

POLICY NOTE

Key Findings

1. *The King County Executive wants to raise the property tax by \$392 million over six years to create a new county social program.*
2. *The owner of a median-priced home would pay about \$420 in the first six years.*
3. *The proposal comes at a time of rising tax burden for people living in Seattle and King County, particularly given Sound Transit's proposal to increase regressive sales taxes.*
4. *The County Executive's proposed property tax increase would fall hardest on those who can least afford it, low-income households, the unemployed, and elderly people living on fixed incomes.*
5. *The program would duplicate early learning intervention programs already provided at the city, state and federal level.*
6. *The proposed program is not a core service for counties, although county charter services, like roads and public safety, are reported as underfunded.*
7. *The program would discriminate against families that choose to keep their very young children at home; many parents are uncomfortable with enrolling very young children in a county social program.*

King County Executive seeks property tax increase to create new social program

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July 2015

Introduction

King County Executive Dow Constantine has announced he wants to raise the property tax paid by county residents by \$392 million over six years to create a new social program to be operated by county officials.

The proposal would impose a new annual property tax rate of 14 cents per \$1,000 of assessed value, to be paid by homeowners, renters and business owners living in the county. Once enacted, temporary levies in this area tend to become permanent, so the higher tax would likely continue beyond the initial six years. The proposal includes a tax-escalator clause of 3 percent per year.

New property tax

Below are estimates of how much the owner of a median-priced home would pay in the county as a whole, and in specific areas of the county, over the first six years of the levy, based on current median home prices reported by *The Seattle Times*.¹

- King County the homeowner would pay \$420.00
- Seattle the homeowner would pay \$449.40
- Eastside the homeowner would pay \$530.88
- N. King County the homeowner would pay \$246.60
- S.E. King County the homeowner would pay \$267.96

(Note: Actual tax payments by median homeowners would likely be higher, if based on the same levy rate, as home values rise in future years.)

King County's rising tax burden

The tax increase proposal comes at a time of rising tax burdens for people living in King County and in the county's largest urban area, Seattle. Examples include: A \$696 million, six-year property tax for EMS services; a \$396 million, six-year property tax for county parks; a \$45 million annual increase in regressive sales taxes and car fees in Seattle for Metro Transit; a \$235 million, six-year property tax increase in Seattle for early learning programs.

These voter-approved tax increases are in addition to increases in regular tax collections imposed by cities, the county and other taxing districts through

¹"Home prices in Seattle jump 18.9% from year ago," by Coral Garnick, *The Seattle Times*, April 6, 2015, and "Median single-family home in King County reaches \$500,000," by Natasha Chen, KIRO News, July 7, 2015.

the annual budget process. (Properties in King County can be taxed by as many as ten districts in one year.)

Further, the state has imposed a \$518 million tax on Sound Transit construction projects, to be paid by people living in Sound Transit's taxing area in King, Pierce and Snohomish counties, and state lawmakers recently raised the gas tax by 11.9 cents per gallon, bringing the total per-gallon tax drivers will pay to 67.6 cents.

Additional possible new taxes include a request by Seattle officials for a \$935 million, nine-year property tax for street repair, and an effort by Sound Transit officials to increase taxes for urban residents in King, Pierce and Snohomish counties by up to \$15 billion. Most of the new taxes Sound Transit officials want would be in the form of increases in local regressive sales taxes. A vote on that proposal could come as early as next year.

In this context, Executive Constantine's request comes as King County residents face an array of current and near-term increases in their financial burden. Many represent increases in regressive taxation, with the effect of reducing take-home pay for working families, negatively impacting the unemployed, and increasing income inequality throughout the county.

Concerns over creating a county early learning intervention program

In addition to raising the financial burden on county residents, the proposal raises a number of concerns over the effectiveness of creating a county early learning intervention program, and how it may discriminate against families that choose to raise very young children primarily at home, without participating in a government social program. These concerns are summarized here.

1. Research indicates early learning intervention programs do not always help children, due primarily to the documented fade-out effect.² By later grades there is often no measurable learning benefit to children enrolled in an early learning intervention program, compared with children who stayed at home with a parent or caregiver.
2. The creation of a county social program can be seen as a policy that chooses to discriminate against families that decide to keep very young children at home in a protected domestic environment.

