

Sweetened Beverage Tax



POLICY OVERVIEW

MAY 3, 2017

**AFFORDABLE HOUSING, NEIGHBORHOODS &
FINANCE COMMITTEE**

Definitions



- **A “sweetened beverage”**
 - Contains an added caloric or non-caloric sweetener
 - Comes ready-to-consume in any closed or sealed container
 - Includes any non-alcoholic syrup or powder that is used in preparation of a beverage and contains caloric or non-caloric sweetener

- **Exempted products:**
 - Milk products
 - 100% natural fruit or vegetable juice with no added sweetener
 - Infant or baby formula
 - Dietary, nutritional, or electrolyte aid
 - Unsweetened beverages
 - Sweetened medication

Policy Overview



- \$0.0175 per ounce excise tax on beverages distributed within the City of Seattle
- Tax is payable upon filing business license tax
- Persons exempt from taxation by federal or state statutes are also exempt from the sweetened beverage tax
- Tax assessment begins January 1, 2018

Funding Allocation



- Seattle Education Action Plan
- Birth-to-five programs
- Food access strategies
- Administrative costs related to implementation and collection of the tax
- For the first 5 years, 20 percent of funds will be set aside for one-time or time-limited expenditures

Oversight and Reporting



- The Levy Oversight Committee will review and make recommendations and review funded programs
- Reporting:
 - Directors of the Department of Education and Early Learning and the Office of Sustainability and the Environment will submit annual progress reports on implementation of funded services

Seattle Race and Social Justice Initiative (RSJI)



- **Vision:** to eliminate racial inequity in the community, including individual, institutional, and structural racism
- **Racial Equity Toolkit:** a process and a set of questions to guide the development, implementation, and evaluation of policies, initiatives, programs, and budget issues to address impacts on racial equity

1. Set Outcomes



- Investments in birth-to-five programs, healthy food access, and K-12 education will reduce disparate health and education outcomes for communities of color.
- Racial equity opportunity areas impacted:
 - Education
 - Health
 - Food Access

2. Involve Stakeholders + Analyze Data



- **Focus groups**
 - Ethnic business owners
 - Grassroots community organizations
 - Public health
 - Education
- **Seattle Youth Commission Survey**

2. Involve Stakeholders + Analyze Data



- **Existing racial inequities and findings:**
 - Lack of access to healthy foods, especially for families who earn too much to qualify for food assistance but cannot afford to purchase healthy food consistently
 - Grassroots organizations representing communities of color did not object to the tax, but wanted to ensure that funding was reinvested in communities and to support community organizations.
 - Small businesses expressed concerns about loss of business due to raising prices to accommodate the tax

2. Involve Stakeholders + Analyze Data



- **Root causes of racial inequities**
 - Beverage industry spending is disproportionate in communities of color, resulting in higher consumption and worse health outcomes
 - Communities of color and low income communities are more likely to live in food deserts without easy access to healthy foods

3. Determine Benefit and/or Burden



- **Potential increases in racial equity:**
 - Consumption of sweetened beverages is linked to serious chronic health conditions (type 2 diabetes, obesity, heart disease, dental disease)
 - Chronic and metabolic diseases disproportionately affect people of color, particularly Black and Latino communities
 - If consumption decreases, over time there would likely be a decrease in diseases linked to sweetened beverage consumption

3. Determine Benefit and/or Burden



- **Potential decreases in racial equity:**
 - Tax is regressive in nature because it will likely be passed from distributor to the consumer
 - Low-income people and people of color are more likely to drink sweetened beverages than white people
 - Small businesses – restaurants and grocers – are concerned about tipping point of price increases deterring customers
 - One year after Berkeley implemented tax, study found that consumers average grocery bills did not increase and store revenue did not fall.

4. Advance Opportunity, Minimize Harm



- **Program Strategies**
 - **Funding Allocation Opportunities:**
 - ✦ **Birth-to-five:** SPP, Nurse-Family Partnership, Parent-Child Home Program
 - ✦ **Education Action Plan:** Family Engagement, Reducing Disproportionality in Discipline, 13th Year, Summer Learning
 - ✦ **Food Access:** Fresh Bucks, Good Food Bag, Water filling stations, partnerships with small grocers to increase fresh food access
 - Proposed allocations for Birth to Five programs nearly doubled and Food Access programs more than tripled from the initial proposal.

4. Advance Opportunity, Minimize Harm



- **Policy Strategies**

- Adding diet to the list of taxed beverages will more evenly spread the tax and increase revenue projections for investments in communities of color
- Slight lowering of tax from 2 cents to 1.75 cents to reduce impact on prices

- **Partnership Strategies**

- Levy Oversight Committee (LOC) will have role in allocating 20% of revenue.
- LOC will be expanded to include representatives from communities most affected by the tax

5. Evaluate. Raise Racial Awareness. Be Accountable.



- Levy Oversight Committee will have role ensuring programmatic investments are meeting intended outcomes
- Annual reporting on funded programs
- Future analysis on implementation and effect of the tax on communities of color



Questions?