

Sweetened Beverage Tax Community Advisory Board

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Date: August 29, 2022
To: Mayor Bruce Harrell, Senior Deputy Mayor Monisha Harrell, and Director Julie Dingley
From: The Sweetened Beverage Tax Community Advisory Board
Subject: Recommendations on Projected Sweetened Beverage Tax Revenue Shortfall
Cc: Chief Adiam Emery, Councilmember Mosqueda

Purpose: This memo outlines the recommendations and priorities of the Sweetened Beverage Tax Community Advisory Board (CAB) for how to balance the 2023 SBT budget considering the point-in-time revenue projections provided in August.

Background

On August 12, the CAB was notified that the updated revenue projections for the SBT were different from the April projections we used to develop our 2023 budget recommendations. In April, based on revenue forecasts at that time, there was an estimated \$1.2 million of unreserved funds in the SBT balance. However, according to the City Budget Office (CBO), the August projections are now showing a downturn in SBT revenue from 2022 through 2026. The downturn is a \$3.8 million decrease overall, which is an average of \$800,000 per year through 2026. The revenue declines are largely driven by a reduction in syrups sales, which the City economists think is an indication that return to work and restaurants have not bounced back as quickly.

CBO also shared with the CAB that after tapping into the Revenue Stabilization Reserve in 2022 and 2023, there is still a projected, ongoing budget deficit that will likely need to be addressed through cuts to program spending in order to pass a balanced budget.

The CAB was invited to provide input to CBO on how to approach balancing the SBT budget in 2023. While the circumstances were less than ideal due to the difficult decisions at hand and intense time pressure to discuss the situation, we are appreciative of the opportunity to weigh in and the information the city departments pulled together to help inform our recommendations.

CAB Approach, Recommendations and Rationale

The CAB's primary recommendation is to make no actual cuts to the programs and services currently funded by SBT. **If the SBT alone is predicted to be unable to fully fund all the programs and services in 2023 and beyond, the City must identify additional sources of stable funding to support what are ultimately critical food security and early learning services for people in Seattle who are most impacted by racial disparities in health, economic hardship, and child wellbeing.**

The point-in-time revenue forecast for SBT indicates a downturn in revenue collection. While the revenue forecast may change again, the SBT *by design* is intended to reduce consumption of sugary drinks. With this public health goal in mind, the SBT was always going to be a declining revenue source.

We strongly encourage the Executive and Legislative branches to start planning for the longer-term and identify alternative and stable sources of funding for food security and early learning services.

Now, when it comes to the immediate task at hand—which is to balance the SBT budget in 2023—the table below outlines our recommendations. These recommendations were developed over a two-hour meeting on August 19, 2022, and, by necessity, were delivered to the City Budget Office in time for their internal briefings with the Deputy Mayor the following Monday (8/22/22). The recommendations are based on point-in-time information provided by the CBO and departments and our desire to avoid across-the-board cuts. We do see across-the-board cuts as an equitable approach to balancing the budget, especially during these exceptionally difficult times when historically high rates of inflation are hurting lower income residents.

Understanding the time constraints and urgency to influence the Executive’s budget deliberations, we quickly developed these recommendations by:

- **Reviewing key information from departments including** current (2022) and projected (2023) demand for SBT-funded programs and services; estimates of any SBT underspend or savings in 2022; availability of state and federal funding sources that could support the SBT-funded programs and services; availability of other (non SBT funded) programs/services filling the same intended need; and how the departments would approach making cuts to their SBT budget.
- **Discussing each SBT-funded program and service and our recommendations for whether and to what extent their SBT allocation should be reduced. In this exercise, our primary priorities were to:**
 - Avoid and minimize cuts to direct services and benefits for individuals in need.
 - Avoid and minimize cuts to contracts and grants managed by BIPOC-led and serving organizations.
 - Look for ways to reduce administrative costs, without compromising program and service implementation.
 - Consider whether the program or service already is or could be served by other funding sources.

For programs #1 through #6 in the table below, we have identified specific, targeted reductions based on the information provided at the time by departments and our priorities mentioned above.

