GENERAL FUND BALANCING & SUSTAINABILITY ANALYSIS

2026 PROPOSED MIDBIENNIAL BUDGET ADJUSTMENTS

OVERVIEW & POLICY CONSIDERATIONS PAPER

CENTRAL STAFF ANALYST: TOM MIKESELL

Executive Summary:

The Mayor’s 2026 Proposed Budget increases appropriations from the General Fund (GF) by $52 million (2.6%) in 2026 compared to the 2026 Endorsed Budget. This memo:

- Reviews changes made by the Council and the Mayor since the Council endorsed a 2026 budget in November 2024 (this includes legislative changes, revenue forecasts and year-end carryforwards) and describes the impact of policy choices embedded in the Mayor’s Proposed Budget on the 2025 GF ending balance; and.
- Reviews high level changes in the General Fund (GF) budget for 2026 in light of a significant addition of new tax revenues and illustrates the impact on GF sustainability into the future.

At the highest level, the key takeaways from this analysis include:

- In November 2024, the Council endorsed a budget for 2026. At that time, those decisions resulted in a projected average ongoing annual deficit in the GF of approximately $89 million in 2027 and beyond.
- Based on actual and proposed changes to the 2025 Revised Budget, baseline and technical changes to the 2026 Endorsed Budget, and the latest projection of GF revenues in the August 2025 forecast, prior to any policy proposals the GF had a $14 million baseline surplus in 2026.
- Given a substantial forecast downgrade in the JumpStart Fund, the use of JumpStart Fund transfers to balance the GF is decreased by $76 million in the 2026 Proposed GF Budget, reducing GF revenues by a like amount
- Substantial new tax proposals in 2026, including a restructuring of the business and occupations tax, and a public safety sales tax increase, provide a total of $120 million of new revenues. In addition, a higher Families, Education and Pre-school Promise property tax levy renewal package enables $28 million of expenditure shifts from the GF to the levy. In total, this represents an additional $148 million of new resources to both backfill the JumpStart transfer reduction and support new spending proposals in the 2026 Proposed Budget.
- In total, revenue, expenditure and planning reserve proposals in the 2026 Proposed Budget increase appropriations and planning reserves by $54 million above the 2026 Endorsed Budget.
- Despite the influx of new resources, beginning in 2027, the projected GF deficit grows to $125 million on average, due to the use of one-time funds to balance 2026, and a projected growth in ongoing expenditures and planning reserves that outpaces projected revenues.

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I. Background

RCW 35.32A.030 requires that Seattle adopts a balanced budget, where the estimated revenues of each fund meet or exceeds budgeted expenditures. Time of adoption is the only time State law requires that the budget be balanced. The law does not require the annual budget to be updated to reflect changes in the City's revenue projections throughout the year. If authorized spending exceeds available revenues, the Executive is constrained by the level of resources available to support authorized spending. If this occurs, the Executive must make administrative spending reductions (that is, the Executive must choose areas to stop spending).

State law does not require that a balanced budget be demonstrated in the years beyond the year being adopted, however, making projections of how current expenditure decisions may result in projected surpluses or deficits in the future is a common fiscal practice to foster sustainable and stable provision of government services in the future, and to serve as a foundation for identifying risk inherent in the current budgeting approach

Adopted as budget legislation with the 2024 Adopted Budget, RES 32116, which modified the biennial budget process framework established in RES 28885, passed in 1994, stipulates that in the second year of a biennial budget the Mayor uses the Council- endorsed budget, which was the second year of a two-year plan, as the starting point for 'minimal changes' that address a set of circumstance outlined in the resolution. As 2026 is the second year of the 2025-2026 biennium, the budget, and the analysis in this memorandum, focuses on the changes to the existing 2026 Endorsed Budget to arrive at the 2026 Proposed GF Budget.

It is worth noting that this review focuses primarily on the General Fund (GF), but also necessarily includes the JumpStart Fund (JSF). Since its inception after the adoption of the City's new Payroll Expense Tax in 2020, the JSF has provided a regular annual revenue transfer to the GF to backfill the latter's ongoing sustainability challenges (budget imbalance) coming out of the COVID-19 pandemic. This arrangement was formalized in ORD 127155, which in essence also made the JumpStart Fund fiscally equivalent to the GF in terms of flexibility of uses. In addition, whereas in prior years the flow of resources had been one way, with ever-larger JSF transfers supporting GF spending, ORD 127155 added the provision that, in the event of revenue challenges in the JSF, the fiscal relief could flow in the opposite direction (that is, GF supporting JSF spending). The two-way relief mechanism and GF-level flexibility of use of JSF resources provided for in ORD 127155 essentially make the JSF on par with the GF in fiscal terms, and as such this memorandum considers its fiscal status, as one the City's two largest general-purpose funds, in light of the policy.

As the starting point for the focus on the City's GF balances and projected financial status, Section II of this memorandum briefly describes the financial plan provided the 2025 Adopted Budget Book, which demonstrated, beginning in 2027, an $89 million ongoing funding gap and negative unreserved fund balance in the GF. This will serve as the foundation for subsequent sections that will track how proposed revenue and expenditure changes in 2025 through 2026 impact the projected funding gap and sustainability of the fund.

Section III describes the budget measures taken by the Council and Mayor to adjust the 2025 budget because of unforeseen events, and revenue changes in the August forecast update by the Office of Economic and Revenue Forecasts (Forecast Office) and the City Budget Office (CBO). Finally, this section describes new proposals from the Mayor for the 2025 Budget, including proposed year-end supplemental appropriations and grants ordinances, and ultimately updates the estimated 2026 beginning fund balance (one-time resources) that would be available if these proposals are passed, and which is assumed in the Mayor's 2026 Proposed Budget.

Section IV of this paper continues with a review of the Mayor's 2026 Proposed Budget for the GF, in preparation for more detailed departmental Policy Consideration discussions, scheduled for October 15-20. This review covers the major categories of the GF proposed budget, with a specific focus on how significant new revenue proposals are deployed.

Section V of this paper concludes the analysis of the GF with a review of the Financial Plan through 2029, after accounting for the proposed changes discussed in previous sections and provides an updated view of the sustainability of the GF budgets in 2027 and beyond.

Given risks identified with the way the budget is balanced, Section VI reviews the status of the balances held in the Emergency Fund and the Revenue Stabilization Fund, the City's primary fiscal reserves.

II. 2025 Adopted GF Financial Plan

1. 2025 Adopted/2026 Endorsed GF Budget

On November 21, 2024, the City Council passed ORD 120905 which approved a 2025 Adopted City budget of $8.5 billion, of which $1.88 billion was for programs and services funded from the GF. At the same meeting, the Council adopted RES 32153, which endorsed a 2026 City budget of $8.8 billion, of which $1.92 billion was for programs and services funded by the GF.

Table 1 shows the fiscal parameters of the GF budget plan, including the 2024 beginning balance, operating revenues, operating expenditures, reserves, and ending unreserved fund balance. Put another way, this table represents the parameters of the balanced 2025 Adopted /2026 Endorsed Budget.

Table 1. 2025 Adopted/2026 Endorsed GF Budget

Amounts in $1,000s	2024 Revised Budget	2025 Adopted Budget	2026 Endorsed Budget
Beginning Budgetary Fund Balance	$408,425	$57,958	$123,333
Revenues	$1,753,958	$1,936,286	$1,958,189
Expenditures 1/	$2,128,725	$1,880,911	$1,929,979
Underspend Assumption	($24,300)	($10,000)	($10,000)
Ending Budgetary Fund Balance	$57,958	$123,333	$161,543
Planning Reserves		($87,511)	($161,123)
Ending Unreserved Fund Balance		$35,822	$420

As shown in the table, starting from a $408 million beginning budgetary fund balance in 2024, budgeted and endorsed revenues and expenditures combined to arrive at a $420,000 ending unreserved fund balance at the end of 2026, representing a balanced budget. The 'Planning Reserves' row includes amounts that are intended to be budgeted in future years but are not yet part of the budget due to legal or other planning considerations as determined by the Executive. Since these amounts are not appropriated in ORD 120905, in Table 1 they are shown 'below the line' (i.e., not part of expenditures). Similarly, the budget relies on underspend assumptions in each year, which are not technically part of the appropriation that Council approved, but are integral to balancing the plan.

