

Initiative 1033

City of Seattle
Department of Finance

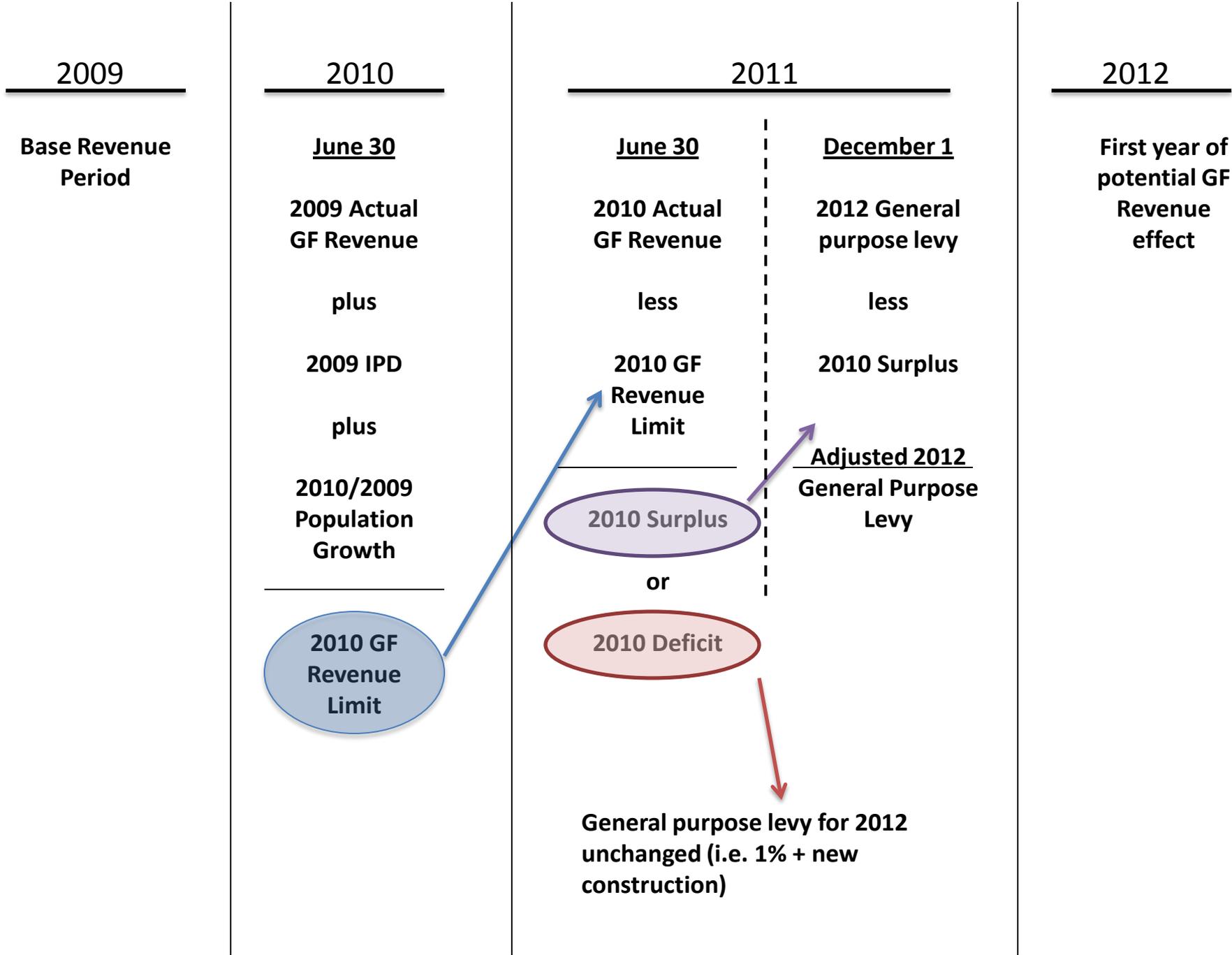
October 12, 2009

What I-1033 Does

- Caps general fund revenue to the state, counties and cities
- “Cap” is lesser of prior year revenue collection or prior year cap amount increased by inflation and population growth
- Revenue collected above the “Cap” must be used to reduce the jurisdiction’s general purpose property tax levy

