about $150 million for 2026-2027.

King County is the 12th largest county by population in the United States and is the ninth largest in terms of total employment. The county is the home of many famous businesses and organizations, including Amazon, Boeing Commercial Airplanes, the Gates Foundation, Microsoft, Starbucks, and the University of Washington. The county experienced remarkable growth over the last 15 years, which expanded wealth and economic opportunities but also led to higher housing prices and growing income inequality. COVID-19 and the increase in teleworking have affected the demand for office space, particularly in downtown Bellevue and downtown Seattle. In contrast, the tourism industry has almost completely recovered, and the expanded Convention Center is attracting a growing number of events. Future growth is always uncertain, but King County still has strong advantages due to its high-quality workforce, successful organizations, wealth, and natural beauty.

King County government is unique nationally in the range of services it provides. It is both a regional government, providing services throughout most or all of the county, and a local government, providing services in the unincorporated area (outside of cities). Regional services include public health, transit, wastewater treatment, housing, behavioral health, elections, property assessment, solid waste transfer and disposal, corrections, regional parks and trails, and the prosecution, defense, and adjudication of felonies. Local services include roads, police protection through the Sheriff's Office, land-use regulation and permitting, and surface water management. Many other governments contract with King County to provide certain services, including police protection, courts, jails, public defense, and additional transit service.

Executive Dow Constantine continues to emphasize his priorities for the 2025 Proposed Budget. These include the following five issues:

- Responding to climate change. The 2025 Proposed Budget includes approximately $500 million to reduce greenhouse gas production. The largest portion is to continue Metro Transit's progress to a zero-emissions fleet, including development of a new South Annex Base to host 250 electric buses. The Executive Climate Office has been very successful in obtaining grants, including a recent award of $50 million from the federal government to decarbonize multi-family residential and small commercial buildings. There are many other efforts in other agencies to reduce the County's greenhouse gas footprint.

- Restoring fish passage. The County has been working to replace culverts and restore stream habitat for salmon for the last six years. The 2025 Proposed Budget includes 29 active projects in the Parks and Road Services divisions. By the end of 2024, the County will have restored nearly 42 miles of habitat. The 2025 budget is consistent with the goal of restoring 50 percent of the habitat blocked by County-owned barriers by 2032.

- Addressing historic inequities. The County is nearing completion of a new Equity, Race, and Social Justice (ERSJ) Strategic Plan. The 2025 Proposed Budget continues investments to advance equity goals and to broaden community participation in decision making. These include $1.1 million in new staffing and programs to increase disability equity, approximately $4 million of additional Best Starts for Kids funding to focus on priority populations, and funds to expand language access in Elections and the Sheriff's Office. The Department of Local Services will continue its work to implement the two rounds of participatory budgeting projects begun in 2022 and 2024.

- Implementing Health Through Housing. This program funds the purchase, maintenance, and operation of residential facilities to provide permanent supportive housing and emergency housing, typically for formerly homeless individuals. The County started this program in 2020 using revenue from a new 0.1% sales tax. The County has acquired nine buildings and has contracted to provide funding for five others. Eleven buildings are operating as of September 2024. The 2025 Proposed Budget includes continued funding for this program. The County expects to open new facilities in Federal Way, Kirkland, and Seattle in 2025 to bring all facilities into operation. This is expected to provide 1,358 units. Additional contracted buildings may be funded in subsequent years to reach the original goal of 1,600 units.

- Expanding opioid response programs. The 2025 Proposed Budget includes over $50 million of programming dedicated to services for substance-use disorder, including overdose prevention. Programs rely on funding from the Mental Illness and Drug Dependency (MIDD)

sales tax, state funding for public health, federal grants, and new legal settlements from several opioid lawsuits. The settlements provide $3.5 million for new programming focused on harm reduction and community-based overdose prevention. Continuing programs include low-barrier medications for opioid use disorder (MOUD), naloxone distribution, and outreach teams. Additionally, both the Department of Community and Human Services and Public Health serve a broader population through programs like the King County Integrated Care Network, the Mobile Medical Program, and the Healthcare for the Homeless Network.

In addition to these priorities, the 2025 Proposed Budget implements new legislation approved in 2024 for the support of County hospital and affiliated public health clinics (HB 2348). The Executive proposes to implement a tax of 8.5 cents per $1,000 of assessed value for 2025, far less than the maximum legal authority of 20 cents. Of this, 2.8 cents would generate $25 million to cover the costs of Public Health clinics affiliated with the County hospital in 2025. This replaces General Fund and was a major factor in balancing the 2025 General Fund budget. Another 2.8 cents ($25 million) would be for Harborview Medical Center operations. An additional 2.2 cents ($19 million) would be allocated to infrastructure improvement projects for Harborview. Specific projects would be identified in 2025. Approximately 0.6 cents would cover County administrative costs and fund a reserve. Legislation implementing the county hospital levy accompanies the budget.

UNCERTAINTIES

The 2025 Proposed Budget was developed in a period with significant political and financial uncertainties. The United States will elect a new President and Congress in November, and the stark differences between the policies of the two parties could affect King County government and its residents in many ways. The State will elect a new Governor, Attorney General, Commissioner of Public Lands, and Insurance Commissioner. The State also has two ballot initiatives that could affect local governments: repeal of the Climate Commitment Act and repeal of the State's capital gains tax. The outcomes of these national and State elections could profoundly affect resources available to address climate change and programs for the physical and behavioral health of King County residents.

The national and regional economies appear to be slowing, but few economists are predicting a recession in the near term. Inflation is slowing and the Federal Reserve is expected to begin reducing interest rates as soon as September. High inflation has driven up the County's costs, which has created financial challenges in funds with little revenue flexibility, including the General Fund and Roads Fund.

The Russian invasion of Ukraine and the Israeli-Hamas conflict in Gaza continue to create global tension and have affected commodity markets and supply chains. Climate change has increased the intensity of storms and wildfires, driving up insurance costs. The COVID-19 pandemic continues to have lingering effects, including reduced access to health care. This, in turn, has made it harder for injured workers to get treatment, so the County's costs for worker's compensation have skyrocketed since 2020.

The County uses a conservative basis for revenue forecasts by projecting at the 65% confidence level (this means actual revenues should exceed the forecast 65% of the time). This approach provides some buffer for these political and financial uncertainties, but there are still meaningful risks that affect various parts of the County's budget.

TOTAL PROPOSED BUDGET

The 2025 Proposed Budget totals $10.2 billion. This figure cannot meaningfully be compared with the 2023-2024 Adopted Budget, which included large amounts of federal pandemic response funds. Since the 2023-2024 budget was adopted, voters have approved a new Crisis Care Centers levy and an expanded Veterans, Seniors, and Human Services levy. The 2023-2024 budget also was adjusted for double-counting (an appropriation in one fund that supported a further appropriation in a different fund), which has not been done for the 2025 Proposed Budget.

Figure 1 shows the major sources of revenue to support the budget.

