

# 2026 Proposed Budget Overview

**September 23, 2025**

Dan Eder, City Budget Director

September 25, 2025

City Budget Office



**City of Seattle**

# Agenda

- Background / Context
- Balancing the 2026 Budget
- Overview of Mayor's Proposed Budget
- 2026 Budget Priorities





# Background / Context

September 25, 2025

City Budget Office



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# Context

- State law requires City to adopt a balanced budget
- City uses a modified biennial budget process:
  - ✓ During even-numbered years, the Mayor proposes a two-year budget. The City Council ***adopts*** year 1 and ***endorses*** year 2
  - ✓ 2026 is year 2 of the current cycle
- Proposed budget takes into consideration significant external uncertainties (economic outlook, Federal policies) while continuing to make strategic investments in the community



# Timeline: Developing the 2026 Budget

JAN	FEB	MAR	APRIL	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN
CBO Prepares Budget Guidance			Departments Prepare Proposals		CBO/MO Review and Finalize			Council Reviews, Modifies, and Adopts				Goes into effect

- In fall 2024, Council acted on both a 2025 Adopted Budget and a 2026 Endorsed Budget.
- 2026 Proposed Budget shows changes from the 2026 Endorsed Budget.
- Key Steps in developing the 2026 Proposed Budget
  - ✓ Budget prep begins in January
  - ✓ Department proposals from late March to early June
  - ✓ Mayor’s Office and CBO consider options and make decisions from June through August
  - ✓ Council deliberations run from September through November



# Economy and Revenue

- The national economy has been characterized by a weakening labor market, expectations of higher inflation, and an anticipation of monetary policy changes.
- The regional labor market is weaker than the national labor market.
- Despite these headwinds, OERF projects that City revenues will grow in 2026:
  - 2.2% for General Fund; and
  - 1.3% for the Payroll Expense Tax.
- OERF's August Forecast noted considerable risk in the economy with implications for the City's revenue which could lead to a downward revision in the future.



# Racial Equity Considerations

- **Racial equity impacts are considered as part of budget deliberations**
  - Departments evaluate how each proposed change would impact the City's Race and Social Justice Initiative (RSJI) goals
  - Summary provided in the budget of significant changes advancing the City's Race and Social Justice Initiative
- **CBO's Change Team has led efforts along three main areas:**
  - Implementing a tool to assess growth in racial equity focus in budget development
  - Partnering with departments to improve use of data to measure equity impacts of City programs
  - Reviewing internal workforce equity conditions in the office





# Balancing the 2026 Budget

September 25, 2025

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# A Significant Revenue Shortfall

- In fall 2025, the Mayor proposed and then the Council endorsed a balanced budget for 2026
- In April 2026, the Forecast Council adopted a pessimistic forecast due to significant uncertainty in the national economy
- The April forecast resulted in a **\$240 million** revenue decrease across all sources and funds for 2025 and 2026
  - **\$217 million** combined revenue decrease for the General Fund & Payroll Expense Tax Fund)



# Early Response

- Mayor Harrell issued a directive implementing several actions to preserve resources while ensuring critical services are funded:
  - ✓ Extended the existing hiring freeze/waiver process for Executive departments
  - ✓ Slowed spending on new contracts, travel and training expenses, and technology projects
  - ✓ Asked City departments to underspend their 2025 budgets
- As part of this year's 2026 Proposed Budget development, Mayor Harrell directed that City departments achieve reductions.



# Balancing the 2026 Budget

- **Spending Reductions**

- ✓ The 2024 measures that we undertook yielded \$65 million GF in savings
- ✓ In 2025, counting on \$30 million of underspend (\$23 million GF and \$7 million PET)
- ✓ In 2026, proposed budget reduces spending by \$37 million GF & PET

- **New Revenues:**

- ✓ If approved by voters, the Seattle Shield Initiative generates \$81 million of additional B&O tax revenue
  - \$51 million for General Fund backfill
  - \$30 million for Federal Response (*more info on later slides*)
- ✓ The Public Safety Sales Tax proposal will generate around \$39M GF (*more info on later slides*)