If additional cuts are still needed after making changes to those six programs, we recommended proportional cuts among the remaining nine programs. Again, we want to emphasize that these recommendations were based on information available at the time, and we understand that situations and scenarios change during a deliberative budget process.

If other resources or program savings can be identified to reduce or eliminate the cuts needed to balance the SBT budget in 2023 or beyond, we expect the City to pursue those options and keep the CAB informed. **Ultimately, our topline recommendation is to make no *actual* cuts to food access and child development programs and services; we ask the city to prioritize finding other funding sources if SBT is not sufficient.**

Ref	Program	Dept	Notes on Reductions <i>Additional notes and rationale follow the table</i>
Targeted Reductions <i>(based on best available information)</i>			
A	Community & senior meal programs	HSD	Agreed with department’s approach to cuts that minimized impact to direct services.
B	Food and meal programs system supports & distribution	HSD	
C	Coaching and Training	DEEL	Given coaching is available to providers from state and King County resources, and childcare staffing and other issues that make coaching less of a priority, we would recommend a targeted reduction to this program, if cuts are necessary. We defer to the department for the level of reduction.
D	Family Child Care Support	DEEL	The information provided indicated program costs might be lower in 2023 than 2022, providing program savings without reducing services.
E	Child Care Assistance Program	DEEL	
F	Summer Meals Activities: Summer of Safety and Food and Fitness Programs	SPR	Agreed with department’s approach to reduce at a level that maintained current participation.
Proportional Reductions <i>(only done if reductions outlined above do not suffice)</i>			
G	Fresh Bucks	OSE	If additional cuts are needed after the targeted reductions identified in #1-6, we recommended proportional cuts among these remaining 9 programs. Additional notes on each program, including level of priority to the CAB, are provided below.
H	Food Equity Fund community grant program	DON	
I	Prenatal-to-Three Grant Program	DEEL	
J	Health and Developmental Support	DEEL	
K	Food banks	HSD	
L	Farm to Table and Nutrition Education	HSD	
M	Home Visiting	DEEL	
N	Healthy Food in Schools	OSE	
O	Food Policy	OSE	

Notes and Rationale:

A. Community and Senior Meal Programs (HSD):

- a. This is a high priority, especially for senior meal programs. Low-income seniors often get the lowest benefit amount from SNAP, which is only \$20 a month (when the public health emergency declaration ends, causing SNAP emergency allotments to end). These seniors often depend more on meals because it is difficult to cook for themselves and/or they don't have adequate food storage.
- b. The CAB appreciated the department's recommended minimal cut that would be limited to a single large contract to minimize reduction to services. We also hope other state, federal, or private funding may be available to the contractor to fill that gap.
- c. We ask that to the extent possible, neighborhoods and populations with highest need are not impacted by any reductions to this program area.

B. System Supports & Distribution for Food Banks and Meal Programs (HSD): Since this budget item includes allocations for support systems, the CAB was supportive of the department's proposed reduction. While the proposed reduction does reduce funding for food banks and meal programs, focus is on activities with least impact to direct services. If further overall SBT cuts are needed, the CAB also asked that the department and CBO look again to this line item.

C. Birth-to-Three Coaching and Training (DEEL): The CAB was supportive of cuts to this program at a percentage recommended by the department. The impact of COVID is still felt by childcare providers in a number of ways, including staffing levels and operational needs. While staffing levels are low and until things stabilize further, coaching is less of a priority. In addition, the state and King County also offer robust coaching programs that will continue to be available to Seattle area providers even if this budget line item is reduced.

D. Family Child Care Support (DEEL): DEEL's projected funding need for 2023 was already less than the 2022 adopted budget, so the CAB would like to see CBO incorporate that program savings into the current projected need for ongoing cuts.

E. Child Care Assistance Program (DEEL):

- a. DEEL's projected funding for 2023 was less than the 2022 adopted budget. The CAB would like to see CBO incorporate that program savings into the current projected need for ongoing cuts.
- b. The CAB recognized this program as important to improving childcare availability, but also acknowledged that there are multiple other sources of funding for this program area. Because of that, if additional cuts are needed, the CAB is supportive of the department and CBO looking to increase support from other funding streams and/or to find other possible operational cuts. The CAB does not support cuts that impact direct benefits to families or incentives to childcare providers. Making sure that incentives and other supports are in place for BIPOC providers of color, and/or those who are immigrants and refugees, is important to the CAB.

