HUMAN SERVICES DEPARTMENT (HSD)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Addressing Homelessness	$138.9M	$141.7M	2.1%	$169.1M	19.3%
Leadership and Administration	$18.9M	$19.5M	3.4%	$18.8M	(3.7%)
Preparing Youth for Success	$17.2M	$17.7M	3.1%	$17.6M	(0.4%)
Promoting Healthy Aging	$79.1M	$80.7M	2.1%	$80.6M	(0.2%)
Promoting Public Health	$26.2M	$26.5M	1.0%	$33.6M	26.7%
Supporting Affordability & Livability	$40.8M	$36.8M	(9.8%)	$40.7M	10.7%
Supporting Safe Communities	$63.9M	$64.5M	1.0%	$71.9M	11.5%
Operating Subtotal:	**$384.9M**	**$387.5M**	**0.7%**	**$432.4M**	**11.6%**
Grand Total:	**$384.9M**	**$387.5M**	**0.7%**	**$432.4M**	**11.6%**

I. OVERVIEW AND SUMMARY

The 2026 Proposed Budget for the Human Services Department (HSD) would increase by $45 million (11.6 percent) relative to the 2026 Endorsed Budget. That increase is the result of additional funds for: addressing homelessness, advancing community safety, food and nutrition, and public health, as well as mandatory increases for human services provider wages and contracts.

A. Operating Budget

<u>Proposed increases include the following:</u>

Human Services Contracts

- $6.6 million in ongoing funding, primarily GF, to provide a 2.6 percent inflationary increase to human services contracts, as required under the Seattle Municipal Code.
- $5.1 million in ongoing funding, primarily GF, for an additional 2.0 percent human service provider wage equity increase, in addition to the required inflationary adjustment.

Addressing Homelessness

- $7.8 million in ongoing GF for the start-up costs and three months of operating expenses for 155 new shelter units. This funding is the first phase of a multi-year shelter bed expansion, with the goal to have 305 new shelter beds fully online by the start of 2028. See Section II for further details.
- $4 million in ongoing funding from the proposed Seattle Shield Initiative changes to the Business and Occupation (B & O) Tax for rental assistance with the goal of preventing households from falling into homelessness. The source of funding would be additional B&O tax revenue, and this would fall into the category of investments needed to mitigate the impacts of federal policy or funding changes. Additionally, $527,000 in ongoing PET that was previously appropriated to SDCI for rental assistance would be transferred to HSD. This brings the total funding in HSD for homelessness prevention and rental assistance to $11.5 million in 2026.

In September, HSD provided a response to SLI HSD-040S-A-2025, which directed HSD and SDCI to report on how to best distribute rental assistance prior to releasing a Request for Proposal. The Mayor also issued Executive Order 2025-06, which is the largely the same content as the SLI response. HSD will be the lead department for deploying rental assistance. As the SLI outlines, HSD will continue its current two strategies: 1) helping households at imminent risk of homelessness with a significant amount of rent arrears, and 2) helping households with significant rent arrears who also have an active eviction notice. The City is also exploring a new third strategy to support renters without a significant amount of rent arrears facing early indicators of instability and is engaged in a pilot with Housing Connector to test proof of concept.

HSD will be issuing an RFP for rental assistance in 2026 with the $11.5 million of funds in the 2026 Proposed Budget plus the $1.4 million of Housing Levy interest earning that will be carried over from the 2025 Adopted Budget[1]. The RFP will be issued in the 2nd Quarter of 2026, final decisions will be made in the 3rd Quarter and the new rental assistance contracts will begin in 2027.
In the 2025 Adopted Budget, Council also provided $3.3 million of one-time PET for rental assistance. This $3.3 million is in addition to the $11.4 million mentioned above. HSD will use this funding for an early intervention pilot program with the Housing Connector and to increase existing provider contracts for rental assistance in Q4 2025.

- $9.4 million in one-time funding from the proposed Seattle Shield Initiative changes to the B & O tax to establish a reserve to mitigate the impacts of changes in federal funding for shelter and housing support services. Two of the highest priority uses for these funds are Continuum of Care (COC) contracts and Emergency Housing Vouchers (EHVs).

  CoC: The CoC program, operated by the Department of Housing and Urban Development, provides crucial funding for operating, maintenance and services (OMS) support at Permanent Supportive Housing (PSH) projects as well as annual operating support for shelters and transitional housing projects. There are 28 projects within the City of Seattle receiving $24 million in CoC funds.

