



# Review of Distributions from the City-County Assistance Account

Proposed Final Report

Joint Legislative Audit & Review Committee

December 3, 2008

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## Why a JLARC Review of the City-County Assistance Account?



ESSB 6050 created the account and  
mandated the JLARC study.

JLARC review looks at:

- **Distributions** from the account
- **Compliance** of Department of Revenue  
in distributing funds from the account
- **Interaction** of other state funding with  
the account

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## The Motor Vehicle Excise Tax (MVET) Was Repealed in 2000



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- Prior to 2000, statute allocated a portion of state MVET revenues to cities and counties for **sales and use tax equalization**
  - A formula was used to provide these funds to jurisdictions with **low per capita sales tax revenues** relative to the state average
- After the repeal of the MVET, temporary funding was appropriated in budgets to replace portions of lost revenues
  - Appropriations referred to as local government assistance and also known as “backfill”

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## City-County Assistance Account Created After MVET Repeal



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- In 2005, the Legislature created the City-County Assistance Account (CCAA) allocating a portion of state Real Estate Excise Tax revenues
- The new formula provides funds to jurisdictions with **low per capita sales tax revenues** relative to the state average and also includes provisions providing funds based on:
    - Amounts of previous “backfill”
    - Low per capita assessed property valuations relative to the state average (for cities only)

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## Review of Distributions



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- JLARC used most recent year data (2006) to compare previous and new distribution formulas
  - *Estimate* of MVET equalization funds had the MVET not been repealed
  - *Actual* CCAA funds

## Differences in Total Funding? Distributions?



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### Total Funding

- CCAA formula allocates less than the estimate of MVET equalization

### Distributions

- CCAA funds continue to target a majority of funds to low tax base jurisdictions

## Generally, the Department of Revenue Has Complied With Statutory Requirements



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- In 2007, the Department discovered a small error in calculations and changed procedures to correct the problem
- Other issue: Statute requires distribution amounts are certified by March of each year, using prior year's data
  - **Assessed property valuation** data is not ready by this date; consequently, the Department uses two year old data to determine distributions

## Recommendation for Technical Correction



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- **The Legislature should change the date for certification of distributions from March to June allowing the Department of Revenue to use the prior year's assessed property valuation data as specified in statute.**
  - OFM and DOR concur
  - Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC) partially concur

## Interaction of CCAA With Other State Funding



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- New Streamlined Sales Tax (SST) is expected to redistribute sales tax collections across local jurisdictions
  - The Legislature designated funds for the mitigation of jurisdiction sales tax losses
  - Distributions for mitigation begin in December of 2008
- The CCAA formula does not recognize funding assistance that a city or county may receive for streamlined sales tax mitigation

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## Recommendation for Report on Interaction



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- **The Department of Revenue should provide the Legislature with a report on the interaction of streamlined sales tax mitigation funding to cities and counties and distributions provided through the City-County Assistance Account.**
  - OFM and DOR concur
  - Association of Washington Cities (AWC) and Washington State Association of Counties (WSAC) concur

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## Other Comments by the City and County Associations



OTHER  
COMMENTS

- Raised points related to other MVET revenues previously allocated to cities and counties for purposes in addition to equalization, and pointed out the volatility of the revenue source for the CCAA
  - JLARC has added references to these points in the final report, however, they were not the focus of JLARC's review

## Contact Information



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Report available on  
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