## **SUMMARY and FISCAL NOTE\***

Department:	Dept. Contact/Phone:	Executive Contact/Phone:
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## 1. BILL SUMMARY

- **a.** Legislation Title: AN ORDINANCE imposing a tax on engaging in the business of distributing sweetened beverages; adding a new Chapter 5.53 to the Seattle Municipal Code; and amending Seattle Municipal Code Sections 5.30.010, 5.30.025.K, 5.30.060.C, 5.55.010, 5.55.040.A, 5.55.060.A, 5.55.150.E, 5.55.165, 5.55.220, and 5.55.230.A.
- b. Summary and background of the Legislation: This legislation, as granted by the Washington State Constitution and as authorized by the Washington State Legislature, creates a new license tax to raise general revenue for the City and to use that revenue to provide broad-based public benefits for residents by funding programs that promote children's education, well-being, and success. The tax would be imposed at \$0.0175 per ounce of sweetened beverage distributed in the City of Seattle. The City desires to impose a tax on the business of distributing sweetened beverages to raise revenue to fund services that will promote school readiness and learning, reduce the academic achievement gap, prepare graduates for college and the career of their choice, improve access to healthy food, and expand services for the birth-to-five population.

## 2. CAPITAL IMPROVEMENT PROGRAM

a. Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes \_X\_ No

## 3. SUMMARY OF FINANCIAL IMPLICATIONS

a. Does this legislation amend the Adopted Budget? \_\_\_ Yes \_X\_\_ No

Budget program(s) affected:				
Appropriation change (\$):	General Fund \$		Other \$	
	2017	2018	2017	2018
Estimated Revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2017	2018	2017	2018
	<b>\$0</b>	\$23,378,000	\$0	<b>\$0</b>
Positions affected:	No. of Positions		Total FTE Change	
	2017	2018	2017	2018

<sup>\*</sup> 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.

- b. 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 will work in tandem with the proposed 2Q Supplemental Ordinance, which will seek to add appropriation authority in 2017 to acquire and modify administrative systems, and develop rules, procedures and processes in advance of implementing this proposed tax. The proposed tax is intended as an ongoing tax which will continue to generate revenues into the future. It further describes intended programmatic areas of expenditures that will be captured in the 2018 Proposed Budget. These include on-going administrative expenses for maintaining tax administration systems and processes, as well as the Education Action Plan, food access strategies, and birth-to-five services..
- **c. Is there financial cost or other impacts of** *not* **implementing the legislation?** There is not a financial cost or other impact of not implementing this legislation, other than forgoing the opportunity to create a new revenue source that would help fund much-needed improvements in education, food access, and birth to five programs.

3.d. Appropriations
This legislation adds, changes, or deletes appropriations.
3.e. Revenues/Reimbursements
X This legislation adds, changes, or deletes revenues or reimbursements.

# **Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and	Dept	Revenue Source	2017	2018 Estimated
Number			Revenue	Revenue
General Fund		Sweetened Beverage Tax	\$ 0	\$23,378,000
(00100)				
TOTAL			\$ 0	\$23,378,000

Is this change one-time or ongoing?

This change is ongoing

# 3.f. Positions

This legislation adds, changes, or deletes positions.

## 4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department? In addition to the tax administration responsibilities created by this tax for the Department of Finance and Administrative Services. The revenues generated will support programs managed by DEEL and OSE.

- **b.** Is a public hearing required for this legislation?
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

  No.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
  No.
- e. Does this legislation affect a piece of property? No.
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

The proposed tax will likely increase the price of sugar-sweetened and diet beverages to all consumers in Seattle. People with lower incomes will pay a higher proportion of their income for this tax than those with higher incomes for each ounce of beverage purchased. Those that are better able to travel outside of the City of Seattle to shop, will be better able to avoid the tax. Those that are immobile or unable to afford transportation outside the City, will have no choice but to pay the higher prices for these products. As a by-product of the tax, however, there may be positive health benefits to those who choose to avoid the higher priced beverages. Avoiding these beverages also eliminates the tax costs for any individual.

Due to the implications about economic impact on communities of color, a racial equity toolkit was conducted. As a result of that toolkit, the original proposal was altered. Changes to address inequities include the addition of "diet" drinks as being subject to the tax, a slight lower of the tax and an increased commitment to food access strategies.

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).

This legislation does not itself have long-term and measurable goals. However, the programs funded by the revenues created by this legislation do or will have goals established in these three areas: the Education Action plan, food access strategies, and birth-to-five services.

### h. Other Issues:

### List attachments/exhibits below: