



SEATTLE CITY COUNCIL
CENTRAL STAFF

Revenue Restrictions Overview

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SELECT BUDGET COMMITTEE
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Outline

- Restrictions on how revenues can be raised
- Restrictions on how revenues can be used
- How the City manages these restrictions
- Mapping revenue restrictions in the budget
- Focus on GF and Special Revenue Funds
- Options and caveats
- Key takeaways

Restrictions on How Revenues Can Be Raised (1 of 2)

Washington State Constitution authorizes the state legislature to grant cities the ability to levy taxes ([Article XI § 12](#)).

- Property taxes: State constitution requires uniformity
- Excise taxes:
 - For example, sales, business & occupations, utility, REET 1&2, admissions tax
 - Other excise taxes are established under broad excise taxation authority (E.g., payroll expense, firearms and ammunition, sweetened beverage tax)

Restrictions on How Revenues Can Be Raised (2 of 2)

In some cases, state law specifically sets the maximum tax the rate, and/or the allowable growth in revenues raised from the tax, for example:

- Property tax: maximum levy rate \$3.60/\$1,000 assessed value, annual growth limits
- Sales taxes: Basic and optional rates set in RCW (total 1 percent)
- B&O tax: 0.2 percent maximum rate without public vote*
- Utility taxes: 6 percent max rate on electric, natural gas, steam or telephone
- Admissions tax: 5 percent maximum rate, limits on tax base
- REET 1&2: 0.50 percent combined rate
- Fees and charges: state law dictates no more than cost recovery, otherwise it is a tax

*Seattle's rates are higher than 0.2 percent due to provision that allows cities with rates higher than 0.2% as of January 1, 1982 to have rates up to 10% higher than their 1/1/82 level.

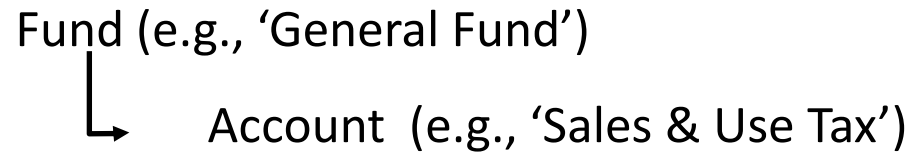
Restrictions on How Revenues Can be Used

Restrictions on how revenues can be used comes from external and internal sources:

- State can limit uses: For example, requires that Commercial Parking Tax be used for transportation purposes, requires that REET I revenues be used for capital projects, etc.
- Grant and service agreements: grants are typical provided for specific projects and/or programs
- Permits and license fees: state law requires that they only cover administrative and regulatory costs
- Voted Ballots: Voted levy lid lifts include intended uses of funds
- City ordinance: Taxes can be earmarked for specific uses

How the City manages these restrictions (1 of 5)

- Restrictions are managed through the City's financial structure, also called the 'general ledger', which align revenues with their legal uses using a system of accounts and funds



- Required by state law
- Use of the account/fund structure helps navigate restrictions at a high level

How the City manages these restrictions (2 of 5)

