

Multi-Department Revenue Summary

JumpStart Payroll Expense Tax

The 2023-2024 Proposed Mid-Biennial Budget Adjustments include \$301 million in appropriation backed by JumpStart Payroll Expense Tax (payroll tax) revenues.

The 2024 Endorsed Budget included an \$84.1 million transfer from the JumpStart Payroll Expense Tax Fund (payroll tax fund) to the City's General Fund to support general operating expenses. 2024 payroll tax revenues were forecasted to be \$311.5 million at the time the budget was passed. However, the 2024 payroll tax revenues are now forecasted to be \$289.9 million. To balance the fund, the proposed budget updates reduce the payroll tax revenue stabilization reserve by \$10 million, reduces the transfer to the General Fund for general operating expenditures by \$10 million, reduces Housing and Services by \$3.7 million and does not allocate \$2 million of the \$13 million economic revitalization reserve that was set up for new programs in 2024.

The amount remaining after the General Fund transfers described above is allocated, with two exceptions, according to the spending plan outlined in Section 5.38.055 of the Seattle Municipal Code (SMC), and amended in Ordinance 126719, which provides temporary flexibility to spend payroll tax proceeds on items deemed by the City Council to not be in alignment with Section 5.38.055 of the SMC.

The proposed budget updates includes legislation amending the Use of Funds Flexibility ordinance to add three items to the list of "exceptions" – items that are permitted to use payroll tax for this limited time but do not ordinarily clearly fall under a permitted category.

One of the permitted uses of payroll tax proceeds is for support to human service providers in the 2024 proposed budget which is being paid for by reducing the General Fund transfer that supports general operating expenses in the General Fund. The payroll tax proceeds available after General Fund transfer totals \$214 million in 2024.

This includes:

Temporary Flexibility, including Human Services Provider Pay: \$11.2 million authorized on a one-time basis in 2024 to support four existing specific investments in the endorsed budget (\$2.8 million) and three proposed new investments that would not otherwise be deemed eligible by current law as payroll tax expenditures. The existing items include a transfer to the Sweetened Beverage Tax Fund to offset decreasing revenues, funding for the Department of Education and Early Learning to support mental health services in schools, funding for the Seattle Department of Construction and Inspections (SDCI) for eviction legal defense, and funding for the Office of Planning and Community Development to support outreach and planning related to Sound Transit 3. The proposed new items include one-time startup costs for the Social Housing Public Development Authority in Finance and Administrative Services, a position in SDCI to support the process for Economic Displacement Relocation Assistance, and Human Services Provider Pay.

Human Services Provider Pay includes \$7.4 million in payroll tax-backed investments in organizations contracted by the City to provide human services, child health and development services, and support and outreach to people experiencing homelessness. These investments include childcare worker support in the Department of Education and Early Learning (DEEL) and investments in pay increases for employees at organizations that provide human services in partnership with the department of Human Services (HSD), DEEL, and the Department of Neighborhoods. The City Council added \$600,000 to HSD's 2022 Adopted Budget for a wage equity study. In 2023, the University of Washington completed the wage equity study and City Council passed Resolution 32094 concerning wage equity for non-profit human services workers. In the resolution Council stated their intent to consider wage equity increases to HSD administered contracts in addition to inflationary adjustments required under Seattle Municipal Code (SMC) Section 3.20.060.

Housing and Services: \$136.5 million in payroll tax-backed investments in affordable housing for low-income households. This funding will support the Office of Housing's work to develop, acquire, preserve, and operate affordable housing and foster affordable homeownership opportunities. In 2024, the funding also supports the Human Services Department's need to relocate Rosie's Village, which is a pre-development cost related to the beginning of work on an affordable housing project on the site. The 2024 Endorsed Budget included \$140.3 million of payroll tax for Housing and Services. In 2024, the budget updates reduce \$4 million from the category in response to the revised revenue projections, this reduction is offset by additional revenue for affordable housing from the 2023 Seattle Housing Levy, pending approval by the voters in November 2023.