- **Revised Forecast:**

- ✓ \$95 million of GF & PET added in Office of Economic and Revenue Forecasts (OERF)'s August forecast





# Overview of Mayor's Proposed Budget

September 25, 2025

City Budget Office



**City of Seattle**

# Fiscal Highlights



New historic investments in affordable housing and EDI projects



Revenue Stabilization Fund ("Rainy Day Fund") and Emergency Fund are fully funded



Begin to restore Payroll Expense Tax (PET) Reserve and Reduce PET support for General Fund



Reductions to vacant positions, aligning budgets with actual needs

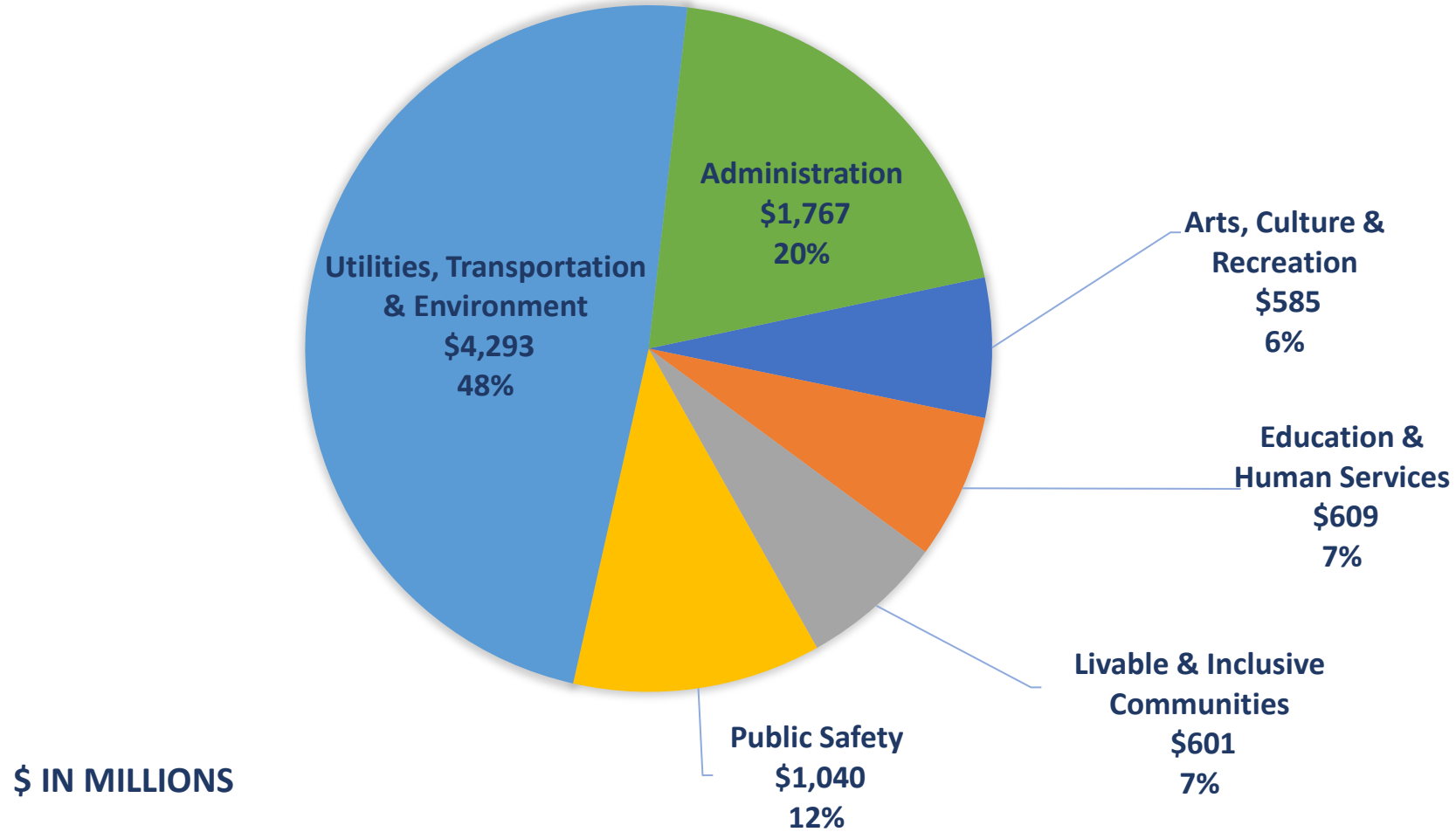


No new layoffs in Proposed Budget



# 2026 Proposed Budget

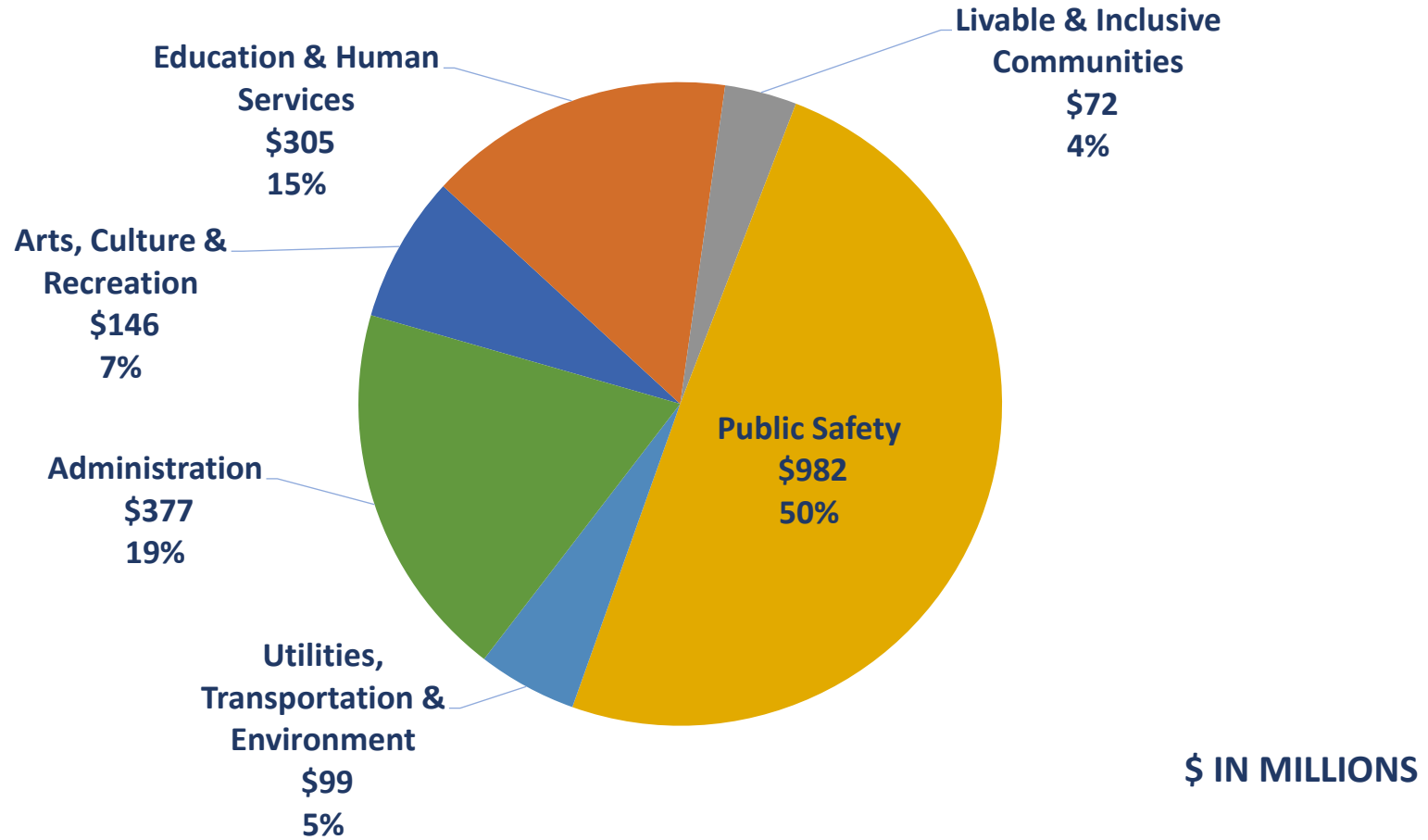
## All Funds Budget Expenses by Investment Area: \$8.9 Billion