  HUD will be issuing a Notice of Funding Opportunity (NOFO) for regular CoC funding that provides ongoing operating support. At this point, the timeline for that CoC NOFO is unknown. There are significant concerns about the contents of the NOFO, including funding amounts, eligibility criteria, and requirements to agree upfront to untenable terms and conditions.

  EHVs: Earlier this year, HUD announced that they will be ending COVID-era Emergency Housing Vouchers in late 2026 rather than 2030 as originally promised. Although EHVs had been a ten-year commitment (2020-2030), the general expectation had been that the federal government would continue to fund these vouchers indefinitely. EHVs were targeted at households experiencing homelessness, and a sudden loss of the voucher could mean that households would return to homelessness. EHVs are administered by the Seattle Housing Authority, who reports that there are over 500 EHVs for units in Seattle, at cost of about $11-12 million a year.

- $4.1 million in one-time GF for a new Community Solutions Initiative for a low-barrier shelter, housing navigation, and aftercare services pilot. See Section II for more details.

Community Safety

- $5 million in ongoing Public Safety Sales Tax funding for LEAD's criminal diversion program, to maintain 2025 funding levels in light of loss of federal funds.
- $1.1 million in ongoing GF to maintain 2025 funding levels for We Deliver Care's (WDC) work conducting outreach and engagement along Third Avenue and in the Chinatown International District.

[1] Council appropriated $1.9 million of Housing Levy interest earnings to rental assistance in the 2025 Adopted Budget. However, actual interest earnings were lower at $1.4 million.

Public Health, Behavioral Health and Substance Abuse Treatment

- $2.9 million in ongoing Public Safety Sales Tax funding to support detoxification and inpatient addiction treatment services, with funding to be awarded via a competitive process (HSD piloted these City-funded services in 2025).
- $1.2 million in ongoing Public Safety Sales Tax funding to support Downtown Emergency Service Center's (DESC) Opioid Recovery and Care Access Patient Outreach Division (POD). The POD is a field team that connects people to medication and follow-up care.
- $1.8 million in one-time Public Safety Sales Tax funding to support the completion of renovations and construction at the Seattle Indian Health Board's Thunderbird Treatment Center.
- $500,000 in one-time CDBG capital funding transferred from OED for opioid facilities projects.
- $500,000 in one-time GF for a safety and security plan for King County's new Crisis Care facility on Capitol Hill.
- $400,000 in ongoing Public Safety Sales Tax funding to support two new HSD case manager positions that participate on the Health 99 post-overdose response units operated by the Seattle Fire Department's Mobile Integrated Health program.

Food and Nutrition

- $4 million in one-time funding from the proposed Seattle Shield Initiative changes to the B & O Tax to increase support for food programs - $3 million for food banks and $1 million for meal programs serving children, older adults, families and people experiencing homelessness.

