

2026 Proposed Budget Summary

Mayor Bruce Harrell's 2026 Proposed Budget builds on his previous budgets by investing in programs that are working to address the critical needs facing Seattle: affordability, public safety, homelessness and a changing federal policy and budget landscape. Through a combination of savings measures, progressive revenue changes, and an improved revenue forecast, the proposed budget makes meaningful steps towards medium- and long-term budgetary stability.

As part of the fall 2024 budget process, the Mayor proposed – and the City Council adopted and endorsed – balanced budgets for 2025 and 2026. However, economic conditions shifted after the budget was adopted. The April 2025 forecast predicted \$217.8 million of overall decreases in the City's most flexible revenues across the two years: \$50.4 million lower for the General Fund and \$167.4 million lower for the Payroll Expense Tax (PET) Fund, which supports the General Fund.

After receiving this news, Mayor Harrell took immediate steps to reduce City spending in 2025 and to increase available resources, including working with Councilmember Alexis Mercedes Rinck to propose the Seattle Shield Initiative for voter consideration in November 2025 and working with Councilmember Bob Kettle and Council President Sara Nelson to propose a Public Safety Sales Tax. More detail on the steps taken to match expenditures with resources can be found in the "Actions to Balance" section below.

As a result of these actions, the City's long-term budget outlook is stronger than in recent years coming out of the COVID-19 public health emergency. A significant rebound in the August 2025 revenue forecast allows the 2026 Proposed Budget to make strategic investments in proven programs and pilot innovative approaches to address Seattle's greatest challenges:

1. Affordability
2. Public safety
3. Response to Homelessness
4. Federal Response

More information on each of these investment areas can be found in sections below.

The City operates on a modified-biennial budget cycle. This year, the second of the two-year cycle, the Mayor is proposing approximately \$8.9 billion in appropriations overall, including \$2.0 billion in General Fund.

Economy and Revenue

The national economy has remained resilient in the face of the high uncertainty triggered by tariffs and other federal policy changes. Initial expectations of rapidly increasing price levels did not materialize through the first half of the year. Inflation in the Seattle Metro Area was 2.2% in the second quarter of 2025, lower than the 3.3% anticipated as March. However, expectations of climbing inflation now extend into 2026. Additionally, the regional labor market remains weaker than the nation with employment declining by 0.1% in the first half of 2025 relative to the 1.1% growth at the national level. Construction in the region has experienced the largest decline, driven in part by the high-interest-rate environment which continues to dampen demand. The Federal Reserve's Open Market Committee are expected to cut rates at their remaining meetings in 2025. These rate cuts if they materialize could boost the

construction sector's outlook in 2026 and, more broadly, change the outlook for the City's housing market.

Despite continued federal policy uncertainty and risks to the region's economy, revenues are expected to grow. The City's General Fund without grants and internal transfers is expected to see a 2.9% and 2.2% increase in 2025 and 2026, respectively. Payroll Expense Tax revenues are anticipated to grow by 6.4% and 1.3% in 2025 and 2026, respectively, driven by record stock market performance through the first half of the year, despite the volatility in response to early tariff announcements. Real Estate Excise Tax revenues are expected to grow by 8.8% and 13.2% in 2025 and 2026, respectively, despite the pullback in real estate transactions and a struggling commercial market.

Actions to Balance

As mentioned above, the Mayor proposed and then the City Council adopted and endorsed budgets for 2025 and 2026 that matched expenditures with anticipated revenues. Subsequently, the April 2025 Economic and Revenue forecast estimated that the City would have \$217.8 million less combined General Fund and Payroll Expense Tax (the City's two most flexible funding sources) over those two years. As a result, the Mayor took several important steps to fulfill the City's legal obligation to arrive at a balanced, sustainable budget:

- immediately slowed spending on hiring, travel/training, contracts and new programs;
- asked City departments for reductions to redundant programs and positions;
- used savings realized from efforts to reduce spending in 2024;
- partnered with Councilmember Alexis Mercedes Rinck to send the Seattle Shield Initiative to the voters;
- proposed the newly authorized Public Safety Sales Tax to sustain public safety and allow for new investments;
- made prudent investments in the City's fiscal reserves; and
- received improved news in the Office of Economic and Revenue Forecasts (OERF)'s August revenue projection.