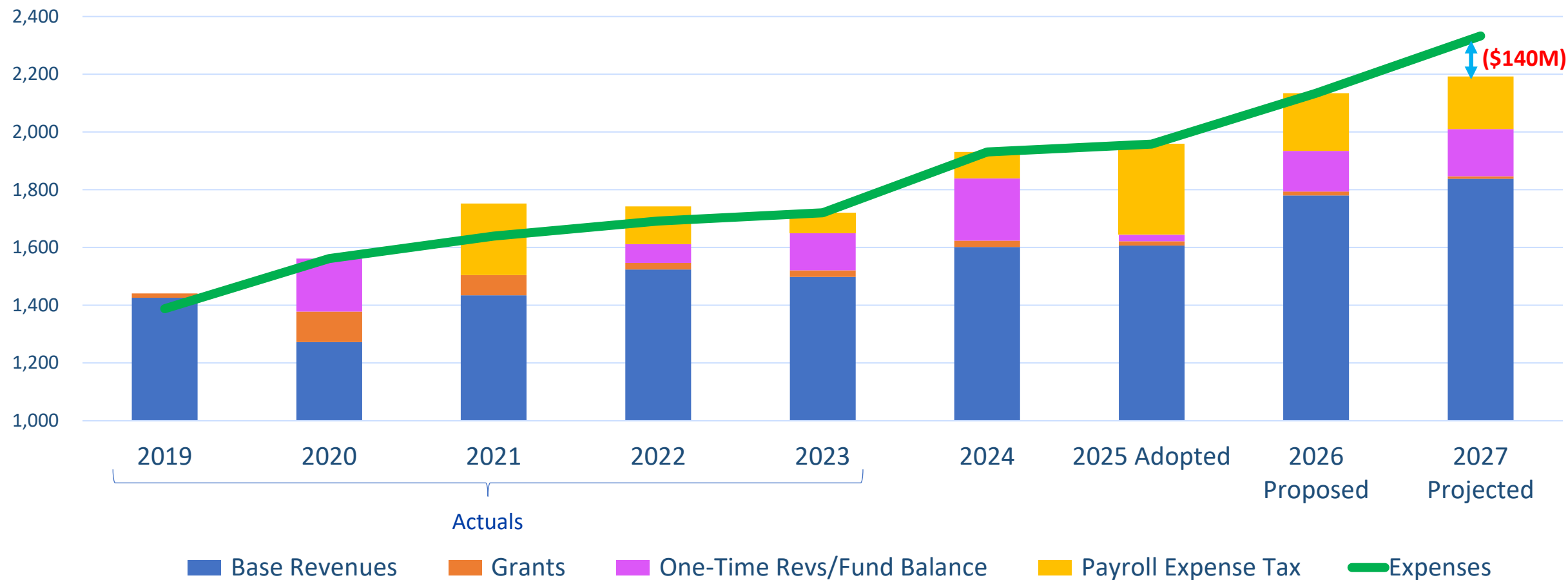
# 2026 Proposed Budget

## General Fund Expense Budget by Investment Area: \$2.0 Billion



# General Fund 6-Year Financial Plan

\$ in Millions



*\*Grants, one-time revenues, and fund balances are not sustainable solutions; and this chart reflects no PET transfers to the general fund after 2024 per current law*