2. 2025 Adopted/2026 Endorsed GF Financial Plan

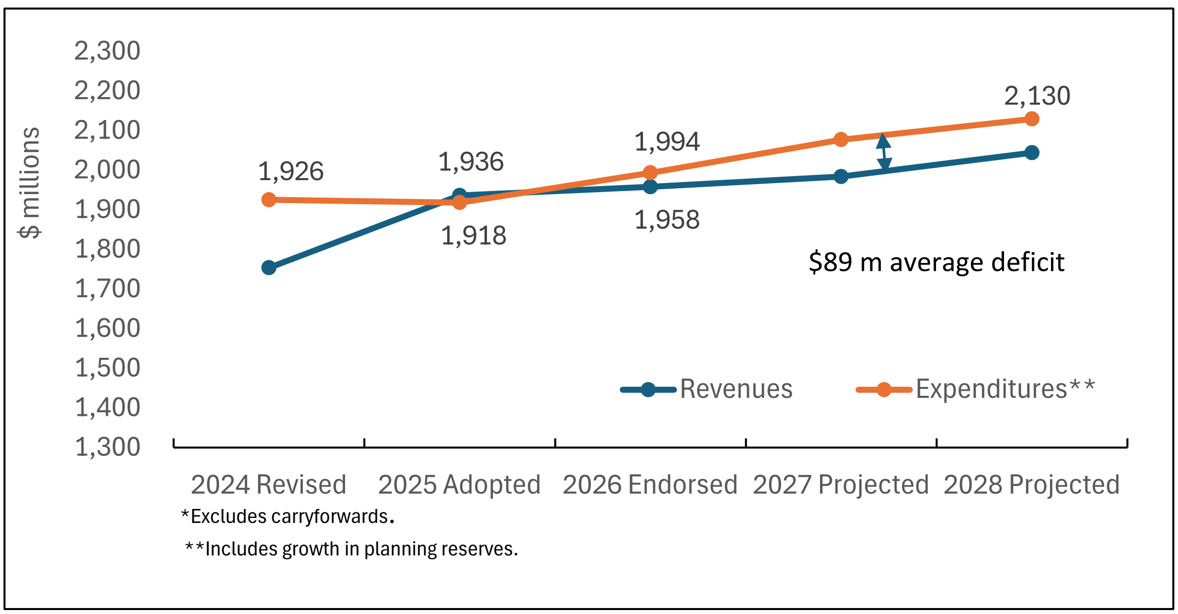
Earlier this year, CBO published the [2025 Adopted-2026 Endorsed Budget book](), that describes the funding decisions in ORD 120905, and includes, on page 757, a financial plan for the GF, covering revenues and expenditures from 2023 actuals through 2028 projected.

Table 2. 2025 Adopted/2026 Endorsed GF Budget Financial Plan

Amounts in $1,000s	**2024 Revised**	**2025 Adopted**	**2026 Endorsed**	**2027 Projected**	**2028 Projected**
Starting Budgetary Fund Balance	$408,425	$57,958	$123,333	$161,123	$182,875
Revenues	$1,753,958	$1,936,286	$1,958,189	$1,984,007	$2,044,293
Expenditures [1/]	$2,104,425	$1,870,911	$1,919,979	$1,962,675	$1,990,136
Ending Budgetary Fund Balance	$57,958	$123,333	$161,543	$182,875	$237,031
Planning Reserves		($87,511)	($161,123)	($275,687)	($415,067)
Ending Unreserved Fund Balance		**$17,850**	**$420**	**($92,813)**	**($178,036)**
1/Adjusted for underspend assumptions in 2024 through 2026.					

In the budget book, the financial plan is organized with the Planning Reserve amounts shown 'below the line'. Like past graphical presentations, which restructured the CBO-developed plan into a format that clearly demonstrates the annual operating gap without double-counting the planning reserves, Figure 1 combines the annual growth in planning reserves with expenditures to show these revenue and expenditures trends graphically and visualize the projected average operating gap between GF revenues and expenditures in the financial plan.

Figure 1. 2025 Adopted/2026 Endorsed Budget GF financial plan operating gap



As shown in Figure 1, the $35 million gap between ongoing revenues and expenditures in the 2026 Endorsed Budget, which was balanced by use of one-time fund balance, was projected to grow to about $89 million per year on average in both 2027 and 2028. This is an important point of reference that will be revisited in Section V on sustainability of the 2026 Proposed GF Budget. It is also important to note that these figures are CBO's calculations, and do not represent an independent assessment of sustainability by Central Staff.

III. 2025 GF Budget Adjustments

1. 2024 Year-end Reconciliation

As described in the May 7th Financial Update: General Fund Balancing Analysis presented to the Finance, Native Communities and Tribal Governments Committee, a combination of higher-than-anticipated revenues and lower-than-budgeted expenditures in 2024 resulted in an actual year-end GF fund balance that was $135 million higher than what was expected when the 2025 Budget was adopted. These, and other unspent appropriations, were carried forward into the 2025 budget to perform unfinished work.

2. Approved 2025 Adjustments and Carryforwards

Since November 2024, the 2025 Adopted Budget has been revised by a series of Council-approved and automatic updates, as shown in Table 3, which reduce the 2025 GF balance by $124 million after accounting for $16 million of revenues associated with these changes.

Table 3. Adopted Current Year Budget Legislation and Automatic Carryforwards[1]

Amounts in $1,000,000s	Revenues	Expenditures	GF Balance Impact
Automatic Carryforwards	$43	$112	($70
ORD 127216 - CBO Q1 Grants	$5	$5	$0
ORD 127270 - CBO 2024 Carryforward	$0	$20	($20)
ORD 127068 - CBO 2024 Mid-Year Supplemental	($3)	($3)	$0
ORD 127263 - CBO 2025 Midyear Acceptance	$5	$5	$0
ORD 127269 - CBO PET Transfer Reduction ORD	($34)	$0	($34)
Total - Revised Budget Changes	**$16**	**$140**	**($124)**

3. August Revenue Forecast Update

On August 6th, staff from the Forecast Office and CBO presented to the Finance, Native Communities and Tribal Governments Committee the second of three planned forecast updates for 2025. Relying on a baseline economic scenario, this forecast projected 2025 GF revenue levels of $1.962 billion, which is $26 million higher than the amount originally projected in the 2025 Adopted Budget. However, the August forecast included some of the revenue from carryforwards and legislated changes detailed in Table 3, above. After removing any double counted revenue, the August GF revenue forecast is $11 million higher than the 2025 Adopted Budget level.

4. 2025 GF Balancing Status After Approved Changes

After adjusting for the impact of the revenue forecast, and automatic and legislated changes described above, the 2025 ending fund balance increases from $123 million to $145 million as detailed in Table 4. This represents a $22 million increase in one-time resources before applying the proposed year-end changes assumed in the Mayor's 2025-2026 Proposed budget.

[1] As of September 13, 2024.

Table 4. 2025 GF Ending Fund Balance after Approved Adjustments

Amounts in $1,000s	**Balance**
2025 Adopted Ending Balance	$123
Approved/Automatic Adjustments:	
2024 Year-End Reconciliation	$135
2024 Adjustments and Carryforwards	($124)
August Revenue Forecast Update	$11
2025 Ending Balance After Approved Adjustments	$145
Total Increase (One-time Resources)	**$22**

The next subsection discusses new legislative budget proposals for the remainder of 2025 that the Mayor has included with the 2025 Revised/2026 Proposed Budget.

5. 2025 GF Budget Legislation Submitted with the Proposed Budget

Consistent with past practice, the 2026 Proposed Budget includes two pieces of year-end budget legislation, including proposed year-end grant acceptance and appropriations and the final comprehensive year-end supplemental budget adjustments, as follows:

- *CBO 2025 Year*-End Acceptance: Represents the third and final grant acceptance and appropriation ordinance and would accept $3.1 million of GF grants and increase both GF appropriations and revenues a like amount, resulting in a net-zero GF balance impact.
- *CBO 2025 Year-End Supplemental Legislation*: The second and final comprehensive supplemental budget legislation for 2025, this bill would increase 2025 GF revenues by $2.2 million and increase 2025 GF expenditures by $19.5 million, with a net GF balance impact of ($17) million.

Department-level details for these bills are provided in the *Budget Legislation* sections of the respective Overview & Policy Considerations papers**.**

6. Revised Underspend

Though not part of the 2025 Revised Budget appropriation, the budget proposal relies on an assumed underspend of $23 million in 2025 to generate additional resources that are deployed in the 2026 Proposed Budget. In essence, the Executive relies on final spending coming in $23 million below budget for 2026 to balance. This represents a $13 million increase over the underspend assumption that was included in the 2025 Adopted Budget, and the second year where an underspend of this size has been necessary to balance the revised budget (the 2024 assumed underspend was $24.3 million, adjusted upward from an original proposal of $10 million to account for savings from a hiring freeze in that year).

While not an explicit cut that can be evaluated and adopted on a department-by-department basis, and moreover, a practice that may impact one or more of Council's budgeted spending priorities, this represents a general declaration that current year spending will be sufficiently below budget to generate these savings by year end.