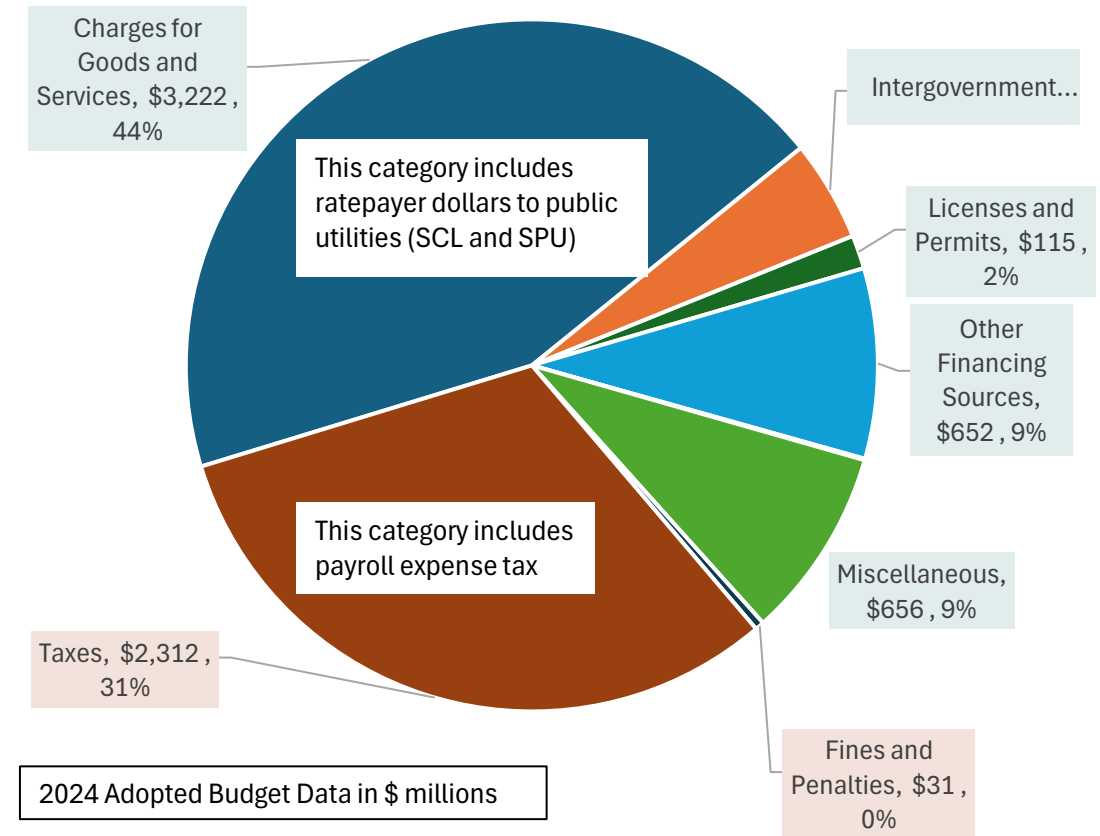
Structuring accounts based on restrictions the City uses the following account categories (**from most restricted to least**):

- Intergovernmental: must be used consistent with funding agreement (e.g., grants)
- User fees and charges: restricted to service/usage cost recovery (e.g., utility rates)
- Licenses and permit fees: restricted to administrative cost recovery (e.g., building permits)
- Other Financing Sources: generally restricted based on source (e.g., bonds, transfers)
- Miscellaneous: predominantly restricted (e.g., interest, payroll contributions)
- Fines and penalties: generally unrestricted, though can be earmarked (e.g., parking fines)
- Taxes: generally unrestricted by state, with exceptions (e.g., Commercial Parking Tax and REET are restricted), but can be earmarked locally (e.g., payroll expense tax, levies)

All revenues must be used for a public purpose.

How the City manages these restrictions (3 of 5)

- About 59 percent of budgeted revenues are in categories with restrictions
- 44 percent is in charges for good and services, which is largely utility ratepayer revenue
- Miscellaneous category (9 percent of total) is also largely restricted
- Of the 31 percent from taxes and fine and penalties, while largely unrestricted by the state, local restrictions may apply. For example, includes JumpStart payroll expense tax

