

Sweetened Beverage Tax Community Advisory Board

<https://www.seattle.gov/sweetened-beverage-tax-community-advisory-board>

Date: July 20, 2021
To: Mayor Jenny A. Durkan
From: The Sweetened Beverage Tax Community Advisory Board
Subject: 2022 Budget Recommendations for Sweetened Beverage Tax Revenue
Cc: Councilmember Lorena González, Councilmember Lisa Herbold, Councilmember Debora Juarez, Councilmember Andrew J. Lewis, Councilmember Tammy J. Morales, Councilmember Teresa Mosqueda, Councilmember Alex Pedersen, Councilmember Kshama Sawant, Councilmember Dan Strauss

Dear Mayor Durkan,

On behalf of the Sweetened Beverage Tax Community Advisory Board (CAB), we are writing to deliver the CAB's 2022 Budget Recommendations.


These recommendations were unanimously approved by the CAB, are grounded in our [core values and budget principles](#), and reflect our ongoing commitment to ensure Sweetened Beverage Tax (SBT) resources are allocated in accordance with community priorities and in ways that benefit communities experiencing the greatest economic, health, and education inequities—Black, Indigenous, People of Color (BIPOC), immigrants, and refugees.

In 2022, Seattle is beginning to see signs of an economic recovery. According to revenue forecasts available to us in May 2021, City financial analysts are projecting a modest SBT revenue surplus in 2022, which is anticipated to grow in 2023 and 2024. Enclosed you will find six recommendations informed by this financial outlook.

Our top-line recommendation is to increase investment in and make permanent two SBT-backed community grant programs – the **Food Equity Fund** (formerly Healthy Food Fund) managed by the Department of Neighborhoods (DON) and the **Prenatal-to-Three Grant Program** managed the Department of Education and Early Learning (DEEL). As Seattle works on a just recovery from the pandemic and COVID-related economic impacts, investing in projects created and led by BIPOC, immigrant, and refugee communities is critical.

We appreciate the opportunity to advise you on the SBT spending plan and are thankful to the many staff across multiple City departments who have provided key information and other support to the CAB over the year. We hope these recommendations help the City make strategic investments in programs and services that advance equity in food access and early childhood outcomes. We also thank you in advance for ensuring available resources are allocated in accordance with community priorities.

Sincerely,



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
Tanika Thompson	Position 5, Community Representative
Christina Wong	Position 6, Public Health Representative
Laura Flores Cantrell	Position 7, Public Health Representative
Jen Moss	Position 8, Public Health Representative
Paul Sherman	Position 9, Public Health Representative
Munira Mohamed	Position 10, Early Learning Representative
Dan Torres	Position 11, Early Learning Representative

Core Values

The CAB uses the following core values as a foundation for decision-making and action:

Racial Justice and Social Equity – We will strive for equitable distribution of resources and power to address the effects of classism and historic racism and its impact on health and education disparity. We commit to applying a racial equity lens¹ when developing budget recommendations and programmatic guidance, as well as to our internal work practices.

Cultural humility – We recognize we will not know all the nuances of the cultural ways for everyone represented in the City of Seattle and therefore approach with humility, an open mind, and respect.

Voice of the community – We will center on the communities most impacted by health and education inequities and make space for them to speak their concerns and solutions.

Balance between community-driven solutions and scientific evidence – We acknowledge that innovative community ideas can provide important solutions to consider in balance with evidence-based programs.

Transparency – We commit to open and honest communication within the Community Advisory Board, community and government regarding the tax decision making and how funds are used and distributed.

Accountability – We are responsible to hold the City accountable to the actions outlined in the ordinance and advise the City Council and Mayor based on our role of representing the community.

Trust – We commit to cultivating trust by building and repairing relationships

¹ The SBT CAB uses the [racial equity lens framework](#) developed by facilitator and consultant Maketa Wilborn.