Economic Revitalization: \$31.6 million in payroll tax-backed investments are spread across ten City departments to support a wide range of economic development and affordability programs. In 2023, the Office of Economic Development (OED) finalized the Future of the Seattle Economy (FSE) report, which provides a community-informed investment framework for the City to promote inclusive economic growth. City Council passed a resolution in support of this report, Resolution 32099. The proposed budget updates allocate the \$31.6 million of economic revitalization investments in alignment with the FSE report. The proposed budget updates maintain the commitments in the economic revitalization category that were appropriated in the 2024 Endorsed Budget. Of the \$13 million total Economic Revitalization Reserve, OED will use \$9.9 million for new items that support commercial affordability, downtown and neighborhood economic recovery, and workforce development. The budget updates also include funding for a position in the Office of Planning and Community Development for work related to the Downtown Activation Plan. The proposed budget updates include a one-time \$1 million investment in Seattle Department of Transportation for the management of the right-of-way to foster community building, placemaking, and economic vitality in Downtown as part of the Downtown Activation Plan. It also includes a one-time \$300,000 investment in the Department of Neighborhoods for Chinatown-International District community capacity building.

Green New Deal: The proposed budget updates only make technical changes to the 2024 Endorsed Budget for the Green New Deal category. The 2024 Endorsed Budget includes \$20.1 million spread across three City departments for Green New Deal programs and initiatives. Of

this amount, over \$16 million will go to the Office of Sustainability and Environment to support a range of investments in green economy workforce development, building performance and emissions standards, electric vehicles, and environmental justice. Other major investments include nearly \$2 million to the Office of Housing to support residential oil-to-electric heating conversions.

Equitable Development Initiative: The proposed budget updates make no changes to the 2024 Endorsed Budget for the Equitable Development Initiative category. The proposed budget updates provide \$20.5 million to support the Equitable Development Initiative (EDI) in the Office of Planning and Community Development. EDI invests in neighborhoods most impacted by displacement and low access to economic opportunities and aims to expand opportunity, prevent displacement, and build on local cultural assets. The proposed budget updates provide a total of \$25.2 million for EDI grants, including contributions coming from the JumpStart Payroll Expense Tax, Short-Term Rental Tax, and Community Development Block Grant.

Administration and Evaluation: \$7.1 million to support the administration of the payroll tax and evaluation of the programs funded by its proceeds. This amount includes two transfers from the JumpStart Payroll Expense Tax Fund to the General Fund. One of these transfers is \$2.6 million to cover costs not yet quantified through a formal central rate allocation formula, a \$400,000 reduction from the endorsed budget. The other transfer is \$4.3 million to cover specific administrative and evaluation expenses identified in the City Budget Office, Department of Neighborhoods, Office of Economic Development, Office of Sustainability and Environment, Department of Finance and Administrative Services, Seattle Department of Human Resources, and Legislative Department.

Department	Payroll Expense Tax Category	2024 Allocations (\$)
City Budget Office	Economic Revitalization	177,844
	CBO Total:	177,844
Department of Education and Early Learning	Temporary Flexibility (Mental Health in Schools)	1,000,000
	NEW Temporary Flexibility - Human Services Provider Pay	2,900,000
	DEEL Total:	3,900,000
Department of Finance and Administrative Services	Green New Deal	1,286,235
	Temporary Flexibility (Social Housing PDA Start-Up Costs)	850,500
	FAS Total:	2,136,735
Department of Neighborhoods	Economic Revitalization	300,000
	DON Total:	300,000
Finance General	GF and Sweetened Beverage Tax Transfer	75,253,126
	Administration and Evaluation	7,141,200
	NEW - Temporary Flexibility Human Services Provider Pay	4,528,366
	FG Total:	86,922,692
Human Services Department	Economic Revitalization	1,881,250
	Housing and Services	916,000
	HSD Total:	2,797,250
Office of Economic Development	Economic Revitalization	25,495,648
	OED Total:	25,495,648
Office of Housing	Green New Deal	1,885,145
	Housing and Services	135,566,800
	OH Total:	137,451,945
Office of Immigrant and Refugee Affairs	Economic Revitalization	164,406
	OIRA Total:	164,406
Office of Planning and Community Development	Economic Revitalization	740,405
	Equitable Development Initiative	20,458,914
	Temporary Flexibility (Sound Transit 3 Staffing)	162,212
	OPCD Total:	21,361,531
Office of Sustainability and Environment	Green New Deal	17,156,156
	OSE Total:	17,156,156
Seattle Department of Construction and Inspections	Temporary Flexibility (NEW - EDRA Position and Eviction Legal Defense)	598,094
	SDCI Total:	598,094
Seattle Department of Transportation	Economic Revitalization	1,000,000
	SDOT Total:	1,000,000
Seattle Information Technology Department	Economic Revitalization	569,400
	ITD Total:	569,400
Seattle Parks and Recreation	Economic Revitalization	1,000,000
	SPR Total:	1,000,000
	Citywide Total:	301,031,712