As will be discussed later in this memorandum, the 2026 Proposed GF Budget parameters include a $10 million underspend assumption (a continuation from the 2026 Endorsed level), and for the first time, an annual underspend is included in the "out year" projections as well. A policy consideration of the evolving practice of budget underspends is offered in Section V on GF Sustainability.

7. 2025 Revised Ending Balance/2026 Revised Beginning Balance

Bringing together the totals from each of the prior subsections, the 2025 ending budgetary fund balance, which represents the beginning balance of one-time resources for the Mayor's 2026 Proposed Budget, is $141 million, as shown in Table 5 below. This is $18 million higher than the amount anticipated when the 2025 Budget was adopted. As detailed below, the Mayor's reliance on this $141 million one-time resource to balance his proposed spending for 2026 reflects the inherent unsustainability of the 2026 Proposed Budget, and demonstrates the basic magnitude of the mismatch between the City's expenditures and its reliable, on-going revenues.

Table 5. Impact on 2025 Ending Balance from Approved and Proposed 2025 Adjustments.

Amounts in $000,000s	**2025 Impact**
2025 Adopted Ending Unreserved Fund Balance	$123
1. 2024 Year End Reconciliation	$135
2. Approved & Automatic Carryforwards/Supplementals	
Revenues	$16
Expenditures	($140)
Subtotal - Approved Supplementals/Carryforwards	($124)
3. August Revenue Forecast (excluding double-counts)	$11
4. Proposed Budget Legislation	
Revenues	$5
Expenditures	($22)
Subtotal - Proposed Budget Legislation	($17)
5. Higher Underspend Assumption	$13
2025 Revised Unreserved Ending Fund Balance	$141
Increase in 2025 ending balance compared to Adopted Budget	**$18**

IV. 2026 Proposed GF Budget

This section includes an overview of the 2026 Proposed GF Budget, which totals $1.97 billion in 2026[2]. When $163 million of planning reserves are included, the total budget increases to $2.13 billion. This represents a $53 million (three percent) increase over the 2026 Endorsed Budget (plus planning reserves), and a $175 million increase (nine percent) from the 2025 Adopted Budget, respectively.

From a resource perspective, the 2026 Proposed Budget is funded by a combination of $1.99 billion of revenues and $141 million of one-time fund balance, for a total of $2.13 billion, representing a balanced budget. Total 2026 proposed revenues are two percent higher than the endorsed levels, and 3 percent higher than the 2025 Adopted Budget. Use of fund balance increases by 14 percent over the level of fund balance used to balance the 2026 Endorsed Budget.

Building from the 2026 Endorsed Budget, the remainder of Section IV will add the proposed baseline and technical expenditures, planning reserves, and the August forecast information, to provide an assessment of the projected baseline deficit. Next, proposed new revenue sources and fund shifts and the expenditures they specifically support in the budget are added sequentially in line with their formal review by City Council during the year. Finally, net-new expenditures, representing the expenditure increase over and above proposed reductions are detailed to arrive at the balanced budget proposed for 2026.

[2] Total includes a $10 million underspend assumption used in the GF Financial Plan to balance the budget.

The framework in Table 6 details the parameters of the 2026 Endorsed Budget and serves as the starting point for the analysis. From left to right it starts from the beginning 'Fund Balance' and adds in 'Revenues' to sum to the 'Total Resources' available. Next, Expenditures' and 'Planning Reserves' are shown, summing to 'Total Uses'. Finally, the 'Balance' column shows the difference between Total Resources and Total Uses. A positive or zero balance is required for a balanced budget.

Table 6. Fiscal Parameters of the balanced 2026 Endorsed GF Budget.

Amounts in Millions	Fund Balance	Revenues	Total Resources	Expenditures[1/]	Planning Reserves	Total Uses	Balance
2026 Endorsed	$123	$1,958	$2,081	$1,920	$161	$2,081	$0
1/Reduced by $10 million to account for Executive underspend.							

Each adjustment discussed in the following sections will fit into one or more of these categories, allowing for a tracking of the balancing status at each stage.

1. 2026 Baseline Changes: Forecast Office/CBO Revenue Forecast Update

In August the Forecast Office and CBO updated the GF revenue forecast, decreasing total GF revenues to $1.51 billion in 2026, a $6.8 million decrease from the October 2024 forecast that informed the 2026 Endorsed Budget level. It is worth noting that this figure includes the impacts of grants and fund transfers, which can be irregular. To provide an insight into base revenue growth driven by the economy rather than these policy-driven changes, the Forecast Office also includes forecasts that exclude the impacts of fund transfers and grants. Using this approach, compared to the 2025 Revised Budget forecast, the 2026 forecast represents 2.2 percent growth, which is lower than the level of inflation (2.8 percent), indicating a shrinking of the GF revenue base.

It is worth noting that the third and final forecast for 2025, which establishes the revenues used for the balanced budget and in the Budget Chair's balancing package, will be presented by the Forecast Office to the Forecast Council on October 20, 2025.

2. 2026 Baseline Changes: Technical and Planning Reserve

As mentioned above, the 2026 Endorsed GF Budget, plus planning reserves, totaled $2.08 billion. Consistent with the City's incremental budgeting approach, the 2026 Endorsed Budget is the starting point for 2026 Proposed Budget. Starting from the prior endorsed budget, the Executive adjusts department budgets by removing one-time appropriations, adding inflation, retirement contribution and wage increases, and accommodating existing policy or legal requirements. This process essentially determines the cost to continue the 2026 Endorsed service levels without adding new programs. These changes include the following:

- **Baseline and Technical Adjustments**: An expenditure decrease of $5 million to reflect adjustment for removal of one-time items, inflation impacts, and other contracts, partially offset by a $727,000 decrease in grant revenues related to these adjustments.

- **Planning Reserve Changes:** A Planning Reserve increase of $2 million. In addition to formal appropriation amounts included in the Proposed Budget, the GF financial plan submitted with the budget includes amounts that are not part of the formal appropriation proposal but are nonetheless anticipated expenditures. Unlike the fiscal reserves, which are held for emergencies and unanticipated revenue shortfalls, these are unappropriated balances reflected in the financial plan by the Executive reflect the estimated cost of labor agreements that are under negotiation, but to also include potential legal and other potential risks that are anticipated to be expenditures in the future. There is not an established City policy governing this practice. The Executive does provide full transparency to Central Staff such that they can evaluate the proposed purposes and magnitude of the reserves.

Though not considered part of the budget appropriation under the State Budget Act, and in that sense not specifically considered part of the legal balanced budget, and not specifically discussed in public budget deliberations, they are considered part of the budget for balancing purposes. Through membership on the Labor Relations Policy Committee (LRPC), the Council has a role in determining the portion of the reserves related to unresolved labor negotiations.

3. 2026 Baseline: GF Balance

Incorporating the increase to the Revised 2025 Ending Balance and the revenue and expenditures changes previously described in this section allows for an assessment of the baseline GF balancing status for 2026, before incorporating any Executive spending and revenue policy proposals included in the 2026 Proposed Budget. As shown in Table 7 below, the baseline GF surplus, comparing the cost of providing 2026 Endorsed service levels with forecasted revenues, would be a positive $14 million, as a result of base resources exceeding base expenditures. This is due to the increase in one-time resources prior years, that increased starting fund balance, and the analysis specifically excludes the impact of newly proposed revenues.

Table 7. Summary of 2026 Baseline GF Balancing Status

Amounts in $1,000,000s	Fund Balance	Revenues	Total Resources	Expenditures[1/]	Planning Reserves	Total Uses	Balance
2026 Endorsed	**$123**	**$1,958**	**$2,081**	**$1,920**	**$161**	**$2,081**	**$0**
2025 Ending Balance	$18		$18			$0	$18
Baseline and Technical		$0	$0	($5)	$2	($3)	$3
August Revenue Forecast		($7)	($7)			$0	($7)
2026 Proposed Baseline	**$141**	**$1,951**	**$2,091**	**$1,915**	**$163**	**$2,077**	**$14**

1/Reduced by $10 million to account for Executive underspend, which is not part of the appropriation.

4. 2026 Policy: Proposed Changes Due to Revenue Proposals

The 2026 Proposed Budget includes several policy related adjustments related to revenue proposals, including:

- Miscellaneous operating revenue adjustments;
- Reduction in the planned transfer from the JumpStart Fund (JSF) to the GF because of a significant downgrade to the payroll expense tax revenue forecast;
- Shift of GF spending to the Families, Education, Preschool, and Promise (FEPP) Levy 2025 Fund made possible by a property tax levy increase submitted for a November public vote;
- Business and Occupation tax restructure that generates revenue to backfill the GF and offset federal funding cuts, also submitted for vote in November; and,
- State-authorized sales tax increase to support public safety spending.

This subsection describes the revenues and expenditure implications of each item and concludes with an updated table to show GF balancing status.