Taxes represent only about 26 percent of the total revenue. These are concentrated in a few areas, including the General Fund, Metro Transit, Mental Illness and Drug Dependency (MIDD), and programs supported by voter-approved property taxes, such as parks, emergency medical services, and specific human services programs.

Charges for services is the other large category of revenue at 25 percent. Among the largest components of these revenues are solid waste tipping fees, wastewater treatment charges, and Metro Transit fares.

TOTAL BUDGET REVENUES BY TYPE

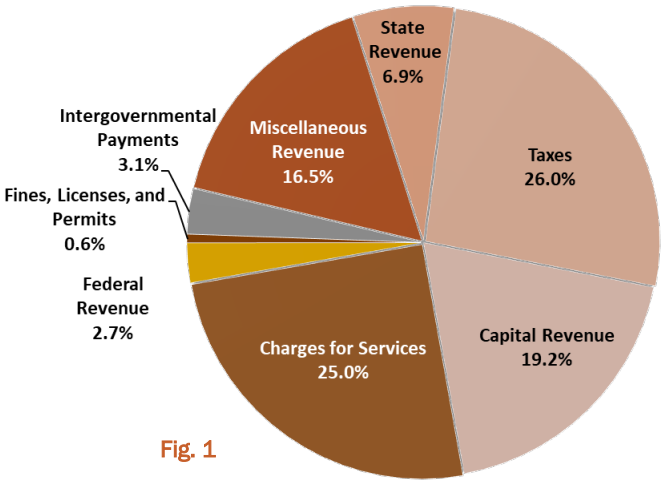


Fig. 1

Funds supporting capital projects make up about 19 percent of the total and are a growing percentage of the total revenue. Federal and state funds combined are about 10 percent and are concentrated in human services, housing, Public Health, and transportation-related grants.

TOTAL BUDGET APPROPRIATIONS

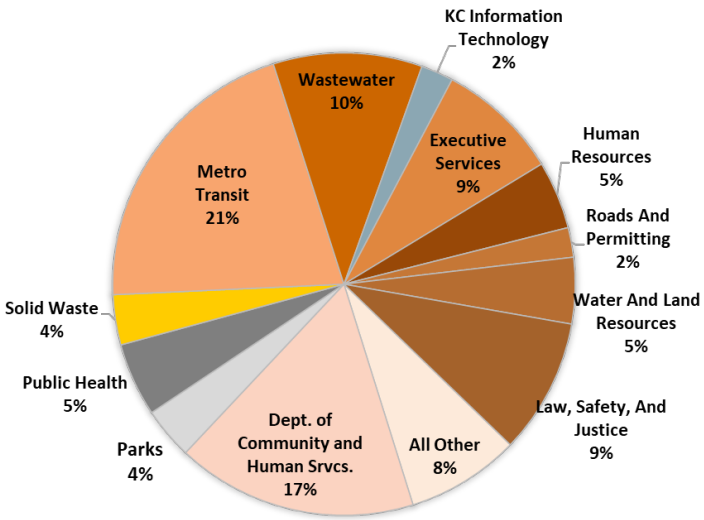


Fig. 2

Figure 2 shows the major categories of proposed appropriations by agency or groups of agencies. Metro Transit is the single largest at about 21 percent. The Department of Community and Human Services (DCHS) is second at 17 percent. DCHS has grown significantly in recent years due to new voter-approved levies and additional State funds for behavioral health services. The Wastewater Treatment Division is the third largest agency with about 10 percent of the total budget.

The combined budgets of the criminal justice branches and agencies constitute about 9 percent of the total county budget. The share of the total budget

ALL KING COUNTY APPROPRIATIONS INCLUDING CIP

APPROPRIATION UNIT	2025 EXECUTIVE PROPOSED
ADULT AND JUVENILE DETENTION	$ 266,970,015
ASSESSMENTS	37,053,539
COUNTY EXECUTIVE AGENCIES	58,808,669
DCHS - BEHAVIORAL HEALTH	551,234,161
DCHS - BEST STARTS FOR KIDS LEVY	175,039,059
DCHS - COMMUNITY SERVICES	58,360,865
DCHS - DEVELOPMENTAL DISABILITIES	113,583,091
DCHS - HOUSING	580,125,961
DCHS - MENTAL ILLNESS AND DRUG DEPENDENCY FUND	114,978,528
DCHS - VETERANS SENIORS AND HUMAN SERVICES LEVY	121,543,578
DES - AIRPORT	271,797,024
DES - BUSINESS RESOURCE CENTER	40,826,185
DES - FACILITIES MANAGEMENT DIVISION	324,414,196
DES - FINANCE AND BUSINESS OPERATIONS	39,641,422
DES - FLEET MANAGEMENT EQUIPMENT	66,560,758
DES - OFFICE OF RISK MANAGEMENT SERVICES	74,171,658
DES - OTHER	26,713,583
DES - RECORDS AND LICENSING SERVICES	19,121,285
DES - REGIONAL ANIMAL SERVICES OF KING COUNTY	9,748,264
DHR - EMPLOYEE BENEFITS	393,668,483
DHR - HUMAN RESOURCES MANAGEMENT	28,796,941
DHR - SAFETY AND CLAIMS MANAGEMENT	61,615,965
DISTRICT COURT	47,233,398
DLS - ROADS AND PERMITTING	210,805,190
DNRP - OTHER	12,607,599
DNRP - PARKS	369,003,030
DNRP - SOLID WASTE	356,795,024
DNRP - WASTEWATER	1,060,873,089
DNRP - WATER AND LAND RESOURCES	459,392,109
DPH - EMERGENCY MEDICAL SERVICES	138,628,819
DPH - ENVIRONMENTAL HEALTH SERVICES	45,432,691
DPH - PUBLIC HEALTH	339,299,750
ELECTIONS	31,924,896
JUDICIAL ADMINISTRATION	35,862,901
KING COUNTY INFORMATION TECHNOLOGY	230,546,714
LEGISLATIVE AGENCIES	37,791,337
METRO TRANSIT	2,117,013,992
OTHER AGENCIES	643,962,968
PROSECUTING ATTORNEY	119,566,124
PUBLIC DEFENSE	95,574,160
SHERIFF	319,890,587
SUPERIOR COURT	77,756,238
Grand Total	**$ 10,184,733,849**

for these services has been declining due to the limitations imposed on the General Fund, which are described in a subsequent section.

The large share shown for Human Resources is artificially inflated since all expenditures for County-provided employee benefits are included in that category.