2025 Underspend

At the Mayor's direction, the City Budget Office worked with each department to identify an approach to reduce General Fund and Payroll Expense Tax Fund spending in 2025. The underspend plan in 2025 creates a resource that is available for programming in 2026 without impacting direct services or prior commitments. The underspend plan holds harmless all spending on affordable housing investments, homelessness funding, and equitable development initiative spending.

Reductions and Restructures

The Mayor evaluated reductions of between two and eight percent from all departments. Ultimately, the 2026 Proposed Budget reduced spending in some programs by eliminating vacant positions and using other approaches designed to minimize impacts on public-facing programs and services.

New Revenues

- In July 2025, Mayor Harrell and Councilmember Alexis Mercedes Rinck proposed a restructuring of the City's Business and Occupation (B&O) Tax that lowered or eliminated the tax on most businesses while raising it on larger businesses. If approved by voters, the proposal will generate an estimated \$81 million of net new revenue for the City's General Fund.
 - The proposed budget uses approximately \$51 million of that amount to address the City's structural General Fund deficit.
 - The remaining \$30 million is reserved for the cost of administering the tax and to address needs resulting from changes in the federal government's budget or policy. See the *Federal Response* section below for more details on this spending.
- In September 2025, Mayor Harrell transmitted Public Safety Sales Tax legislation to the City Council increasing sales tax rates in the City of Seattle by a 0.1% increment. The Washington State Legislature authorized cities to implement this sales tax earlier in 2025 for criminal justice uses. The Public Safety Sales Tax will generate approximately \$39 million in 2026. Please see the *Public Safety* section below for more information on the investments supported by this additional revenue.

Fiscal Reserves

- Consistent with the City's financial policies, the proposed budget fully funds contributions to the Revenue Stabilization Fund (RSF or "Rainy Day Fund"), a reserve fund established to draw upon in the event of a sudden, unanticipated shortfall in revenue due to economic downturns or other factors. City Code limits the balance of this reserve to five percent of General Fund tax receipts. After drawing down funds during the COVID-19 pandemic and related economic downturn, the fund was fully replenished in 2022; and the budget includes a \$3.1 million contribution to the Rainy Day Fund to maintain full funding with a total of \$71 million in fund balance anticipated at the end of 2026.
- Similarly, the proposed budget fully funds the Emergency Fund, a reserve fund established to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. Similar to the Rainy Day Fund, the City drew down the Emergency Fund over two years during the pandemic. In 2022, the City began a five-year rebuilding cycle with the City making annual transfers to replenish the fund to its targeted fund balance which annually increases with inflation. In 2025, the City finished building back the Emergency Fund to the target level; and the proposed budget includes a \$2.6 million transfer that fully funds the Emergency Fund at a total of \$87.7 million by the end of 2026.
- The proposed budget funds the Payroll Expense Tax Stabilization Account by adding \$9 million as the first of four planned annual contributions, as required by Section 5.38.105 of the Seattle Municipal Code. The City plans to make additional similar contributions in 2027, 2028, and 2029 to fully fund the Payroll Expense Tax Stabilization Account.

August Forecast

- In August, OERF updated its revenue forecast for 2025 and 2026 with an improved outlook. In total, the updated revenue forecast for these two years anticipates that General Fund and Payroll Expense Tax Fund will be a combined \$95 million higher than the April forecast.

Mayoral Priorities

The proposed budget balanced resources in order to make new investments in four of the Mayor's priority spending areas: affordability, public safety, homelessness, and shifts in federal policy and spending. The proposed budget focuses new investments in each of these categories.