2022 Budget Recommendations for Sweetened Beverage Tax Revenue

BACKGROUND

According to the ordinance that established the Sweetened Beverage Tax (SBT), the Sweetened Beverage Tax Community Advisory Board (CAB) *“shall make recommendations on how and to what extent the Mayor and City Council should establish and/or fund programs and activities consistent with the intent of this ordinance.”* The CAB consists of a broad and diverse range of subject matter experts, stakeholder representatives, and community leaders committed to advancing equity in health, healthy food access, and child wellbeing. As a CAB, we affirm the importance of ensuring that SBT revenue is used to invest in the priorities of Seattle communities most impacted by health and education inequities that exist due to structural racism—Black, Indigenous, and communities of color.

In 2021, Seattle is beginning to see signs of recovery and modest economic growth thanks to vaccinations, the reopening of the state, and federal investments in recovery. According to SBT revenue forecasts available at the time we developed these recommendations, the City is projecting a modest revenue surplus in 2022 of \$2.1 million, even after setting aside \$3.5 million in planning reserves (see SBT Financial Plan on page 5). Based on this financial outlook, the CAB developed a set of budget recommendations to inform the 2022 SBT spending plan.

PROCESS

Our process to develop the 2022 Budget Recommendations began in January 2021. From January through April 2021, we received regular briefings from program staff in the Human Services Department (HSD), the Department of Education and Early Learning (DEEL), the Department of Neighborhoods (DON), and the Office of Sustainability & Environment (OSE) about programs and services currently supported by SBT funds. Additionally, we received regular briefings from the City Budget Office on the 2021 and 2022 revenue forecasts, the use of federal resources from the Coronavirus Relief Fund and American Rescue Plan, and the changing economic situation due to the COVID-19 pandemic. With these briefings, we gained a shared understanding of the financial, budget, and programmatic landscape.

We know budgetary decisions have a real impact on community, which is why we place importance on community input – especially from those most impacted by health and education inequities. From April to May 2021, the CAB refreshed its understanding of current community priorities by reviewing findings from recent community engagement events focused on food access, early learning, and COVID-19 recovery efforts. We coupled this information with our own knowledge of community priorities as representatives of BIPOC communities and/or organizations that serve BIPOC communities.

In May and June 2021, we held nearly six hours of deliberative and interactive meetings to develop and refine our budget recommendations. All [meetings](#) were open to the public and provided opportunities for comment. We used a variety of tools to help establish our priorities in 2022. At every major decision point, we considered how our recommendations aligned with our equity-driven values, budget principles and community engagement findings, which made coming to consensus nearly effortless.

BUDGET SITUATION

In May 2021, the CAB was briefed on the SBT financial plan (see table below). The City Budget Office (CBO) and Finance and Administrative Services Department (FAS) are forecasting approximately **\$24.7**

million in SBT revenue will be collected in 2022. Of this, approximately **\$19.1 million** is dedicated to food access programming and prenatal-to-three and early childhood education and services. Another portion of the funds (**\$3.5 million**) would be set aside in Planning Reserves—\$2 million for the Revenue Stabilization Reserve² and \$1.5 million for Worker Retraining Requirement that expires in 2022³. After these commitments, in 2022 there is roughly **\$2.1 million** in revenue surplus that is unreserved and unprogrammed.

Looking ahead to 2023 and 2024, the CBO and FAS project approximately \$6.6 million and \$11.1 million in unreserved funds, respectively.

Amounts in \$1,000s	2020 Adopted	2020 Revised	2020 Actuals	2021 Adopted	2021 Revised	2022 Projected	2023 Projected	2024 Projected
Sweetened Beverage Tax Revenue	24,329	15,367	15,674	20,772	20,772	22,292	23,970	24,329
Beginning Fund Balance	4,018	17,194	17,272	103	6,093	2,428	5,618	10,133
Source of Funds Total	28,347	32,561	32,946	20,875	26,865	24,720	29,587	34,462
Expenditures	26,168	32,458	26,853	20,757	24,436	19,102	19,455	19,814
Office of City Auditor	500	950	450	500	1,000	0	0	0
Office of Sustainability & Environment	6,719	11,868	10,382	5,930	7,406	6,048	6,169	6,293
Dept of Education and Early Learning	9,240	14,355	10,897	7,808	9,390	6,434	6,563	6,694
Human Services Department	5,885	5,098	5,058	4,743	4,743	4,838	4,935	5,033
Department of Parks and Recreation	600	187	65	303	425	309	315	321
Department of Neighborhoods	3,225	0	0	1,473	1,473	1,473	1,473	1,473
Ending Fund Balance	2,179	103	6,093	118	2,428	5,618	10,133	14,647
Planning Reserves	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Worker Retraining Requirement	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Revenue Stabilization Reserve	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Ending Unreserved Fund Balance	(1,321)	(3,397)	2,593	(3,382)	(1,072)	2,118	6,633	11,147