<u>Proposed reductions include the following:</u>

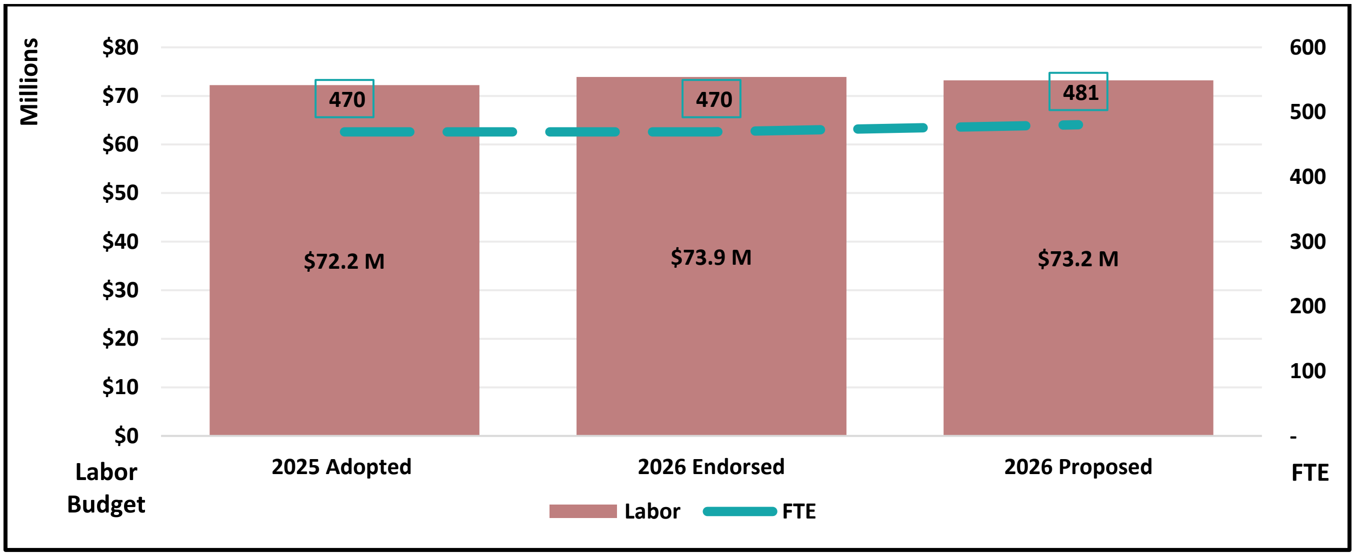
- $195,000 reduction in GF for a Council-added position to develop a North Seattle Safety plan. A temporary employee was hired mid-year 2025 to develop the proposed plan.
- $159,000 reduction in GF for a consultant as part of a larger Victim Compensation Fund Initiative and Framework administered by both HSD and the Department of Finance and Administrative Services (FAS).
- $144,000 reduction in GF for the Family Support Portfolio (FSP) Program evaluation. This program, which supports low-income families with services that promote connections to culture and community, was evaluated after the first two years. This evaluation was intended to assess whether the program's 22 contracted providers are strengthening families' connections to culture and community and to identify strengths and areas for program improvement and ensure accountability for outcomes. The evaluation showed that the FSP funded strategies are likely strengthening families' connections to culture, community, and each other. Families reported positive outcomes for children, parents/caregivers, and communities, including stronger cultural identity, improved parenting skills, reduced stress, and deeper multigenerational ties. Based on these results, the decision was made to conclude the evaluation after two years and to explore alternative approaches for continuing to gather similar types of information to measure the ongoing effectiveness of the program.

<u>Proposed fund swaps include the following:</u>

- $11.1 million of Families, Education, Promise and Preschool (FEPP) Levy funding to replace GF and PET funding for youth programs.
- $7.2 million in Sweetened Beverage Tax funding to replace GF for food programs. See Section II below for more details.