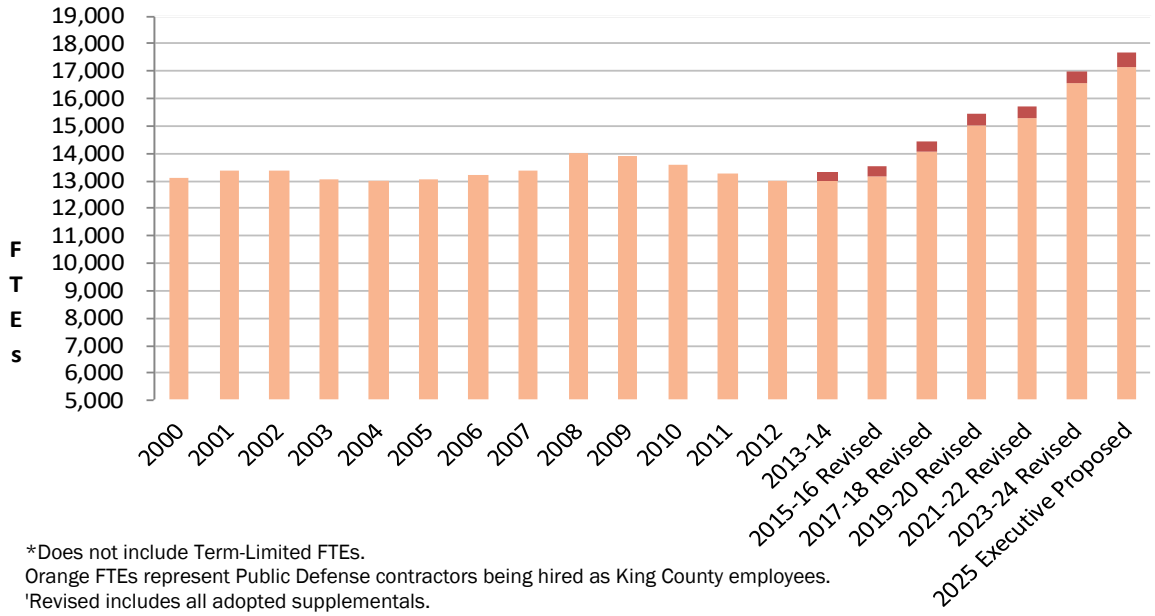
Figure 3 shows the adopted appropriations by "appropriation unit," which are typically departments or divisions within departments. Smaller units have been aggregated in this table.

Fig. 3

Figure 4 shows how County employment has changed over time. The figure uses "full-time equivalents" (FTEs) since not all positions are full-time. For example, an individual employed three days a week would be 0.6 FTE. The figure shows that County employment is sensitive to economic conditions. Employment declined after both the 2001 recession and the Great Recession but remained in a range of 13,000 to 14,000 for two decades. In the 2013-2014 budget, the County took on the public defense function using its own employees instead of contractors as a result of a State Supreme Court decision. County employment has grown over the last ten years, driven mostly by staffing increases in Metro Transit, utility agencies, and human services. The 2025 Proposed Budget includes 17,667 FTEs.

COUNTY EMPLOYMENT OVER TIME

Fig. 4



*Does not include Term-Limited FTEs.
Orange FTEs represent Public Defense contractors being hired as King County employees.
'Revised includes all adopted supplementals.
Source: PBCS Budget System and 2000 - 2014 Budget Ordinances

COUNTY EMPLOYMENT BY AGENCY

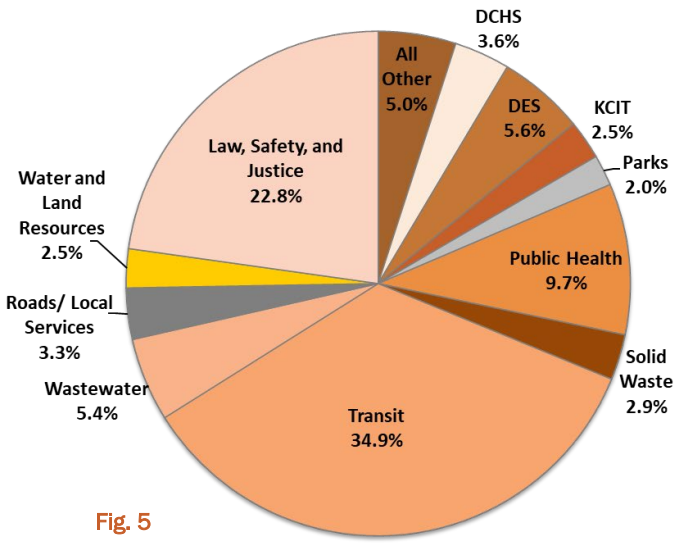


Fig. 5

Figure 5 shows how positions are distributed among agencies in the 2025 Proposed Budget. County programs that depend heavily on people to deliver services have large shares, including Metro Transit (35 percent), the criminal justice agencies (23 percent), and Public Health (10 percent). Programs that are capital-intensive or deliver most services through contracts have much smaller employment, including the Wastewater Treatment Division, the Solid Waste Division, and DCHS.

2025 PROPOSED GENERAL FUND BUDGET

The County's General Fund is the only truly flexible money that can be used for any lawful purpose. General Fund revenues and expenditures are those associated with traditional county services in Washington State.

REVENUES

The General Fund is projected to receive $1.16 billion in revenue in 2025. As seen in **Figure 6**, property taxes are the single largest source of revenue at about 37 percent of the total. Sales taxes account for about 17 percent of General Fund revenues.

GENERAL FUND REVENUES

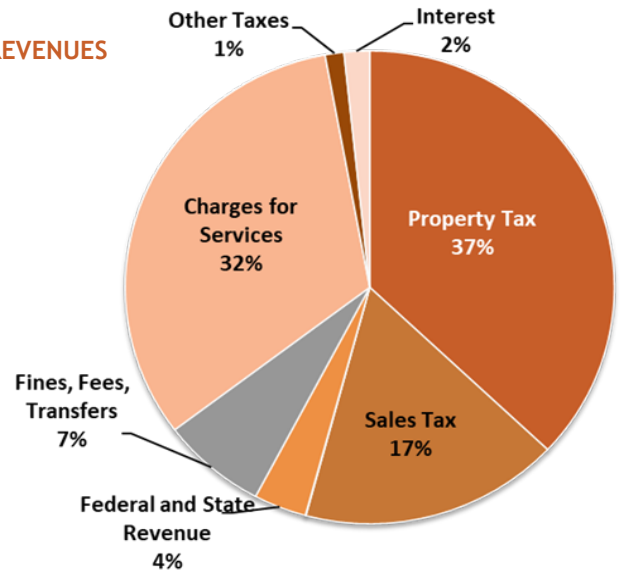


Fig. 6

Charges for services make up 32 percent and include two major components. The first is payments from other governments that purchase services from the County, including having the Sheriff's Office serve as the police department for cities, transit agencies, and the Muckleshoot Tribe. Other examples in this category are payments for the District Court to serve as a city's municipal court and a share of the cost of elections paid by other governments. The second major component is payments from other County agencies for services purchased from General Fund departments. This includes payments to the Prosecuting Attorney's Office for civil legal services and allocations of costs for administrative agencies budgeted in the General Fund, such as the Department of Human Resources.

Fines, fees, and transfers account for about 7 percent of revenue, with penalties for late property tax payments and rent for County-owned rights-of-way being the two largest components. The County's General Fund receives minimal direct support from the federal or state governments in most budgets, although the share was higher during the pandemic. For 2025, federal and state revenue is projected to be 4 percent of the General Fund.