<u>Miscellaneous Operating Revenue Adjustments</u>

In addition to a set of significant revenue proposals included in the 2026 Proposed budget, which are discussed below, there are a number of small-scale operating revenue proposals that on net reduce operating revenues by $1.6 million in the 2026 Proposed Budget, as shown in Table 8, below.

Table 8. Miscellaneous Operating Revenue Items in the 2026 Proposed Budget

Amounts in $1,000,000s		**Revenues**		
Department	**Description**	**One-time**	**Ongoing**	**Total**
Law Department	Judgment Claims Fund Revenue Adjustment	$0	($1.8)	($1.8)
Finance and Administrative Services	On-going Resource Needs for Implementing Social Housing Tax (the City will receive a small amount of the voter-approved revenue)	$0.5	$0	$0.5
Office of Planning and Community Development	Sound Transit 3 Staffing for Design Commission	$0	$0.2	$0.2
Office of Economic Development	CDBG Abandonment for Wealth Building Tenant Improvement Program	($0.5)	$0	($0.5)
Total Miscellaneous Operating Revenue Proposals		**$0**	**($1.6)**	**($1.6)**

The largest item in Table 8, the Judgment and Claims Fund Revenue Adjustment, changes the underlying revenue source for staff in the Law Department Civil Division, including 5.0 FTE attorney positions and 2.0 FTE e-Discovery staff positions from the Judgment and Claims Fund to the General Fund. These positions were previously funded solely by the Judgment and Claims Fund.

Reduced Payroll Expense Tax Transfer To GF

As described earlier in this memorandum, the August forecast resulted in a small reduction to 2026 GF revenues. The reduction to payroll expense tax revenue to the JSF, however, was much more significant, representing a $78 million reduction in 2026. Since payroll expense taxes are the primary revenue source to the JSF (besides interest earned on cash balances), this put the 2026 Endorsed Budget for the JSF fund out of balance. In prior years, given weakness in GF revenue growth compared to emerging spending pressures, the focus had been on increasingly higher transfers from the JSF to GF, to provide revenue backfill. These revenue transfers have increased from $86 million in 2022 to $265 million in the 2026 Endorsed Budget, representing 52 percent of the total JumpStart appropriation in the 2026 Endorsed Budget.

Adopted as part of the suite of 2025 budget legislation, ORD 127155 revised the spending policies for the JumpStart Fund, providing greater flexibility for JSF backfill to the GF, but also recognizing the future potential for GF allocations to offset weakness in payroll expense tax proceeds in the future. Considering this policy revision, the 2026 Proposed Budget reduces the transfer from the JSF to the GF by $75.5 million, bringing the total 2026 proposed revenue backfill transfer from the JSF to the GF to $189 million. While this provides financial relief to the JSF, from the GF perspective this represents an ongoing reduction of revenue for the purposes of balancing.

GF Expenditure Shifts to FEPP Levy

Passed by the City Council on June 17, 2025, ORD 127238 submits a Families, Education and Preschool Promise (FEPP) property tax levy renewal to the November 2025 General Election. The expenditure package included with the levy renewal included several fund shifts that moved programs and services funded by the GF in the 2026 Endorsed Budget to the FEPP levy. These shifts, totaling an ongoing GF expenditure decrease of $27.6 million (offset by an increase in the FEPP Levy), are detailed in Table 9.

Table 9. 2026 Proposed GF Program and Service Shifts to the FEPP Levy

Amounts in $1,000,000s		Expenditures
Department	**Description**	**Ongoing**
Education and Early Learning	GF central costs transferred to FEPP Levy	($0.8)
Education and Early Learning	GF funding for Child Care Assistance Program, Child Care Referral, the Nurse Family Partnership, ParentChild+, labor, central rates, and professional services FEPP levy	($8.4)
Human Services	GF backed Human Services Department youth programs to FEPP Levy	($10.6)
Human Services	Transfer Food Program Budget to Sweetened Beverage Tax [1/]	($7.1)
Parks and Recreation	GF Investments in Seattle Parks and Recreation to FEPP Levy	($0.7)
Total Ongoing Expenditure Shifts from GF to FEPP25 Levy		**($27.6)**
1/ Though nominally a spending shift from the GF to the Sweetened Beverage Tax (SBT), this shift is made possible by an offsetting $7.1 million shift of SBT spending to the FEPP25 levy in the DEEL budget.		

Business and Occupation Tax Restructure

Passed by the City Council on August 4, 2025, ORD 127259 submits a business and occupations (B&O) tax restructure proposal to the November 2025 General Election. Based on a combination of changes, including a new standard deduction, a higher small business threshold, rate increases, and tax credits, the Forecast Office estimates the restructure will generate $81 million in 2026, the full amount of which is included as ongoing revenue in the 2026 Proposed Budget. In addition to the tax changes, ORD 127259 guides the use of the new funds, with up to $30 million from the restructure proposal dedicated to backfilling the loss of federal revenues and administering the tax, and the remainder, estimated at $51 million based on the forecast, to GF backfill geared towards a set of spending priorities specified in the ordinance. Table 10 details the new spending amounts the Executive included in the 2026 Proposed Budget based on ORD 127259, including the ongoing and one-time nature of each.

Table 10. 2026 Proposed Federal Response and Tax Administrative Costs Backed by B&O Tax increase [1/]

Amounts in $1,000,000s		Expenditures		
Department/Office	**Description**	**One-time**	**Ongoing**	**Total**
Finance and Administrative Services	Resource Needs for Implementing B&O Tax Changes	$0	$1.2	$1.2
Human Services	Rental Assistance Funding	$0	$4	$4
Human Services	B&O Backed Reserve for Federal Impact Shelter Supports and Emergency Housing	$9.4	$0	$9.4
Human Services	Funding for Food Banks	$3	$0	$3
Human Services	Funding for Meal Programs	$1	$0	$1
Immigrant and Refugee Affairs	Immigration Emerging Need Response	$0.3	$0	$0.3
Immigrant and Refugee Affairs	Immigration Legal Services, Workforce Opportunities, and Safety Programs	$3.7	$0	$3.7
Sustainability and Environment	Expand Fresh Bucks Eligibility and Benefit Amount	$6.3	$0	$6.3
Total New GF Spending Supported B&O Tax Increase		**$23.6**	**$5.2**	**$28.8**
1/Does not include $1 million of one-time 2025 funding in FAS and Seattle IT for initial implementation costs, nor $200,000 in the Information Technology Fund for ongoing support costs.				

As shown in Table 10, of the $81 million in new ongoing GF revenue from the B&O tax increase, the 2026 Proposed Budget adds $28.8 million of funding geared towards response to federal funding reductions. However, only $5.2 million of that amount represents ongoing additions to the base budget (and, of that amount, $1.2 million is for tax administration costs).

In 2027, the Executive includes $24.7 million in unbudgeted planning reserves for a 'federal funding backfill reserve', ostensibly for these items intended to be funded from the new B&O tax revenues. It is important to note two things about this approach: (1) the planning reserves are not part of the appropriated budget, and any decisions to include these amounts in future years will require a discrete new request for appropriation, and (2) the GF Financial Plan shows a $140 million deficit in 2027, so if the financial plan is correct, there would not be funding to support these adds to the budget in 2027 absent a cut elsewhere in the budget. An alternative approach that the Council could consider, to strengthen the positions of these adds backed by the new tax and in the context of resource constraints, would be to make these one-time adds ongoing in nature, and provide guidance to the Executive to reduce future planning reserves by a like amount.

Policy Consideration 1: New appropriations for federal backfill/federal response supported by the business and occupations tax restructure pursuant to ORD 127259 are only appropriated on a one-time basis in the 2026 Proposed Budget, and are included as a 'federal funding backfill reserve in unappropriated planning reserves beginning in 2027, weakening their position in the face of budget cuts in light of a future deficit projections and economic uncertainty.

Options:

A. Submit a cost neutral budget amendment to shift one or all the one-time items listed in Table 10 to 'ongoing' status in the 2026 Proposed Budget and provide guidance to adjust/remove the 'federal funding backfill reserve' from future financial projections accordingly.

B. No change.

To conclude the analysis of the impact of the use of net new revenue from the business and occupation tax restructuring, given that the discrete new additions in the 2026 Proposed Budget shown in Table 10 total $28.8 million, this leaves a total of $52.3 million of new B&O tax revenue to backfill other revenue shortfalls in the GF budget due to the reduction in the JSF transfer, or to support new spending. Further, it bears mentioning that this new revenue is subject to a November public vote. If it fails, $81 million budget cuts to the 2026 Proposed GF Budget would be required to balance the budget.

