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Local Government Fiscal Crisis

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History of MVET Backfill

Motor Vehicle Excise Tax (MVET) provided a major revenue stream for localities throughout our State. In 1999, MVET was repealed by I-695. The State Supreme Court found I-695 unconstitutional, but the Legislature repealed MVET in 2000.

With the repeal of MVET, annual losses to cities were over \$100 million per year. (Counties lost \$49.7 million per year, and public health lost \$24 million.)

The chart below delineates MVET allocations to cities prior to the 2000 repeal:

Account	Eligible Use	Distribution Basis

<i>Municipal Criminal Justice Asst.</i>	12%	Criminal justice	Half based on high crime rate; Half based on historical crime rate, population and innovative law prgms (e. g. domestic violence, child abuse prevention)
<i>Muni Sales & Use Tax Equalization</i>	42%	No restrictions	Per capita sales tax collections (cities at/ below 70% of the statewide avg.)
<i>City Police and Fire Protection</i>	46%	Police/Fire	By population to all cities
	100%		

Cities and counties did received final distributions of MVET, reflecting final quarter 1999 collections, in January 2000.

The following provides a breakdown of MVET backfill distributions:

Fiscal Years 1999-2001

In 2000, the legislature approved \$66.3 million in backfill funding to all cities for the remainder of the FY99-01 biennium (EHB 2487). Collectively cities received 51% of 18 months' MVET losses.

City Distribution:

- 2000: Cities received 1/3 of Fiscal Year 2000 for remainder of Calendar Year 2000, which resulted in a distribution of \$21.7 million.
- 2001: Cities received 2/3 of Fiscal Year 2001 for Calendar Year 2001, which resulted in a distribution of \$44.6 million.

Formula:

- The formula was designed to replace 37% of MVET losses to all cities.
- An additional distribution was provided to ensure no budgetary loss in excess of 7.5% of unrestricted revenues
- The formula also provided \$1.3 million for emergencies and errors and earmarked the remainder for smallest cities by ascending order of population to ensure no budgetary loss in excess of 5% of unrestricted revenues.

Task Force:

A task force was also created to determine a distribution formula for ongoing assistance to cities and counties and report to the legislature in November 2000. The task force recommended ongoing assistance to all cities at the 2001 level, increased by an annual inflation factor.

Counties:

Counties received \$35.6 million over 18 months according to the following distribution cycle:

- 1/3 of Fiscal Year 2000, which totaled \$11.9 million
- 2/3 of Fiscal Year 2001, which totaled \$23.7 million

These distributions replaced 53% of MVET losses to all counties with additional funding for hardest hit counties.

Public Health

Public Health received \$33.2 million over 18 months from the health services account:

- 1/3 of Fiscal Year 2000, which totaled \$11.1 million
- 2/3 of Fiscal Year 2001, which totaled \$22.1 million

These distributions replaced 90% of MVET losses from the health services account.

Fiscal Years 2001-2003

In 2001, the legislature provided two years of additional funding to all cities for 2002 and 2003 based on the 2001 distributions, increased by the fiscal growth factor. City distributions for 2002 replaced about 44% of annual losses.

In 2002, the 2003 distributions were cut from \$47.3 M for all cities to \$8 M for just the 134 cities that lost more than 10% of their 2000 operating budget.

City Distribution:

- 2002: \$45.9 M to all cities
- 2003: \$8 M to 134 cities

Formula:

- 2002: 2001 distribution increased by fiscal growth factor
- 2003: sliding scale % of 2002 distribution to 134 cities impacted more than 10%, rounded to nearest \$1000

Counties:

- 2002: \$24.4 M, 2001 distribution increased by fiscal growth factor
- 2003: \$5 M reduced from \$25.1 M, limited to 18 counties

Public Health:

- 2002: \$23.8 M, 2001 distribution increased by fiscal growth factor
- 2003: \$24.5 M, 2002 distribution increased by fiscal growth factor

FY 03-05

In 2003, the Governor proposed cutting all distributions to cities and counties. The budget provided \$48 M to continue funding for public health.

The final budget restored \$3 M to 134 cities for 2004 and \$2 M for 2005, restored \$5 M to counties (all distributed in 2004), and retained \$48 M to public health for 2004 and 2005. In 2004, counties received \$4 M for 2005 in the supplemental budget

FY 05-07

In 2005, the Legislature approved [ESSB 6050](#) to provide on-going assistance to low tax base cities and counties. The city distribution is based on a modified sales tax equalization and property tax equalization formula. For more information on ESSB 6050, distributions and funding [click here](#).

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