

Revenue Overview and Initial Issues Identification STATE AND COUNTY BALLOT MEASURES

Staff: John McCoy

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On November 2nd, the voters have their say on a variety of State and County ballot measures that will affect City revenues. These measures could change current law before Seattle's 2011-2012 Budget is adopted. Consequently, Council will need to make changes to the proposed budget to bring it back into balance before adoption on November 22.

Bottom line: on November 3rd, the proposed budget could be \$20.8 million in surplus over the biennium or \$11.7 million in deficit, depending on the voters' choices.

The ballot measures that are directly or indirectly relevant to City revenues include:

Measure	Major Provisions
State I-1100	Privatizes liquor sales.
State I-1105	Privatizes liquor sales and eliminates excise tax on liquor.
State I-1107	Rolls back sales, B&O and excise tax changes on candy, soda, bottled water, non-perishable meats and some fruit & vegetable products.
State Ref. Bill 52	Extends bottled water sales tax past 2013 and authorizes bonds for energy efficiency projects in schools and colleges.
State I-1053	Re-imposes 2/3rds Legislative majority for tax increases.
King County Prop. 1	Increases general sales tax by 0.2%, split 60/40 with cities.

The situation is complicated by the fact that there are two competing initiatives that privatize liquor sales, with different provisions and implementation dates. If both pass, the Secretary of State has said the measure with the most votes takes precedence. However, some provisions found in the second place measure may also be enacted and it is unclear exactly how the Courts or the Legislature would reconcile them. In addition, I-1105 directs the Liquor Control Board to recommend a new taxing regime that by 2012 would restore State and local revenues to current levels. Furthermore, I-1053 would re-impose the 2/3rds legislative majority requirement on tax increases, making the task of enacting such replacement taxes more difficult.

The chart on the following page shows the revenue impacts of each of the ballot measures above and various combination scenarios that we may face in November. Published polling to date has shown majorities in favor of I-1107.

Central Staff, Finance and Administrative Services and the City Budget Office have begun planning to address these potential deficits. The options could include tapping reserves like the Rainy Day Fund, making further, significant cuts to City departments and programs, or raising additional tax revenue.

"November Surprise" Budget Change Scenarios

All figures in millions

Ballot Measure	Eliminates State-Run Liquor Retail and Profit Sharing	Eliminates Excise Tax on Liquor	Applies Retail Sales Tax to Liquor	Suggests Liquor Board (Legislature) Create Equivalent Tax	2011 Change Relative to Proposed Budget	2012 Change Relative to Proposed Budget	Biennial Change
State I-1100	X				(\$2.3)	(\$4.5)	(\$6.8)
State I-1105	X	X	X	X	\$0.0	(\$6.5)	(\$6.5)
Both Pass Scenario (assumes greater of both years and no action by legislature)					(\$2.3)	(\$6.5)	(\$8.8)
State I-1107	Repeals sales tax increment on candy, soda, bottled water				(\$1.2)	(\$1.7)	(\$2.9)
King County Prop. 1	Increases general sales tax 0.2%, split 60/40 with cities				\$8.7	\$12.1	\$20.8

Current Liquor-Related Revenues (annual)

Excise Tax	\$ 3.0
State Retail Profit Sharing	\$ 4.5
Total	\$ 7.5

Budget Variations Due to Possible Ballot Combinations

\$32.5 million variance from max to min scenarios is possible over the biennium

Max Outcome	Only Prop.1 Passes	\$8.7	\$12.1	\$20.8
Variation 2	Prop 1 + 1107	\$7.5	\$10.4	\$17.9
Variation 3	Prop 1 + 1105	\$8.7	\$5.6	\$14.3
Variation 4	Prop 1 + 1100	\$6.5	\$7.6	\$14.1
Variation 5	Prop 1 + 1100 + 1105	\$6.5	\$5.6	\$12.1
Variation 6	Prop 1 + 1107 + 1105	\$7.5	\$3.9	\$11.4
Variation 7	Prop 1 + 1107 + 1100	\$5.3	\$5.9	\$11.2
Variation 8	Prop 1 + 1107 + 1100 + 1105	\$5.3	\$3.9	\$9.2
Variation 9	All Fail. Current law unchanged this budget cycle.	\$0.0	\$0.0	\$0.0
Variation 10	Only 1107	(\$1.2)	(\$1.7)	(\$2.9)
Variation 11	Only 1105	\$0.0	(\$6.5)	(\$6.5)
Variation 12	Only 1100	(\$2.3)	(\$4.5)	(\$6.8)
Variation 13	1100 + 1105	(\$2.3)	(\$6.5)	(\$8.8)
Variation 14	1107 + 1105	(\$1.2)	(\$8.2)	(\$9.4)
Variation 15	1107 + 1100	(\$3.5)	(\$6.2)	(\$9.7)
Min Outcome	1100 + 1105 + 1107	(\$3.5)	(\$8.2)	(\$11.7)

SOURCES: State Office of Financial Management, FAS Economics Team estimates and analysis, Central Staff analysis