The County's "net" General Fund revenue includes only those funds that are truly flexible. Most of the charges for service are for specific programs and cannot be used in other ways. When these are excluded, the County has about $772 million of flexible General Fund revenue for 2025.

As seen in **Figure 7**, property tax accounts for 56 percent of this total, which is typical for counties in Washington. As will be described in more detail below, state law limits property tax revenue growth to 1 percent per year, plus the value of new construction. This means that the largest General Fund revenue source does not keep up with cost growth in most years, so the General Fund faces significant financial challenges even in good times. Sales taxes represent 26 percent of the total and are less productive than in the past as the tax base changes. This is described in more detail below.

NET GENERAL FUND REVENUES

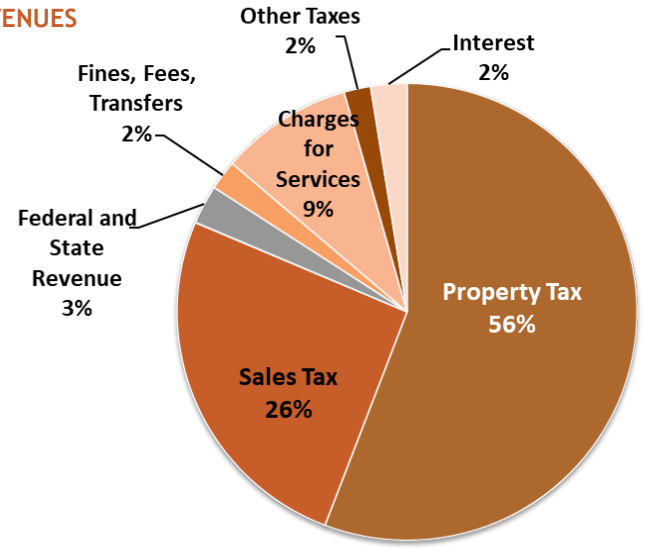


Fig. 7

APPROPRIATIONS

The 2025 Proposed General Fund Budget includes $1.27 billion of appropriations. **Figure 8** shows these by agency, with the government administration units aggregated.

GENERAL FUND APPROPRIATIONS BY AGENCY

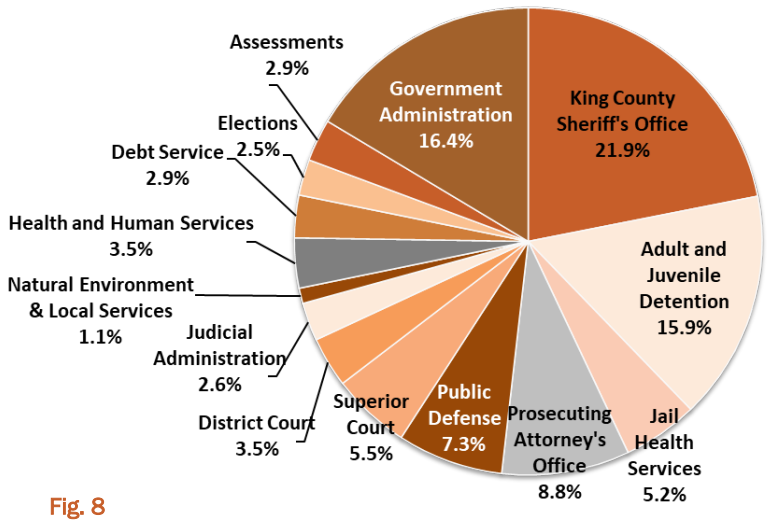


Fig. 8

The Justice and Safety function consists of the Sheriff's Office (KCSO), the Department of Adult and Juvenile Detention (DAJD), Jail Health Services, the Prosecuting Attorney's Office (PAO), the Department of Public Defense (DPD), Superior Court, District Court, and the Department of Judicial Administration (the clerk's function to support Superior Court). Together, they comprise over 71 percent of the General Fund budget, with the Sheriff's Office being the single largest expense. The State-mandated assessment and elections functions are another 5.4 percent while 3.5 percent of the budget goes to Public Health and human services. The Public Health portion of the General Fund decreased due to the availability of funds from the county hospital and health clinic source.

Figure 8 includes all the programs the County provides on behalf of other governments. When these are removed, the "net" General Fund appropriations look different, as seen in **Figure 9**.

NET GENERAL FUND APPROPRIATIONS BY AGENCY

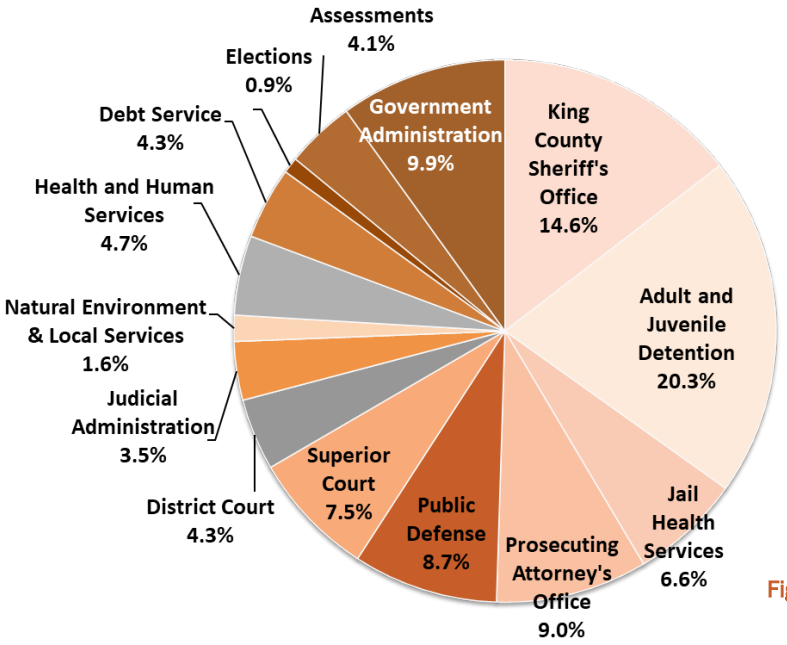


Fig. 9

Net General Fund appropriations total $866 million, and 74.4 percent goes to the justice system. The mix changes significantly because the KCSO budget includes large amounts of contract revenue. The KCSO share of the budget goes down from 21.9 percent in the total to 14.6 percent in the net, while the shares for all other criminal justice agencies increase.

Note also that the portion of the budget for government administration, including the Executive's Office, County Council agencies, Department of Human Resources, and others, decreases from 16.4 percent of the total to 9.9 percent of the net. This is because these agencies support the entire government and recover portions of their costs from other funds.

The portion of the net budget allocated to assessments and elections remains largely unchanged but the portion for Public Health and human services goes up to 4.7 percent.

Figure 10 shows General Fund appropriations for each agency. Note that there are some other "appropriation units" that are not actual agencies but are used to appropriate money for other specific purposes. Many departments, such as Community and Human Services, Local Services, and Public Health, receive large amounts of additional money beyond that sent from the General Fund.