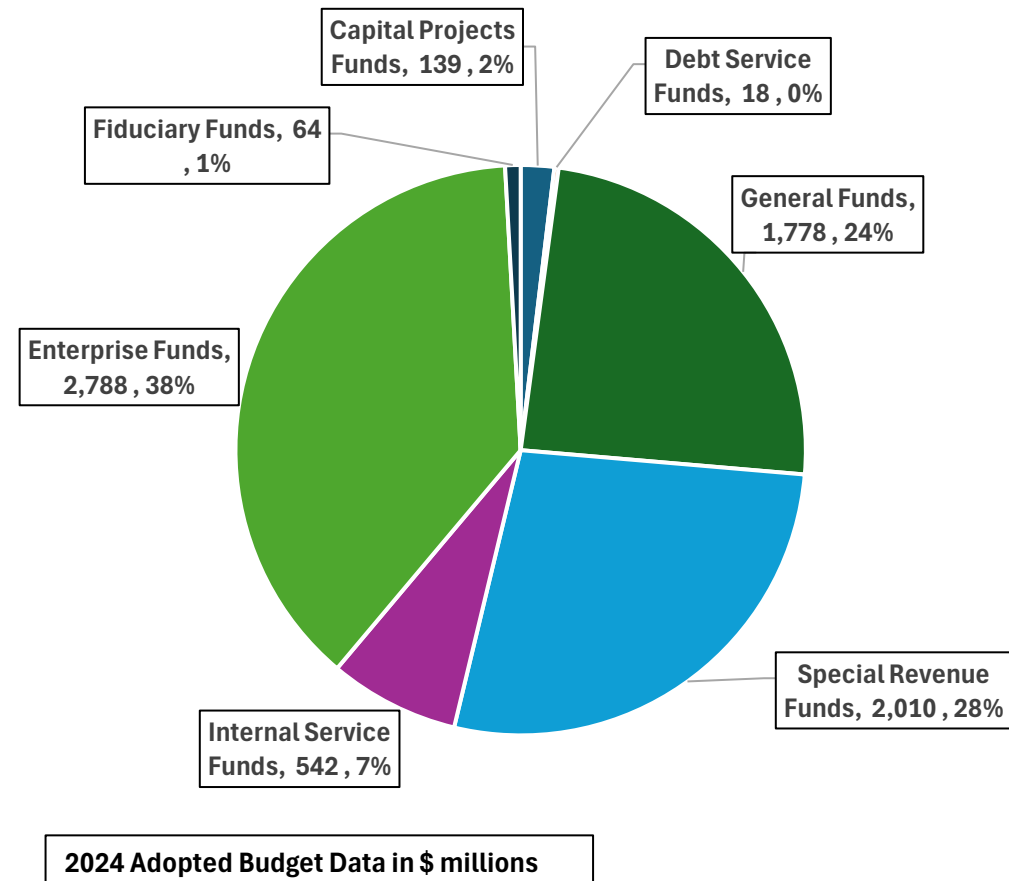


How the City manages these restrictions (4 of 5)