² In 2019, [Ord. 125995](#) created a cash balance reserve of up to \$2 million in the SBT Fund to offset future revenue shortfalls and maintain program expenditures.

³ When the SBT was first passed in 2017, [Ord. 125324](#) reserved up to \$1.5 million in total as funding for job retraining and placement programs for workers adversely impacted by the tax. This Worker Retraining Requirement is only for the first five years the SBT is collected; 2022 is the fifth year of tax collection.

RECOMMENDATIONS

The CAB is supportive of the City's ongoing SBT investments in food access and child wellbeing programs such as Fresh Bucks, food bank and meal programs, childcare nutrition, the Child Care Assistance Program, and early childhood health and development supports. The programs are strongly aligned with CAB values and we would like to see those investments continued.

The CABs recommendations for 2022 include priorities for unreserved and unprogrammed funding, investments that should be deprioritized, and priorities if revenues are lower than expected.

Investment Priorities with Unreserved Funds

Considering the projected \$2.1 million in unreserved and unprogrammed funding, as well as the unspent Work Retraining Funds, and the Revenue Stabilization Fund, the CAB recommends the following expanded investments in 2022.

1. Restore the Food Equity Fund to \$3 million and make the program ongoing by adding \$1.5 million to DON's baseline budget.

Add \$1.5 million to DON's Food Equity Fund (formerly the Healthy Food Fund), effectively restoring this Fund to **\$3 million in 2022 and beyond**. This grant program will support community-defined and community-led efforts to increase access to healthy, affordable, and culturally relevant food and continues to be among the CAB's top priorities in the food access funding category. Funding for the \$1.5 million should come from the \$2.1 million in SBT revenue surplus that is unreserved and unprogrammed.

In our [2021 Budget Recommendations](#), we recommended the City reduce the Food Equity Fund by \$1.5 million for one year only, to support the creation of a new Prenatal-to-Three Grant Program administered by the Department of Education and Early Learning. We were explicit in our intent that any reduction to the Food Equity Fund be limited to one year. Now, we request the Healthy Food Fund be restored to its \$3 million per year baseline budget in 2022 and beyond.

The CAB appreciates DON's ongoing efforts to engage us in the development of this grant program and affirm the City's efforts to advance race and social justice within its grantmaking practices. We look forward to our continued collaboration with DON on SBT-funded investments in 2021 and beyond.

2. Allocate \$1.5 million to DEEL to continue the Prenatal-to-Three Grant Program in 2022.

Allocate \$1.5 million to DEEL's Prenatal-to-Three (PN3) Grant Program and plan to make this a permanent and ongoing program. The PN3 Grant Program supports community organizations that specialize in high-quality prenatal-to-three and kindergarten readiness services that seek to reduce disparities in outcomes for children and families based on race, gender, and other socioeconomic factors. Like the Food Equity Fund, the PN3 Grant Program provides much needed support for community-based organizations.

Currently, DEEL only has funding in 2021 to support the PN3 Grant Program. This program is just getting started. Continued funding will allow DEEL to build on valuable lessons learned from the

community during this first year. We also know the need for this kind of support is ongoing, and only exacerbated by the economic strains of the COVID-19 pandemic. We recommend continued funding in 2022 and beyond. DEEL has dedicated great time and energy into developing the 2021 PN3 Grant Program and is partnering with the CAB to develop a program that advances our shared goals for race and social justice. This investment should be leveraged with bridge funding in 2022 that will carry the program into 2023, when the CBO and FAS forecast suggest that additional surplus revenues will be available to make this a permanent, ongoing program.

