

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
LEG	Yolanda Ho / 256-5989	N/A

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to heating oil; repealing Ordinance 125934 relating to imposing a tax on heating oil service providers and adding a new Chapter 5.47 to the Seattle Municipal Code.

**Summary and Background of the Legislation:** The Council passed Ordinance 125934 in 2019, imposing a heating oil tax to take effect on September 1, 2020. Tax revenues are intended to fund a variety of programs, including covering the costs of converting from oil heat to an electric heat pump system for low-income households, supporting workforce development for oil service providers, expanding the existing rebate program for all households to convert from oil heat to electric heat pumps, and providing direct reimbursement to low-income households to offset the anticipated tax impacts.

Because of economic concerns as a result of the COVID-19 pandemic and based on feedback from community organizations, the Council delayed the effective date of the heating oil tax three times: Ordinance 126144 in August 2020 delayed the date by one year to September 1, 2021; Ordinance 126391 in July 2021 delayed the date a further six months from September 1, 2021, to April 1, 2022; and Ordinance 126541 in March 2022 delayed the date an additional nine months to January 1, 2023.

This proposed legislation would repeal the tax so as to avoid imposing an additional financial burden on residents with oil heat systems. Programs that were to be funded by the tax revenues, specifically the conversions to electric heat pumps for low-income households and the expansion of rebates available to all households, could instead be supported by revenues from the JumpStart Payroll Expense Tax (established by the Council in 2020 via Ordinance 126108). The 2023-2024 Proposed Budget includes \$2.3 million in ongoing payroll expense tax revenues for these programs, which were initially funded with \$1.7 million of one-time JumpStart Green New Deal funds in the 2022 Adopted Budget.

### **2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?**       Yes  No

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**       Yes  No

Appropriation change (\$):	General Fund \$		Other \$	
	2022	2023	2022	2023
	-	-	-	-
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2022	2023	2022	2023
	-	(1,403,408)	-	-
Positions affected:	No. of Positions		Total FTE Change	
	2022	2023	2022	2023
	-	-	-	-

**Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

This legislation is estimated to result in the City forgoing a total of \$4.5 million in tax revenue from 2023 to 2029. As homes convert from oil heat to other systems, the City anticipates receiving little to no revenue from the tax after 2029.

**Are there financial costs or other impacts of *not* implementing the legislation?**

If this legislation is not implemented, the tax will go into effect on January 1, 2023.

**3.b. Revenues/Reimbursements**

This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from This Legislation:**

Fund Name and Number	Dept	Revenue Source	2022 Revenue	2023 Estimated Revenue
General Fund 00100	OSE	Tax on sale of home heating oil	-	(1,403,408)
<b>TOTAL</b>			-	<b>(1,403,408)</b>

**Is this change one-time or ongoing?**

This is an ongoing change, but, as noted previously, revenues are projected to decline over time such that there will be little to no revenue after 2029.

**Revenue/Reimbursement Notes:**

None.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

The Office of Sustainability and Environment (OSE) is responsible for overall program oversight and implementation and would receive tax revenues. The Office of Housing (OH) is implementing the low-income conversions.

**b. Is a public hearing required for this legislation?**

No.

**c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**d. Does this legislation affect a piece of property?**

No.

**e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

Repealing this tax will prevent the City from imposing an additional financial burden on low- to middle-income households already impacted by both the COVID-19 pandemic and high inflation rates, which have disproportionately affected Black, Indigenous, and other people of color. Similar to the outreach process for the multiple delays, OSE is anticipated to communicate this change to heating oil service providers and all Seattle residents with oil-heated homes, which would include an in-language statement providing a phone number to call for help getting the information translated.

**f. Climate Change Implications**

**1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**

Forgoing heating oil tax revenues permanently will eliminate a dedicated revenue source for conversions from oil heat to electric heat pumps for low-income homes and ongoing expansion of the rebate program for all households. The intent of this tax is to accelerate the rate of conversions from oil heat to electric heat pump systems with the ultimate goal of eliminating oil heat systems by 2028, which currently account for about eight to nine percent of the Seattle's total greenhouse gas emissions. While repealing the tax will decrease funding for these key programs, JumpStart Green New Deal funds will allow the City to fund more low-income conversions and rebates than would have been possible with the heating oil tax.

**2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

Converting oil heat systems to electric heat pumps adds air conditioning and air filtration capacity to homes that may not currently have it, better preparing residents for hot weather and wildfire smoke, which are predicted to become more common as a result of global warming. This legislation would reduce funding to convert oil-heated homes and thus could result in fewer households being prepared for such events. However, as mentioned previously, JumpStart Green New Deal funds will be used to support conversions from oil heat to electric heat pump systems.

**g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?**

Not applicable.

**Summary Attachments:**

None.