



SEATTLE CITY COUNCIL  
**CENTRAL STAFF**

# Summary of 2024 Budget Review

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ALY PENNUCCI, DEPUTY DIRECTOR  
SELECT BUDGET COMMITTEE  
JUNE 5, 2024

# Recap: Select Committee Budget Discussions

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**April 17**

## **Projected GF Deficit & 2019-2024 Budget Review Preview**

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- How did we get here?
- What are our tools?
- 2019-2024 Citywide budget changes and key takeaways

**May 1**

## **2019-2024 Budget Review & Examination Overview**

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- 2019-2024 Budget Review document walk through
- Departmental budget review by policy areas

**May 15**

## **GF Financial Plan Update & JumpStart Fund Briefing**

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- Updated estimates of the 2023 actual, and 2024 revised revenues, spending and planning reserves
- Updated GF revenue and inflation forecasts
- JumpStart legislative background, spending history, current spending authority, and key policy questions/takeaways

**June 5**

## **Revenue Restrictions Overview**

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- Restrictions on raising, using, and City management of revenue
- General and Special Revenue Funds focus

# Key Takeaways: General Fund Deficit (April 17)

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## How did we get here:

- Following a long period of low inflation and high annual revenue growth, the pandemic caused a sudden revenue decline while costs continued to grow.
- National supply chain pressures drove inflation to levels not seen in decades, while real GF revenue growth began to stagnate in real terms
- Since 2019, 79 percent of GF budget growth was largely to fund baseline and technical changes to the base budget due to rapid inflation.
- Ongoing GF revenues have not kept pace, leading to a structural deficit plugged with one-time measures (fund balance, temporary interfund transfers, underspend)

## What are our tools?

- A mix of fiscal tools available for consideration in the fall budget deliberations. This includes reviewing: ongoing expenditures, revenues, and fund policies.

# Key Takeaways: GF Financial Plan Update (May 15)

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- Due to settled labor contract costs exceeding planning estimates, revised 2024 ending unreserved fund balance is negative.
- Projected ongoing GF budget gap grew to \$258M, due to same factors
- An updated plan will be transmitted with the proposed budget.

# 2019-2024 Budget Review Document (April 17 & May 1)

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**Citywide budget changes over a five-year period (2019-2024)**



**Review of every City department's budget at the Budget Summary Level (BSL), fund, expense category, and Budget Program level (for most); highlighting budget changes between 2019 and 2024**

# Key Takeaways: 2019-2024 Budget Review

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Since 2019, total City budget grew by \$1.7 billion or 29%.

- An average growth of 5.8% per year, primarily driven by expenditure increases responding to historically high inflation rates (CPI growth during this period averaged ~5%)
- ~50% of total budget growth across all funds from 4 departments: SPU, OH, SCL, and HSD, followed by growth in non-departmental budgets (Finance General) and internal service departments (SDHR and FAS)
- The introduction of the JSF Payroll Expense Tax represents 19% of the \$1.7 billion increase. Departments that administer the majority of JSF resources experienced the largest % increase (OH, OED, OPCD, and OSE)
- GF budget grew by \$256 million or 26%, an average of 5.2% per year. The majority (51%) was in HSD and SFD, followed by growth in Finance General, Parks, SDOT and SPU

# Key Takeaways: JumpStart Fund Briefing (May 15)

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- Policies on the use of the JS Fund were updated several times since initial adoption, responding to emerging needs, trying to balance the original spending plan adopted in 2020, and avoiding reductions to GF programs and services
- JS Tax revenues have performed better than initial estimates, but continue to be volatile due to correlation between stock market tech sector performance and tax base
- As in past years, there are several policy options for the Council to consider this year, about how or if the JS Fund will be used to help address the projected GF deficit

## Key Policy Question:

**Should JS Tax revenues continue to be used to help address the projected GF deficit?**

# Key Takeaways: Revenue Overview (June 5)

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- There are state/external restrictions on which revenues the City can collect, and what they can be used for in the budget
- Most of the budget is funded by revenues with restrictions
- Self-imposed restrictions are most prevalent in the special revenue funds
- Removing or modifying restrictions is possible through ordinance, with trade-offs
- After considering 63 different revenue ideas, the 2023 Revenue Stabilization Workgroup identified nine for further consideration by the Council and the Mayor:
  1. Changes to the JumpStart Payroll Expense Tax
  2. City-level Capital Gains Tax
  3. High CEO Pay Ratio Tax
  4. Vacancy Tax
  5. Progressive Real Estate Excise Tax
  6. Estate Tax
  7. Inheritance Tax
  8. Congestion Tax
  9. Income Tax



# Next Steps

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Upcoming Finance or Select Budget Committee Meeting Briefings:

- Midyear Supplemental Budget legislation (July/August)
- Economic and Revenue Forecast Update (August)
- Fall Budget Process (August)

Councilmembers continue reviewing budget information provided to date and consider policy options in preparation for the receiving the Mayor's 2025-2026 Proposed Budget on September 24.

# Questions?