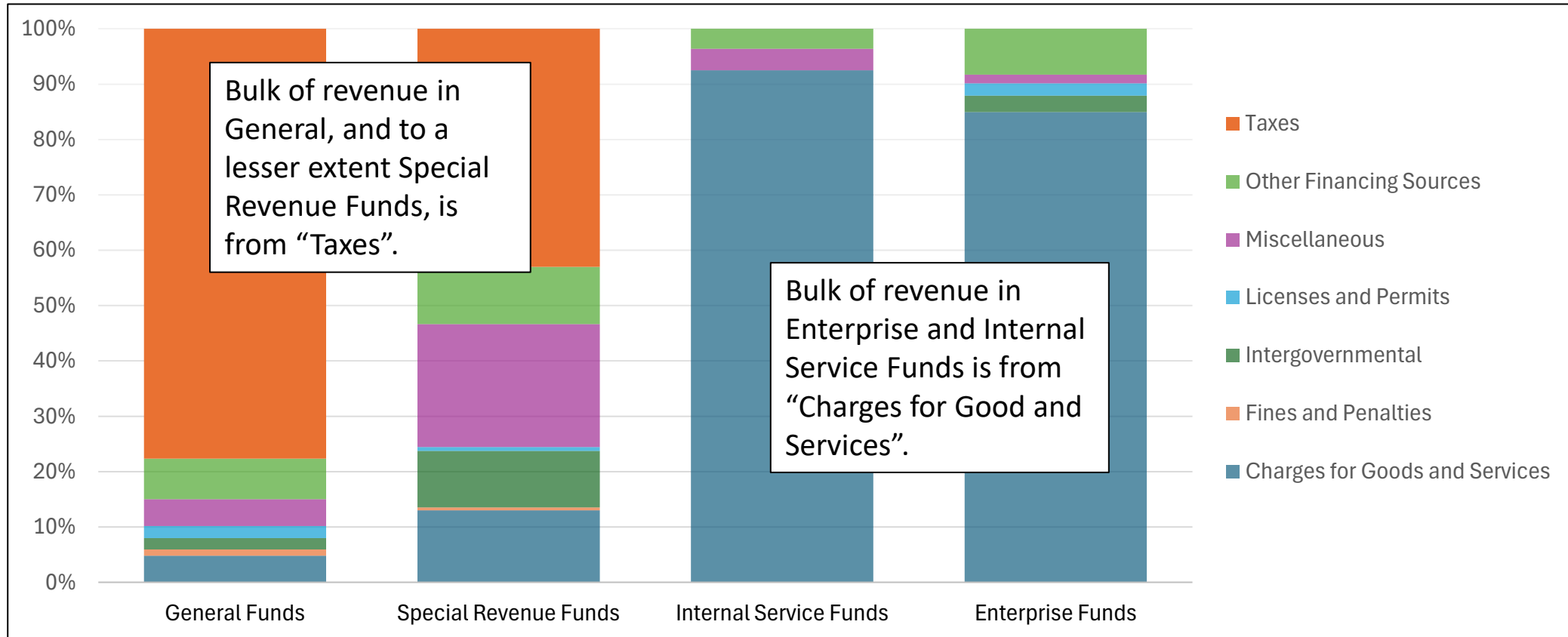
- **Funds** align restricted revenues to their allowed purpose
- There are seven major fund categories in the City's financial structure:
 1. Fiduciary: resources managed in a trustee capacity
 2. Enterprise: resources managed in a self-supporting way (like a business)
 3. Internal Service: account for internal support between departments
 4. Debt Service: resources managed to pay debt
 5. Capital Projects: resources managed to build and maintain infrastructure
 6. Special Revenue: resources managed for a specific public purpose
 7. General: resources available for any legal public purpose.

How the City manages these restrictions (5 of 5)

- Largest category is enterprise funds, representing 38 percent of budgeted revenues (City Light, SPU, SDCI)
- Funds with least restrictions are classified as 'GF', but represent only about 25 percent of the budget (GF, Judgment & Claims, OLS Fund, Sweetened Beverage Tax Fund)
- Special revenue funds, 27 percent of the total, include funds where some restrictions are locally determined, including:
 - Funds with levy-lid lift support (e.g. ,Move Seattle, Low Income Housing, FEPP, Park District, Library, etc.)
 - Excise tax, fine, and franchise fee supported (JumpStart, Arts & Culture, Short-term Rental, School Zone Camera, Cable Franchise Fee Fund)



Mapping Revenue Restrictions in the Budget



Focus on GF and Special Revenue Funds (1 of 3)

- ‘General Fund(s)’: Includes main ‘GF’, Judgment & Claims Fund, Office of Labor Standards Fund, Cumulative Reserve Fund, and Sweetened Beverage Tax Fund
- Besides main GF, only the Judgment and Claims Fund and Sweetened Beverage Tax Fund receive an external source of revenue
 - Judgment and Claims Fund receives judgement and settlement revenue, in addition to transfers from other funds. All resources are used to pay claims, which are largely unavoidable
 - Sweetened Beverage Tax Fund receives excise tax revenues which are allocated to food access and youth development programs by SMC 5.53.055 but could be used for other purpose with an ordinance change

Focus on GF and Special Revenue Funds (2 of 3)

Special Revenue Funds include:

- **Employee benefit management funds:** e.g., Health Care Fund, Industrial Insurance Fund
- **Funds with fee support and/or support with restricted revenues:** e.g., Transportation Fund, Parks Fund
- **Levy funds:** Levy lid lifts are for specific voted purposes. Rate, purpose and structure determined by vote
 - General purpose lid lift is possible, within total rate limits

Focus on GF and Special Revenue Funds (3 of 3)

Special Revenue Funds, include (continued):

- “GF Adjacent” type funds:
 - **JumpStart Fund:** Use of funds restricted by SMC 5.28.055 (see the [Central Staff May 15 presentation](#) to the Select Budget Committee)
 - **Arts and Culture Fund:** Admission tax revenues deposited into this fund restricted by [SMC 5.40.120](#)
 - **Short-term Rental Tax Fund:** per state law, can only be used for investments in affordable housing programs and community-initiated equitable development projects. Local law (per [Ordinance 125872](#)) adds additional requirements for how revenues in this fund may be used

Other funds, including Cable Franchise Fee Fund, and School Safety Traffic and Pedestrian Improvement Fund have local restrictions.

Options and Caveats

- Different decisions can be made for revenues to funds with locally imposed restrictions, including*:
 - JumpStart Fund: \$325M
 - Sweetened Beverage Tax Fund: \$22.5M
 - Arts and Culture Fund: \$23.5M
 - Short Term Rental Tax Fund: \$11.9M
- Changing use restrictions can result in a budget cut if monies budgeted under prior restrictions are used for other programs
- Revising restrictions is expanding the decision frontier for the budget

*All dollar values represent revised 2024 budgeted revenues.

Key Takeaways

- 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
- Restricted revenues are generally mapped in the budget using accounts and funds; tax revenues generally 'map' to General Funds and Special Revenue Funds.
- Tax revenues are the least externally restricted, though restrictions can be self-imposed
- Self-imposed restrictions are most prevalent in the special revenue funds
- Removing or modifying restrictions is possible through ordinance, with trade-offs

Presentation Attachment 1 - 2024 Adopted Revenues by Department and Fund Category

Questions?

2024 Adopted Revenues by Department and Fund Type	
Department/Fund Category	2024 Adopted
City Budget Office	
General Funds	2,077,063
City Budget Office Total	2,077,063
Civil Service Commissions	
General Funds	245,405
Civil Service Commissions Total	245,405
Community Assisted Response and Engagement	
General Funds	5,185,606
Community Assisted Response and Engagement Total	5,185,606
Department of Education and Early Learning	
General Funds	6,471,728
Special Revenue Funds	95,125,354
Department of Education and Early Learning Total	101,597,082
Department of Finance and Administrative Services	
Capital Projects Funds	2,763,614
Debt Service Funds	17,633,626
Fiduciary Funds	5,681,552
General Funds	60,918,072
Internal Service Funds	249,720,806
Special Revenue Funds	995,661
Department of Finance and Administrative Services Total	337,713,331
Department of Neighborhoods	
General Funds	1,970,647
Department of Neighborhoods Total	1,970,647
Employees' Retirement System	
Fiduciary Funds	10,699,553
Employees' Retirement System Total	10,699,553
Ethics and Elections Commission	
Special Revenue Funds	3,000,000
Ethics and Elections Commission Total	3,000,000
Finance General	
Capital Projects Funds	101,859,890
Debt Service Funds	-
General Funds	1,470,523,907
Special Revenue Funds	352,699,352
Finance General Total	1,925,083,149

Note: General Funds are unrestricted, and Special Revenue Funds are restricted, though some restrictions are locally imposed. Fiduciary, Enterprise, Internal Service, Debt Service, and Capital Projects Funds are generally restricted.