# 2026 Budget Priorities



Affordability



Public Safety



Reducing Homelessness



Federal Response







# Investments to Make Seattle More Affordable

**Housing investments continue at record levels (\$350 million in 2026) including:**

➤ **\$325 million in:**

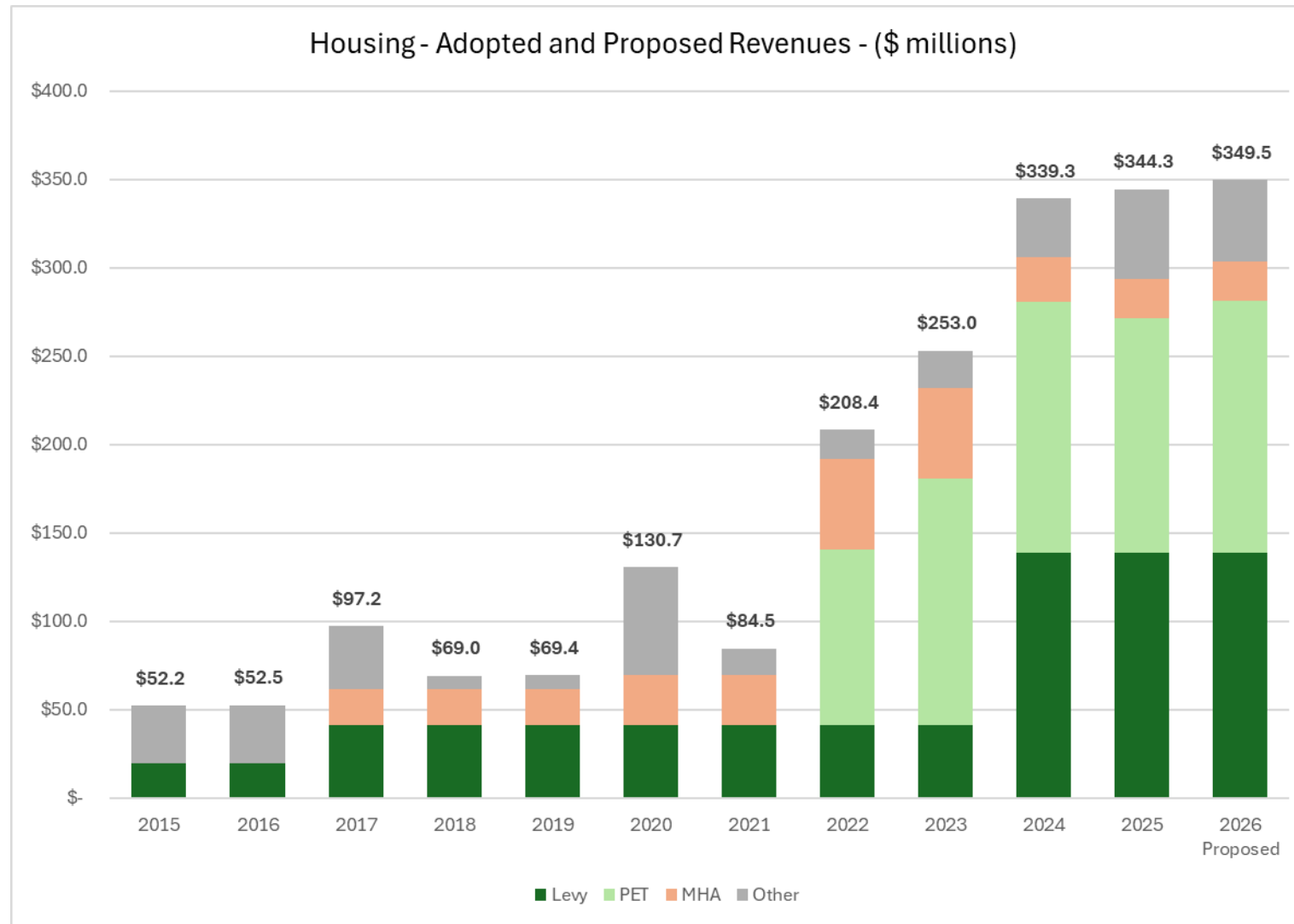
- multifamily capital development
- affordable homeownership
- operations & maintenance
- resident services
- provider agency supports
- OH staffing and administration

➤ **\$5 million** of a planned **\$20 million** City investment in the Seattle Housing Authority's Northgate Commons Housing Project; and

➤ **\$20 million** of a planned four-year total investment of **\$80 million** in anti-displacement and reparations housing fund.



