JULY 2021

2022 Budget Suggestions

MRSC

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2022 BUDGET SUGGESTIONS

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MRSC MISSION

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Introduction

MRSC's *Budget Suggestions* publication provides local governments with timely and relevant information to assist in budget development. The data and forecasts in this publication are obtained from various state and federal agencies.

Budget Suggestions has been published annually since 1943 – first by our predecessor organization, the Bureau of Government Research, and since 1970 under the MRSC name as one of our signature publications.

The budgetary procedures and deadlines shown in this publication are the absolute minimums. Budgeting frequently requires more time than anticipated. We encourage local governments to start their budget process early to allow sufficient time for budget retreats, strategic planning sessions, other internal meetings, and public hearings.

Budget Suggestions focuses primarily on state shared revenue forecasts, economic indicators, state legislative impacts, and proposed initiatives that may impact your budget forecast and development for the forthcoming year and beyond.

The MRSC website is another great resource for budget-related information. Throughout *Budget Suggestions*, there are links to our budget webpages for further information, as well as specific budgeting tools that are only available on our website. One example is the State Share Revenue Estimator which allows users to click on their entity's name and automatically populate their state shared revenue projections for the upcoming year.

As part of the pre-budget process, we recommend that agencies review and update their financial policies to ensure they are still relevant and meet their needs and objectives. MRSC's Financial Policies Tool Kit is a great resource with areas such as fund balance, reserves, debt management, and cost allocation, as well as sample policies.

MRSC also publishes the City Revenue Guide and County Revenue Guide. These publications provide in-depth discussions of property taxes, sales taxes, excise taxes, and much more and can help jurisdictions better understand existing and potential revenue sources.

All of MRSC's budgeting resources can be found at mrsc.org/budgeting.

Budget Suggestions is a team effort. Eric Lowell, Finance Consultant, is the primary author of this publication. Steve Hawley, Research and Communications Analyst, is the editor of the publication. Angela Mack, Graphic Designer, makes the publication look great. If you have any comments about this year's *Budget Suggestions* publication or our online budget resources, we would love to hear them. Please send your comments to Eric Lowell at elowell@mrsc.org.

2022 Budget Calendar – Cities and Towns

The annual budget preparation procedures and deadlines for cities are found in chapter 35A.33 RCW (code cities) and chapter 35.33 RCW (all other cities and towns except Seattle) and outlined below. For cities that budget on a biennial basis, the current biennium is 2021-2022, which means they will be conducting the mid-biennium review and adjustment this year. (For more information, see our page on Biennial Budgeting.)

Most of the pre-budget items listed below are recommendations only and are not required by statute. The rest of the items are based on statutory deadlines; cities and towns can take these steps earlier than listed or adopt different deadlines for some of these steps by ordinance or charter. We recommend that each city and town develop a timeline that best meets its needs, ensures compliance with the statutes, and provides sufficient time to prepare this vital financial plan.

For examples of budget preparation calendars adopted by cities and towns, see our webpage 2022 Budget Calendar for Cities and Towns. For a detailed explanation of the budget requirements, as well as some helpful practice tips, see our webpage Budget Preparation Procedures for Cities and Towns.

March—August	**Pre-Budget Items** Council retreat. Update and/or adopt financial policies. Public hearings for capital facility plan updates. Public forums or community outreach (ex: community priorities). Mayor/Manager communicates budget objectives to staff.
September	**Sept 13** Budget request to all department heads. **Sept 13–26** Department heads prepare estimates of revenues and expenditures. Clerk prepares estimates for debt service and all other estimates. **Sept 25** Implicit price deflator calculated (only applies to cities of 10,000+ population). **Sept 27** Budget estimates from department heads filed with clerk.
October	**Oct 1** Clerk provides estimates filed by department heads to Mayor/Manager showing complete financial program. **Oct 4** Mayor/Manager provides Council with estimates of revenues from all sources including estimates prepared by clerk for consideration of setting property tax levy. **Mid-October to Mid-November (suggested)** Required public hearing on revenue sources including possible increases in property tax.
November	**Nov 2** Mayor/Manager prepares preliminary budget and budget message. Files with clerk and council. **Nov 1–18** Publication notice of preliminary budget and final hearing. **Nov 1–25** Public hearing(s) on preliminary budget. Public hearing on revenue sources for levy setting. **Nov 20** Copies of budget available to public **Nov 30** Property tax levies set by ordinance and filed with the County.
December	**Dec 6** Final budget hearing. **Dec 31** Budget adoption.

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2022 Budget Calendar – Counties

The budget preparation procedures and deadlines for counties are found in chapter 36.40 RCW and outlined below. The initial procedures and requirements are the same for both annual and biennial budgets, with biennial jurisdictions required to conduct a mid-biennium review and adjustment the following year. (For more information, see our page on Biennial Budgeting.)

Most of the pre-budget items listed below are recommendations only and are not required by statute. The rest of the items are statutory deadlines; the board of commissioners may alter the dates for some of these budget processes to conform to the optional alternative preliminary budget hearing date in December (RCW 36.40.071). Many counties have adopted alternative dates, and we recommend each county develop a timeline that best meets its needs, ensures compliance with the statutes, and provides sufficient time to prepare this vital financial plan.

The calendar below has been updated to reflect SHB 1309 extending the levy certification deadlines for counties; for more details see Legislation That May Affect Your Budget.

For examples of budget preparation calendars adopted by counties, see our webpage 2022 Budget Calendar for Counties. For a detailed explanation of the budget requirements, as well as some helpful practice tips, see our webpage Budget Preparation Procedures for Counties.

March—June	**Pre-Budget Items** Strategic planning sessions to develop goals and priorities. Update and/or adopt financial policies. Public hearings for capital facility plan updates for GMA planning counties. Capital improvement plan updates for partially planning GMA counties. Communicate budget objectives to county departments and elected offices.
July	**July 12*** County auditor or chief financial officer (CFO) notifies all officials of the request for budget.
August	**Before Aug 9*** Auditor or CFO prepares estimates for debt service and all other estimates not called for in the notification to officials. **Aug 9*** Budget estimates from all officials filed with auditor or CFO.
September	**Sept 7*** Preliminary county budget prepared by auditor or CFO is submitted to the commissioners. **Sept 20*** Notice of public hearing on budget and tax levies. Copies of budget available to the public. **Sept 25** Implicit price deflator calculated (only applies to counties of 10,000+ population).
October	**Oct 4*** Final budget hearing by board of commissioners.
December	**Dec 6** Alternate final budget hearing on preliminary budget; deadline to certify to assessor next year's property taxes levied on behalf of other taxing districts (such as fire districts). **Dec 15** Deadline to certify to assessor next year's property tax levies for county purposes. **Dec 31** Budget adoption.

* Dates may be altered if county is using alternate budget calendar

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Budget Hearings

“How many public hearings are required for the budget process?” is one of those frequently asked questions at budget time. The following guidance reflects the minimum requirements; jurisdictions should also make sure to follow the state’s current COVID-19 guidance for public meetings.

CITIES AND TOWNS

By MRSC’s analysis, each city or town must hold at least three public hearings during the budget preparation process. The minimum statutory requirements are addressed below, but please note that some cities may have adopted additional public hearing requirements by policy.

Public Hearing #1: Property Taxes/Revenue Sources. See RCW 84.55.120. The legislative body must hold a public hearing on revenue sources for the coming year’s budget, including consideration of possible increases in property tax revenues, prior to the property tax certification deadline, which is November 30. After the hearing, a city/town may choose to pass an ordinance at the same meeting establishing the property tax levy in terms of total dollars and percent increase from the previous year. This ordinance may cover a period up to two years, but in practice most jurisdictions – even biennial budget jurisdictions – hold a revenue hearing every year.

Because of the importance of revenue forecasting as a precursor to presenting a structurally balanced budget, we suggest that the property tax hearing precede the preliminary budget hearing (see below). This would place the property tax hearing sometime between mid-October and mid-November.

Official notices must be placed in the official newspaper of the city/town prior to the public hearing. While the statute does not specifically address the length of time prior to the hearing that notice must be given, it is our recommendation that notice be provided no later than one week prior to the public hearing to ensure that the statutory intent and underlying purpose of notice is reasonably fulfilled.

Public Hearing #2: Preliminary Budget Hearing. See RCW 35.33.057/RCW 35A.33.055 (annual budgets) and RCW 35.34.090/RCW 35A.34.090 (biennial budgets).

The legislative body, or a committee thereof, must schedule preliminary “hearings on the budget or parts thereof” *prior* to the final budget hearing, which must be on or before the first Monday in December, and may require the presence of department heads to give information regarding estimates and programs. Public notice is required, but beyond the requirement to publish in the official newspaper of the city/town there are no additional publication requirements stated in statute. However, as with the property tax hearing, we recommend a minimum of one week’s publication notice.

Since the statutory language references “hearings” as plural, it has long been MRSC’s opinion that more than one preliminary budget hearing is required. However, since the statute also states that the hearings may be “on the budget or parts thereof,” we also conclude that cities and towns may count the property tax/revenue hearing outlined above as one of the required preliminary hearings. This means cities and towns must hold at least one preliminary budget hearing in addition to the property tax/revenue hearing.

Public Hearing #3: Final Budget Hearing. See RCW 35.33.071/RCW 35A.33.070 (annual budgets) and RCW 35.34.110/RCW 35A.34.110 (biennial budgets). The final budget hearing must begin on or before the first Monday in December (December 6 this year) and may continue from day-to-day beyond the first Monday but it must conclude no later than December 7 (the 25th day prior to the next fiscal year).

Official notice of the final budget hearing must be published once a week for two consecutive weeks in the official newspaper. See RCW 35.33.061/RCW 35A.33.060 (annual budgets) and RCW 35.34.100/RCW 35A.34.100 (biennial budgets). The timing of this notice can be challenging for those cities and towns that have an official newspaper with less than a daily release schedule, so careful planning is required.

COUNTIES

By MRSC's analysis, each county must hold at least two public hearings during the budget process. The minimum statutory requirements are addressed below, but please note that some counties may have adopted additional public hearing requirements by policy.