In 2022, funding for the \$1.5 million should first come from the \$500,000 remaining in unreserved and unprogrammed revenue surplus. Then, the City has a few options to fund the remaining \$1 million:

Option 1: Use \$1 million in SBT funds reserved for the Worker Retraining Requirement. When the SBT was first passed in 2017, [Ord. 125324](#) reserved up to \$1.5 million in total as funding for “*job retraining and placement programs for workers adversely impacted by the tax*”. This provision was in response to largely overstated industry claims that soda taxes result in regional job losses. There is no evidence of job losses because of the SBT and no plans for how to use this money. This Worker Retraining Requirement is only for the first five years the SBT is collected and 2022 is the fifth year of tax collection.

Option 2: Use \$1 million in SBT funds from the Revenue Stabilization Reserve. In 2019, [Ord. 125995](#) created a cash balance reserve of up to \$2 million in the SBT Fund to offset future revenue shortfalls and maintain program expenditures. The City could borrow from this reserve in 2022 and replenish it in 2023, when SBT revenues are projected to increase.

3. Prioritize the following investment areas for funding if revenues exceed current projections: Child Care Assistance Program (CCAP), Support for Family Child Care Providers, Water Bottle Filling Stations in Community Centers and Schools, CAB Administration, and Evaluation Support for SBT-funded programs and services.

If Seattle’s economic recovery and growth exceed expectations and additional SBT revenues are collected, we recommend focusing that surplus on the following program and services listed below. These programs/services are not listed in priority order; deciding which of them gets increased funding (if possible) will depend on how much surplus revenue is available and the anticipated impact of the increased investments. **The CAB requests that we are consulted if the City is looking to expand or restore any of these investments.**

- [Expand Child Care Assistance Program \(CCAP\)](#) – Continue to expand the Child Care Assistance Program (CCAP), especially for infant care, which is the most expensive. Funding should also support continued efforts to expand program eligibility by raising the minimum income requirements and enhancing outreach and marketing of the program to families most burdened by the cost and affordability of child care.
- [Expand Supports for Family Child Care Providers](#) – Family Child Care (FCC), or childcare that is licensed within a residential home and serves 12 children or less, is a vital part of the local early learning system. FCC providers are small businesses owned and operated

primarily by women of color and recent immigrants to the country. FCC supports include technical assistance and capacity building for FCC providers, such as home visiting and Hub-Network models that support provider needs and help with participation in City subsidy programs.

- **Restore Funding for Water Bottle Filling Stations in Community Centers** – Funding for Seattle Parks and Recreation to support the purchase and installation of water bottle filling stations at community centers for the dual purpose of increasing water consumption and reducing sugary beverage consumption. Access to bottle filling stations improves health and also reduces single-use plastic bottles. Funding for water bottle filling stations in community centers was included in the 2020 Adopted Budget as a one-time investment but was cut and redirected to COVID-19 emergency food support.
- **Restore Funding for CAB Support** – Funding to support facilitation of the CAB's annual planning workshop and budget recommendation meetings and to design and translate SBT communication materials such as an updated SBT fact sheet. Funding for the CAB was included in the 2020 Adopted Budget as a one-time investment but was cut and redirected to COVID-19 emergency food support.
- **Restore Funding to Support Evaluation of SBT-Funded Programs and Services** – Funding to support evaluation activities to assess how SBT-funded programs/services are functioning, what outcomes or impact they are having, and how programs can be improved to better serve communities. Evaluation methods should not burden community partners and should be designed to measure success in ways that are meaningful to the communities involved.