Sweetened Beverage Tax

The proposed budget maintains Sweetened Beverage Tax (SBT) expenditures and programming at the original 2024 Endorsed Budget levels of \$22.4 million. This budget supports ongoing funding for programs such as Fresh Bucks and Healthy Food in Schools at the Office of Sustainability and Environment (OSE), the Childcare Assistance Program (CCAP) at the Department of Education and Early Learning (DEEL), food system support at the Human Services Department (HSD), and Summer of Safety and Food and Fitness programming at Seattle Parks and Recreation (SPR).

Short-Term Rental Tax

The Short-Term Rental Tax (STRT) supports the Equitable Development Initiative (EDI), permanent supportive housing and related debt service. The EDI was established in 2016 to provide investments in neighborhoods that support those most impacted by displacement and low access to opportunity. The program's objectives include advancement of economic opportunity and wealth-building strategies, preventing displacement, and building on local cultural assets. Ordinance 125872 allocates the first \$5 million of STRT to the Office of Planning and Community Development (OPCD) for EDI grants to outside organizations, allocates the next \$2.2 million to debt service, and allocates the next \$3.3 million to the Human Services Department for permanent supportive housing. All of these allocations are included in the proposed budget due to sufficient projected STRT revenues. In addition, the proposed budget shifts \$800,000 of Equitable Development staffing and other costs from the General Fund to Short-Term Rental Tax to relieve pressure on the General Fund given the growth in resources available to EDI. Another \$150,000 of STRT funds a new finance staff person in OPCD to support the EDI.

Transportation Network Company (TNC) Tax

The 2023-2024 Proposed Mid-Biennial Budget Adjustments projects \$5.5 million in 2024 from the Transportation Network Company (TNC) tax. The TNC Tax began collecting revenue in 2021 and has seen a reduction to the anticipated revenue due to a slower rebound of users and the creation of a state led Transportation Network Company tax. Washington State Engrossed Substitute House Bill 2076 preempts the City from Washington State passed ESHB 2076 which creates a state level Transportation Network Company tax and preempts the City from enforcing the TNC Driver Minimum Compensation and TNC Driver Deactivation Rights Ordinances starting on January 1, 2023. ESHB 2076 also reduces the per trip fee from \$0.57/trip to \$0.42/trip effective January 1, 2023.

Accounting for the reduced per trip fee and slow recovery in trip volumes, the 2024 Proposed Budget assumes \$5.5 million of TNC tax revenue in 2024, a 6% reduction over the 2023 Adopted Budget revenue forecast and a 19% reduction over the 2024 Endorsed revenue forecast.

The previously passed Spending Resolution 31914 outlined how the proceeds of the TNC Tax were to be spent, which includes the 2023 preempted components. The City Council approved temporary modifications to the spending resolution for the 2023-24 biennium. The Department of Finance and Administrative Services (FAS) is responsible for the accounting, collection, and enforcement of the tax

and is appropriated \$162,000 in 2024. The Seattle Department of Transportation will receive appropriations of \$6.1 million in 2024 to support ongoing transportation-related work.