2024 Adopted Revenues by Department and Fund Type	
Department/Fund Category	2024 Adopted
Firefighter's Pension	
Fiduciary Funds	23,078,930
Firefighter's Pension Total	23,078,930
Human Services Department	
Special Revenue Funds	88,122,399
Human Services Department Total	88,122,399
Law Department	
General Funds	13,427,945
Law Department Total	13,427,945
Legislative Department	
General Funds	5,451,459
Legislative Department Total	5,451,459
Office for Civil Rights	
General Funds	803,897
Office for Civil Rights Total	803,897
Office of Arts and Culture	
Special Revenue Funds	25,173,265
Office of Arts and Culture Total	25,173,265
Office of Economic Development	
General Funds	2,155,000
Special Revenue Funds	-
Office of Economic Development Total	2,155,000
Office of Emergency Management	
General Funds	1,570,993
Office of Emergency Management Total	1,570,993
Office of Hearing Examiner	
General Funds	20,000
Office of Hearing Examiner Total	20,000
Office of Housing	
Special Revenue Funds	216,922,380
Office of Housing Total	216,922,380
Office of Immigrant and Refugee Affairs	
General Funds	1,567,452
Office of Immigrant and Refugee Affairs Total	1,567,452

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2024 Adopted Revenues by Department and Fund Type	
Department/Fund Category	2024 Adopted
Office of Intergovernmental Relations	
General Funds	1,541,853
Office of Intergovernmental Relations Total	1,541,853
Office of Labor Standards	
General Funds	7,776,458
Office of Labor Standards Total	7,776,458
Office of Planning and Community Development	
General Funds	430,000
Office of Planning and Community Development Total	430,000
Office of Sustainability and Environment	
General Funds	3,864,427
Office of Sustainability and Environment Total	3,864,427
Office of the City Auditor	
General Funds	848,697
Office of the City Auditor Total	848,697
Office of the Employee Ombud	
General Funds	446,483
Office of the Employee Ombud Total	446,483
Office of the Mayor	
General Funds	500,000
Office of the Mayor Total	500,000
Police Relief and Pension	
Fiduciary Funds	22,689,313
Police Relief and Pension Total	22,689,313
Seattle Center	
Capital Projects Funds	10,691,000
Special Revenue Funds	35,216,516
Seattle Center Total	45,907,516
Seattle City Light	
Enterprise Funds	1,272,320,544
Seattle City Light Total	1,272,320,544
Seattle Department of Construction and Inspections	
Enterprise Funds	88,674,806
General Funds	390,000
Seattle Department of Construction and Inspections Total	89,064,806

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2024 Adopted Revenues by Department and Fund Type	
Department/Fund Category	2024 Adopted
Seattle Department of Human Resources	
Fiduciary Funds	2,000,000
General Funds	26,729,000
Special Revenue Funds	396,017,011
Seattle Department of Human Resources Total	424,746,011
Seattle Department of Transportation	
Capital Projects Funds	20,000,000
General Funds	47,136,109
Special Revenue Funds	536,529,633
Seattle Department of Transportation Total	603,665,742
Seattle Fire Department	
General Funds	81,263,931
Seattle Fire Department Total	81,263,931
Seattle Information Technology Department	
Internal Service Funds	291,886,526
Special Revenue Funds	5,492,212
Seattle Information Technology Department Total	297,378,738
Seattle Municipal Court	
General Funds	18,009,452
Seattle Municipal Court Total	18,009,452
Seattle Parks and Recreation	
Capital Projects Funds	3,670,468
General Funds	-
Special Revenue Funds	160,453,915
Seattle Parks and Recreation Total	164,124,383
Seattle Police Department	
General Funds	16,521,267
Seattle Police Department Total	16,521,267
Seattle Public Library	
Special Revenue Funds	94,611,691
Seattle Public Library Total	94,611,691
Seattle Public Utilities	
Enterprise Funds	1,427,227,867
Seattle Public Utilities Total	1,427,227,867

Note: General Funds are unrestricted, and Special Revenue Funds are restricted, though some restrictions are locally imposed. Fiduciary, Enterprise, Internal Service, Debt Service, and Capital Projects Funds are generally restricted.