

# 2023 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
OSE	510	A	002-2023

**Budget Action Title:** Pass CB 120453 - Heating Oil Tax Repeal and reduce revenues of \$1.4 million GF (2023) and \$1.25 million GF (2024) in FG

Ongoing: Yes Has Budget Proviso: No

Has CIP Amendment: No Has Attachment: No

Primary Sponsor: Tammy Morales

Council Members: Kshama Sawant, Debora Juarez, Sara Nelson

Staff Analyst: Yolanda Ho

Council Bill or Resolution: CB 120453

Date		Total	LH	TM	KS	AP	DJ	DS	AL	BC	SN
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

### Summary of Dollar Effect

See the following pages for detailed technical information

	2023 Increase (Decrease)	2024 Increase (Decrease)
<b>General Fund</b>		
<b>General Fund Revenues</b>	\$(1,403,408)	\$(1,251,512)
<b>General Fund Expenditures</b>	\$0	\$0
<b>Net Balance Effect</b>	<b>\$(1,403,408)</b>	<b>\$(1,251,512)</b>
<b>Total Budget Balance Effect</b>	<b>\$(1,403,408)</b>	<b>\$(1,251,512)</b>

### Budget Action Description:

This Council Budget Action recommends passage of Council Bill (CB) 120453 that would repeal the heating oil tax and reduce projected tax revenues of \$1.4 million GF in 2023 and \$1.25 million GF in 2024 in Finance General.

In September 2019, the Council passed Ordinance (ORD) 125934, establishing a new tax on heating oil beginning on September 1, 2020. The tax rate is \$0.236 per gallon of heating oil (excluding biodiesels) sold by heating oil service providers in Seattle and the tax impacts are anticipated to be passed directly onto customers. Tax proceeds are intended to fund a variety of programs, including covering the costs of converting from oil heat to an electric heat pump system for low-income households, supporting workforce development for oil service providers, expanding the existing rebate program for all households to convert from oil heat to electric heat pumps, and providing direct reimbursement to low-

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income households to offset the anticipated tax impacts. Tax revenues will diminish over time as fewer homes use oil heat; ultimately, the tax will generate no revenue once all oil heat systems are converted to other systems in Seattle.

To avoid imposing an additional financial burden on residents with oil heat during the pandemic, the Council delayed the effective date of the tax three times: (1) ORD 126144 in August 2020 delayed the date by one year to September 1, 2021; (2) ORD 126391 in July 2021 delayed the date a further six months from September 1, 2021, to April 1, 2022; and (3) ORD 126541 in March 2022 delayed the date an additional nine months to January 1, 2023.

The 2022 Adopted Budget appropriated \$1.7 million of one-time JumpStart Fund dollars for low-income household conversions, electric heat pump system rebates for all households seeking to convert from oil heat, outreach efforts, and program administration that were originally planned to be supported by heating oil tax revenues. The 2023 Proposed Budget includes \$2.6 million in ongoing JumpStart Fund support to continue these programs (\$1.8 million to the Office of Housing and \$800,000 to the Office of Sustainability and Environment).

When the Council established the heating oil tax in 2019, the City had no alternative source of ongoing funding to fully cover the costs of converting oil heated homes to electric heat pump systems for low-income residents or to expand the rebates for all households. Given that the 2023-2024 Proposed Budget would use the JumpStart Fund to support these programs (as recommended by the Green New Deal Oversight Board), this revenue source is no longer essential to the City's efforts to eliminate climate emissions generated by oil-heated homes.

## Budget Action Transactions

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BSL	Fund	Year	Revenue Amount	Expenditure Amount
1	Decrease heating oil tax revenues		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00100 - General Fund	2023	\$(1,403,408)	\$0
2	Decrease heating oil tax revenues		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00100 - General Fund	2024	\$(1,251,512)	\$0