Public Hearing #1: Property Taxes/Revenue Sources. See RCW 84.55.120. The legislative body must hold a public hearing on revenue sources for the coming year's budget, including consideration of possible increases in property tax revenues, prior to the property tax certification deadline, which is now December 15, and prior to the final budget hearing.

Official notice is required in the county's official newspaper. While the statute does not specifically address the length of time prior to the hearing that notice must be given, it is our recommendation that notice be provided no later than one week prior to the public hearing to ensure that the statutory intent and underlying purpose of the notice is reasonably fulfilled.

After the hearing, a county may choose to pass an ordinance at the same meeting establishing the property tax levy in terms of total dollars and percent increase from the previous year. This ordinance may cover a period up to two years, but in practice most jurisdictions – even biennial budget jurisdictions – hold a revenue hearing every year.

Public Hearing #2: Final Budget Hearing. See RCW 36.40.070/RCW 36.40.071. The legislative body must meet on the first Monday in October, or alternatively the first Monday in December if using the alternate budget dates, for the budget hearing. Officials in charge of county offices, departments, services, and institutions must appear at the hearing and may, at the appropriate time, be questioned concerning their budget estimates by the commissioners or any taxpayer.

The hearing may be continued from day-to-day but may not exceed a total of five days. Upon conclusion of the hearing, the legislative body must fix and determine each budget item separately and must adopt the budget by resolution.

Official notice of the final budget hearing must be published once a week for two consecutive weeks, immediately following adoption of the preliminary budget, in the county's official newspaper (RCW 36.40.060). The timing of this notice can be challenging for those counties that have an official newspaper with less than a daily release schedule, so careful planning is required.

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BUDGET HEARINGS FOR BIENNIAL BUDGET MID-BIENNIUM ADJUSTMENTS

Cites/Towns

By MRSC's analysis, each city or town must hold at least two public hearings for the mid-biennium review and adjustment. Some cities may have adopted additional public hearing requirements by policy. The biennial budget statutes state that cities "shall provide for public hearings on the proposed budget modification" and "shall provide for publication of notice of hearings consistent with publication of notices for adoption of other city or town ordinances." See RCW 35.34.130/RCW 35A.34.130.

Because "hearings" is plural, it is our interpretation that at least two public hearings are required. However, as with the initial budget development, the property tax/revenue hearing (RCW 84.55.120) can count as one of the hearings. After the revenue hearing, cities must hold at least one additional public hearing on the mid-biennium review and adjustment.

Counties

RCW 36.40.250 provides counties with the authority to adopt a biennial budget and states that there must be a "mid-biennium review and modification for the second year of the biennium." However, the statute goes on to state that "[t]he state auditor shall establish requirements for preparing and adopting the mid-biennium review and modification for the second year of the biennium."

The State Auditor's Office provides limited guidance through its BARS manuals for the budget process and there are no additional requirements or guidance for the mid-biennium review. MRSC recommends that those counties with a biennial budget follow the same requirements as outlined above for cities.

PUBLIC HEARINGS FOR BUDGET AMENDMENTS

After the budget is adopted, cities, towns, and counties may amend the budget at any time. It is especially important to monitor budget appropriation levels as you reach the end of your budget cycle. Cities, towns, and counties must have sufficient budget appropriations available for all expenditures including open period expenditures. Budget amendments, if any, must be adopted on or before December 31. Most budget amendments do not require public hearings under state law, although some jurisdictions may have adopted public hearing requirements by policy.

Cities, towns, and counties are not required to hold public hearings on budget amendments related to "nondebatable" emergencies – see RCW 35.33.081/RCW 35A.33.080 (city/town annual budgets), RCW 35.34.140/RCW 35A.34.140 (city/town biennial budgets), and RCW 36.40.180 (counties). Public hearings are also not required for expenditures of unanticipated revenues, transfers within a single fund, or budget reductions. These types of amendments must be made by ordinance but do not require a public hearing.

However, public hearings are required for increasing expenditures for other "public emergencies" that are not considered "nondebatable" – see RCW 35.33.091/RCW 35A.33.090 (city/town annual budgets), RCW 35.34.150/RCW 35A.34.150 (city/town biennial budgets), and RCW 36.40.140 (counties). For cities and towns, the public notice requirements are not specifically outlined in statute. MRSC recommends following the same notice requirements of the preliminary budget hearing. Counties must publish notice of the hearing, as well as a resolution stating the facts of the emergency and the estimated amount of money required to meet it, once in the official county newspaper at least one week before the hearing.

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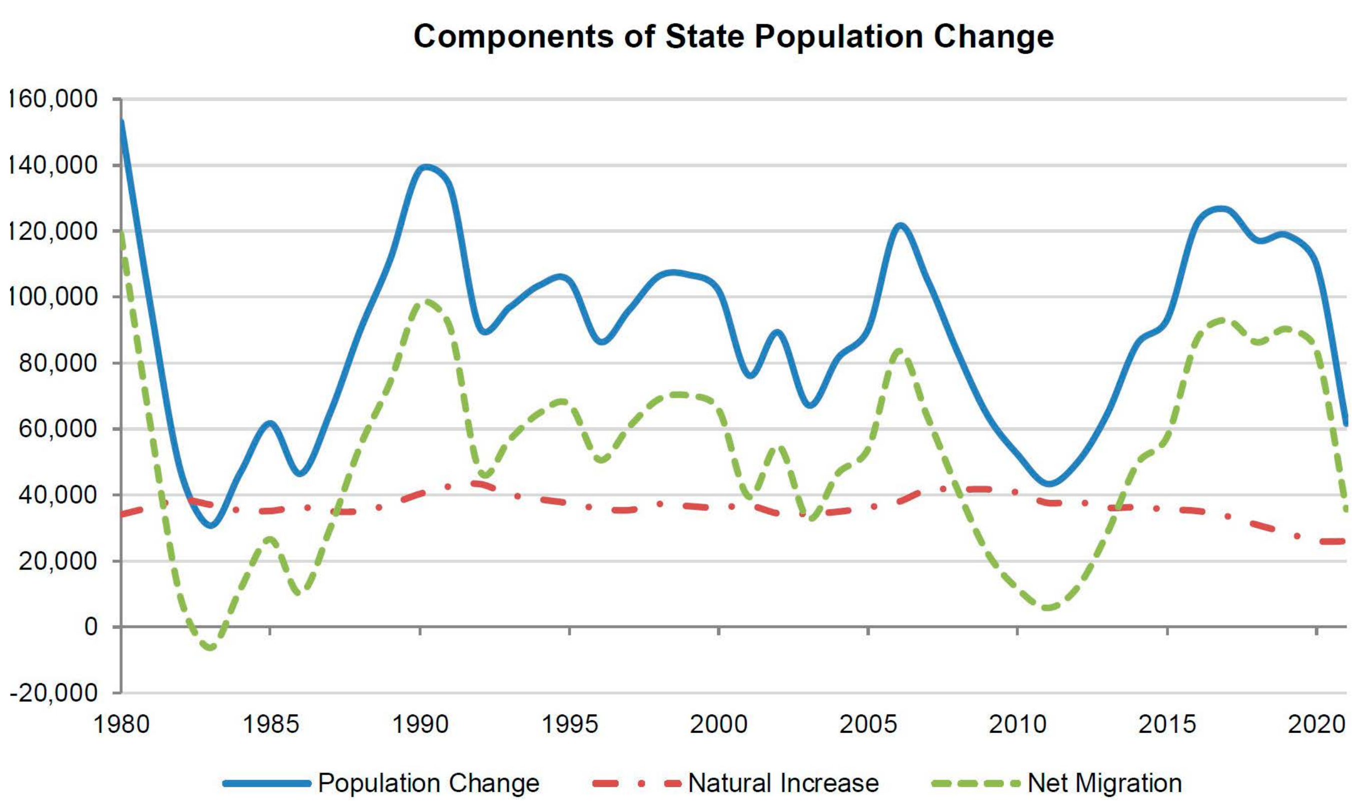
Population Estimates

Population estimates are of particular importance to cities and counties, as they not only indicate whether the population is growing and how quickly, but they also form the basis for the distribution of many state shared revenues (see *State Shared Revenues* chapter).

The Office of Financial Management (OFM) is responsible for determining populations of all cities, towns, and counties every year as of April 1. Those estimates are certified to the secretary of state on or before July 1 and distributed to the state agencies responsible for making allocations or payments to local governments. The updated distribution rates then take effect on January 1 of the following year.

According to OFM's April 1, 2021 population estimates, the state's total population now exceeds 7.76 million, an increase of just over 110,000 (1.4%) since last year. OFM originally estimated a smaller population increase of over 61,000 people (0.8%), which is reflected in the chart below. However, the initial 2020 U.S. Census data released earlier this year showed a higher statewide population than OFM's estimate, so OFM adjusted its population estimate upward by roughly 49,000 people, bringing the total increase to just over 110,000. Because the U.S. Census has only released state totals and has not yet released city and county details, OFM proportionately distributed the adjustment to each jurisdiction based on the OFM 2020 population estimates.

The COVID-19 pandemic significantly affected the 2021 population estimates, with OFM showing an increase in deaths, decrease in births, and a dramatic drop in migration and the population living in group quarters. A number of college towns actually saw population decreases in the past year, although OFM expects some of these changes to be temporary and for population numbers to rebound once the pandemic's impacts subside.



Credit: Washington State Office of Financial Management

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Overall, the state's incorporated population increased by about 73,500 (1.5%), while the unincorporated population increased by about 37,000 (1.4%). Population growth remains concentrated in the five largest metropolitan counties – Clark, King, Pierce, Snohomish, and Spokane – which represent 70% of the population growth. On a percentage basis, Franklin was the fastest growing county between 2020 and 2021 with 2.8% growth, followed by Clark at 2.7% and Chelan at 2.4%.

To see your jurisdiction's total population and recent changes, refer to OFM's April 1, 2021 population estimates or our Tax and Population Data webpage.

