

# 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, 13<sup>th</sup> 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?