Public Safety Sales Tax

Effective July, 2025, Chapter 350, Laws of 2025 authorizes the City to enact a 0.1 percent sales tax for public safety purposes. Adopted by the City Council on July 29, 2025, RES 32174 resolves that if the City implements the optional sales tax, "..up to 25 percent of the revenue raised should be invested in addiction treatment and recovery services and the facilities needed to provide such services. The investments should be aimed at creating a pathway to recovery for individuals experiencing chronic homelessness and individuals diverted from the criminal legal system". Legislation submitted with the 2026 Proposed Budget would enact the tax based on the Chapter 350 authority, thereby providing an estimated $39 million of new ongoing GF revenue for public safety purposes based on CBO estimates confirmed by the Forecast Office. The Select Budget Committee voted 8-1 on October 8th to authorize implementation of this tax.

It is worth noting that Chapter 350 does not prevent supplanting; in other words, under state law any portion of the tax, up to the full amount, can support existing budget appropriations for public safety. For reference, $946 million of the $1.9 billion 2026 Endorsed GF Budget was for public safety programs, and any portion of this could be supported by these revenues in compliance with Chapter 350.

Table 11. 2026 Proposed GF programs and services backed by Public Safety Sales Tax increase

Amounts in $1,000,000s		**Expenditures**		
Department	**Description**	**One-time**	**Ongoing**	**Total**
Community Assisted Response and Engagement (CARE)	Increased Staffing in the 9-1-1 Call Center	$0	$2.6	$2.6
CARE	Increased Staffing in the Community Crisis Responder Team	$1.8	$5.1	$6.9
Human Services	Law Enforcement Assisted Diversion	$0	$5	$5
Human Services	Detox and Inpatient Treatment Program	$0	$2.9	$2.9
Human Services	Downtown Emergency Services Center ORCA Patient Outreach Division	$0	$1.2	$1.2
Human Services	Thunderbird Treatment Center	$1.8	$0	$1.8
Seattle Fire	SFD Post Overdose Treatment	$0	$1.2	$1.2
Seattle Fire	Funding for 20 additional FF recruits	$2.1	$0	$2.1
Total New GF Spending Supported by Public Safety Sales Tax Increase		**$5.7**	**$18**	**$23.7**

As shown in Table 11, the Executive assigns $23.7 million of new GF funding to the tax. In addition, consistent with Chapter 350, Laws of 2026, the Executive assigns $15 million of the new tax revenue to existing appropriations in the CARE Department. Due to the fungibility of GF resources, this approach provides a net $15 million that is allocated to new spending elsewhere in the GF budget.

5. 2026 Policy: GF Balancing Status After Operating Revenue Proposals

Starting from the 2026 Proposed GF baseline balancing status detailed in subsection 3 above, the proposed changes due to the operating revenue proposals described in subsection 4 can be added to demonstrate the 2026 GF balancing status with these new resources, and before adding in expenditure proposals not specifically associated with revenue increases. As shown in Table 12 below, adding these proposals to the 2026 GF Baseline shows a net balance of $28.3 million, which is used to support net new additions to the GF budget, as described in the next section.

Table 12. Summary of 2026 GF Balancing Status After Incorporating Major Revenue Proposals

Amounts in $1,000,000s	Revenues	Expenditures[1/]	Balancing Impact	Running Balance
2026 Proposed Starting Balance				**$140.9**
2026 Proposed Baseline	$1,950.6	$2,077.8	($127.2)	$13.7
Miscellaneous Operating Revenues	($1.6)	$0	($1.6)	$12.1
Reduce Payroll Expense Tax Transfer To GF	($75.5)	$0	($75.5)	($63.4)
GF Expenditure Shifts to FEPP Levy	$0	($27.6)	$27.6	($35.8)
Business and Occupation Tax Restructure	$81	$28.8	$52.2	$16.4
Optional Public Safety Sales Tax	$38.9	$23.7	$15.2	$32
2026 Proposed Revised Balance Incl. New Revenues				**$32**
1/Reduced by $10 million to account for Executive underspend, which is not part of the appropriation. Includes $163.2 million for planning reserves.				

It bears mentioning that, as shown in Table 12, given that the running balance after the business and occupation tax restructuring proposal is $16 million the budget would have been balanced even without the new public safety sales tax, and in fact there would have been about $16 million for new net spending. However, $39 million of the new spending proposals included in the Mayor's budget, including those directly supported by the tax, would not be possible without the tax increase.

2026 Policy: Additional Proposed GF Expenditure Changes In addition to the items described in prior sections, including baseline and technical changes, and revenue backed proposals, the 2026 Proposed Budget includes additional net operating appropriations totaling $32 million, reflecting $73 million of new spending partially offset by $41 million of reductions. As shown in Table 13 below, of that net amount, $28 million is ongoing in nature, meaning it carries into future budgets.

Table 13. Net policy-related expenditure changes in 2026 Proposed GF Budget

Amounts in $1,000,000s	2026 Proposed		
	One-time	Ongoing	Total
Expenditure Decreases	($9)	($32)	($41)
Expenditure Increases	$14	$59	$73
Net Appropriation Change	**$4**	**$28**	**$32**

A detailed list of all changes, grouped by these categories and labeled by department, is included as Attachment A to this memorandum. This $32 million of net new spending is funded by the extra balance made available by the new revenue proposals)the "bottom line" in Table 12). The net result after including this new spending is a zero ending unreserved balance for the 2026 Proposed Budget.

6. 2026 Proposed Budget Combined Summary

Table 14 combines the information from prior sections to show the parameters of the 2025 Revised/2026 Proposed GF Budget.

Table 14. 2025 Revised/2026 Proposed Budget.

Amounts in $1,000,000s	2025 Revised	2026 Proposed
Starting Fund Balance	$193	$141
Revenues	$1,968	$1,993
Subtotal – Resources	**$2,162**	**$2,135**
Expenditures	$2,043	$1,981
Underspend Assumption	($23)	($10)
Subtotal - Expenditures	**$2,020**	**$1,971**
Ending Budgetary Fund Balance	$141	$163
Planning Reserves		($163)
Ending Unreserved Balance		**$0**

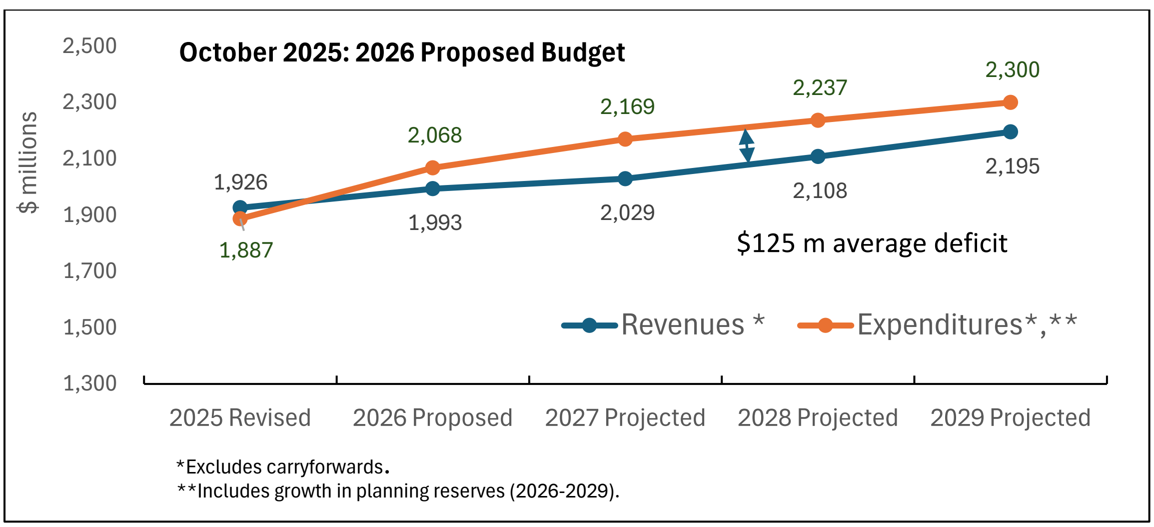
As shown in the row at the bottom of the table, the combined changes result in a net balance of zero at the end of 2026, representing a balanced budget. These parameters will serve as the starting point for updating the revenue forecast on October 20th and Council budget amendments. the City Council's budget deliberations.

Finally, while this represents a balanced budget over the biennium, use of one-time strategies, including the use of one-time fund balance, and projected spending outpacing revenues, results in an increase in projected ongoing deficit above the level in the 2025 Adopted/ 2026 Endorsed Budget, as discussed in Section V below.

V. 2027-2029 Projected GF Sustainability

The final step in the GF analysis is analyzing the projected GF revenues and expenditures into the future, to assess sustainability of the 2026 Proposed Budget. Figure 2 shows the GF financial plan provided by CBO with the 2026 Proposed Budget.