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Economic Factors

There are several economic factors that, for many, are instinctively incorporated into the budget forecasting process, especially if using judgmental forecasting and/or historical trend analyses. In particular, economic conditions may have an impact on revenue projections, especially in jurisdictions that are heavily dependent upon retail sales tax.

Major components of economic modeling in the budget process include inflation, employment, population growth, and the prevalence or concentration of particular industries within the local jurisdiction.

STATE AND NATIONAL ECONOMIES

Last year, the outlook of the US economy was uncertain due to the COVID-19 pandemic. Washington State experienced a steep decline in employment in April 2020. Unemployment rose to 16.3% – the highest on record dating back to 1976. In June 2020, the Washington State Economic Revenue Forecast Council (ERFC) had revised its previous forecast of General Fund-State (GF-S) revenue collections, predicting a decrease of $8.9 billion over the 2019-2021 and 2021-2023 biennia.

In September 2020, the ERFC reduced the forecasted decrease by almost half. Now a year later, ERFC's June 2021 report noted that unemployment shrunk to 5.4% in April 2021 and the forecast for GF-S revenue collections returned to levels slightly *above* those forecasted pre-pandemic for the same period.

The first quarter of 2021 saw housing construction in Washington hit its highest level since the second quarter of 1978. Home prices continue to increase in the Seattle metro area as well as many other parts of the state and nationwide. According to the Kiplinger Letter, existing homes which sold for over $500,000 rose to 27% up from 17% a year earlier. Factors which contribute to this trend are a low inventory of homes as well as lower interest rates.

One of the hardest hit sectors of the US economy was travel and tourism. According to data found on the Transportation Security Administration (TSA) website, air travel has rebounded, although not to the levels seen in 2019. While TSA checkpoints in June 2021 saw an increase of 297% over the previous June, it was still 26% below June 2019 numbers. The King County Office of Economic and Financial Analysis in its 2021 Economic and Revenue Forecast presented in March 2021, predicts that lodging tax receipts in King County will not reach pre-pandemic levels until 2023.

As we've seen through the COVID-19 pandemic, predicting economic impacts is difficult when an event is unprecedented. As was recommended in our publication last year, we recommend following the Economic and Revenue Forecast Council, federal Bureau of Economic Analysis, state Employment Security Department's Labor Market and Economic Analysis, and the King County Office of Economic and Financial Analysis for updates.

CONSUMER PRICE INDEX

The Consumer Price Index (CPI) is generally the most widely used measure of inflation. The CPI can impact local budgets in multiple ways, including:

- Statewide minimum wage and overtime salary thresholds for the coming year (announced September 30 and taking effect January 1);
- Cost-of-living adjustments and collective bargaining agreements;

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- Pension adjustments; and
- Automatic increases for certain fees or revenue sources such as multi-year levy lid lifts or, for some jurisdictions, impact fees.

For more information on the CPI – including differences between the CPI-U and CPI-W indexes and the various geographic regions – see our Consumer Price Index webpage. For current data, see the Bureau of Labor Statistics Consumer Price Index Pacific Cities and U.S. City Average Data Tables.

We will release information on the new minimum wage rates and overtime salary thresholds in our e-newsletters after they are released on September 30.

The state Economic and Revenue Forecast Council (ERFC) also includes CPI projections for future years in its quarterly Economic and Revenue Forecast Publications (see Table A4.1). However, this information only includes projections for the U.S. and Seattle CPI-U indexes; it does not include other geographies or any CPI-W indexes. These projections are for informational purposes only; all inflation adjustments should be based on actual CPI figures rather than projections or estimates.

IMPLICIT PRICE DEFLATOR

The IPD is published quarterly by the federal Bureau of Economic Analysis (BEA), with monthly revisions. Its primary importance to local governments in Washington is in setting property tax levies for the coming year.

Taxing districts with a population of 10,000 or more may increase their total annual levy amount by 1% or the percentage increase of the IPD, whichever is less (RCW 84.55.005). If the 12-month change in the IPD is less than 1% as of September 25, these taxing districts cannot take the full 1% levy increase unless they adopt an ordinance or resolution of "substantial need." (Taxing districts with a population under 10,000 are not impacted.)

Current IPD data can be found in the BEA National Income and Product Accounts (NIPA), Table 1.1.9 (see Line 2, Personal Consumption Expenditures).

At this time, it appears the IPD increase will be well above 1% for 2021, which means cities and counties with a population of 10,000 or more should be able to increase next year's levy amounts the full 1% without a declaring a substantial need.

The most recent data as of September 25 will be the August 26 data release, and we will publish the official IPD figure in our e-newsletters soon afterward. For more details on the IPD, including examples of substantial need findings in the unlikely event the IPD were to fall below 1%, see our Implicit Price Deflator webpage.

Legislation That May Affect Your Budget

COUNTY LEVY CERTIFICATION DEADLINES – SHB 1309

Beginning in 2021, SHB 1309 extends the deadline for the county legislative body to certify the county's own property tax levies to the assessor from November 30 to December 15. For counties using the alternate budget dates, this resolves a conflict with RCW 36.40.071-.090, which require the board of commissioners to fix the levy amount after the final budget hearing beginning the first Monday in December.

The bill also extends the deadline for the legislative body to certify property taxes for other taxing districts that cannot certify directly to the assessor – such as fire districts or cemetery districts – from November 30 to the first Monday in December.

AFFORDABLE HOUSING ACQUISITION – ESHB 1070

ESHB 1070 expands the affordable housing & related services sales tax (RCW 82.14.530) to allow the revenues to be used for acquiring affordable housing, behavioral health facilities, or land for those purposes. It also updates the definition of "affordable workforce housing" in RCW 67.28.180 (related to lodging tax revenues) to 80% of the county median income. For more details, see our Affordable Housing Funding Sources page.

FISCAL FLEXIBILITY – E2SHB 1069

E2SHB 1069 expands the eligible uses of various tax revenues, as well as adjusting the number of months that a utility can lien a property for delinquent payments due to a declared state of emergency. The Mental Health & Chemical Dependency Sales & Use Tax (RCW 82.14.460) can be used to make modifications to existing facilities to address health and safety needs to deliver services.

Unlike the Mental Health & Chemical Dependency Sales & Use Tax, the expanded uses in the other taxes in the bill are temporary and expire December 31, 2023. The Criminal Justice Sales & Use Tax (RCW 82.14.340) has been expanded to include local government programs which have a reasonable relationship to reducing the numbers of people interacting with the criminal justice system including, but not limited to, reducing homelessness or improving behavioral health. The Real Estate Excise Tax (REET) First Quarter Percent (RCW 82.46.010) allows counties and cities to use greater of $100,000 or 35% of available funds for the operation of, maintenance of, and service support for, existing capital projects, including the provision of services to residents of affordable housing or shelter units. The REET Second Quarter Percent (RCW 82.46.035) allows counties and cities to use greater of $100,000 or 35% of available funds for the operation of, maintenance of, and service support for, existing capital projects. HB 1069 also added to the Business & Occupation Tax (RCW 82.04.050), clarifying that the sale of lodging for less than one month is not a rental or lease, and thus subject to sales and use tax.

The prohibition on using criminal justice shared revenue distributions (RCW 82.14.310 - .330) to supplant existing funding has also been temporarily removed through December 31, 2023.

Finally, under RCW 35.21.290 and RCW 35.67.210 a lien may be imposed for more months of delinquent utility charges when a declaration of emergency prevents collection of utility charges.

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TARGETED URBAN AREA TAX EXEMPTION – EHB 1386

EHB 1386 expands Targeted Urban Area Tax Exemptions (chapter 84.25 RCW) to cities. A county or city that creates a Targeted Urban Area can offer tax exemptions to businesses that create at least 25 living wage jobs. A living wage job was changed to a job that pays $23/hour and offers health care benefits. Priority must be given to businesses that compensate workers at prevailing wage, procure and contract with women, minority, and veteran-owned businesses, utilize apprentices from state-registered programs, and maintain certain labor standards for workers. The tax exemption is extended from December 31, 2022 to December 31, 2030. If at least 25 living jobs are not maintained, back property taxes must be paid to the date that the facility maintained 25 living wage jobs.

TAX INCREMENT FINANCING – ESHB 1189

ESHB 1189 allows local governments to create tax increment areas to finance public improvements. A tax increment area cannot encompass the entity's entire boundary and must not have an assessed value that is the lesser of $200,000,000 or 20% of the jurisdiction's total assessed value. A local government can only have two active tax increment areas at a time, and combined cannot exceed the value threshold above. We will provide more information on tax increment financing on our website soon.

AMERICAN RESCUE PLAN ACT (ARPA)

On March 11, 2021, the federal American Rescue Plan Act (ARPA) was signed into law. The law appropriated a $1.9 trillion package which included $130.2 billion in Local Fiscal Recovery Funds (LFRF) for counties, cities, and towns. The funds will be distributed in two tranches, one in 2021 and another in 2022. The US Treasury Department has published the Interim Final Rule and FAQ which discuss the eligible uses of LFRF and has also published guidance on the quarterly and annual reports required based on the type of local government. ARPA and LFRF resources from MRSC and other agencies can be found in the American Rescue Plan section of our Coronavirus (COVID-19) Local Government Fiscal Impacts topic page.

NO STATEWIDE INITIATIVES IN 2021

The deadline for submitting signatures to the Secretary of State's Office to place an initiative on the November general election ballot was 5 PM on Friday, July 2. This year, the Secretary of State's office has confirmed to us that no signatures were filed by the deadline, so there will be no statewide initiatives on the ballot.

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Core Revenues

Property taxes and sales taxes are, for most cities and counties, the two largest revenue streams. Some cities also generate a significant amount of business & occupation (B&O) and utility tax revenues. While MRSC cannot forecast those revenues for you, we can point you toward resources to help you forecast these revenues within a reasonable margin of error.

Whatever your forecasting methodology, it is important to document the methodology and discuss it with your budget team.