GENERAL FUND APPROPRIATIONS BY AGENCY

APPROPRIATION NAME	2025 Executive Proposed
ADULT AND JUVENILE DETENTION	$ 201,062,183
ASSESSMENTS	37,053,537
DCHS - GENERAL FUND TRANSFER TO DCHS	21,834,082
DES - EXECUTIVE SERVICES ADMINISTRATION	3,979,872
DES - FMD PARKING FACILITIES	3,029,492
DES - GENERAL FUND TRANSFER TO DES	5,157,354
DES - OFFICE OF EMERGENCY MANAGEMENT	4,870,200
DES - REAL ESTATE SERVICES	5,401,987
DES - RECORDS AND LICENSING SERVICES	16,935,435
DISTRICT COURT	44,148,710
DLS - GENERAL FUND TRANSFER TO DLS	10,694,325
DNRP - GENERAL FUND TRANSFER TO DNRP	2,784,000
DPH - GENERAL FUND TRANSFER TO DPH	8,457,382
DPH - JAIL HEALTH SERVICES	65,907,823
DPH - MEDICAL EXAMINER	11,938,044
ELECTIONS	31,462,591
EXEC - CLIMATE OFFICE	5,594,443
EXEC - COUNTY EXECUTIVE	369,892
EXEC - OFFICE OF ECONOMIC OPPORTUNITY AND CREATIVE ECONOMY	2,026,109
EXEC - OFFICE OF EQUITY AND SOCIAL JUSTICE	7,051,425
EXEC - OFFICE OF LABOR RELATIONS	4,018,119
EXEC - OFFICE OF PERFORMANCE STRATEGY AND BUDGET	27,514,504
EXEC - OFFICE OF THE EXECUTIVE	8,829,982
GENERAL FUND TRANSFER TO DEBT SERVICE	37,270,695
HUMAN RESOURCES MANAGEMENT	28,242,908
INTERNAL SUPPORT	20,420,595
JUDICIAL ADMINISTRATION	33,354,701
LEG - BOARD OF APPEALS	1,007,802
LEG - COUNCIL ADMINISTRATION	23,477,715
LEG - COUNTY AUDITOR	3,582,278
LEG - COUNTY COUNCIL	2,254,501
LEG - HEARING EXAMINER	742,986
LEG - KING COUNTY CIVIC TELEVISION	1,155,041
LEG - OFFICE OF LAW ENFORCEMENT OVERSIGHT	3,081,716
LEG - OMBUDS TAX ADVISOR	2,489,297
PROSECUTING ATTORNEY	111,932,440
PUBLIC DEFENSE	92,769,628
SHERIFF	277,363,391
SMALL AGENCY	28,148,979
SUPERIOR COURT	69,180,078
Grand Total	**$ 1,266,596,242**

Fig. 10

HOW THE GENERAL FUND WAS BALANCED

When the 2023-2024 biennial budget was adopted, the County projected a deficit of about $50 million for the 2025 General Fund budget. This was largely the result of high inflation due to the COVID-19 pandemic. This raised the County's costs for salaries, health care benefits, materials, utilities, and construction. However, due to limitations in State law, the County's revenue sources could not grow to cover these costs.

King County, other local governments, and many advocates for public services sought revenue reform in the 2024 legislative session. The Legislature considered several bills but ultimately did not adopt any that expanded revenue options for local general government funds. The Legislature did make changes to an existing property tax authority for the maintenance of county public hospitals. This new legislation (HB 2348) allows the revenues to be used for the operation and construction of such hospitals and was broadened to include public health clinics affiliated with the hospital. The 2025 Proposed Budget shifts about $25 million of Public Health clinic-related costs from the General Fund and Public Health Fund to this new revenue source.

The 2025 General Fund was balanced using a combination of reductions made in November 2023, a small amount of reductions included in the 2025 Proposed Budget, the use of the county hospital levy to fund Public Health clinics, and one-time fund balance resulting from position vacancies in 2023-2024. Like many employers, most County agencies struggled to fill positions in a very tight labor market, generating savings in 2023 and 2024 that were used to balance the 2025 budget. This level of savings is not expected to continue in 2025.

Many requests for additional General Fund resources were denied during the budget process due to lack of available funds. A few additions were made due to legal requirements or to address very high-priority issues. These include:

- $3.59 million to Superior Court and the Department of Judicial Administration to address large backlogs in evictions cases and to comply with additional requirements for protection orders imposed by the State.
- $2.94 million for the Department of Public Defense to meet current staffing standards and begin to address new minimum staffing standards required by the Washington State Bar Association. These standards are currently under review by the Washington State Supreme Court.
- $1.13 million for the Department of Adult and Juvenile Detention to add staffing due to a significant increase in youth being held in custody. In addition, $835,000 is provided to expand community programming for youth in detention.
- $1.04 million for Jail Health Services for supply and pharmaceutical cost increases and extra staffing due to the increasingly complex medical needs of individuals held in custody.

THE REVENUE SYSTEM IS BROKEN AND THE CRISIS IS ONE YEAR AWAY

The revenue system used in the State of Washington has been widely criticized for decades. Its heavy dependence on sales and excise taxes means that it is volatile, does not keep up with economic growth, and has recently been evaluated as the second most regressive in the United States (after Florida). The revenue system for counties is even worse. The State determines which revenue sources are available to counties and has limited those to property and sales taxes. In contrast, the State itself and cities are allowed to impose property taxes, sales taxes, utility taxes, and a wide array of business taxes.

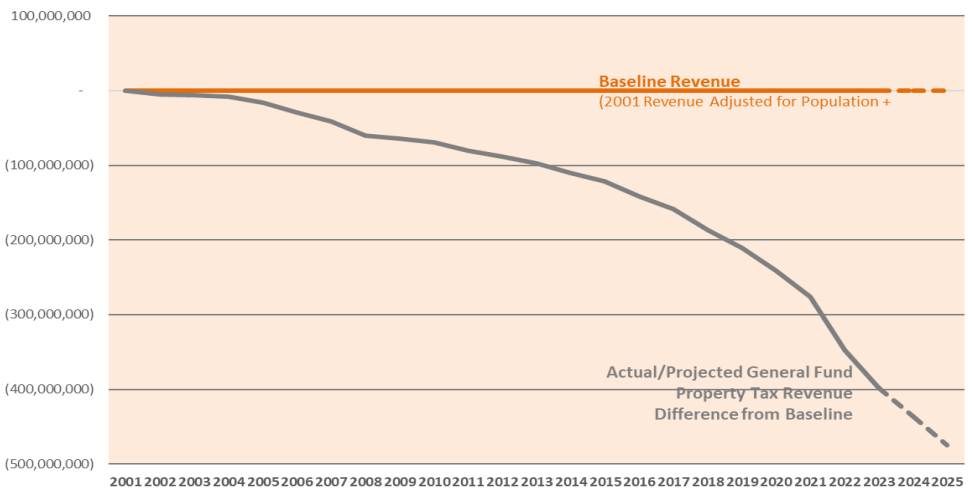
PROPERTY TAX REVENUE DOESN'T KEEP UP

As noted previously, King County's General Fund is heavily dependent on the property tax, which is projected to be 56 percent of net General Fund revenue in 2025. In 2001, State voters passed an initiative to limit annual property tax revenue growth for most governments to 1 percent per year (this initiative did not pass in King County). The initiative was later found to violate the State Constitution, but the Legislature immediately reinstated it. Efforts to change the limit over the last 20 years, including in the 2024 Legislative session, have been unsuccessful.

