

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of County Commissioners

FROM: Josh D. Peters, County Administrator
Judy F. Shepherd, Finance Director

DATE: July 14, 2025

SUBJECT: **WORKSHOP and POTENTIAL ACTION re: 2026 Budget Goals and Objectives preview; General Fund and Road Fund projections with revenue options**

STATEMENT OF ISSUE:

The 2026 budget process is upon us. Staff plans to seek Board approval of budget goals and objectives on July 21. This workshop offers a preview of proposed budget goal and policies. A theme of the budget message from the County Administrator's Office this year is that projections for the General Fund and the Road Fund for the next five years indicate prospective budgetary challenges if revenue is not increased and/or expenditure is not curtailed.

With respect to future revenue, there are two sales tax revenue options available to counties for specific purposes that, if enacted by the Board or approved by voters this November, would affect the 2026 budget and beyond.

1. Adopt via Board action a 1/10 of 1% for law and justice, a local option tax authorized this year via enactment of House Bill (HB) 2015.
2. Ask the voters in unincorporated Jefferson County to approve (by a simple majority) up to an additional 2/10 of 1% sales tax for the county's Transportation Benefit District (TBD) already created by the Board.

ANALYSIS:

Councilmanic Action

As authorized through HB 2015, between now and mid-2028 the Board of County Commissioners could adopt a 1/10 of 1% sales tax for law and justice. The bill title of HB 2015 is stated as follows:

Improving public safety funding by providing resources to local governments and state and local criminal justice agencies, and authorizing a local option tax.

Excerpts from the Final Bill Report for HB 2015:

By June 30, 2028, the legislative authority of a city or county may approve a sales and use tax of 0.1 percent.

Cities or counties are only eligible to impose this tax only if the city or county meets the requirements to receive funding from the Grant program created under the act. In addition, a city or county that has not issued and implemented policies and practices are required under the grant application

requirements is not eligible to impose the tax. To establish that a city or county qualifies to impose the tax, the city or county must submit documentation to the CJTC demonstrating the city or county meets the requirements of the grant application. If the CJTC, in consultation with the AGO is unable to verify the submittal within 45 calendar days, CJTC must notify the agency of any deficiencies.

The moneys from this tax must be used for criminal justice purposes. Criminal justice purposes means activities that substantially assist the criminal justice system, which may include circumstances where ancillary benefit to the civil justice system occurs, such as:

- domestic violence services such as those provided by domestic violence programs, community advocates, and legal advocates;
- staffing adequate public defenders to provide appropriate defense for individuals;
- diversion programs;
- reentry work for inmates;
- local government programs that have reasonable relationship to reducing the numbers of people interacting with the criminal justice system;
- community placements for juveniles; and community outreach and assistance programs, alternative response programs, and mental health crisis response.

Note also that RCW 82.14.340(3) requires revenue sharing with cities within a county jurisdiction:

When distributing moneys collected under this section, the state treasurer must distribute 10 percent of the moneys to the county in which the tax was collected. The remainder of the moneys collected under this section must be distributed to the county and the cities within the county ratably based on population as last determined by the office of financial management. In making the distribution based on population, the county must receive that proportion that the unincorporated population of the county bears to the total population of the county and each city must receive that proportion that the city incorporated population bears to the total county population.

If the Board were to enact this additional 1/10 of 1% sales tax for law and justice per HB 2015, projected sales tax revenue (anticipated six months following enactment) would be factored into the 2026 Annual Budget (and beyond). Staff would work with the Sheriff and Prosecuting Attorney to identify and allocate the county's share of this revenue source. However, if the Board chooses wait and consider this revenue option at a future time, the 2026 Annual Budget would not factor in the additional sales tax revenue.

Ballot Measure

State law enables the establishment of Transportation Benefit Districts (TBD) in Washington State.

Background may be found on this Municipal Research and Services Center (MRSC) webpage:

<https://mrsc.org/explore-topics/finance/revenues/transportation-benefit-districts>

According to MRSC, TBD revenue may be used for transportation improvements included in a local, regional, or state transportation plan ([RCW 36.73.015\(6\)](#)). Improvements can range from roads and transit service to sidewalks and transportation demand management. Construction, maintenance, and operation costs are eligible.

Jefferson County has established a TBD for unincorporated Jefferson County. Revenue for the county's TBD is currently 1/10 of 1% sales tax in unincorporated Jefferson County and a \$20 vehicle license fee. State law allows up to 3/10 of 1% sales tax for TBDs; however, sales tax over 1/10 of 1% requires voter approval. (The City of Port Townsend established a TBD with funding approval from city voters for a sales

tax of 3/10 of 1% within city limits.) These sales taxes may generally not exceed 10 years, but they may be renewed for additional 10-year periods, according to the MRSC. State law also allows for a \$40 total vehicle license fee to fund TBDs; however, Jefferson County is not able to increase the current \$20 surcharge to \$40 until the current \$20 fee has been in effect for at least 24 months.

If the Board approves enacting a ballot measure on the November 2025 ballot, staff would need to prepare materials per instructions from the Auditor's Office:

<https://www.co.jefferson.wa.us/1275/Jr-District-Information>

Ballot resolutions are due to the Auditor's Office on or before **August 5, 2025**. Board direction on July 14 would enable staff to prepare materials due August 5. Final Board approval of a resolution could be scheduled for Monday, August 4.

FISCAL IMPACT:

The revenue impacts of the subject revenue tool are described above. Placing a measure of the ballot for additional TBD sales tax carries a cost of approximately \$20,000 (to be confirmed with the Auditor).

RECOMMENDATION:

Discuss proposed 2026 budget goals and objectives. Provide direction to staff on whether to prepare materials for either a councilmanic action to enable an additional 1/10 of 1% sales tax in unincorporated Jefferson County for law and justice purposes per HB 2015 and/or for a ballot measure submittal (due to the Auditor's Office on or before August 5, 2025) for a November 2025 vote regarding additional sales tax, up to 2/10 of 1%, for the extant TBD for unincorporated Jefferson County.

REVIEWED BY:



Josh D. Peters, County Administrator

7/11/2025

Date