For a detailed understanding of Washington's property tax, sales tax, B&O taxes, and other local revenue sources, download MRSC's City Revenue Guide and County Revenue Guide.

PROPERTY TAXES

The Department of Revenue (DOR) has created a property tax calendar for 2021 which explains the process, the various state and local entities responsible for its development, and when you may expect to receive important property tax forecasting information.

Your local county assessor plays a vital role in certifying the assessed valuations that will be used to set your levies for the upcoming year. Typically, the assessor will distribute property tax information during the second half of September each year. This information consists of assessed valuations, new construction valuations, and state utility valuations, as well as each jurisdiction's current levy amounts, levy rates, and maximum statutory levy rate. The county assessor will provide you with a levy limit worksheet specific to your jurisdiction that will form the basis of your property tax projection, and the assessor's office can also help you determine whether you have banked capacity available.

To see property tax and assessed valuation for all cities, towns, or counties going back 10 years, see MRSC's Tax and Population Data webpage. For older data, refer to the DOR Local Taxing District Levy Detail webpage.

For cities and counties of 10,000 population or greater: As stated earlier, it is unlikely that the implicit price deflator will fall below 1% this year, so you should be able to levy the full 1% annual increase without a finding of substantial need.

SALES TAXES

Sales tax revenues fluctuate depending upon local economic activity. To assist with your sales tax projections, it will be important to monitor actual sales tax revenues being reported and remitted to your entity. Cities and counties can access sales tax reports via the My DOR Partner Portal.

To see the last 10 years of annual sales tax distribution data for the "first half" and "second half" (general fund) sales taxes, see MRSC's Tax and Population Data webpage. Many jurisdictions have also imposed additional sales taxes that are restricted to certain purposes. Our webpage also includes a spreadsheet listing local sales tax rates and components, to help explain what portion of the local sales tax rate goes to which entity and what the money can be used for.

B&O AND UTILITY TAXES

When forecasting B&O and utility taxes, it is important to know whether utilities are increasing their rates or whether local businesses are expanding or contracting.

BALLOT MEASURE PLANNING

If your jurisdiction is considering a voted revenue increase in the next year or two, such as a levy lid lift, bond measure, or voted sales tax, you must plan ahead and keep the various statutory requirements and deadlines in mind (see RCW 29A.04.321 for counties and RCW 29A.04.330 for cities and towns). Below are the key statutory deadlines.

Key Dates for Voted Revenue Increases

Election	Filing deadline	Election date	Approved sales tax changes take effect (RCW 82.14.055)	Approved property tax changes take effect (RCW 84.52.070)
2021 Primary	Already passed	August 3, 2021	January 1, 2022	2022
2021 General	August 3, 2021	November 2, 2021	April 1, 2022	2022
2022 Feb. Special	December 10, 2021	February 8, 2022	July 1, 2022	2023
2022 Apr. Special	February 25, 2022	April 26, 2022	January 1, 2023*	2023
2022 Primary	May 13, 2022	August 2, 2022	January 1, 2023	2023
2022 General	August 2, 2022	November 8, 2022	April 1, 2023	2023

**Beginning in 2017, sales tax rates no longer change on October 1*

You should also consider whether any other jurisdictions are planning ballot measures that will appear on the same ballot, as well as whether your measure requires a simple majority (50% plus one) or a supermajority (60%) in order to pass.

Bond measures and 60% voted property taxes also require a certain minimum level of voter turnout compared to the most recent general election, referred to as "validation." Validation is not a problem for most jurisdictions in most years, but it can create difficulties for some jurisdictions in low-turnout special elections or in years immediately following high-turnout elections – such as 2023 and 2025 following the state/federal elections. For details and to see which types of ballot measures require validation, see MRSC's City Revenue Guide and County Revenue Guide.

To see how ballot measures have fared in other jurisdictions recently, see MRSC's Local Ballot Measure Database.

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State Shared Revenues

The State of Washington distributes a number of “state shared revenues” to cities, towns, and counties. Some of these revenues are distributed to all entities solely on a population (per capita) basis, while others are based on different factors and/or are only distributed to jurisdictions that meet certain criteria.

Forecasting state shared revenues can be somewhat tricky. First of all, the state fiscal year begins July 1 and ends June 30, while all cities and counties in Washington use a calendar year budget (January 1 to December 31). As a result, legislation can and often does impact shared revenue distributions halfway through the local government budget year.

Secondly, it is impossible to predict what the legislature will do – in recent years, it has added new distributions (increased gas taxes, multimodal transportation, and marijuana excise taxes), reduced distributions (marijuana excise taxes, which were later restored), and attempted to eliminate distributions (the fire insurance premium tax, which was preserved by the governor’s veto). When creating long-range forecasts, remember that these resources are potentially vulnerable during each legislative session. Careful monitoring of legislative sessions will help you keep abreast of changes to these revenue sources, and strategically thinking and planning for potential shortfalls will help minimize the impacts to your budget.

And finally, some of the revenue distributions can vary significantly from year to year based on certain formulas, economic activity, and other factors.

We have provided our best estimates of the state shared revenue distributions for 2022 and 2023 based on the 2021-2023 state biennial budget (July 1, 2021 to June 30, 2023) and economic and revenue forecasts created by the Economic and Revenue Forecast Council (ERFC). For those distributions that are done on a strictly per capita basis, we have provided per capita estimates (see the *Per Capita Shared Revenue Forecast Tables* near the end of this publication). You can also view the total estimated per capita distributions, tailored to your specific jurisdiction, in our online State Shared Revenue Estimator.

SHARED REVENUE DISTRIBUTION CALENDAR

Shared revenues are distributed on the last business day of the month. Some are distributed monthly and others quarterly, while the fire insurance premium tax is distributed on an annual basis, according to the schedule below.

Shared Revenue Distribution Calendar

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Gas Tax (MVFT)	●	●	●	●	●	●	●	●	●	●	●	●
Increased Gas Tax (MVFT)			●			●			●			●
Multimodal Distribution			●			●			●			●
Liquor Excise Tax	●			●			●			●		
Liquor Profits			●			●			●			●
Marijuana Excise Tax			●			●			●			●
Criminal Justice	●			●			●			●		
Fire Insurance Premium Tax					●							
City/County Assistance			●			●			●			●

POPULATION AND ANNEXATION ADJUSTMENTS

Changes in total distribution *amounts* (if any) begin each year on July 1, the beginning of the state's fiscal period. The per capita distribution *rates* are updated each year on January 1 to reflect the most recent OFM annual population estimates. Our 2022 per capita estimates are based on the April 1, 2021 OFM population estimates, with an **incorporated population of 5,064,210** and an **unincorporated population of 2,702,715**, for a **total statewide population of 7,766,925** (see the *Population Estimates* section).

In addition, OFM makes quarterly adjustments for any new annexations (see OFM's Central Annexation Tracking System). Cities that annex qualify for state shared revenue distributions on their new population base starting the first day of the quarter after the effective date of the OFM-approved annexation. Distributions for other cities, towns, and counties may be adjusted slightly each quarter as a result, but the overall impact on per capita distribution rates should be minimal.

The rest of this publication will describe the various state shared revenues distributed to cities and counties and provide projected distribution amounts and, for per capita revenues only, distribution rates.

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CITY-COUNTY ASSISTANCE

The State of Washington imposes a real estate excise tax (REET) on each sale of real property (RCW 82.45.060), in addition to any local real estate excise taxes.

1.4% of the state REET is deposited into the city-county assistance account (RCW 43.08.290) to provide assistance for certain cities and counties that meet the statutory qualifications (see the formulas in the tables below). Half of these funds are distributed to cities and the other half to counties.

These funds were originally intended to mitigate the loss of the motor vehicle excise tax (MVET) that was distributed to local governments as a means of equalization of sales tax.

The formula used to allocate city funding is based on a sales and property tax equalization formula and the 2005 MVET backfill levels. The maximum distribution for any eligible city was originally capped at $100,000, to be increased each year by the increase in the July implicit price deflator (IPD) for personal consumption expenditures. The **2021 cap is $129,501**.

City Assistance Distributions

City/Town Population	Distribution Formula
5,000 or less *Only eligible if per capita assessed value is less than 2x the statewide average for all cities*	**Greater of** • 55% sales tax equalization on "first half" local sales tax; • 55% property tax equalization based on per capita assessed values (per $1,000 AV); or • 2005 MVET backfill. *Not to exceed $129,501 (in 2021)*
Greater than 5,000 *Only eligible if per capita assessed value is less than the statewide average for all cities*	**Greater of** • 50% sales tax equalization on "first half" local sales tax; or • 55% property tax equalization based on per capita assessed values (per $1,000 AV) *Not to exceed $129,501 (in 2021)*

Any city that incorporates after August 1, 2005 is not eligible for funding.

If there are not enough revenues to fund the city distributions, then they will be reduced proportionately. If there are more revenues than necessary to fund the above distributions, the excess is to be distributed proportionately on the basis of population among those cities that have qualified for city-county assistance and impose the full second half-cent of the sales and use tax under RCW 82.14.030(2).

The county formulas are shown on the next page. Unlike cities, there are no eligibility restrictions. The sales tax equalization threshold for counties was originally set at $250,000, to be increased each year by the increase in the July implicit price deflator (IPD) for personal consumption expenditures. The **2021 cap is $312,162**.

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County Assistance Distributions	
Unincorporated Population	Distribution Formula
Greater than 100,000	**Sales tax equalization up to the greater of:** • $312,162 (in 2021); or • 65% of the statewide per capita average collected for “first half-cent” sales tax in unincorporated areas in the previous fiscal year
15,001 to 100,000	**Sales tax equalization up to the greater of:** • $312,162 (in 2021); or • 70% of the statewide per capita average for “first half-cent” sales tax in unincorporated areas in the previous fiscal year
15,000 or less	**Greater of** • Sales tax equalization to $312,162 (in 2021); • Sales tax equalization to 70% of the statewide per capita average for “first half-cent” sales tax in unincorporated areas in the previous fiscal year; or • The amount the county received in “backfill” for FY 2005 under section 716, Ch. 276, Laws of 2004 (amended state budget).