There are two exceptions to the 1 percent revenue growth limit. The first is that the value of new construction is added to the tax base. This varies widely from year to year but is typically in the range of 0.5 to 1.5 percent. Second, voters can approve higher taxes through levy lid lifts, which allow the 1 percent revenue growth limit to be exceeded. The cumulative effect of this limit has dramatically lowered King County General Fund revenues. **Figure 11** compares actual revenues with the revenue that would have been received if property taxes kept up with inflation and population growth.

ANNUAL LOSS IN GENERAL FUND TAX REVENUES, 2001 - 2005, ADJUSTED FOR POPULATION AND INFLATION

Fig. 11



In 2023, the County's General Fund would have received about $819 million of General Fund property tax had revenue kept up with inflation and population growth since 2001. Actual revenue was about $419 million, a $400 million difference. The County has asked voters to approve several levy lid lifts over the years, most for new programs such as land acquisition, services to veterans, or behavioral health centers. However, some levy lid lifts have been to preserve programs the General Fund could no longer afford, such as park operations and some human services. Had property tax revenue kept up with inflation and population growth, King County would have not needed to ask voters for the tax increases needed to preserve services.

The only reason that counties have managed to maintain most service levels since 2001 is that inflation was low for the ensuing two decades. This reduced the need for wage increases and held down the costs of supplies, fuel, and construction. King County typically balanced its General Fund budget through efficiencies, modest service reductions, and small new revenues such as the franchise fee.

The recent increase in inflation ended the ability to cope in this way. Annual inflation in the Seattle area was 5.00 percent in 2021, 8.95 percent in 2022, 5.80 percent in 2023, and is projected to be 3.93 percent in 2024. To address this and to be able to recruit and retain employees, most County staff received wage increases of 4.0 percent in each of 2023 and 2024 and will receive 5.5 percent in 2025. Corrections officers and Sheriff deputies – the two largest groups of General Fund employees – received significantly larger wage increases due to high vacancy rates for both jobs. Fuel prices have spiked and construction costs in the Puget Sound area have increased. It is impossible to maintain services when costs are growing at these rates and property tax revenue is only allowed to increase by 1 percent annually.

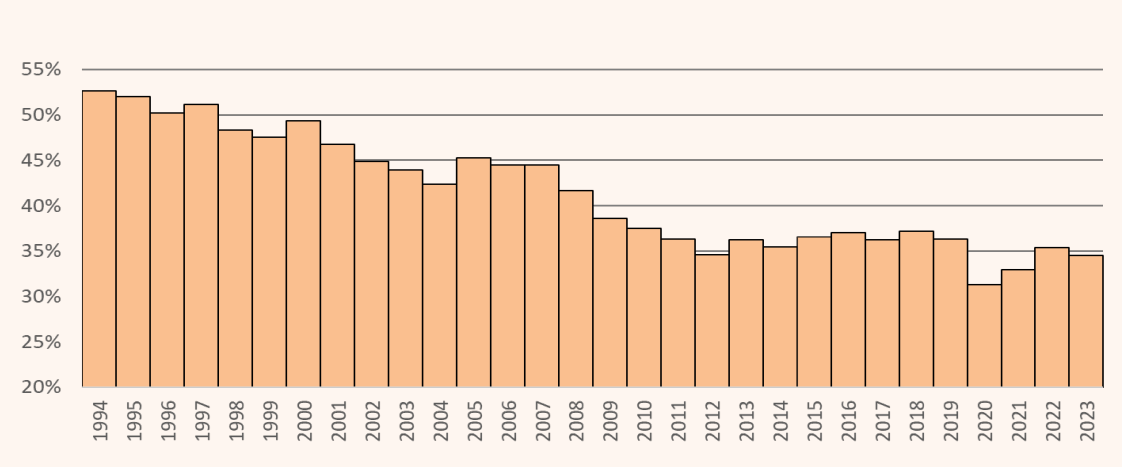
The 2025 Proposed General Fund Budget was balanced with the new county hospital levy, which is ongoing, and by using one-time money from reserves and salary savings. These one-time sources will be exhausted in 2025, leaving a projected 2026-2027 General Fund deficit of about $150 million. This is the equivalent of nearly 400 General Fund employees. Some County functions, such as corrections, elections, and public defense, are required by State law and cannot be meaningfully reduced. Thus, staffing cuts will fall disproportionately on the courts, Prosecuting Attorney's Office, Sheriff's Office, human services, administrative agencies, and internal service agencies that support all County departments.

SALES TAXES ARE SHRINKING AS A SHARE OF THE ECONOMY

Sales taxes in Washington State are an increasingly unproductive source of revenue. **Figure 12** shows the percentage of total King County personal income that is spent on items subject to the sales tax. Thirty years ago, about 53 percent of personal income was spent on items subject to the sales tax. Over time, this percentage has declined, with sharp drops at the beginning of the Great Recession and in 2020 due to the COVID-19 pandemic. In 2023, slightly less than 35 percent of personal income is spent on items subject to the sales tax, and this is not expected to change significantly in the future.

KING COUNTY TAXABLE SALES AS A PERCENTAGE OF INCOME

Fig. 12



There are many causes of this decline. The two most significant likely are: 1) a gradual shift from purchasing fewer goods to purchasing more services, which usually aren't subject to the sales tax; and 2) rising income inequality, which affects sales taxes because higher-income individuals spend a much lower percentage of their income on items subject to sales taxes. Online purchasing has had an effect, but this has largely been corrected by a recent U.S. Supreme Court decision that allows taxation of most remote sales. Changing consumer preferences are another factor, particularly in an area such as King County, where younger residents typically are occupying smaller dwellings and often don't purchase vehicles, thereby reducing demand for items subject to the sales tax.

The result of this long-term trend is that the sales tax revenue generally does not keep up with economic growth, especially when the tax base remains largely unchanged from the 1930s.

King County, unlike most other counties, also is adversely affected by the structure of the sales tax, for two reasons. First, the sales tax rate received by a county depends on where a sale occurs. If a sale occurs in the unincorporated area (outside of cities), the county receives the entire 1.0 percent local sales tax. If a sale occurs within a city, the county receives only 0.15 percent, and the city receives the remaining 0.85 percent. King County has actively complied with the State Growth Management Act that encourages urban areas (including almost all commercial areas where taxable sales occur) to be brought into cities. As a result, King County receives almost no sales tax at the full 1.0 percent rate. **Figure 13** shows that King County only had 4.0 percent of its taxable retail sales in the unincorporated area in 2023, far lower than any of the ten most populous counties.

