City finances

HB 2145

1 Cities need revenue authority and flexibility to keep up with community growth and increasing needs.

2 State investment via shared revenues is instrumental to supporting essential programs and services, especially in our smallest communities.

3 Cities want responsive revenue options and authority to meet the needs of our residents.

Ensure city fiscal health with reliable and flexible revenue sources that can be tailored to meet local needs and support essential community services.

1 Even in good economic times, revenues aren't keeping up with rising costs. Washington is experiencing the highest rate of population growth in the last 30 years. Consequently, city residents demand additional infrastructure, public safety, and other key services. The fact is, existing city revenues cannot keep up with the growing demand for services and increasing costs. The state can support cities by ensuring a full menu of revenue options that local officials can use to meet their community needs.

Between 1990 and 2019, city populations increased by 102%.

2 The state has a long history of sharing revenues with cities and towns to help deliver vital services to their residents. This is done in recognition of the state revenue generated within cities. Over the past decade, however, the state has faced budget challenges that have impacted state support for cities. Not all of the revenue reductions made in response to the Great Recession have been fully restored.

Cities rely on these funds to support safe communities and strong infrastructure. These shared revenues are important to all cities, but are especially vital to our smallest cities. In fact, 57% of Washington's 281 cities have fewer than 5,000 residents. Revenue sharing benefits our residents and must continue.

3 Cities rely on the local ability to select a mix of revenue options that fit their unique communities. Local decisions like these are best made by elected city officials who know their community well. When it was implemented nearly 20 years ago, the 1% property tax cap was an arbitrary number. It now means that cities cannot keep up with the natural inflationary growth of expenditures. The Legislature must revisit this subjective restriction and replace it with something designed to keep up with natural economic and inflationary pressures.

For every $1 the state invests in cities, we generate another $132 in state revenue

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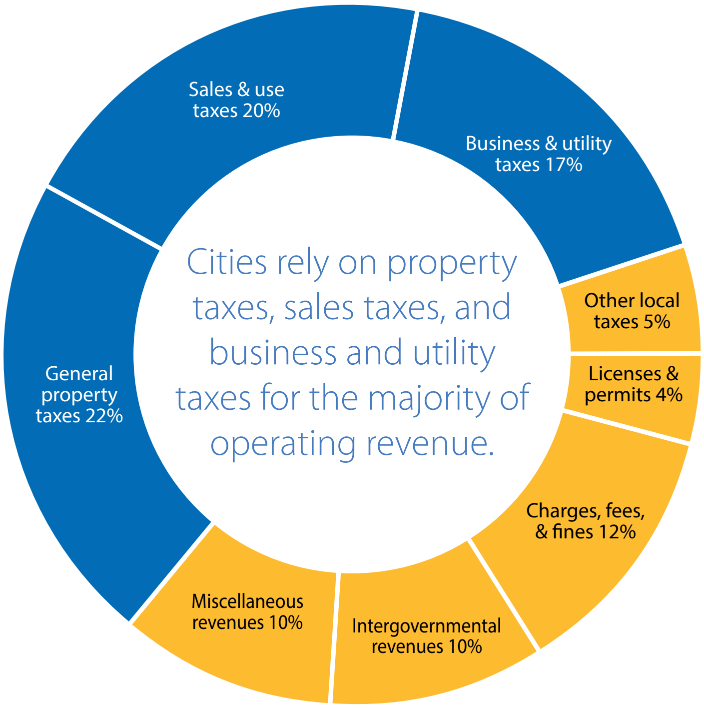
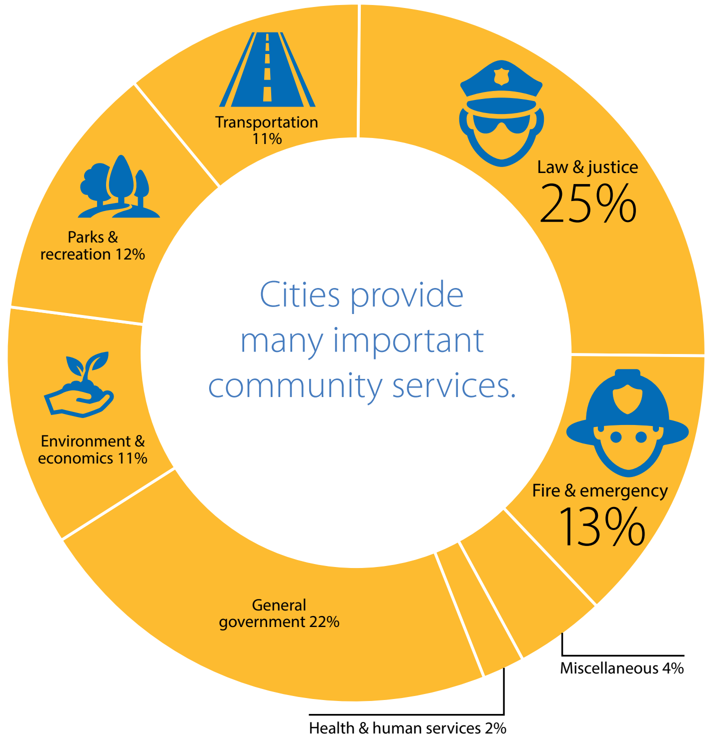
Additional information



Source: State Auditor's Office; general fund, special revenues



Source: State Auditor's Office; general fund, special revenues

Cities are extremely concerned about their revenue collections in the next five years. More than a third of Washington cities say their revenues are falling short of expenditures, and the consequences of insufficient revenues are felt most dramatically in smaller, more rural cities.

Current revenues are not enough for many cities to support community expectations and priorities. Despite the recent economic growth, cities are depleting their capital and operating reserves in order to fund critical services. On top of that, the price of goods and services purchased by local governments is rising much more quickly than consumer goods and services. That means it's getting more expensive to buy the same things.

Consequently, the city tax structure is not keeping up with either the traditional rate of inflation or actual growing costs. Most significantly, cities struggle to manage ever-increasing costs of basic services like fulfilling public records requests, complex public safety challenges, and aging infrastructure.

Cities are where the state's revenue is generated

$9.4

billion in sales tax sent to the state general fund

$2.8

billion of the state's business & occupation (B&O) tax

$2.3

billion in property tax for state school levy (includes additional school levy)

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