If there are not enough revenues to fund the county distributions as outlined above, then they will be reduced proportionately. If there are more revenues than necessary to fund the above distributions, the excess is to be distributed proportionately on the basis of the unincorporated population among those counties that have qualified for city-county assistance funding and impose the full second half-cent of the sales and use tax under RCW 82.14.030(2).

Certification and distribution dates

The Department of Revenue (DOR) must certify the amounts to be distributed each year by October 1, with preliminary estimates available by September 1.

Funds are required to be distributed quarterly on January 1, April 1, July 1, and October 1. In order for these distribution dates to be met, the transfers are made on the last day of the previous month in conjunction with the regular remittance of revenues from the State Treasurer's Office (OST) to local governments. As a result, the January 1 remittance is received on December 31, which is part of the current budget cycle for cities, towns, and counties instead of being received in the next budget period. This means that, for budgeting purposes, cities and counties are dealing with two different certification years.

Here's how it works: when you pass your budget for 2022 later this year, you will know the amount for which you are certified for 2022, but keep in mind that the first payment from that certification will arrive in December and will become part of the current year's revenues. The amount you forecast for 2022 will depend on the October 1, 2021 certification, less the January distribution (received December 31), plus your “guesstimate” of your January 2023 distribution (certified October 1, 2022 and received December 31, 2022).

City-County Assistance Distribution Certification and Payment Dates				
		Statutory Date for Distribution	Actual Payment Date *last business day of month*	Certification Date
2021 Budget	1st Quarter	April 1, 2021	March 2021	October 1, 2020
	2nd Quarter	July 1, 2021	June 2021	October 1, 2020
	3rd Quarter	October 1, 2021	September 2021	October 1, 2020
	4th Quarter	January 1, 2022	December 2021	October 1, 2021
2022 Budget	1st Quarter	April 1, 2022	March 2022	October 1, 2021
	2nd Quarter	July 1, 2022	June 2022	October 1, 2021
	3rd Quarter	October 1, 2022	September 2022	October 1, 2021
	4th Quarter	January 1, 2023	December 2022	October 1, 2022

The city-county assistance fund receives its revenues from the sales of real property, so when the real estate market is active funds are frequently sufficient to distribute. However, revenues decrease when there is a downturn in the economy, as was the case during the Great Recession and several years thereafter. During that time cities and counties received a decreased distribution. Because of the weighted formula, there was enough to fully fund the counties during many of those years, but cities received only a proportion of their certified amounts.

Real estate sales have been brisk throughout the state for the past several years resulting in increased distributions for both cities and counties. In the ERFC June 2020 forecast, it was predicted that housing sales would be lower in 2020 and 2021 due to the COVID-19 pandemic, and therefore lower REET amounts were projected. But in fact, housing sales have remained strong during this period.

2021 Update

The total certification amount for 2021 was $11.27 million for cities and $5.4 million for counties. Of this amount, both cities and counties received their January distribution in calendar year 2020 (see distribution table) and you have now received the April and July distributions. According to the June 2021 ERFC forecast of real estate excise tax receipts, cities and counties are currently expected to receive $3.62 million from the real estate excise tax in the October distribution, which will be paid out at the end of September. That would bring the total so far for 2021 to $20.20 million. There will be one more payment this calendar year – the January 2022 distribution, which cities and counties will receive at the end of December.

To update your forecast for 2021, you can go to the Department of Revenue (DOR) City-County Assistance webpage and click on “2021 City and County Distributions.” These spreadsheets show the amounts for which each city and county were certified in 2020. Remember to adjust the estimated total for the distribution date differences explained in the table above.

The preliminary estimates for City-County Assistance distributions in 2022 will be available in September. They will be posted on the DOR City-County Assistance webpage under **“2022 City and County Distribution Estimates.”**

The June forecast provided by ERFC estimates that the January 2022 distribution (December 2021 payment) will be $2,765,000 each for cities and counties. That would make the statewide total for the four payments for the 2021 budget year equal $22.96 million. This means that counties will receive significantly more than their certification amount, while cities should receive roughly their full certification amount.

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2022 Forecast

As previously mentioned the DOR will release the estimates in September. The June 2021 ERFC forecasts indicate a distribution of $10.33 million each for cities and counties.

If you cannot wait until the release of the preliminary certification in September to make your budget estimate for 2022, then take your entity's percentage share of the 2021 certification and multiply it by the estimated pot of city or county revenue for 2022, or $10.33 million. This methodology assumes that your share of the last payment in 2021 (which will come from the October 1, 2021 certification) will be the same percentage amount as the first three payments, and this is a reasonably good assumption for most entities. But the September and October numbers will be the more reliable estimates, especially if you are one of those jurisdictions close to the limits on the distribution formula provided at the beginning of this discussion.

Another wrinkle in revenue forecasting is the timing of the preliminary certification. RCW 43.08.290(6)(d) states, in part:

> By September 1, 2010, and September 1st of every year thereafter, the department of revenue must make available a preliminary certification of the amounts to be distributed under this section…

A component of releasing the ESSB 6050 distributions is having the Implicit Price Deflator (IPD) for personal consumption expenditures, and what the drafter of the legislation did not realize is that the July IPD for personal consumption expenditures is not published until the third week of September. Therefore the "preliminary" certification is not available on September 1. As mentioned, the October release by DOR will be your most accurate estimate for next year's distributions.

Editor's Note: The real estate excise tax revenues and forecasts are the work of Eric Swenson of the Washington State Economic and Revenue Forecast Council (ERFC).

CRIMINAL JUSTICE REVENUES – CITIES

There are two separate criminal justice distributions for cities, created by RCW 82.14.320 and 82.14.330. Each program originally (in state fiscal year 2000) appropriated a total of $4.6 million, to be increased each July by the "fiscal growth factor" set forth in RCW 43.135.025. The fiscal growth factor is the average annual growth in state personal income for the prior ten fiscal years, and the distributions have now grown to total $10,829,607 (as of 2021) for each of these two separate criminal justice resources. The amount to be distributed for 2022 will be $11,456,641 for each program, an increase of 5.79%.

Criminal justice revenues created by RCW 82.14.320 – the "Criminal Justice – High Crime" distributions – are distributed partially based on crime rates and we cannot forecast them. The cities that may qualify for these funds know who they are and are aware of the problems they have in forecasting these revenues. As mentioned earlier, HB 1069 temporarily allows these funds to supplant existing revenues through December 31, 2023.

City Criminal Justice – High Crime	
Eligible jurisdictions	Any city or town with a crime rate over 125% of the annual statewide average that also meets the other requirements of RCW 82.14.320(2)
Estimated 2022 distribution	*No estimate provided. Determined by population, crime rates, and other factors.*
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

Criminal justice funds created by RCW 82.14.330 have four different components for distribution:

- **Population:** 16%, or $1,833,063, is distributed to all cities and towns on a per capita basis, with each city receiving a minimum of $1,000 no matter how small its population.
- **Special Programs:** 54%, or $6,186,586, is distributed to all cities and towns on a strictly per capita basis to be used for innovative law enforcement strategies, programs to help at-risk children or child abuse victims, and programs to reduce the level of domestic violence or to provide counseling for domestic violence victims. While these funds must be spent in these specific areas, there is no requirement for how much must be spent in each area. The city's entire distribution could be spent in only one of these areas if the city wishes.
- **Contracted Services:** 10%, or $1,145,664, goes to cities that contract with another governmental agency for the majority of their law enforcement services. Cities that qualify for this distribution must notify the Department of Commerce by **November 30, 2021** to receive 2022 distributions. Cities are responsible for notifying Commerce of any changes regarding these contractual relationships. However, any cities that are added to or removed from this list will only impact distributions for the next calendar year, and no adjustments will be made retroactively.
- **Violent Crime:** 20%, or $2,291,328, goes to cities with a three-year average violent crime rate (per 1,000 population) above 150% of the three-year statewide average. No city may receive more than $1.00 per capita.

On the next page is a summary of the four distributions under RCW 82.14.330. These are the labels under which the state treasurer's office makes the quarterly distributions.

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City Criminal Justice – Population	
Eligible jurisdictions	All cities and towns
Estimated 2022 distribution	$0.35 per capita; minimum distribution of $1,000 per city/town, which is factored into our calculations.
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

City Criminal Justice – Special Programs	
Eligible jurisdictions	All cities and towns
Estimated 2022 distribution	$1.24 per capita
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Innovative law enforcement strategies, programs for child abuse victims/at-risk children, and/or domestic violence programs

City Criminal Justice – Contracted Services	
Eligible jurisdictions	Any city or town that contracts with another local government agency for the majority of its law enforcement services
Estimated 2022 distribution	*No estimate provided. Determined by population and number of cities that contract for law enforcement.*
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

City Criminal Justice – Violent Crime	
Eligible jurisdictions	Any city or town with a violent crime rate over 150% of the three-year statewide average.
Estimated 2022 distribution	*No estimate provided. Determined by crime rate and population; no city may receive more than $1.00 per capita.*
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

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CRIMINAL JUSTICE REVENUES – COUNTIES

Counties receive state shared criminal justice funds from the state general fund under the provisions of RCW 82.14.310. The initial appropriation, made by the state in fiscal year 2000, was $23.2 million and is increased each July by the "fiscal growth factor," the same as cities. The county funding formula includes population, crime rate, and the annual number of criminal cases filed in superior court. Because revenues are not distributed on a strictly per capita basis, we cannot provide a per capita forecast. The amount to be distributed for 2022 will be $57,781,319, an increase of 5.79%.

As mentioned earlier, HB 1069 temporarily allows these funds to supplant existing revenues through December 31, 2023.

County Criminal Justice	
Eligible jurisdictions	All counties
Estimated 2022 distribution	*No estimate provided. Determined by population, crime rate, and number of criminal cases filed in superior court.*
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023.