- F. Summer Meals Activities: Summer of Safety and Food and Fitness Programs (Parks):**
- a. Parks shared that there is \$50,000 in 2022 underspend due to staffing issues caused by the pandemic and the possibility for a 6% reduction that would not cut current service levels. The CAB was supportive of those reductions.
 - b. The CAB recognizes that Parks programs are beneficial to encouraging participation in meal programs and providing activity for youth, but overall, this program area does not align as directly with SBT and CAB priorities as many of the other programs.
- G. Fresh Bucks (OSE):**
- a. The CAB strongly supports the Fresh Bucks program and was supportive of the department recommendation for no cuts. If cuts were still needed after accounting for the first six items the CAB agreed with the proportional distribution approach.
 - b. The CAB is tracking administrative issues with the transfer to e-benefit that have made it difficult for some Fresh Bucks customers to access their benefits. The CAB asks that the City continue to work with CBO partners to address those issues.
- H. Food and Equity Fund (DON):** This program is a high priority for the CAB since it is investing directly in community developed and led programs. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.
- I. Prenatal-to-Three Grant (DEEL):** This program is a high priority for the CAB since it is investing directly in community developed and led programs. Ultimately, the CAB would prefer to see no cuts to this program. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.
- J. Health and Development Supports (DEEL):** This program is a high priority for the CAB. They agreed with the department recommendation to not make any cuts. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.
- K. Food Banks (HSD)**
- a. The CAB recognized this as an area of continued high need. Food banks are a safety net for people who are going in and out of food insecurity because they do not qualify for other income-eligible benefits.
 - b. Food banks are also seeing a significant drop in federal food resources, like TEFAP commodities and federal COVID-19 food relief distributed by the City of Seattle, due to the end of temporary boosts that were available the last 4 years. There is likely no relief from Congress in terms of appropriations or expansion of the Farm Bill.
 - c. While they preferred to see no cuts to this line item, if additional reductions were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program

L. Farm to Table Nutrition Education (HSD):

- a. The CAB recognized this as an investment that serves two important purposes: 1) Providing fresh produce and other snacks to children in income-eligible preschool programs, and 2) Supporting BIPOC farmers through intentional, equity-based procurement. The CAB would like to see both of those priorities continue.
- b. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.

M. Home Visiting (DEEL): The CAB agreed with the departments recommendation to not make any reductions to this program. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.

N. Healthy Food in Schools (OSE):

- a. The CAB saw this program as a medium priority given the potential for other external funding sources that might increase support for improved meal quality. This includes the recent changes to the Community Eligibility Provision that means 42 schools in the Seattle Public Schools district will receive the highest reimbursements for every meal served.
- b. The CAB would not want to see cuts to efforts to increase procurement from local, BIPOC farmers and food producers, however. School food purchasing is an area that has the potential to support these farmers, so the CAB would not want to see those efforts reduced.

O. Food Policy (OSE): The CAB understands and supports the staffing need that is met by this line item and included in the SBT ordinance. If there were a possibility to fund staff for this or other SBT-funded programs from the General Fund or other sources, however, the CAB would be supportive of that approach to ensure the most SBT funding possible goes to direct services. If additional cuts were still needed after accounting for the first six items, the CAB agreed with the proportional distribution approach that minimizes cuts to this program.

Thank you for considering our comments,



Jen Moss, Co-Chair



Tanika Thompson, Co-Chair

Sweetened Beverage Tax Community Advisory Board

Jaimée Marsh	Position 1, Food Access Representative
Barbara Baquero	Position 2, Food Access Representative
Rebecca Finkel	Position 3, Food Access Representative
Bilan Aden	Position 4, Community Representative
Tanika Thompson	Position 5, Community Representative
Christina Wong	Position 6, Public Health Representative

Kristin Sukys	Position 7, Public Health Representative
Jen Moss	Position 8, Public Health Representative
Barbara Rockey	Position 9, Public Health Representative
Munira Mohamed	Position 10, Early Learning Representative
Dan Torres	Position 11, Early Learning Representative