Figure 2. 2026 Proposed Budget GF financial plan future funding gap



As shown in Figure 2, the GF financial plan included with the 2025-2026 Proposed Budget shows a $140 million deficit in 2027. On average, through 2029 the deficit is $125 million, or $35 million higher than the average projected deficit last fall. This is despite significant new, ongoing revenue streams and expenditure shift to the FEPP25 levy renewal that are included in the 2026 Budget, which more than offset losses from the JumpStart Fund transfer reduction.

However, these deficit projections require additional context, as the GF Financial Plan included with the 2026 Endorsed Budget includes some significant departures from past practice, including:

Underspend Assumptions In the Budget and Projections:

While recent budgets have included and underspend assumption as part of balancing, for the first time the GF financial plan includes a $10 million underspend in 2027 and future years. In other words, the Executive is making a projection of future spending based on inflation and other assumptions and then immediately discounting each year by $10 million. This is a notable departure from past practice, and effectively reduces the financial margins available in the future to address unanticipated expenditures, at least on a planning basis. The out-year balance projections are developed by comparing the long-term revenue forecasts prepared by the Forecast Office with estimates of the cost to deliver existing services in future years, adjusted for inflation and other projected cost pressures. Building in an underspend assumption may accurately reflect past experience showing that the City never fully expends annual appropriations, but past experience also suggests that the City will face unanticipated and unavoidable expenses, and the plan includes no allowance for those. At a minimum, it is simply a spreadsheet adjustment rather than a deliberate interrogation and revision to forecasting methods and assumptions.

As discussed in Section III.6, the 2025 Revised Budget relies on a $23 million underspend to balance, a $13 million increase from the Adopted Budget. As mentioned, this does not represent a discrete cut to the budget but rather represents an assumption that actual spending in 2025 will be $23 million below budget in 2025. This represents the fourth year of underspend assumptions in the GF budget, and the second year where the figure is subsequently revised upwards.

Table 15. Historical and Proposed GF Underspends: Budget versus actual.

Amounts in $1,000,000	Assumption	Actual 1/	Variance
2021 Revised GF	-	$49	$49
2022 Revised	$20	$46	$26
2023 Revised	$10	$35	$25
2024 Revised 2/	$24	$65	$41
2025 Revised	$23	-	
2026 Proposed	$10	-	

1/Net of carryforwards.
2/Includes the impact of an Executive hiring freeze, which would serve to increase underspend above 'normal' expectations.

As shown in Table 15, recent underspend assumptions have been conservative compared to actual experience. In general, this approach seeks to account for the opportunity cost of natural underspend, whereby resources would be idled until year-end books are complete. In other words, without the underspend, unspent resources from the prior year would not be fully built into the budget until the following year's mid-year supplemental budget process. There are four things to consider with this approach:

- In the event of an economic recession, assumptions of natural savings would need to be replaced with actual cuts, and making those cost-cutting decisions during a time of economic distress may lead to less-than-optimal results, such as across-the-board cuts versus a more deliberative, thoughtful process.
- It is important to note from a financial sustainability perspective that, as shown in table 12, this practice did not begin until 2022.
- Underspend is by its very nature one-time cash. While this cash can then be used in the next year's budget to support ongoing spending, doing so only contributes to financial unsustainability.
- The fact that an underspend assumption is relied on in the revised budget, the current budget and now future projections, and yet a higher deficit is still being projected, is perhaps a warning sign.

Further, and perhaps timelier from a budget implementation sense, the use of a promise to underspend the full appropriation could be a tool for future Executives not to spend monies on items added by the City Council for specific priorities. This is something that has recently played out at the Federal level, where the Executive branch has not spent monies legally allocated by Congress. The City budgets at the BCL level, which makes it difficult to track at a granular level whether this may be occurring, without consistent reporting.

Policy consideration 2: Use of underspend assumption in budget could lead to Executive not spending on Council priorities. Further, change in practice regarding the use of underspend in future projections may weaken the usefulness of long-term financial planning.

Options:

A. Statement of Legislative Intent to convene a Central Staff, CBO, and City Finance workgroup to develop recommendations for formal policies on the use of underspend assumptions in the budget and financial plan, based on best practice research and risk analysis
B. No change.

Planning Reserves Include Growth in Programs

Beginning in 2027 and continuing in future years, the planning reserves include amounts to build an additional 150 shelter beds as part of a multi-year proposal. While it is laudable the Executive would include the future impacts of promise being made, even though the proposed GF financial plan indicates they cannot be funded with projected resources, this skews the financial projection away from showing the costs of budget decisions being made in the 2026 Proposed Budget. Further, in a resource constrained environment, it can confuse whether additional revenues are needed to maintain those current decisions or to meet promises.

GF Budget Deficit Remains, and potentially Grows, Despite Substantial Fiscal Relief Measures:

Notwithstanding the noted policy considerations and the potential impact they have on the assessment of the precision of the Executive's deficit projections for 2027 and beyond, it clear that a significant projected GF budget deficit is likely in the future. It is a 'signal', if you will, despite ever present 'noise' that is always inherent in these estimates. This is despite a succession of measures that could provide sustainable relief, including:

- An expanded transfer-in of payroll expense tax revenues from the JumpStart Fund, supported by a new tax passed in 2020, which even after adjustments based on a lower forecast remains at approximately $189 million in the 2026 Proposed GF Budget;
- Budget shifts of $28 million of programs out of the GF to the expanded FEPP25 levy;
- A Business and occupations tax restructure which provides a projected $81 million of new revenue in 2026;
- A new public safety tax, which generates approximately $39 million of new sales tax revenue in 2026; and,
- Use of underspends in both current budgets and now future year projections.

While the use of these new resources is a well-intended effort to support priorities that enhance the community, it must be made clear that few clear options, other than potentially drastic and immediate cuts, remain to respond to future fiscal challenges, both in terms of a future projections as well as responding to the impact of the third and final revenue forecast to be presented on October 20. With that in mind, the next section briefly covers the financial status of the City's two general purpose fiscal reserves.

VI. Fiscal Reserves

This section provides an update on the Emergency Fund (EMF) and the Revenue Stabilization Fund (RSF) and their funding status after applying the GF transfers included in the 2026 Proposed Budget.

Revenue Stabilization Fund

Subject to a 2/3 vote of the City Council[3], resources in the Revenue Stabilization Fund (RSF) can be used to support city operations and activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in GF revenues. As required by SMC 5.80.020, the budget shall include a deposit from the GF to the RSF equal to 0.5 percent of forecast General Fund tax revenues, up to a total maximum fund balance of 5 percent of total tax revenues. Based on total 2026 Proposed GF tax revenues of $1.546 billion, which includes $120 million of new tax revenues described earlier in this memorandum, the maximum balance of the RSF according to SMC 5.80.020 is $77.2 million.

Building from a 2025 ending balance of $68 million, the 2026 Proposed Budget transfers $3 million from the GF into the RSF, for a 2026 ending balance of $71 million. However, it appears that this transfer amount is based on applying the '0.5 percent of revenue standard' to the August 2025 revenue forecast for GF tax revenues without also accounting for the $120 million of new proposed GF tax revenues included in the 2026 Proposed Budget.

Prior to the addition of the two new taxes in the 2026 Proposed Budget, the '5 percent of total tax revenue' cap had been attained in 2022, and each successive year's budget was merely including maintenance level of transfers based on the '0.5 percent of tax revenue' standard. However, the infusion of $120 million of new taxes in the 2026 Proposed Budget, representing an 8 percent increase in the GF tax revenue basis to which the calculation is applied, means that the 5 percent cap was lifted in a commensurate fashion, from $71 million, to $77 million, as shown in Table 16.

[3] RCW 35.21.070

Table 16. Increase in 2026 Revenue Stabilization Fund Policy Maximum

Amounts in $1,000,000s	GF Tax revenues	5% of GF Tax Revenues
August Forecast	$1,426	$71
2026 Proposed [1/]	$1,546	$77
Increase	**$120**	**$6**
1/ Includes $81 million from B&O tax restructure, and $39 million from new public safety sales tax.		

In other words, the 2026 Proposed GF Budget funds the GF transfer to the RSF to reach a final balance of $71.3 million, the maximum fund balance based on the August forecast, but to comply with SMC 5.80.020 and keep the RSF at policy levels, the budgeted transfer should $4.7 million higher, to reach a 2026 RSF ending balance of $76 million based on the August forecast plus the 2025 Revised ending balance of $68 million, as shown in Table 17.

Table 17. Revenue Stabilization Fund Status in 2026 Proposed Budget.