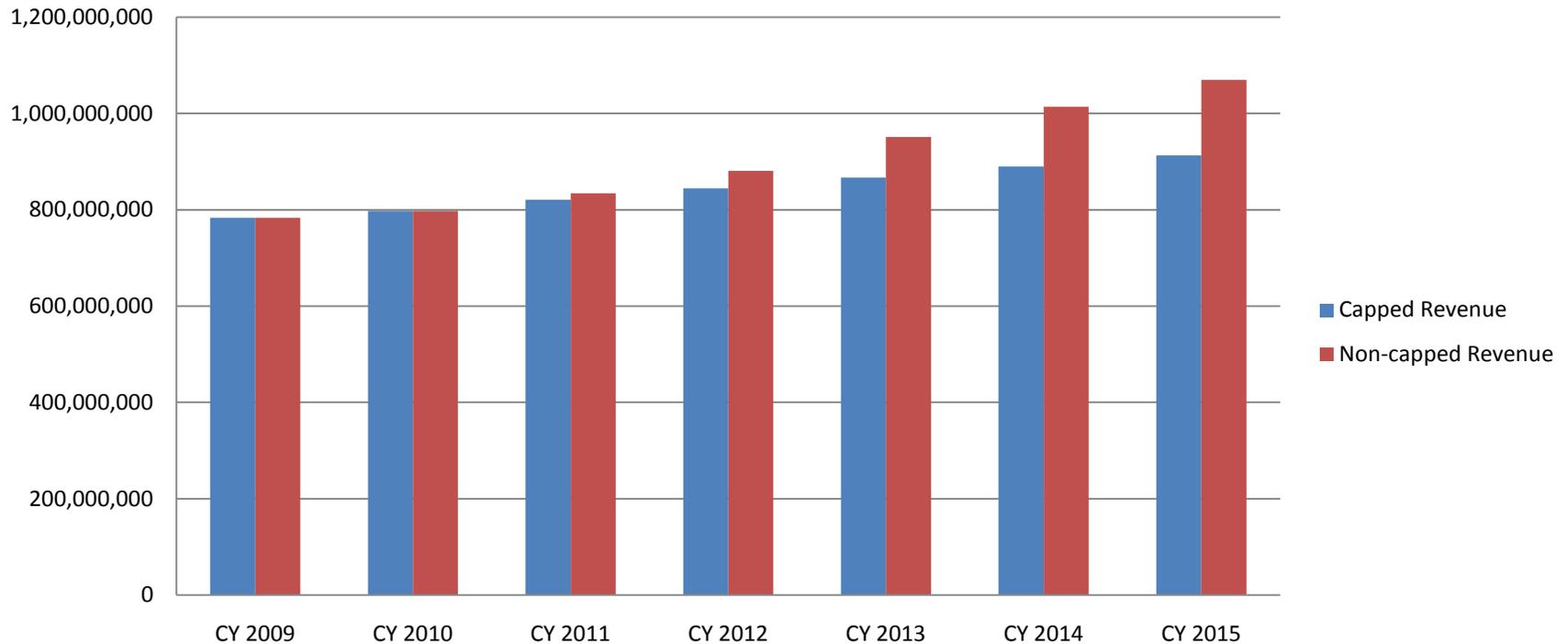
Particulars

- Inflation factor is the Implicit Price Deflator
- Population growth is based on the State Office of Financial Management's population estimates
- General Fund revenues are defined as all "taxes, fees or other governmental charges"
- New voter approved revenues are excluded from the measure of total revenues
 - "New" revenues are those approved by voters after the effective date of the initiative
- Alternative technical interpretations exist for important components of "Cap" process