UNINCORPORATED AREAS SALES TAX

County	2021 Taxable Sales	2021 Unincorporated Taxable Sales	County Share of Taxable Sales
Kitsap	6,354,613,869	2,950,408,142	46.4%
Clark	11,292,022,884	3,124,194,271	27.7%
Pierce	23,433,846,306	5,495,521,416	23.5%
Snohomish	20,789,289,941	4,565,904,160	22.0%
Whatcom	5,723,797,290	1,115,881,059	19.5%
Thurston	7,566,250,916	1,375,317,882	18.2%
Spokane	14,350,594,127	2,291,531,979	16.0%
Yakima	5,276,953,540	800,707,815	15.2%
Benton	5,990,200,989	711,588,765	11.9%
King	82,446,416,408	3,341,538,103	4.1%

Fig. 13

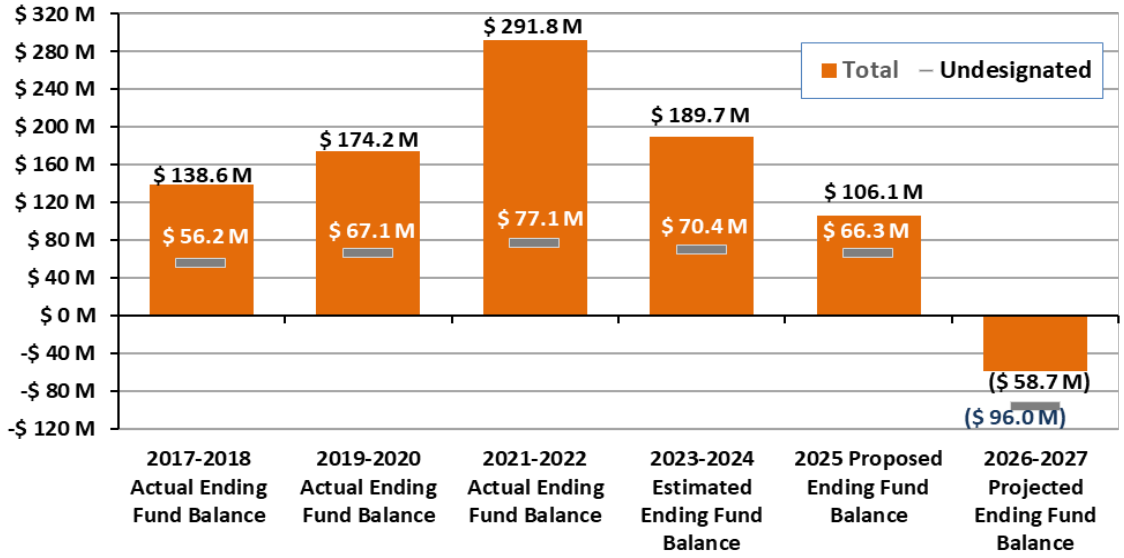
Second, many counties impose a separate 0.1 percent criminal justice sales tax. This tax has been in effect in King County since the early 1990s. Under State law, counties receive 10 percent of the revenue, and the remainder is split among cities and the county based on population (for the county, it is the population of the unincorporated area). As the County has implemented the State Growth Management Act, its unincorporated area population has declined. The County conducted a study in 2017 to identify total criminal justice expenditures by cities and the County and compare them with the distribution of the criminal justice sales tax. King County has about 37 percent of the total expenditures but only receives 20 percent of the revenue. The City of Seattle basically breaks even, and all the other cities received far more revenue than their share of criminal justice costs. This outcome is the result of State law that requires the County to bear the financial burden of juvenile justice and the incarceration and adjudication of all felonies, regardless of where they occur.

THE BOTTOM LINE

The combined consequence of these revenue challenges is that the General Fund balance is projected to decline in the future. As seen in **Figure 14**, the actual fund balance at the end of the last biennium (2021-2022) was $291.8 million. This was immensely inflated by unspent federal pandemic response funds. The fund balance at the end of the 2023-2024 biennium is projected to be $189.7 million. This reflects spending most but not all of the pandemic response funding. It also reflects the large amount of one-time savings due to vacant positions. The fund balance is projected to be $106.1 million at the end of 2025.

GENERAL FUND BALANCES

Fig. 14



The County's financial policies require the General Fund's undesignated fund balance to be between 6 and 8 percent of total revenue (excluding some contracted revenue). The 2025 Proposed Budget maintains an 8 percent undesignated fund balance, consistent with the last few biennia. **Figure 15** shows that the undesignated fund balance would fall far below the policy target in 2026-2027 unless meaningful new revenue is obtained. If this does not occur, very large budget reductions will be required.

BUT IT IS EVEN WORSE...

The structural deficit for county governments is not new. But an impending State action will make it significantly worse. The Washington State Bar Association has recommended much lower caseload standards for public defenders, to be implemented in three phases from mid-2025 through mid-2027. Additional standards for support staff in public defense agencies would take effect in mid-2028 but are supposed to be phased in gradually over the next four years. These standards are currently under consideration by the Washington State Supreme Court, with a decision expected by the end of 2024.

The 2025 Proposed Budget has been developed with the assumption that the Court approves the new standards. The mid-2025 standard had only a minimal effect on the budget of King County's Department of Public Defense (DPD). DPD has about 503 employees in the 2025 Proposed Budget. Current forecasts estimate that an additional 45 employees would be needed in mid-2026, another 201 in mid-2027, and another 49 by mid-2028. By mid-2028, the incremental annual cost would be nearly

$50 million for salaries and benefits alone, which is simply not possible with current General Fund revenues. King County, and probably every other county in the state, will be unable to meet the mid-2027 standards, even if sufficient lawyers and support staff could be found to fill the positions.

The result of State limitations on county revenues, mandated new services, and the new public defense caseload standards will be catastrophic reductions in County General Fund programs in the 2026-2027 budget. Since Public Health clinic funding has been moved to the county hospital levy, reductions will come from human services and the non-mandated portions of the justice system. Only about $11 million of General Fund-supported human services remain, so the remainder of the reductions will come from the justice system. This almost certainly will lead to ever-increasing backlogs of cases, the inability to prosecute or defend many lower-level charges, and elimination of optional programs that help people navigate the complications of the system.

OTHER NOTEWORTHY BUDGETS

METRO TRANSIT

Metro is the County's largest agency and provides bus service throughout the county. Metro also contracts with Sound Transit, the City of Seattle, and a few other organizations to operate additional bus service and regional light rail. Ridership was greatly affected by the COVID-19 pandemic. It has gradually recovered to about 68 percent of 2019 levels. Ridership is projected to be back to 90 percent of pre-pandemic levels by 2029.

Metro's finances are currently strong because of the infusion of nearly $1 billion of federal money during the pandemic. Thus, the 2025 Proposed Budget for Metro reflects service expansions that occurred in September 2024. These include restoring some service cut during the pandemic, the opening of additional Sound Transit light rail, and opening of the RapidRide G line in central Seattle. The 2025 Proposed Budget also includes staffing additions to support recruiting, improve safety, and improve the customer experience.