# Historical High Investments in Affordable Housing





# Investments to Make Seattle More Affordable

## **OPCD Equitable Development Initiative investments continue at record levels**

✓ **\$29.4 million** in 2026

## **DEEL Childcare investments**

✓ **\$18.5 million** in the proposed Families, Education, Pre-School & Promise (FEPP) levy for the 2026-2027 school year to:

- More than doubling access to affordable childcare slots
- Provide retention payments to more than 5,000 childcare workers

## **OED “Back to Business” fund expansion**

✓ **\$5 million** over 2 years (\$2.5 million in 2026)







# Investments to Make Seattle More Affordable

## **HSD Human Service Department Provider Contracts:**

- **\$11.7 million** in 2026 for a 4.6% increase

## **OED Addressing Food Deserts:**

- **\$140,000** for expansion of farmers market operation in Lake City;
- **\$700,000** for a pilot to support the opening and expansion of small businesses, corner stores, and bodegas offering healthy, fresh foods, and cultural household essentials in neighborhoods citywide;
- Other measures identified in Federal Response slide





# Investments in Public Safety

## **\$39 million Public Safety Sales Tax:**

- **\$24.5 million** for CARE Operations and Expansion;
  - \$6.9 million to expand Crisis Care Responders
  - \$2.6 million to expand 9-1-1 call response staffing
  - \$15.0 million for supporting ongoing operations
- **\$5.9 million** for new drug treatment investments;
- **\$5 million** for maintaining LEAD capacity
- **\$2.1 million** for SFD additional firefighter recruits
- **\$1.5 million** for an additional Post Overdose Treatment unit in Health 99





# Investments in Public Safety

Fully funding new police officers hired at record-setting pace in 2025 and 2026

Year	Budget	Hires (est.)	Seps (est.)	Net Change	2026 Proposed Add (\$)¹
2025	2025 Adopted Budget	120	(105)	15	
	2025 Revised Budget (YE Supp)²	172	(81)	91	
	Net New Officers			76	\$13 million
2026	2026 Endorsed Budget	120	(105)	15	
	2026 Proposed Budget	168	(82)	86	
	Net New Officers			71	\$26 million

¹ Includes salary, benefit, equipment, and training costs

² Hiring and Separation counts include actuals through August 2025 and projections for balance of 2025





# Investments in Public Safety

- Removable vehicle barriers:
  - ✓ **\$2 million** at Pike Place Market
  - ✓ **\$1.6 million** at Seattle Center
- **\$1 million** to support infrastructure and security improvements for grocery stores
- Neighborhood Place-Based Investments:
  - ✓ **\$4.1 million** for SDOT to continue enhanced street cleaning such as litter abatement, pressure washing, and alleyway cleaning
  - ✓ **\$4.0 million** for improve public safety, promote economic growth, and encourage neighborhood renewal in neighborhoods like Lake City and Little Saigon
  - ✓ **\$1.6 million** for One Seattle Graffiti Plan
  - ✓ **\$500,000** for SPR Park Rangers (3 FTEs)







# Investments in Reducing Homelessness

- Continuing record investments in reducing homelessness: **\$225 million** Citywide
  - ✓ **\$169M** in the Human Service Department (HSD)
    - **\$125 million** for the King County Regional Homelessness Authority
    - **\$36 million** in City-managed programs including Homelessness Prevention and Rental Assistance, and Federal Response for Shelter and Housing
    - **\$6 million** for the Unified Care Team Outreach and Administration
    - **\$2 million** for Administration
  - ✓ **\$56 million** outside of HSD
- This **includes** new funding for non-congregate shelters
  - ✓ **\$7.8 million** to create & operate three new shelters (155 new units);
    - Including investments in wraparound services
  - ✓ Maintain operations for nearly 2,900 existing units of shelter





# Federal Response

**\$28 million** of B&O tax proceeds supports the following investments

- **\$4 million** to support Immigrant Communities
- **\$10.3 million** in additional Food investments
- **\$4 million** for Emergency Rental Assistance
- **\$9.4 million** for Backfilling Shelter & Emergency Housing needs



# Questions?

For full detail, see the Mayor's Proposed Budget at [seattle.gov/budget](https://seattle.gov/budget)