B. FTE & Labor Changes

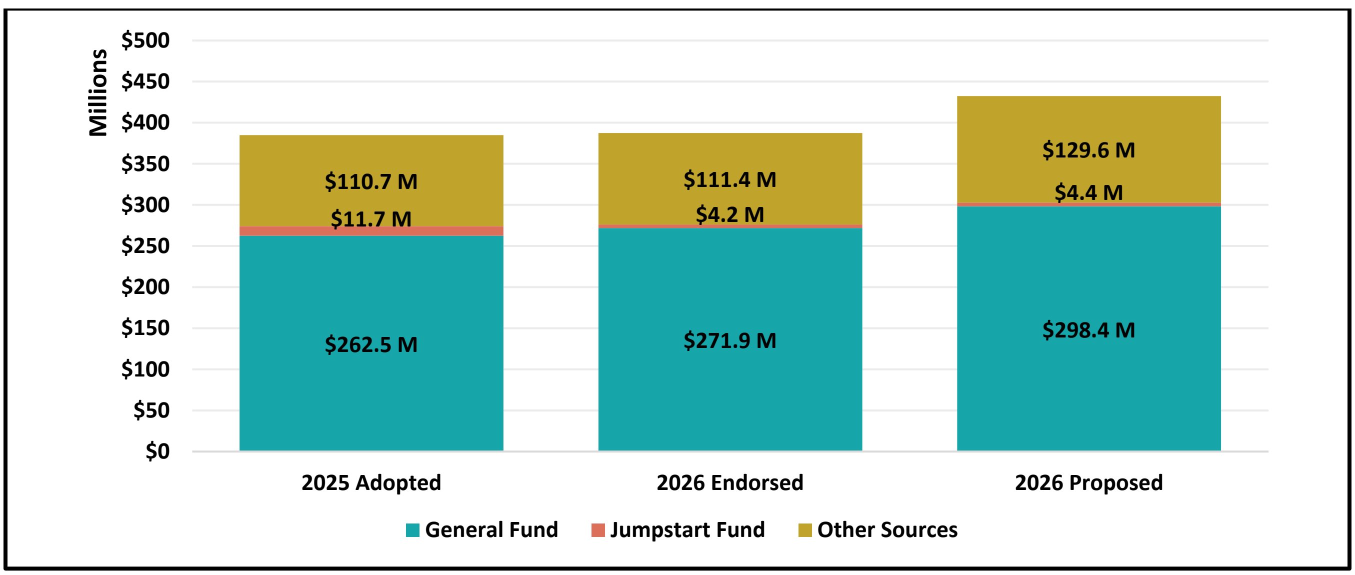
Figure 1. FTE & Labor Budget Summary



Nine of the eleven net new full-time positions shown in the 2026 Proposed Budget were added via the mid-year supplemental ordinance. The nine positions support the expansion of the WA CARES program (the State's Long-Term Care Program) in Seattle and King County, which provides outreach, provider network development, and beneficiary services. These positions are supported by ongoing grant funding from the State program. In addition, two new case manager positions are added to participate on the post-overdose teams called Health 99 housed in the Seattle Fire Department. These positions would be supported by the new Public Safety Sales Tax revenue.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



HSD's 2026 Proposed Budget includes the following changes to key funding sources compared to the 2026 Endorsed Budget:

- General Fund (including the Seattle Shield Initiative changes to the B & O Tax and the new Public Safety Sales Tax) increases by over $27 million;
- JumpStart Fund increases by just over $200,000; and
- "Other Sources" of funding (including federal and state grants, Families, Education, Preschool and Promise Levy, Sweetened Beverage Tax and other sources) increase by $18.2 million. The FEPP Levy represents the largest increase ($11.1 million) in "Other Sources" in the 2026 Proposed Budget.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Sustainability of wage equity increase

The 2026 Proposed budget provides ongoing funding for an additional 2.0 percent human service provider wage equity increase of $5.1 million above the 2.6 percent inflationary increase required under the Seattle Municipal Code. As described in General Fund Balancing and Sustainability Analysis Memo, the city is facing a $140 million GF budget deficit in 2027. Council will need to make a difficult decision in the 2027 budget if it wants to sustain this wage equity increase. Failure to sustain these new investments would mean that wages would decrease for human services workers.

2. Sustainability for 155 new shelter beds proposed in 2026 and ability to meet promise to deliver 150 more by end of 2027.

The amount of funding in the 2026 proposed budget is not sufficient to maintain a full year of operating support for the 150 beds slated to open in 2026. Additional funds would also be needed to open and sustain the remaining 155 units in 2027 and future years.

- The 2026 Proposed Budget adds $7.8 million of ongoing funding to cover start-up costs and three months of operating support for 155 new shelter units, with the assumption that shelters would not open until the fourth quarter of the year.
- In 2027, annual costs would increase by $13.9 million for a total of $21.7 million.

  Of that increase, $2.9 million would be needed to sustain a full year of operating funding for the 155 units that are planned to open in 2026. The other $10.7 million would cover start-up costs and three months of operating support for 150 additional units.
- In 2028, annual costs would increase by $4.7 million to $26.4 million, with that increase needed to pay for a full year of operating costs for all 305 shelter units.

As described in General Fund Balancing and Sustainability Analysis Memo, the city is facing a $140 million GF budget deficit in 2027. Because of that, City Council will need to make difficult decisions if it wants to 1) maintain the 155 units that are slated to open in 2026 and 2) open the remaining 150 proposed units. If in 2027 Council does not at least maintain the operational beds slated to open in 2026, there would be a significant disruption in services for people who would be living in those shelter units.

3. Community Solutions Initiative Pilot

The 2026 Proposed Budget contains $4.05 million in one-time GF for a new Community Solutions Initiative pilot to reduce unsheltered homelessness in downtown. The Downtown Seattle Association (DSA) will be the lead entity and will manage a subcontract with Purpose Dignity Action (PDA) to implement the program. The program, which is still being designed, will include shelter, services, outreach and short-term rental subsidies. Outcomes and metrics are not yet established, including number of shelter beds, number of rental subsidies provided and number of people to be served. The geographic focus for this pilot appears to be Pioneer Square, although that decision has not yet been finalized.