Metro has a very ambitious capital program over the next decade. The Executive has set a goal for Metro to have a zero-emissions fleet by 2035. This would largely be through the use of electric buses, though Metro is beginning an experiment with hydrogen-fueled buses, as well. Large near-term investments are focused on a new fully electric South Annex base. Other RapidRide lines are currently in design or construction and significant investments are needed to maintain the quality of the fleet and facilities. Metro also plans to restore additional service that was eliminated during the pandemic.

Metro's financial modeling for the next several years shows that these objectives are not all attainable. Costs increased significantly between 2021 and 2024 because of the need for higher salaries to attract and retain employees, especially bus operators and mechanics. Construction and vehicle costs also increased substantially. In addition, sales taxes, which are by far Metro's largest source of revenue, have come in much lower than previous forecasts. Metro's fare revenue, which typically was about 25 percent of operating costs prior to the pandemic, is now only 9 percent, with no meaningful increase expected in the next few years.

Figure 15 shows the latest projections for Metro's fund balance. Metro would be unable to meet its financial policies for reserves at some point in the 2028-2029 biennium.

So, while Metro's 2025 Proposed Budget is stable, critical choices will need to be made for the 2026-2027 budget and beyond.

METRO TRANSIT ENDING FUND BALANCE, 2023 - 2029

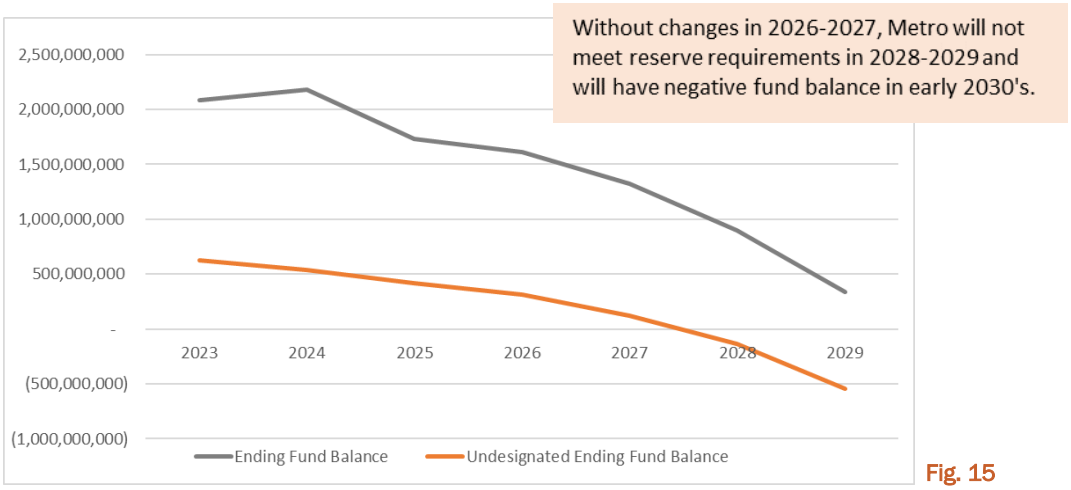


Fig. 15

HARBORVIEW AND PUBLIC HEALTH

As noted previously, the 2025 Proposed Budget includes implementation of a new county hospital levy authorized in the 2024 legislative session. King County owns Harborview Hospital and contracts with UW Medicine to operate it. Revenue from this levy will be used to fund Public Health clinics and operations and major maintenance projects at Harborview Medical Center.

In addition, the 2025 Proposed Budget continues implementation of the Harborview Medical Center capital project, which was approved in 2020 and is supported by voter-approved bonds. Two projects are planned for funding in 2025. First, an additional $121.5 million is for planning and permitting of the new hospital tower, the single largest component of the project. Second, $4.2 million is to pay debt service on the acquisition of the 9th and Alder property immediately south of the existing hospital campus. This property was acquired in 2024 and likely will be used for parking for the campus plus additional uses.

The 2025 Proposed Budget also includes an appropriation of $5 million for planning of a new behavioral health services building. This is supported by a State grant.

PERMITTING

The Permitting Division of the Department of Local Services (DLS) is responsible for land use, permitting, and environmental review in the unincorporated portion of the county. This mostly involves residential development but there are occasional large industrial projects that require permitting. New State legislation (SB 5290) requires permits to be issued on strict timelines or a portion of the cost of the permit will be rebated. To meet these requirements, DLS-Permitting is changing processes, improving tracking measures, and added eight positions in a 2024 supplemental budget.

The 2025 Proposed Budget includes an additional eight staff to respond to SB 5290 requirements. The staff additions, higher salary and benefit costs, and the need to restore a depleted fund balance require a 49 percent rate increase for 2025.

CRISIS CARE CENTERS

King County voters approved a property tax levy lid lift in April 2023 to help address the growing need for behavioral health facilities in the region. An implementation plan was developed and approved in mid-2024. Under this plan, the County will develop five Crisis Care Centers located across the county. These centers will provide a wide range of walk-in behavioral health services. It is expected that some people will be treated and released from these centers while others will be referred for further care. The plan also includes money to stabilize and expand long-term behavioral health treatment beds and to supplement the wages of behavioral health workers to assist with recruiting and retention.

The 2025 Proposed Budget reflects the implementation of these strategies. The County expects to issue a request for proposals from potential services providers before the end of 2024. It is possible that a new Crisis Care Center might open in 2025 if an existing building can be used. It is more likely that the first Center would open in 2026.

USES OF AMERICAN RESCUE PLAN FUNDING

King County, as with many other local governments, received significant allocations of federal funds to respond to the COVID-19 pandemic. Some of these funds went to King County Metro and the King County International Airport, where they were used to maintain service levels and deploy programs to address the pandemic, such as more frequent cleaning of buses. The largest flexible allocation was from the Coronavirus Local Fiscal Recovery (CLFR) program, which was part of the American Rescue Plan Act. King County received $437.6 million of CLFR funds and allocated it in multiple supplemental appropriations ordinances as the pandemic unfolded. The largest categories of appropriations were:

- $170 million for County operations
- $70 million for homelessness response
- $60 million for public health programs
- $60 million for economic recovery programs
- $60 million for programs to support community organizations
- $30 million to provide jobs and housing for individuals experiencing homelessness

This adds up to more than the $437.6 million because some appropriations weren't spent and thus funds were available for reappropriation.

Federal policy generally requires CLFR funds to be spent by the end of 2024, with a few exceptions. Some programs are under contract but can't be completed in 2024, so the 2025 Proposed Budget includes appropriations to allow these programs to be completed in 2025. Examples of such programs are the Priority Hire program to link local residents to jobs on construction projects and the Jobs and Housing program that serves people who are experiencing homelessness.

Federal policy also includes authority to complete administrative close-out of CLFR funds in 2025. The Proposed Budget includes funding for three County agencies to do this work.

Finally, as of August 2024, the County estimates that it has about $9 million of CLFR funding that has been appropriated but won't be spent, typically because demand for some programs was less than expected. The Executive will propose a supplemental 2024 appropriation to spend these funds in compliance with federal policy.