FIRE INSURANCE PREMIUM TAX

RCW 41.16.050 requires each municipality having a regularly organized full-time fire department with paid firefighters to establish a firefighters' pension fund. This fund is to consist of all bequests, gifts, or donations given or paid to the municipality for the firefighters' pension fund; a proportional share of the state tax on fire insurance premiums; property taxes collected under the provisions of RCW 41.16.060; interest on the investments of the fund; and any contributions made by firefighters themselves.

The state collects a 2% tax on the premiums of all insurance policies written. Of the tax collected on fire policies and the fire component of homeowner's and commercial multi-peril policies, 25% is distributed to cities and fire districts that have firefighters' pension funds.

The moneys received from the tax on fire insurance premiums under RCW 41.16.050 are distributed to those cities and fire districts with a pre-LEOFF firefighters' pension fund based on their proportionate number of paid firefighters – a calculation known as the "ratio value." Each year, on or before January 15, cities and fire districts must certify to the State Treasurer their number of paid firefighters. The Office of Insurance Commissioner (OIC) must certify the fire insurance premiums collected between April 1 and March 31 and remit the funds to the State Treasurer's office by May 15th. These moneys are then distributed to the reporting jurisdictions by the end of May each year based upon the calculated ratio value of insurance premiums/firefighters.

The fire insurance premiums certified for distribution by OIC for 2021 amounted to $5,665,237, and the number of paid firefighters reported on January 15 by 44 cities and 2 fire districts was 4,780. The ratio value for 2021 is $1,185.20 per paid firefighter, which was 1.05% greater than our forecast made last year.

2022 Projection

This state shared revenue distribution has been the subject of debate in previous legislative sessions when the economic forecast has been challenging. The 2021-2023 state operating budget (ESSB 5092 § 801) did not fully fund this appropriation due to an error in information received by the legislature which was not discovered until after the budget was passed.

However, the intent of the legislature was to fully fund this appropriation; the May 2021 distribution was smaller than anticipated but the state made cities whole with an additional distribution in June. For the next fiscal year, the plan is to fully fund the appropriation with a budget amendment in the next session and base the distributions on the actual fire insurance premium tax collections.

The Washington State Office of the Insurance Commissioner forecasts a 4.5% increase in the fire insurance premium tax in 2022, and we have also projected that the number of paid firefighters will remain flat in 2022. The actual figures will be calculated in 2022 based on the number of paid firefighters reported, fire insurance loss experience, and premiums paid.

2022 Distribution Estimates: Fire Insurance Premium Tax	
Eligible jurisdictions	All cities and fire districts with a pre-LEOFF firefighters' pension fund
Estimated 2022 ratio value	$1,238.53 per paid firefighter
Payment received	In one lump sum on May 30, 2022
Revenue must be used for	Firefighters' pension fund

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LIQUOR REVENUES

Liquor revenues have two separate distributions that are received at different times. There is a state shared distribution from the liquor revolving account for licensing fees (this is referred to by the state and others as "liquor profits"), and there is a distribution from the liquor excise tax account that represents a portion of the excise tax collected on liquor sales. The total distribution from liquor profits is the same each year, while the total distribution for liquor excise taxes varies depending on actual liquor sales.

Liquor Excise Taxes

The formula works as follows:

1. 35% of liquor excise tax collected is deposited in the "liquor excise tax fund" for distribution to cities, towns, and counties (RCW 82.08.160(1)).
2. $2.5 million each quarter ($10 million a year) is deducted from the liquor excise tax fund and remitted to the state general fund (RCW 82.08.170(3)).
3. Of the remaining amount, 80% is distributed to cities (based on population) and 20% is distributed to counties (based on unincorporated population).

The June 2021 forecasts by the ERFC project a fair increase (11.3%) in liquor excise tax collections, resulting in an increase in distributions. The revised forecast for 2021 distributions is $34,652,337 for cities and $8,015,569 for counties.

For calendar year 2022 the ERFC projects a 5.8% decrease to liquor excise tax revenues that are to be deposited into the liquor excise tax fund. After deductions, the total local government distributions are estimated to be $32,645,124 for cities and $7,513,766 for counties.

It's important to note that the distributions to cities and counties occur with a lag of one quarter after the collections are made by the state. This difference in timing makes state estimates and our estimates hard to compare. When comparing distributions by the state treasurer's office to the ERFC forecasts there is usually a variation of plus or minus 2%.

Liquor Excise Taxes	
Eligible jurisdictions	All cities, towns, and counties
Estimated 2022 distribution	**Cities:** $6.45 per capita **Counties:** $2.78 per capita (unincorporated population)
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	At least 2% must be used for a licensed or certified alcohol or drug addiction program. The remaining 98% may be used for any lawful governmental purpose.

Editor's Note: The liquor excise tax forecasts are the work of Lance Carey of the Washington State Economic and Revenue Forecast Council (ERFC).

Liquor Profits

Initiative 1183 in 2011 not only privatized liquor sales in Washington, but it also changed the types of liquor revenues collected by the state. The state is now collecting revenue in the form of license fees from distributors and retailers, rather than profits from the state-run liquor stores. However, the Liquor and Cannabis Board (LCB) continues to call these funds "liquor profits." A portion of these collections go to cities, counties, and border jurisdictions. Codified as RCW 66.24.065, it reads:

> The distribution of spirits license fees under RCW 66.24.630 and 66.24.055 through the liquor revolving fund to border areas, counties, cities, towns, and [MRSC] must be made in a manner that provides that each category of recipients receive, in the aggregate, no less than it received from the liquor revolving fund during comparable periods prior to December 8, 2011. An additional distribution of ten million dollars per year from the spirits license fees must be provided to border areas, counties, cities, and towns through the liquor revolving fund for the purpose of enhancing public safety programs.

The "comparable periods prior to December 8, 2011" were determined by the Office of Financial Management (OFM) to be December 2010, March 2011, July 2011, and September 2011. The liquor profit revenue for cities, counties, and border areas for those four quarters was $39,438,000. To this amount, LCB adds the $10 million to enhance public safety programs for a total liquor profits distribution of $49,438,000 each year. Of that amount, 0.3%, which equals $148,314, is distributed to border cities and counties based on traffic totals, crime statistics, and per capita law enforcement spending. The remaining $49,289,686 is distributed as follows:

- Cities receive 80%, or $39,431,749 annually, distributed proportionately by population.
- Counties receive 20%, or $9,857,937 annually, distributed proportionately by unincorporated population.

As noted in the statute, $10 million of the $49,438,000 – just under 20.23% – must be spent on "enhancing public safety programs." We recommend that each city or county split its distribution so that it can account separately for the portion that must be spent on public safety. To calculate the portion that must be used for public safety purposes, multiply your distribution by 20.23%, or 0.2023. In addition, at least 2% of your distribution must be used for a licensed or certified alcohol or drug addiction program under RCW 71.24.555.

When forecasting liquor profits beyond next year's budget it's important to note that the total city and county distributions will remain the same from year to year unless the legislature amends the statute. The initiative did not include any measures to account for inflation. We have incorporated a per capita ratio value in the rate tables at the end of this chapter and the ratio values will vary slightly each year due to population changes.

Liquor Profits	
Eligible jurisdictions	All cities, towns, and counties that do not prohibit the sale of liquor
Estimated 2022 distribution	**Cities:** $7.79 per capita **Counties:** $3.65 per capita (unincorporated population) *Border cities and counties get extra distributions based on traffic totals, crime rate, and per capita law enforcement spending*
Payment received	Quarterly at the end of March, June, September, and December
Revenue must be used for	At least 20.23% must be used for public safety programs, and an additional 2% must be used for an approved alcohol or drug addiction program. The remaining 77.77% may be used for any lawful governmental purpose.

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MARIJUANA EXCISE TAX

The state's marijuana taxation collections and distribution are codified in RCW 69.50.530-.540 and provide for revenue sharing with cities and counties, but the formula is a bit complicated.

The state distributes a portion of the marijuana excise taxes to the Liquor and Cannabis Board (LCB) and various state agencies and programs on a quarterly basis. At the end of each state fiscal year (June 30), the state treasurer must transfer any remaining unappropriated marijuana excise tax revenues into the state's general fund.

If marijuana excise tax collections deposited into the general fund in the prior fiscal year exceed $25 million, then the legislature must appropriate an amount equal to 30% of those general fund deposits to cities, towns, and counties, up to a maximum of $20 million per year. This amount was previously capped at $15 million per year, but beginning in state fiscal year 2022 (July 1, 2021-June 30, 2022) the cap has increased to $20 million, a 33% increase.

To summarize: If marijuana deposits to the state general fund exceed $66.67 million, cities and counties will receive the full $20 million distribution (30% of $66.67 million). The ERFC June 2021 Economic and Revenue Forecast, Table 3.18, projects the general fund deposits to be well above that threshold in current and future years, so barring any legislative changes cities and counties should receive the maximum $20 million distribution each year.

The $20 million is distributed as follows:

- 30%, or $6 million – the "retail share" – goes to cities, towns, and counties where licensed marijuana retailers are physically located and in proportional share to the total revenues generated.
- 70%, or $14 million – the "per capita share" – is distributed on a per capita basis to all cities, towns, and counties that allow the siting of marijuana producers, processors, and retailers. Cities, towns, and counties that prohibit marijuana producers, processors, or retailers are not eligible. Of this amount:
    - $8.4 million (60%) goes to eligible counties based on each county's total proportional population *(note that this is total population, unlike the other state shared distributions which are calculated based on unincorporated population)*
    - $5.6 million (40%) goes to eligible cities and towns on a per capita basis.

Some jurisdictions will receive both the per capita and retail distributions, while others may receive only one or the other, and jurisdictions that completely prohibit marijuana businesses will receive neither. For explanation purposes, a few hypothetical scenarios are shown on the next page.