The funding for this pilot is one-time, which appears to be a poor fit for the nature of the program designed. It seems unrealistic to stand up a pilot, enroll people in shelter or housing and get every person enrolled in the pilot stably housed all within one year. Council should anticipate that it will be asked for funds to continue this pilot in 2027, in order to avoid returning people to unsheltered homelessness. As described in the General Fund Balancing and Sustainability Analysis Memo, the city is facing a $140 million GF budget deficit in 2027. Because of that, Council will need to make difficult decisions if it wants to continue funding for this program on an ongoing basis.

Additionally, the structure of this pilot appears to be moving the City away from having a coordinated approach to unsheltered homelessness under KCRHA. Unlike all other shelter contracts, this one will be administered by HSD and not KCRHA. The contract is currently anticipated to be with DSA, who will then subcontract with PDA, adding a new entity (DSA) managing a contract related to unsheltered homelessness with no previous experience.

Options:

A. Proviso $4.05 million contingent upon receiving more details from HSD on this pilot, including program design, outcomes, geographic focus area, and the plan to ensure no disruption of services when one-time funding ends.

B. Proviso funds contingent upon them being administered by KCRHA.

C. Reallocate the funds to another use that is better suited to one-time funding.

D. No change.

4. $7 million SBT fund swap

The 2026 Proposed Budget contains an additional $7.2 million ongoing Sweetened Beverage Tax (SBT)[2] to supplant General Fund appropriations for food programs, such as meal distribution programs and food bank support. SMC 5.53.055 currently prohibits the use of SBT revenues to supplant appropriations from other funding sources. The Executive has proposed legislation, discussed in Section III, to remove the prohibition.

This SBT funding is available because the proposed renewal of the Families, Education, Preschool and Promise (FEPP) Levy, on the ballot this November, is anticipated to supplant $7.5 million of SBT that is currently going to early childhood programs. All current SBT-funded programs in DEEL are anticipated to be funded by the FEPP Levy if the ballot measure passes, except for the Prenatal to 3 Grant Program, which is proposed to be eliminated.

Ordinance 125324 established the SBT Community Advisory Board (CAB), to advise and make recommendations to the Mayor and City Council regarding programs and services supported by the revenue. Central Staff's understanding is that the CAB has either objected to, or was not consulted on, the proposed use of SBT funding in HSD, and the elimination of the Prenatal to 3 Grant Program.[3] If Council adopts the 2026 Proposed Budget, the SBT will no longer support early childhood programs, though it would continue to be an allowable use in the future. The 2026 Proposed Budget calls into question the role of the CAB going forward.

Finally, the Sweetened Beverage Tax fund is projected to be out of balance in 2028, making the ongoing funding unsustainable in the long term.

Options:

A. Reallocate funds to support the Prenatal to 3 Grant Program and sustain the food programs in HSD using another source of funds.

B. Adopt a Statement of Legislative Intent to work with the CAB and other stakeholders to reimagine the role of the CAB, potentially to focus on food programs.

C. No change.

[2] The Sweetened Beverage Tax is an excise tax of 1.75 cents per ounce on the distribution of sweetened beverages in Seattle. According to SMC 5.53.055, revenues must be spent on programs that increase access to healthy food, close the food security gap, and promote healthy food choices, as well as programs that support social, emotional, educational, physical, and mental health in early childhood.
[3] The CAB most recently released recommendations in May 2025, where they stated: "We will continue to reject any tactics that use the SBT Fund to supplant baseline allocations in other fund sources and will strongly oppose any swaps."

III. BUDGET LEGISLATION

1. 2026 Grant Acceptance Ordinance

The 2026 Proposed Grant Acceptance Ordinance includes 28 annual grants that HSD typically receives from federal, state, and a few other sources (Seattle Housing Authority, University of Washington). These grants total over $80 million of funding and support various programs. HSD anticipates receiving all of these grants.

2. 2025 Year End Supplemental

The 2025 Year End Supplemental Ordinance includes six items increasing appropriations in HSD by $19 million, $11.6 million of which would align the budget for various grants in the Aging & Disability Services division to the current award amounts. This ordinance also adds one position in the Seattle Youth Employment Program supported by a two-year State grant. The position will sunset in 2027. Central Staff has reviewed all of the proposed appropriations and has not identified any issues.

3. CBO Sweetened Beverage Tax SMC Amendment ORD

This legislation would amend SMC 5.53.055, to remove the prohibition on the use of Sweetened Beverage Tax (SBT) revenues to supplant appropriations from other funding sources. Council would need to pass this Ordinance as part of the budget process to ensure the 2026 Proposed Budget is in compliance with the code.