Many parents are uncomfortable with placing their young children in an institutional setting at such an early age, or enrolling them in a government social program.

Often it is not appropriate to place very young children in a group setting, or to enroll them in a social program, before they are socially ready, rather than letting them develop socially and emotionally as individuals at home.

Many families with young children will choose to not participate, or will be told they are not eligible, even though they will be required to reduce their take-home income to pay the taxes that support the program. For this reason some county residents may see the social program as unfair.

2 "Early Learning Proposals in Washington State," by Liv Finne, Policy Brief, Washington Policy Center, Section VI, "The Fade-out Effect and Institutionalized Early Learning Programs," December 2007, at <https://www.washingtonpolicy.org/sites/default/files/EarlyLearningText.pdf>.

3. Many parents and residents without children may see the new social program as a lifestyle subsidy, because it would require taxpayers to provide daycare or other services for some families but not for others.

This view that the proposal discriminates among families, because it is intended to give public funding and approval to some family child-raising arrangements but not others, may contribute to the concern that the program is unfair.

4. King County would be taking on a new mission, early learning and education, that county governments in Washington generally do not provide. At the same time, officials say they lack the necessary resources and focus to maintain levels of core services the county does provide. For example:

Officials have decided to stop maintaining some county roads, leaving them to revert to gravel;

Recently, Executive Constantine threatened to cut dozens of Metro bus routes, arguing a lack of funding;

Law enforcement and public safety are a core county function, yet the County Sheriff reports that his office is underfunded.³

5. The proposed Best Start for Kids social program duplicates similar programs already funded and operated by state, federal and city officials. For example:

The state Department of Early Learning spends about \$600 million a year;

The state education budget provides funding for all-day kindergarten in high-poverty schools, and will soon expand to 75 percent of all schools in the state;

The recently-passed Seattle Families and Education Levy provides \$235 million to early learning programs;

The federal Head Start program is spending \$8.6 billion in fiscal 2015, including \$500 million for Early Head-Start Child Care Partnerships (EHSCCP) program.

Taxpayers in Seattle and King County contribute to all of these early learning and childcare programs. Adding a county social program, one not required by the county charter, may lead taxpayers to feel they are being required to pay more than once to accomplish the same public goal.

6. Competes for education funding for Seattle levy and state dollars. People are less likely to support school funding when the county increases their taxes for a new early learning and intervention program.
7. Given the broad array of existing early learning and childcare programs, a cynical view may lead some to see the Best Start for Kids proposal as not entirely about helping children; that it involves an element of political symbolism, a way for officials at the county level to express a concern for children, even though officials at other levels of government are already funding similar programs.

Officials who promote growth in public spending tend to gain the support of interests or constituent groups that stand to benefit. Creating a county social mission to provide intervention services or tax-funded daycare, and imposing

³ “King County Sheriff calls his agency a ‘shadow’ of former self,” by Tim Haeck, KIRO News Radio, October 2, 2014, at <http://mynorthwest.com/11/2616680/King-County-Sheriff-calls-his-agency-a-shadow-of-former-self>.



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Published by
Washington Policy Center
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a tax revenue stream of nearly \$400 million in new spending, may be seen as a way to do that.

Conclusion

While the pros and cons of creating a new county social program, one that is not a core county function, may be debated, there is no doubt the new taxes required by Best Starts for Kids would fall hardest on those who can least afford it – poor households, the disabled, the unemployed and elderly people living on fixed incomes.

In particular, Executive Constantine's proposal would fall disproportionately on low-income families, contributing to rising income inequality in King County. Wealthy households would have little trouble paying the new property tax, but the largest effect would be felt by low-income homeowners and renters, especially in years when property values rise but their household income does not. Homeowners, renters and business owners must pay the full property tax assessed by the county, regardless of ability to pay.

The concern about duplicating programs is especially important because early learning intervention is not a role of county government, especially at a time when the county's charter-mandated services are underfunded. In that regard, the program may be seen as unfair to families that choose to raise their very young children at home rather than participate in a tax-funded intervention program, while core county services are allowed to deteriorate.

County officials who want to increase taxes say the new program would provide the "best start for kids," but an increase in the property tax burden would make it harder for all families in King County to care for their children, especially for families living on fixed and limited incomes.