Amounts in $1,000,000s	2025 Revised Ending Balance	2026 GF Transfer	2026 Ending Balance	% of Policy Maximum
SMC 5.080.200 Required	$68.2	$7.7	$75.9	98%
2026 Proposed Budget	$68.2	$3.1	$71.3	92%
Difference	**$0**	**($4.7)**	**($4.7)**	**(6%)**

Notwithstanding the legal requirement in SMC 5.080.020, maintaining an RSF at the highest levels possible is prudent given economic uncertainty and the projection of a GF deficit beginning in 2027, as previously described in this memorandum.

As a final note, any changes to the October forecast will require us to revisit these calculations.

Policy Consideration 3: The 2026 Proposed GF Budget underfunds the transfer from the Gf to the RSF by $4.7 million, which leaves the proposed RSF ending balance below statutory requirements.

Options:

A. Cut $4.75 million of proposed GF spending and increase the transfer from the GF to the RSF by a like amount, to meet statutory requirements.

B. Increase the 2026 Proposed Budget underspend by $4.7 million.

C. Propose budget legislation to amend SMC 5.080.020 to lower the RSF funding requirement in the Revenue Stabilization Fund policy.

D. No change

Emergency Fund:

As provided in Emergency Fund (EMF) resources are intended to address unforeseen circumstances. After significant use of funds during the COVID-19, pandemic, the EMF balance is at its Seattle policy maximum of $87.7 million in the 2026 Proposed Budget, representing $60 million plus inflation since 2016 as provided in RES 31717, passed by the City Council on November 28,201, subsequently revised by RES 32024, passed by the City Council on November 8, 2021.

It is worth noting that RCW 35.32A.060 permits a higher total EMF balance, equal to $0.375 per $1,000 of assessed value of property in the City, which was the City standard prior to RES 31717. If the City funded the EMF at the maximum level allowed by state law, the balance would be $115 million, however, to be achieved this would require substantially larger GF transfers.

VII. JumpStart Fund

Passed by the City Council on July 30, 2021, ORD 126393 created the JumpStart Payroll Expense Tax Fund (JSF) to control the allocation of payroll expense taxes . Passed by City Council on November 21, 2024, ORD 127155 modified the allocation methodology in ORD 126393 in some key ways, as follows:

- Replaced strict spending percentages for specified service categories with guidance metrics;
- Added GF programs and services as an allowable use of JSF monies to the extent they were needed to sustain critical services (previously, though backfill support to the GF had been a consistent part of the budget since passage of the payroll expense tax, the support was codified as temporary); and,
- Provided for consideration GF funding of JSF-supported programs and services in the event of unanticipated payroll expense tax revenues. Created a Payroll Expense Tax Revenue Stabilization Account, to serve as a cushion against unanticipated payroll expense tax revenue shortfalls, to be funded in a four year timeline to 10 percent of payroll expense tax revenues.

The 2026 Endorsed Budget appropriated $504 million from the JSF, funded by a combination of $41 million of prior year fund balance, and $463 million of payroll expense tax revenues. As noted earlier in this memorandum, of the $504 million total appropriation, $265 million (52 percent) was a transfer to the GF for revenue backfill, and the remainder was for programs and services funded in the JSF as guided by ORD 127155.

As described in Section IV.4 of this memorandum, the August revenue forecast reduced the 2026 payroll expense tax forecast by $78 million. As fiscal relief to the JSF, this revenue impact was largely offset by a $76 million reduction in the backfill transfer to the GF, to $189 million in the 2026 Proposed Budget. Given that the forecast reduction was similar in 2026 and future years, the JSF financial plan generally continues this reduction in future year of the JSF Financial Plan.

From positive perspective, CBO has begun to recognize accrued interest to the JSF based on significant cash balances, resulting in a $7.4 million ongoing increase in interest revenues in the 2026 Proposed Budget, bring total projected 2026 revenue to $395 million in 2026.

Besides the revenue changes and the offsetting decrease in the JSF transfer to the GF described above, notable adjustments in the 2026 Proposed JSF Budget include:

- Northgate Commons Project Reserve: $4 million one-time reserve in Finance General to support the first $5 million of the Seattle Housing Authority Northgate Commons Project, and
- Back to Business Fund: $2.5 million one-time to the Office of Economic Development to increase funding for the Storefront Repair Fund, the Storefront Security Fund, and Neighborhood Business District Investments.

Payroll Expense Tax Revenue Stabilization Account Status:
Finally, as noted above, ORD 127155 created a Payroll Expense Tax Revenue Stabilization Account (PETRSA) in the JSF, to be funded at a level of 10 percent of payroll expense tax revenues in four years. While the JSF financial plan[4] submitted with the 2026 Proposed Budget shows a reserved amount totaling $9.7 million in the 2026 Proposed column labeled ''Revenue Stabilization Reserve", the requirement in ORD 127155 states[5]:

> *''5.38.105.C If the balance within the PET RSA is below the target level the Mayor's proposed budget shall include actual and planned appropriations to achieve that level within four years;"*

[4] 2026 Proposed Budget, page 645
[5] ORD 127155, page 9, line 14

Staff interpretation of ORD 127155 indicates that the amount shown as a reserve should be built into the JSF appropriation to FG reserves rather than be shown as an unappropriated value in the financial plan, which would foster fiscal control.

Policy Consideration 4: The 2026 Proposed JSF Budget does not include an appropriation to the PETRSA pursuant to ORD 127155, but includes $9.7 million in unappropriated amounts for this purpose in the JSF Financial Plan submitted with the 2026 Proposed Budget.

Options:

A. Add a $9.7 million Finance General appropriation from the JSF labeled “JumpStart Fund Revenue Stabilization Account” to the 2026 Proposed Budget, offset be instruction to remove a like amount from the 2026 Proposed JSF Financial Plan.

B. Submit budget legislation to amend SMC 5.38.105 to indicate that the JSFRSA balance may be maintained as an unappropriated amount in the JSF financial plan submitted with the budget.

C. No change.

Attachments:

A. 2026 Proposed Operating Increases

Attachment A – Proposed Operating Increases

Table 1. 2026 Propose GF Expenditure Decreases (excludes decreases made possible by FEPP levy increase)

Dept.	Change Request	Ongoing	One-time	Grand Total
CEN	CEN-2026-105 - Deferment of Interfund Loan for 2026		($500,000)	($500,000)
DON	DON-109 - Transfer Major Institutions & Schools Program from DON to OPCD	($184,246)		($184,246)
DON	DON-113 - Align Labor Budget with Anticipated Actuals and Eliminate Vacant Positions	($50,904)		($50,904)
FAS	FAS-2026-111 - Transfer Parking Meter Collections Unit to SDOT	($273,144)		($273,144)
FAS	FAS-2026-120 - Reduction in Jail Services Funds	($2,913,132)		($2,913,132)
FAS	FAS-2026-506 - Transfer One Seattle Day of Service	($250,000)		($250,000)
FAS	FAS-2026-CBO-503 - General Reductions GF	($39,516)		($39,516)
FG	FG-102 - Align Family Leave Reserve with Anticipated Use	($1,500,000)		($1,500,000)
FG	FG-103 - General Fund Transfer Reduction Packages	($5,640,735)		($5,640,735)
FG	FG-105 - Release Fleet Maintenance Reserve	($500,000)		($500,000)
FG	FG-106 - Shift Funding for Seattle Chinese Garden to 2027	($2,500,000)		($2,500,000)
FG	FG-108 - Align Reserve for Department of Justice Consent Decree Costs for Expected Costs	($500,000)		($500,000)
FG	FG-112 - Defer Reserve for Waterfront Building Operations and Maintenance to 2027		($500,000)	($500,000)
HSD	HSD-121 - Reduce Budget for Strategic Advisor	($195,000)		($195,000)
HSD	HSD-122 - Victims Compensation Fund Consultant Contract Reduction	($158,158)		($158,158)
HSD	HSD-127 - Central Building Lease Cost Reduction	($504,000)		($504,000)
HSD	HSD-128 - Reduce Budget & FTE for LEA Admin Support Position	($125,955)		($125,955)
HSD	HSD-129 - Reduce Budget for Accounting Tech II Position	($120,781)		($120,781)
HSD	HSD-130 - Reduce Budget for Human Resources Team	($15,000)		($15,000)
HSD	HSD-151 - Reduce Family Support Evaluation	($144,436)		($144,436)
OCR	OCR-105 - Operational Expenses	($57,500)		($57,500)
OED	OED-26-150 - CDBG Abandonment for Wealth Building Tenant Improvement Program		($500,000)	($500,000)
OIRA	OIR-120 - Eliminate Seattle Sister City Support for Cebu	($2,000)		($2,000)
OIRA	OIR-121 - Reduction in Dues & Memberships	($12,342)		($12,342)
OIRA	OIR-128 - Eliminate Pyramid Communications Contract		($55,000)	($55,000)
OPCD	OPCD-106 - Transfer SA1 Duwamish Valley Advisor Position to OSE	($194,375)		($194,375)
OPCD	OPCD-107 - Unfund Long Range Planning position	($194,375)		($194,375)
OSE	OSE-108 - Shift BEPS Staff from GF to PET	($636,000)		($636,000)
SDCI	SDCI-108 - GF Reduction - Shift Funding for Land Use Position in Code Development	($169,963)		($169,963)
SDCI	SDCI-110 - GF Reduction – Transfer Planning & Development Spec II to Finance	($138,086)		($138,086)
SDOT	SDOT-132 - General Fund Reductions	($4,419,000)		($4,419,000)
SFD	SFD-100 - Departmentwide Overtime Savings	($500,000)		($500,000)
SFD	SFD-102-B - Salary Savings from Projected Operational Staffing Levels	($500,000)		($500,000)
SPD	SPD-106 - SPD General Fund Reduction: Vehicles	($257,000)		($257,000)

