



# Seattle City Budget Office

## MEMORANDUM

**Date:** March 25, 2020

**To:** Co-Chairs Jen Moss and Tanika Thompson, SBT Community Advisory Board

**From:** Ben Noble, City Budget Office

**Subject:** RE: SBT Funds and Emergency Response to the Coronavirus Crisis

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Thank you for your letter in support of the Mayor's Emergency Grocery Voucher Program and in support of Council Bill 119764. Your support is valued. We understand that members of the Community Advisory Board (CAB) have several questions about the City's proposals for funding this program and addressing likely shortfalls in Sweetened Beverage Tax revenues. These questions are reprinted here, in bold, with our responses following.

- 1. What other sources is the City using to fund emergency response programs/services and plan for an economic downturn? The SBT-funded programs being pulled back in this proposal are intended for and were recommended by communities most impacted by health and education inequities. The need for relief in our community is real but should not be at the expense of, or cause additional burden to, the most vulnerable. We would like to see that the city is considering using revenue streams and possible funding reductions in other areas as well to reduce harm to the most vulnerable.**
  - The Mayor has directed that all city departments freeze hiring and freeze or defer discretionary spending not related to COVID-19 response and mitigation or providing essential services. CBO has asked departments to anticipate that these restrictions will remain in place through September 2020. All departments are being asked to redirect significant resources towards COVID-19 response. The City also expects to turn to its emergency and rainy day funds and is pursuing federal and state aid.
  - For the grocery voucher program, the Office of Sustainability and the Environment (OSE) has requested \$5 million with the intention of serving 6,250 households. OSE plans to leverage this amount with another \$15 million in private donations. To finance the city's portion of the costs, CBO proposes redirecting funding from non-essential services and activities and from new programs that have not yet been implemented at the Department of Neighborhoods and Seattle Parks and Recreation (SPR). We also propose using a portion of SBT reserve money to complete the funding package.

March 24, 2020

- From the Department of Neighborhoods, the proposal transfers money originally intended for the Healthy Food Fund as well as one-time funding for P-Patch, neither of which has incurred any year-to-date (YTD) spending.
- SPR has incurred some spending on water filling stations, but these remain at an early stage. Given the uncertainty around recreational programming due to the COVID-19 response, SPR will also redirect funding originally planned for expansion of two summer youth programs. At this point in time, the priority has been on maintaining funding for existing programming and redirecting resources that have not yet been spent.

**2. How was the projected shortfall in SBT revenue calculated? In past years, what proportion of SBT revenue has come from restaurant sales versus retail sales?**

- CBO prepares revenue forecasts for the city several times a year and these are incorporated into the budget. We are projecting severe overall revenue declines. For context, an early estimate projected a General Fund decline of well over \$100 million. Based on declines in restaurant and to a lesser extent retail activity, CBO made a preliminary estimate yielding a 21% decline in SBT revenue for 2020. New national forecasts and information about the trajectory of infection rates across the country, imply that this projection could change, and impacts into 2021 are possible as well.
- Since the SBT is a tax on distributors, the City's tax data does not identify the end outlet (restaurant or retail) for consumption. The City's data does show that approximately 35% of the taxes are paid on concentrate distributions and 65% are paid on pre-bottled distributions into the City. However, the City does not have information about what proportion of concentrate distribution goes to restaurants versus other outlets, such as convenience stores. Nor does the City have information on the share of the bottled or canned sweetened beverages that go to restaurants versus other retail outlets.

**3. Why did CBO choose to use only a portion of the reserve fund?**

- Some of the SBT reserves are currently left untapped under the assumption that further reductions will be required. The current forecast of a 21% revenue decline was made before recent announcements of more restrictive social distancing measures and before evidence of an escalating national crisis. It likely now represents a "best case" scenario.

**4. If the City of Seattle receives relief funds from the federal government, how will allocation of those funds be prioritized? Could a portion go towards re-funding programs CBO is proposing to pull back?**

- The City is in active discussions with both the state and the federal government and is hopeful that we will receive direct federal and state aid. At this time, CBO cannot estimate when, how much, or what activities potential federal or state aid packages can support. Should federal or state aid be given to Seattle, we would work with the CAB and the public on how funds should be directed within the scope of SBT.

In your letter, the CAB also posed questions about eligibility and the structure of the program. These questions are addressed by the Office of Sustainability and the Environment in an accompanying memo.

March 24, 2020

I again thank you and the CAB members for your time and effort during these challenging times. If you or CAB members have any additional questions or concerns about this legislation or about the funding plan for the Emergency Grocery Voucher Program, please reach out to my staff, Akshay Iyengar at the City Budget Office.

Cc      Shefali Ranganathan, Deputy Mayor  
          Jessica Finn Coven, Director, Office of Sustainability & the Environment  
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