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Hypothetical Marijuana Excise Tax Distribution Scenarios	Eligible for per capita share?	Eligible for retail share?
Jurisdiction allows marijuana production, processing, and retail and has at least one retailer located within the jurisdiction.	Yes	Yes
Jurisdiction prohibits marijuana entirely and as a result has no retailers located within the jurisdiction.	No	No
Town took no action to prohibit marijuana, but is small enough that no marijuana businesses can locate there under state law due to the buffer requirements.	Yes	No
Jurisdiction prohibits marijuana producers and processors but allows retailers and has at least one retailer located within the jurisdiction.	No	Yes
Jurisdiction prohibits marijuana retail and has no retailers but allows marijuana production and processing.	No	No

Each year by September 15, the LCB must provide the state treasurer with the annual distribution amount for each county and city. Payments are distributed four times per year on the last day of each fiscal quarter (September 30, December 31, March 31, and June 30). The State Treasurer's Office distributes both the "per capita" and "retail" shares together using the same BARS code.

The distributions that you receive in September will form the basis for your budget projections for the forthcoming budget year.

Forecast

We have (tentatively) produced an estimate of the per capita distributions using the information from our Marijuana Regulation in Washington State webpage and ordinance database, as well as information about previous LCB marijuana distributions. Please note that this is a "big picture, point-in-time" estimate of the local regulatory environment as it exists in July 2021, based on our own marijuana ordinance database as well as LCB's ongoing distributions and lists of "prohibited" entities (see the following tables). While we work hard to keep our marijuana database up-to-date, this is still an evolving area and these numbers are subject to change.

The per capita distributions will be calculated based on the population of cities and counties that do not prohibit marijuana. If a city or county decides to repeal a previously adopted prohibition or removes a moratorium – or, on the other hand, imposes a new moratorium or prohibition – this will impact the distribution rates. According to LCB, any changes in local marijuana policies will be reflected in the per capita distributions beginning with the next state fiscal year (September 30 payment).

City Marijuana Policies as of July 2021	Est. Number	Est. Population
Cities/towns that partially or fully prohibit marijuana	87	1,316,020
Cities/towns that do not prohibit marijuana	**194**	**3,748,190**
TOTAL	281	5,064,210

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County Marijuana Policies as of July 2021	Est. Number	Est. Total Population*
Counties that partially or fully prohibit marijuana	8	798,250
Counties that do not prohibit marijuana	**31**	**6,968,675**
TOTAL	39	7,766,925

**County marijuana excise tax distributions are distributed on the basis of total population, not unincorporated population.*

Based on the population estimates of those cities and counties that do not prohibit marijuana, we have generated a 2022 "per capita" estimate of $1.49 for eligible cities and towns and $1.21 for eligible counties. Again, these numbers could fluctuate. We are unable to provide an estimate of the "retail share," which is dependent upon marijuana retail sales within each jurisdiction and the state as a whole.

Marijuana Excise Taxes "Per Capita Share"	
Eligible jurisdictions	All cities, towns, and counties that do not prohibit the siting of any state-licensed marijuana producer, processor, or retailer
Estimated 2022 distribution	**Cities:** $1.49 per capita **Counties:** $1.21 per capita *(total population, not unincorporated)*
Payments received	Quarterly at the end of March, June, September, and December. Will be distributed together with retail share using same BARS code.
Revenue must be used for	The notes in RCW 69.50.540 reference RCW 69.50.101 and the stated intent of I-502, which states that marijuana legalization will "[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention."

Marijuana Excise Taxes "Retail Share"	
Eligible jurisdictions	All cities, towns, and counties with at least one marijuana retailer physically located within the jurisdiction
Estimated 2022 distribution	*No estimate provided; depends upon the jurisdiction's proportional share of statewide marijuana retail sales.*
Payments received	Same as "per capita share" above
Revenue must be used for	Same as "per capita share" above

TRANSPORTATION DISTRIBUTIONS

All cities, towns, and counties receive three separate transportation distributions. The first is the motor vehicle fuel tax (MVFT), which is distributed as a percentage of the total fuel taxes collected statewide. The other two, the "increased motor vehicle fuel tax" and "multi-modal" distributions, were created in 2015 and consist of direct transfers from the state transportation fund, so those allocations are not impacted by actual fuel tax collections.

MVFT and increased MVFT distributions must be used for highway purposes, while the multi-modal funds may be used for any transportation purpose.

Reminder: RCW 47.30.050 *requires cities and counties to spend at least 0.42% of their MVFT funds each year on pedestrian, equestrian, or bicycle trails, unless 0.42% would amount to $500 or less (for cities and towns) or $3,000 or less (for counties). In other words, this requirement applies to any city that receives approximately $119,047 and any county that receives approximately $714,286 or more in MVFT revenue per year. Cities and counties also have the option to place these dedicated funds in a capital reserve or special revenue fund to accumulate the resources, so long as the funds are used for paths or trails within a 10-year time frame.*

Motor Vehicle Fuel Tax

Cities and towns receive MVFT distributions on a per capita basis under RCW 46.68.090(2)(g), (4)(a), and (5)(a), less state adjustments found in RCW 46.68.110(1) and (2) and the Small City Pavement and Sidewalk account.

For counties, MVFT revenues are distributed under RCW 46.68.090(2)(h) and (4)(b)and (5)(b), less state adjustments found in RCW 46.68.120(1) and (3) and withholding for the County Road Administration Board (CRAB) as required by RCW 46.68.090(2)(h). The distribution formula includes annual road costs and "need" in addition to population. Distributions are calculated by CRAB according to the requirements stated in RCW 46.68.120(4). The distribution percentages are set at the annual CRAB board meeting each year after the release date of *Budget Suggestions*, so we are unable to provide distribution amounts for counties. CRAB will notify counties directly of the allocations for the next fiscal period. CRAB also posts Motor Vehicle Fuel Tax Reports on its website for current and past distributions.

Fuel taxes in Washington are assessed as cents per gallon, so motor vehicle fuel tax (MVFT) revenues – and therefore the MVFT distributions to cities and counties – depend on the number of gallons sold, not the dollar value of the sales.

Transportation and revenue forecasts are released each quarter by the Transportation Revenue Forecast Council. Each year, we use the calendar year second quarter as the basis for forecasting the MVFT distributions for cities and counties. The June 2021 forecast provides a forecast span of 10 years plus a look back of two years and uses multiple factors in the process.

For cities, WSDOT is projecting total gas tax distributions of $91,914,993 in calendar year 2022 and $92,782,358 in 2023. For counties, WSDOT projects total distributions of $138,931,073 in calendar year 2022 and $139,239,029 in 2023. However, the tax revenue forecasts provided by WSDOT are updated each quarter and often vary slightly from earlier projections. Unexpected events such as major snowstorms and the COVID-19 pandemic have significantly reduced gas tax collections in the past.

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Motor Vehicle Fuel Tax	
Eligible jurisdictions	All cities, towns, and counties
Estimated 2022 distribution	**Cities:** $18.15 per capita **Counties:** *No estimate provided. Determined by CRAB formula based on population, annual road costs, and annual monetary needs.*
Payments received	At the end of every month
Revenue must be used for	Highway purposes

Editor's Note: Lizbeth Martin-Mahar, Assistant Director of Economic Analysis for the Department of Transportation, provided calendar year fuel tax forecasts for cities and counties to assist with these projections.

Increased Motor Vehicle Fuel Tax and Multi-Modal Funds

In addition to the monthly gas tax distributions, counties, cities, and towns receive a share of the multi-modal funds and the 2015 increase in fuel tax (RCW 46.68.126). This legislation provides over $25 million annually to counties, cities, and towns, allocated as follows:

- Increased MVFT: $11,719,000 per year
- Multi-modal funds: $13,393,000 per year

These revenues are split equally between cities and counties and are not impacted by actual fuel sales. City distributions are based on population, while county distributions are established by the same CRAB formula as the MVFT described earlier (RCW 46.68.120(4)) and set at the annual CRAB board meeting in late July, following the release date of *Budget Suggestions*.

Increased Motor Vehicle Fuel Tax	
Eligible jurisdictions	All cities, towns, and counties
Estimated 2022 distribution	**Cities:** $1.16 per capita **Counties:** *No estimate provided. Determined by CRAB formula based on population, annual road costs, and annual monetary needs.*
Payments received	Quarterly, at the end of March, June, September, and December
Revenue must be used for	Highway purposes

Multimodal Transportation	
Eligible jurisdictions	All cities, towns, and counties
Estimated 2022 distribution	**Cities:** $1.32 per capita **Counties:** *No estimate provided. Determined by CRAB formula based on population, annual road costs, and annual monetary needs.*
Payments received	Quarterly, at the end of March, June, September, and December
Revenue must be used for	Any transportation purposes

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PER CAPITA SHARED REVENUE FORECAST TABLES – CITIES

The tables below include projections and estimates for the 2022 and 2023 budget years. These are based upon current information that we have received from WSDOT, ERFC, and other state agencies, population growth, and inflationary increases such as the fiscal growth factor for criminal justice. Also see our online State Shared Revenue Estimator for forecasts tailored to your specific jurisdiction (for 2022 only).

Please note that these are point-in-time estimates as of July 2021. Some of these distributions are relatively stable and are not likely to change much unless there is new legislation. However, other distributions may fluctuate. In particular, gas tax and liquor excise revenues depend upon gallons sold at the pump and actual liquor sales, while per capita marijuana distributions may change as cities enact or repeal marijuana bans. To mitigate fluctuations in these more volatile revenues, consider reviewing the state's quarterly Transportation Revenue Forecast (for MVFT) and ERFC Revenue Forecast (for overall liquor revenues).