Investments to Deprioritize

4. Sunset funding for the five-year evaluation of the impact of the SBT in 2021.

For the past five years, funding has been set aside and invested in an academic evaluation of the impacts of the SBT on economic outcomes, health behaviors, intermediate health outcomes, identification and assessment of food deserts, and effectiveness and efficiency of the food bank network in Seattle. **The CAB recommends that this funding end in 2021.**

Section 5B of the ordinance that created the SBT ([Ord. 125324](#)) required the City Auditor to contract with academic researchers to complete an annual evaluation of the effects of the tax. A minimum of \$500,000 per year for at least the first five years, beginning with the date of adoption of Ordinance 125324, was dedicated to this evaluation.

In 2017, the Seattle Office of the City Auditor established a contract with Public Health – Seattle & King County (PHSKC) to complete the evaluation outlined in the ordinance. PHSKC worked with the University of Washington and Seattle Children's Institute to design and conduct the evaluation. Funding began in 2017 so researchers could collect baseline (pre-tax) measures. From the CAB's perspective, 2021 is the fifth year of funding for the SBT evaluation (2017, 2018, 2019, 2020, 2021) and the financing obligations have been met.

The CAB recommends the City consider a follow-up evaluation of the tax in the future, perhaps 10 years after the SBT was adopted (i.e. in 2027) to examine the impact of the tax policy. Additionally, we recommend future evaluations of the tax require matching funds from academia. Five years into the tax, investing in evaluations that consider the impact of SBT-funded programs, as we outlined in Recommendation 3, rather than the tax's effectiveness, is better aligned with the CAB's accountability core value.

All of the SBT evaluation reports from the past five years can be found on the CAB webpage: <https://www.seattle.gov/sweetened-beverage-tax-community-advisory-board/evaluation-reports>

5. Do not use SBT revenues to fund P-Patch Community Gardens.

The 2020 Adopted Budget included \$725,000 in SBT revenue for one-time investments in capital improvements for P-Patch Community Gardens. This appropriation was a compromise after the CAB rejected the Mayor's initial budget proposal to add \$3,000,000 in one-time funding for P-Patch (see our [October 2019 response](#) to the Mayor's 2020 Proposed Budget). During Council's deliberations of the 2020 Proposed Budget, and once it became clear that P-Patch would receive some level of SBT funding, the CAB provided recommendations to strengthen any P-Patch investment so that it would focus on priority communities.

In 2020, the \$725,000 in one-time funding for P-Patch was cut and redirected to COVID-19 emergency food efforts. The CAB is not interested in seeing this investment restored with SBT dollars. **P-Patch Community Gardens have never been a priority for the CAB and the CAB does not endorse the use of SBT revenue for this program.**

While the CAB appreciates the role community gardens may have on hands-on learning opportunities, social interaction, food bank donations, and the preservation and stewardship of open green spaces, we are skeptical of the real impact that P-Patches—which focus on garden plots for individual gardeners—have on food security and increasing access to healthy, affordable, and culturally relevant food for BIPOC, immigrant, and refugee communities.

The CAB is aware that BIPOC urban farmers are having a renaissance in the Seattle area and that support and investments in communal gardening and farming are needed. This is why we recommend expanding investments in community-defined and community-led projects, including those focused on food production, through the Food Equity Fund (see recommendation #1). Directly funding BIPOC farmers and gardeners through grants would derive a deeper and more meaningful value to community members and would align more closely with the stated intent of the SBT ordinance.

Budget Shortfall Recommendations

6. Backfill any budget shortfalls if 2022 revenues are lower than currently projected.

If 2022 SBT revenues fall short of current projections, the CAB recommends the City maintain existing funding for SBT-backed programs and services by backfilling with other funding sources, such as federal funds from the American Rescue Plan, the SBT Worker Retraining Reserve, or the SBT Revenue Stabilization Fund.

The SBT provides essential support for programs and services focused on food access and early child development in communities most impacted by economic, health, and educational inequities. As Seattle recovers from the pandemic and COVID-related economic impacts, it will be critical to maintain these programs and services.

Additionally, the CAB requests that the City Budget Office (CBO) continue to consult with the CAB early and often to discuss any plans for rebalancing the SBT budget if revenues come in lower than projected. Over the years we have appreciated the open dialogue and information sharing with CBO and the SBT funded departments and hope to continue this productive relationship.

-END-