1. Affordability

Rising costs of essential goods and services continue to squeeze many household budgets in Seattle. Mayor Harrell's 2026 Proposed Budget makes historic investments in efforts to mitigate the impacts of high inflation, tariffs, and other cost drivers. Some highlights of these investments include:

- A record investment of \$350 million for affordable housing, including:
 - \$20 million of a planned four-year total investment of \$80 million in affordable housing for descendants of Black slaves;
 - \$5 million of a planned \$20 million investment for the Seattle Housing Authority's Northgate Commons Housing Project
- A record investment of \$29.4 million in the Equitable Development Initiative, which awards capacity building and capital funding to organizations serving communities at high risk of displacement to develop and activate spaces that help their communities thrive;
- An \$11.7 million investment to increase human services provider contracts by 4.6%; this is intended to support wage increases at provider organizations, including a 2.6% inflationary increase as required by ordinance as well as an additional 2.0% market adjustment;
- An investment of \$5 million (\$2.5 million in 2026 plus an additional \$2.5 million planned in 2027) for a new Back to Business Fund to support small businesses;
- In addition to the several other food investments described separately in the *Federal Response* section, the proposed budget makes investments in food access and affordability, including:
 - Providing \$700,000 to support the opening and expansion of small businesses offering healthy, fresh foods, and cultural household essentials throughout Seattle neighborhoods. This program will seek to encourage and incentivize food access, with a specific focus on food deserts, as well as new opportunities for corner stores and bodegas through changes proposed in the One Seattle Comprehensive Plan Update.
 - Funding Lake City Farmers Market for an additional 15 weeks per year and future transition to Saturdays. Following the recent announcement of the upcoming closure of the neighborhood's grocery store, this is a first step toward increasing food access in the neighborhood.
- Rental assistance (see *Federal Response* section)
- The 2025 Families, Education, Preschool and Promise Levy, which is on the November 2025 ballot, adds \$1.3 billion over the term of the levy for education support services for Seattle children, youth, and families, including \$18.5 million in the 2026-27 school year to more than

double access to affordable childcare slots to 1,400 a year and provide direct payments to support the retention of 5,000 childcare workers citywide.

2. Public Safety

Public Safety continues to be a top concern for people living, working, and playing in Seattle. For the first time since 2019, Seattle marked a milestone in 2024: police officer hiring outpaced resignations and retirements. Mayor Harrell's proposed budget anticipates continued progress on this front in 2025 and 2026; and the proposed budget also makes investments throughout the public safety ecosphere, including upstream investments designed to prevent public safety challenges from arising.

Key investments include:

- Sworn officers: SPD is forecasting hiring a record-breaking 174 new police officers in 2025 and 168 in 2026.
- Removable vehicle barriers: Installing removable vehicle barriers at Pike Place Market and at Seattle Center for pedestrian safety. In 2025, Seattle Center received \$914,000 to replace aging barriers and install new ones in critical areas on campus, in preparation for the 2026 World Cup events, to safeguard pedestrian safety. The Mayor's proposed budget provides \$1.6 million in one-time Real Estate Excise Tax I funds for removable vehicle barrier replacement and installation in four additional areas on campus and an additional \$2 million in one-time funding in SDOT for removable vehicle barriers at Pike Place Market.
- Grocery security: Dedicating \$1 million to address retail theft, property damage, and other crimes at grocery stores through the Seattle Office of Economic Development. Supporting infrastructure improvements and security solutions, investments will make grocery stores throughout Seattle safer for workers and customers.
- Neighborhood Place-Based Public Safety Improvements: This successful place-based approach was piloted Downtown beginning in September 2024 through the Mayor's Downtown Activation Team and is ready to be expanded to other neighborhoods. This coordinated, cross-department public safety strategy includes increased trash removal, spot pressure washing of sidewalks, improved lighting, and police actions focused on those causing neighborhood harm, all designed to boost economic growth. The Mayor is increasing this work by including:
 - \$4 million in a new fund to improve public safety, promote economic growth, and encourage neighborhood renewal in neighborhoods like Lake City and Little Saigon.
 - \$4.1 million in the Seattle Department of Transportation (SDOT) for DAT to do cleaning in key locations in Seattle. SDOT funding reflects service levels of 30 blocks addressed twice daily.
 - \$500,000 in the Seattle Parks and Recreation Department for a new Park Ranger Team—one Park Ranger Supervisor and two Park Rangers—and funding for additional park maintenance efforts at parks. Park Rangers enhance safety and promote voluntary compliance of park rules, and this expansion brings the total number of Park Rangers to 31.