Total Distributions to All Cities and Towns

	2018	2019	2020	2021 Revised	**2022 Forecast**	**2023 Forecast**
Gas Tax (MVFT)	98,222,951	94,901,817	84,622,419	87,160,975	**91,914,993**	**92,782,358**
Multi-Modal Distribution	6,696,500	6,696,500	6,696,500	6,696,500	**6,696,500**	**6,696,500**
Increased MVFT	5,859,500	5,859,500	5,859,500	5,859,500	**5,859,500**	**5,859,500**
Liquor Profits	39,431,749	39,431,749	39,431,749	39,431,749	**39,431,749**	**39,431,749**
Liquor Excise	21,187,169	26,478,004	31,128,298	34,652,337	**32,645,124**	**33,018,723**
Marijuana - Per Capita Share Only	5,460,000	4,200,000	4,200,000	4,900,000	**5,600,000**	**5,600,000**
Criminal Justice–Special Programs	5,052,613	5,254,718	5,521,658	5,847,988	**6,186,586**	**6,531,798**
Criminal Justice–Population	1,497,071	1,556,953	1,636,047	1,732,737	**1,833,063**	**1,935,347**
TOTAL	$183,407,553	$184,379,241	$179,096,171	$186,281,786	**$190,167,514**	**191,855,975**

Estimated Per Capita Distributions for Each City/Town

	2018	2019	2020	2021 Revised	**2022 Forecast**	**2023 Forecast**
Gas Tax (MVFT)	20.67	19.62	17.23	17.46	**18.15**	**18.05**
Multi-Modal Distribution	1.41	1.39	1.36	1.34	**1.32**	**1.30**
Increased MVFT	1.23	1.21	1.19	1.17	**1.16**	**1.14**
Liquor Profits	8.30	8.15	8.03	7.90	**7.79**	**7.67**
Liquor Excise	4.46	5.48	6.34	6.94	**6.45**	**6.42**
Marijuana - Per Capita Share Only[1]	1.53	1.16	1.14	1.34	**1.49**	**1.47**
Criminal Justice–Special Programs	1.07	1.07	1.12	1.17	**1.24**	**1.29**
Criminal Justice–Population[2]	0.32	0.30	0.31	0.33	**0.35**	**0.37**

1. Marijuana excise funds may only be distributed to cities/towns that do not prohibit the siting of any state licensed marijuana producer, processor, or retailer. Changes to local ordinances can potentially impact the per capita distribution amounts.

2. Minimum distribution of $1,000 per city/town, regardless of population.

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PER CAPITA SHARED REVENUE FORECAST TABLES – COUNTIES

The tables below include projections and estimates for the 2022 and 2023 budget years. These are based upon current information that we have received from ERFC and other state agencies, as well as population growth. Also see our online State Shared Revenue Estimator for forecasts tailored to your specific jurisdiction (for 2022 only).

Please note that these are point-in-time estimates as of July 2021. Some of these distributions are relatively stable and are not likely to change much unless there is new legislation. However, other distributions may fluctuate. In particular, liquor excise revenues depend upon actual liquor sales, while per capita marijuana distributions may change as counties enact or repeal marijuana bans. To mitigate fluctuations in liquor revenues, consider reviewing the quarterly ERFC Revenue Forecast, which can provide an indicator of overall liquor revenue increases or decreases.

Total Distributions to All Counties

	2018	2019	2020	2021 Revised	**2022 Forecast**	**2023 Forecast**
Liquor Profits	9,857,937	9,857,937	9,857,937	9,857,937	**9,857,937**	**9,857,937**
Liquor Excise	5,523,993	6,024,018	7,134,559	8,015,569	**7,513,766**	**7,607,166**
Marijuana - Per Capita Share Only	8,190,000	6,300,000	6,300,000	7,350,000	**8,400,000**	**8,400,000**
TOTAL	$23,571,930	$22,181,955	$23,292,496	$25,223,506	**$25,771,703**	**$25,865,103**

Estimated Per Capita Distributions for Each County

	2018	2019	2020	2021 Revised	**2022 Forecast**	**2023 Forecast**
Liquor Profits[1]	3.85	3.80	3.74	3.70	**3.65**	**3.61**
Liquor Excise[1]	1.89	2.32	2.71	3.01	**2.78**	**2.79**
Marijuana - Per Capita Share Only[2]	1.32	1.02	0.97	1.13	**1.21**	**1.19**

1. Liquor distributions are based on unincorporated population.

2. Marijuana distributions are based on "total proportional" population, including incorporated areas. Funds may only be distributed to counties that do not prohibit the siting of any state licensed marijuana producer, processor, or retailer. Changes to local ordinances can potentially impact the per capita distribution amounts.

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Assessing Your Budget Document

We conclude *Budget Suggestions* with this two-page budget assessment scorecard on the following pages. This tool may also be found on our website at mrsc.org/budgeting, and we hope that you decide to take this first step to a more comprehensive budget document.

This scorecard is intended to help you evaluate and make small steps over the course of several years to improve the content of your comprehensive budget document, with the goal of providing your reader with a more transparent and easily understood budget.

In addition, the GFOA has a Distinguished Budget Presentation Award Program (Budget Awards Program) that goes into much further detail.

Budget Document Scorecard

Use the following evaluation scorecard to see where your budget document excels and where there might be room for improvement. If you fill out this form electronically using Adobe Acrobat or Acrobat Reader (free), the point total at the bottom will be calculated automatically. *(Some web browsers also support this feature, but others may not.)*

ASSESSMENT QUESTION (SEE NEXT PAGE FOR FURTHER GUIDANCE)	POINT RANGE	SCORE
Does the budget include a table of contents and a glossary of terms?	0 – 2	
Does the budget describe the organization (such as an org chart)?	0 – 2	
Does the budget message address major strategic issues (assumptions, trends, problems, and opportunities)?	0 – 4	
Does it include a clear mission or "broad goals" statement?	0 – 2	
Does the budget include goals for the year / biennium, including how they connect to strategic long-term goals?	0 – 3	
Are relevant financial policies included and referenced?	0 – 3	
Does the budget include a summary of major revenues and expenditures for at least a three-year period (prior year actual, current year, and proposed budget)?	0 – 3	
Is the overall financial plan clear? Is there a forecast of at least 3 years?	0 – 5	
Is there a chart showing staffing by department which provides historical information (comparative) such as FTEs?	0 – 4	
Does the budget document discuss reserves (policy, targets, levels, planned uses, plans to restore)?	0 – 4	
Is there a description of the programs and activities provided that includes measurable objectives? Are they related to the goals?	0 – 4	
Does the budget discuss current debt levels by debt types (general obligation, revenue, assessment) including comparisons to legal limits?	0 – 3	
Does the budget include a list of capital projects for the year? Does it discuss how the improvements will impact future operating budgets?	0 – 4	
Does the budget convey its messages clearly with graphs, tables, or other means throughout the document?	0 – 2	
Is the overall budget format easy to follow and use?	0 – 2	
Would a citizen or an elected official feel this is a user-friendly budget?	0 – 4	
Does the budget document provide the reader with opportunities to gain further information?	0 – 2	
Total	**53 possible**	0

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Further guidance regarding the Budget Document Scorecard: The order of the questions typically represents the order this information is found in budget documents. The following is a description of the ideals for each section.

Does the budget include a table of contents and a glossary of terms?
A simple table of contents should be included. A glossary of terms unique to budgeting and to your particular organization should also be included. An index is a bonus.

Does the budget describe the organization (such as an org chart)?
An organization chart of the entire government is needed but often not enough to describe the organization to an "outsider." Add defining narrative to help bridge the gap.

Does the budget message address major strategic issues (assumptions, trends, problems, and opportunities)?
The most important element of your budget is your message. Here you can incorporate other elements (see below) but should be sure to tell your story. Describe what you emphasized (and de-emphasized) in this budget and why! Talk about more than numbers.

Does it include a clear mission or "broad goals" statement?
What is the purpose of your organization? If you haven't discussed it and written it down, there is likely confusion on that point. Be sure to include it in the budget!

Does the budget include goals for the year / biennium, including how they connect to strategic long-term goals?
A great budget message element is to describe what things of significance you hope to accomplish during the budget period.

Are relevant financial policies included and referenced?
At a minimum discuss reserve, revenue, budget and expenditure policies. Don't include non-budget policies (such as purchasing or investments), but you can make reference to them. Describe where this budget might deviate from your policy guidance (or clearly state that it is consistent with policy).

Does the budget include a summary of major revenues and expenditures for at least a three-year period (prior year actual, current year, and proposed budget)?
Include fund balances as well. This is your "financial plan." Fewer, simple charts are best! Graphs are great but need some captions to interpret them – and make your points.

Is the overall financial plan clear? Is there a forecast of at least 3 years?
Along with the financial summary, include a forecast of the major operating funds. Keep to high-level account descriptions (avoid too much detail). Summarize into thousands.

Is there a chart showing staffing by department which provides historical information (comparative) such as FTEs?
Staffing is often the most significant cost. Also, this can help provide insight into how the government is organized.

Does the budget document discuss reserves (policy, targets, levels, planned uses, plans to restore)?
Fund balance changes of more than 10% should be explained. Uses of fund balance in your budget should be explained as well.

Is there a description of the programs and activities provided that includes measurable objectives? Are they related to the goals?
"Narratives" take many forms. Basically describe what you are doing, why you are doing it, and who is the customer. This can be organized by department, fund, program, or community priority.

Does the budget discuss current debt levels by debt types (general obligation, revenue, assessment) including comparisons to legal limits?
Debt or other legal / financial obligations can be a significant budgetary and financial issue. Transparency is the key – but again at a summary level. What debt exists and why? How does it compare to legal limits and ability to pay?

Does the budget include a list of capital projects for the year? Does it discuss how the improvements will impact future operating budgets?
Capital budgets are challenging to present in clear and simple ways. However a few schedules of sources and uses of funds, along with descriptions of your largest projects, works well. Be sure to discuss operating budget impacts.

Does the budget convey its messages clearly with graphs, tables, or other means throughout the document?
Budgets can be intimidating – try to avoid jargon, long-running paragraphs of text, too many details, and other potential distractions.

Is the overall budget format easy to follow and use?
Consider a "highlights" or other ways to convey the most important points. Most casual readers will look at the message and a few additional pages. Use this limited attention well!

Would a citizen or an elected official feel this is a user-friendly budget?
A "budget in brief" or some other summary is often helpful. Put the hot-button issues right up front. Be clear about what you are proposing – in simple terms.

Does the budget document provide the reader with opportunities to gain further information?
Provide references to your website, other documents, staff contacts, and other ways that someone can find out more about the budget or a related topic.

MRSC

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