Dept.	Change Request	Ongoing	One-time	Grand Total
SPD	SPD-107 - SPD General Fund Reduction: Separation Pay	($750,000)		($750,000)
SPD	SPD-108 - SPD General Fund Reduction: Recruitment Marketing	($550,000)		($550,000)
SPD	SPD-109 - SPD General Fund Reduction: Professional Development Training	($450,000)		($450,000)
SPD	SPD-110 - SPD General Fund Reduction: Temporary/Term-Limited Employees	($395,384)		($395,384)
SPD	SPD-111 - SPD General Fund Reduction: Vacancy Rate (4%) - Civilian Positions	($2,791,290)		($2,791,290)
SPD	SPD-112 - SPD General Fund Reduction: Overtime/Standby	($942,529)		($942,529)
SPD	SPD-120 - SPD General Fund Reduction: Reduce Civilian Take-Home Vehicles	($48,000)		($48,000)
SPR	SPR-107 - General Fund Reduction & Use of Park District Fund Balance		($3,500,000)	($3,500,000)
SPR	SPR-110B - Park Maintenance "Buy Back" - Version B	($0)		($0)
SPR	SPR-201B - General Fund Reduction & Use of Park District Fund Balance from Moving Debt Service		($4,034,871)	($4,034,871)
SPU	SPU-103 - Graffiti Enforcement Transfer to Parks	($1,022,163)		($1,022,163)
SPU	SPU-104b - Realign Public Hygiene Budget to Expected Costs	($2,014,415)		($2,014,415)
		($31,659,429)	**($9,089,871)**	**($40,749,300)**

Table 2. 2026 Proposed GF Expenditure Increases (excludes increases supported by new taxes)

Dept.	Change Request	Ongoing	One-time	Grand Total
CEN	CEN-2026-CBO-4 - Mayor's Office Request: Fiberoptics for Fire Alarm System	$310,000		$310,000
CPC	CPC-100 - Restore 10% Vacancy Reduction	$146,426		$146,426
CPC	CPC-200 - Fully Fund Commissioner Stipends	$87,000		$87,000
DON	DON-110 - Redirect Savings from P-Patch Fleets Reduction to Other Transportation Expenses	$0		$0
DON	DON-111 - Transfer 1.0 FTE SA1, GG Position and Funding from OPCD to DON	$194,378		$194,378
DON	DON-112 - Transfer One Seattle Day of Service	$250,000		$250,000
FAS	FAS-2026-015 - Joint Enforcement Team Expansion	$208,185		$208,185
FAS	FAS-2026-122 - Inflation Increase to Public Defense ILA	$550,000		$550,000
FAS	FAS-2026-123 - On-Going Resource Needs for Implementing Social Housing Tax	$484,593		$484,593
FAS	FAS-2026-CBO-505 - Pay Compression & Inversion Corrections - Animal Control Officer, Supervisor & Shop Operations Supervisor	$36,394		$36,394
FG	FG-101 - Increase Voter Registration Reserve	$555,000		$555,000
FG	FG-104 - Adjustments to Reoccurring FG Bills and Revenue Based Transfers	$534,880		$534,880
FG	FG-107 - Transfer Fee Revenue to Office of Labor Standards	$2,450,844		$2,450,844
FG	FG-109 - General Fund Transfer Increase Packages for OLS	$122,242	$155,139	$277,381
FG	FG-114 - Create Reserve to Support Pearl Warren Building Demolition		$500,000	$500,000
FG	FG-ITD-5XX - Increase Cash Transfer to ITD for B&O and PACT Increases	$1,000,000		$1,000,000
HSD	HSD-156 - Ongoing funding for We Deliver Care	$1,070,000		$1,070,000
HSD	HSD-165 - mitigation efforts to prepare for KC crisis center coming to capitol hill		$500,000	$500,000
HSD	HSD-166 - Add 2.0 Case Manager – for H99 Response/Follow-up	$400,000		$400,000
HSD	HSD-174 - $4.05 M for Community Solutions Initiative		$4,050,000	$4,050,000
HSD	HSD-180 - Provider Wage Increase	$4,477,787		$4,477,787
HSD	HSD-182 - Funding to Open and Operate High Acuity Non-Congregate, Service-Enhanced Shelter Beds	$7,827,500		$7,827,500
OCR	OCR-108 - Housing Reparations Study		$50,000	$50,000
OED	OED-26-111 - Business Climate Assessment		$500,000	$500,000
OED	OED-26-112 - Community Workforce Training Center		$250,000	$250,000
OED	OED-26-114 - Bodega Incubation		$700,000	$700,000
OED	OED-26-116 - Stabilize, Activate, and Invest Locally (SAIL) Fund		$4,000,000	$4,000,000
OED	OED-26-117 - Grocery Store Security Fund		$1,000,000	$1,000,000
OEM	OEM-002 - Increase OEM Gen'l Fund budget by $380,000 to fund two critical OEM Positions integral to the Citywide Emergency Management program, previously funded by federal grants no longer available.	$380,000		$380,000
OEM	OEM-005 - PLACEHOLDER - OEM Executive Investment	$665,740		$665,740
OEO	OEO-001 - Rent Costs for New Space	$34,800		$34,800
OIRA	OIRA-106 - Request for 0.5 FTE add	$46,792		$46,792

Dept.	Change Request	Ongoing	One-time	Grand Total
OPCD	OPCD-105 - Transfer Major Institutions Program from DON to OPCD	$184,246		$184,246
OPCD	OPCD-109 - Northern Lights Planning Events and Activation		$250,000	$250,000
OPCD	OPCD-112 - Sound Transit 3 Staffing for Design Commission	$167,495		$167,495
OSE	OSE-120 - Support for Lake City Farmers Market Expansion		$126,728	$126,728
SDCI	SDCI-115 - PACT IT Costs—Mayor's Office Request	$250,000	$500,000	$750,000
SDCI	SDCI-116 - Develop Incentive Program for Private Property Owners to Preserve Singular or Exceptional Trees	$100,000		$100,000
SDCI	SDCI-117 - Green Hotels		$283,787	$283,787
SDOT	SDOT-103 - Downtown Activation Team	$4,127,633		$4,127,633
SDOT	SDOT-104 - Increased Unpermitted Vending Enforcement	$1,081,592		$1,081,592
SDOT	SDOT-107 - Graffiti Expansion	$1,237,367		$1,237,367
SDOT	SDOT-114 - Transfer Parking Collection Positions from FAS	$273,147		$273,147
SDOT	SDOT-134 - JET Team Expansion	$501,000		$501,000
SFD	SFD-103 - HR Required Staffing	$117,000		$117,000
SFD	SFD-104 - IT Required Staffing	$216,648		$216,648
SFD	SFD-105 - FPD Revenue Supported Staffing	$140,000		$140,000
SFD	SFD-106 - JET Enhancement	$26,000		$26,000
SFD	SFD-110 - SFD Data Analyst	$210,357		$210,357
SPD	SPD-101 - Funds for Officer Hiring	$26,000,000		$26,000,000
SPD	SPD-104 - Public Disclosure Investments	$569,396	$10,000	$579,396
SPD	SPD-105 - Implement CCTV in Capitol Hill	$35,000	$400,000	$435,000
SPD	SPD-119 - Diversity, Equity and Inclusion (DEI) Officer	$207,055	$5,000	$212,055
SPR	SPR-102 - Graffiti Abatement and Enforcement Transfers and Enhancements (combination of CRs)	$1,277,684	$0	$1,277,684
SPR	SPR-104B - Park Ranger Expansion to support DAT	$500,000		$500,000
SPR	SPR-106 - Make Parks Safer Adjustment	$0		$0
SPR	SPR-114 - Pay Compression	$105,842		$105,842
SPU	SPU-110 - Additional Resources for Chinatown-International District Cleaning		$250,000	$250,000
		$59,160,023	**$13,530,654**	**$72,690,677**