Impact Increases Over Time

**I-1033 Effects: Comparison of Capped vs. Non-Capped Revenue
Estimated General Fund
Revenues, 2009-15**

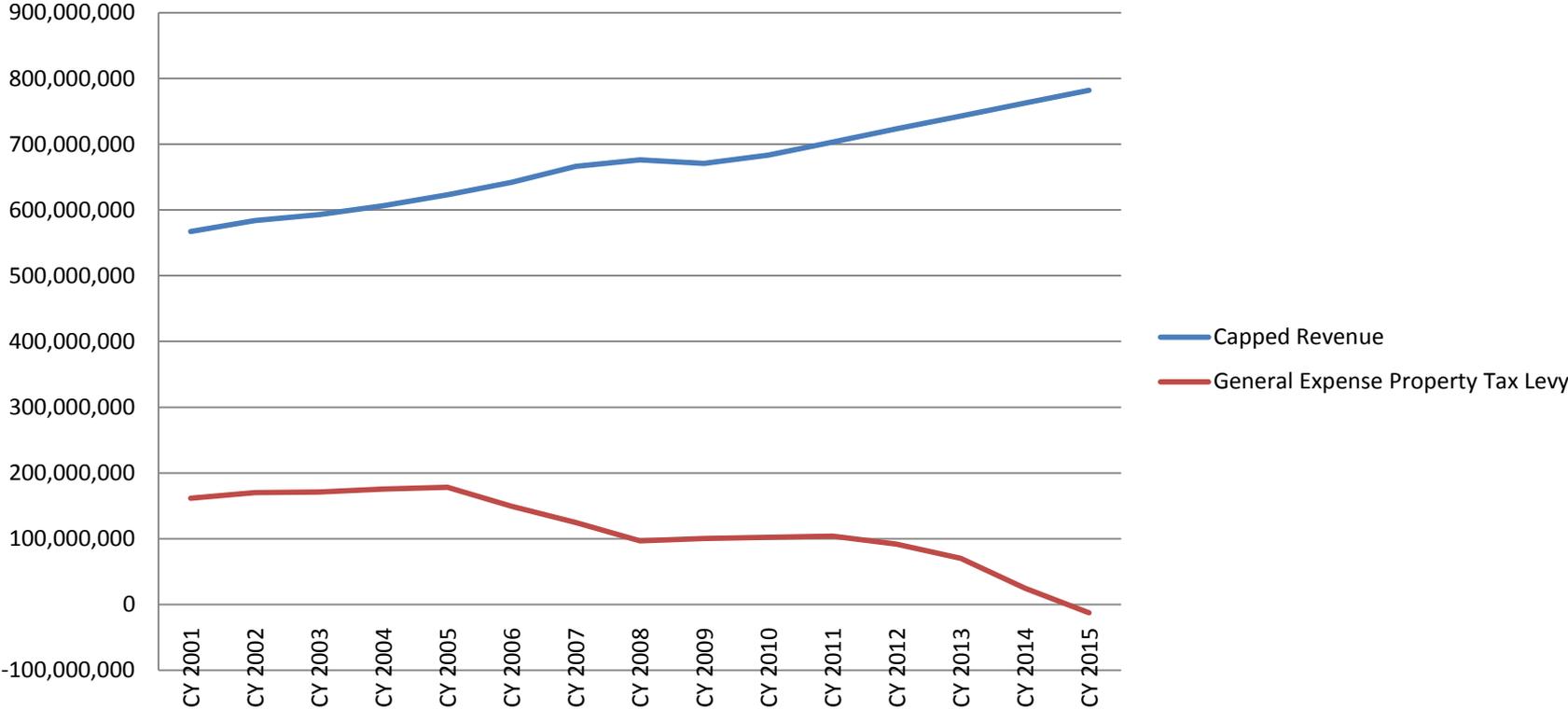


Initiative Consequences

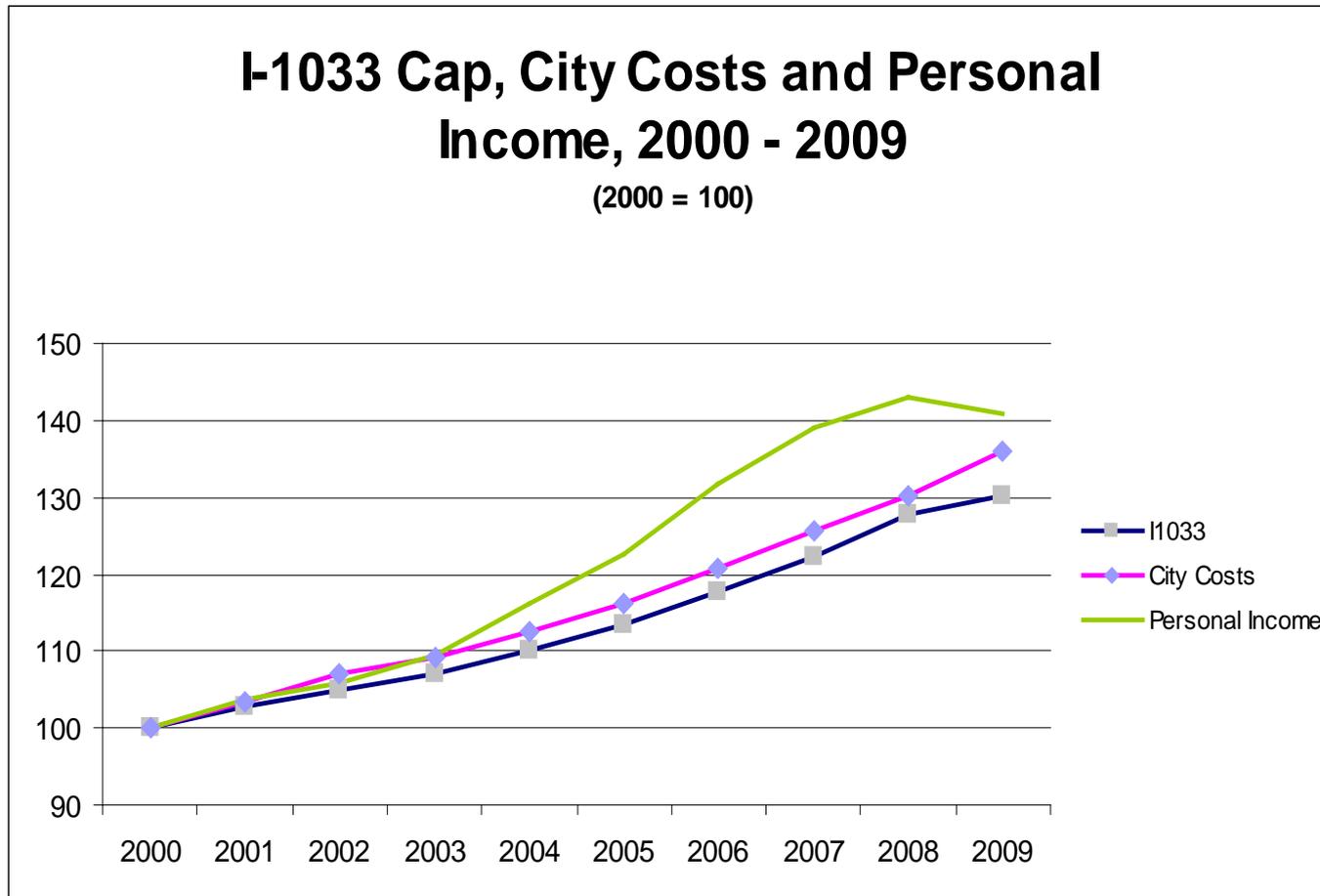
- Capped revenue growth will not keep pace with cost growth, other measures of economy
- Policy options include:
 - Increasing revenues with ballot measures;
 - Continually reduce services;
 - Alter City's cost structure restricting wage and material cost growth to expected I-1033 levels.
- General purpose property tax levy may, over time, be reduced to zero

Property Tax Would Be Zero in 2015 If I-1033 Implemented in 2001

I-1033 Effect: Capped Revenue and General Expense Property Tax Levy, 2001-15



Limit Factor Lower than City Costs or Economic Growth



Observations

- Inflation factor (IPD) is consistently 0.4% lower than CPI-W, and CPI-W is the basis for COLAs for most City labor contracts
- City costs have grown faster than Cap due to:
 - program expansions (e.g., new parks)
 - Public safety salary growth
 - Health care cost growth
- “Base year” for Cap is low point in economic cycle