- JET Team: The proposed budget adds \$762,000 to expand the work of the Joint Enforcement Team (JET) to conduct inspections of nightclubs, bars, restaurants, and other businesses (adult entertainment, massage parlors, mobile food vendors, special events) during after-hours times to help them maintain a safe environment for patrons and the community.

Public Safety Sales Tax:

The Mayor transmitted legislation enacting a 0.1% sales tax increment for public safety as authorized by the Washington State Legislature. This new revenue source will generate approximately \$39 million annually. The proposed budget includes:

- \$2.6 million for additional 9-1-1 call takers in the Community Assisted Response and Engagement Department (CARE);
- \$6.9 million for additional Community Crisis Responder teams in CARE;
- \$2.1 million for an additional 20-person firefighter recruit class in the Seattle Fire Department (SFD);
- \$1.5 million for a new Post Overdose Team in SFD – Health 99;
- \$5.0 million for increased Let Everyone Advance with Dignity (LEAD) diversion program capacity;
- Increase in treatment options:
 - \$1.2 million for the Downtown Emergency Service Center (DESC)'s ORCA Patient Outreach Division (POD) expansion;
 - \$2.8 million for detox and/or inpatient treatment services ; and
 - \$1.8 million to build the new Thunderbird Treatment Center
- \$15 million to provide ongoing, stable funding for the CARE department.

3. Response to Homelessness

Providing shelter and services for people experiencing homelessness has long been a priority for Mayor Bruce Harrell. To that end, the 2026 Proposed Budget maintains funding in key areas while expanding the City's efforts by investing:

- \$4 million to pilot a new partnership with the Downtown Seattle Association called the Community Solutions Initiative, which will partner with the non-profit Purpose Dignity Action to provide outreach, hotel leasing, and shelter services.
- \$7.8 million for the first phase of a planned \$26 million expansion of the City's non-congregate shelter capacity by 305 units by the end of 2027. The amount provided in this budget includes funding for site identification, start-up costs, and three months of operating funds for 155 units in 2026.

4. Federal Response

The 2025 change in presidential administration has led to policy and budgetary changes from the federal government that impact the City and its residents, workers, and visitors. The Mayor's 2026 Proposed Budget dedicates more than \$27 million from net Business & Occupation Tax revenues to make targeted investments in food, shelter, and other crucial areas being adversely affected by federal policy and funding changes, including:

- **Support for immigrant communities**

The proposed budget includes \$4 million in one-time funding and temporary staffing to support immigrant communities. This includes:

- \$1.85 million to expand existing critical programs, including workforce development for youth and English language learners, legal assistance and safety services, rapid response initiatives, and immigrant access and navigation support;
- \$1.35 million for new initiatives, including the expansion of naturalization services, the development of immigrant youth career pathways, the enhancement of integration and civic engagement programs, strengthened community navigation services, and increased outreach through ethnic media, translation, and community advisory resources;
- \$300,000 to support the expansion of rapid response efforts. These efforts involve partnerships with eight trusted community organizations to provide urgent services, such as legal consultations, Know Your Rights trainings, family safety planning, and a hotline for reporting immigration enforcement activity; and
- \$500,000 for staffing support to implement the expanded programming.

- **Food investments**

With the largest cut to Supplemental Nutrition Assistance Program (SNAP) benefits in history, President Trump slashed billions of dollars in funding dedicated to addressing food insecurity. The proposed budget adds critical funding to help feed hungry residents, including:

- Nearly doubling the City's investments in Fresh Bucks by adding an additional \$6.2 million to the program to increase the monthly participant stipend by 50% to \$60 a month and serving everyone on the current 4,000+ person waitlist;
- A \$3 million surge in investment to support local food banks, which also includes mobile food pantries, home delivery to homebound residents, and other grocery access for individuals and families; and
- Adding \$1 million to support year-round prepared hot meal access for youth, seniors, people experiencing homelessness, and others in need of a nutritious meal, building on existing City investments.

- **Emergency Rental Assistance**

The proposed budget provides \$4 million of additional emergency rental assistance.

- **Additional investments in shelter and emergency housing vouchers**

The proposed budget provides \$9 million of additional funding in the Human Services Department for backfilling federal investments for shelter and emergency housing.