

SPU Customer Review Panel Subcommittee on Utility Taxes

Members: Noel Miller, Bruce Lorig

Document dated: 4.23.2014

Draft Position Statement for Panel Consideration:

1. SPU provides services to its customers necessary for quality of life. Purchase of these services is not optional; Customers can only do so much to reduce the size of their bills. Affordability is an ongoing concern for the Panel.
2. A utility tax on basic necessities seems to us to be a very regressive tax, imposed without regard to income or assets. The tax is added to every utility bill: 15.54% on water bills; 12% on wastewater bills; 11.5% on drainage bills; 11.5% on solid waste bills (The utility tax rate on electricity is 6%; per state law, a vote of the people would be required to increase it).
3. In 2012 (most recent data provided to us), Seattle collected \$73.6 million from SPU customers in utility taxes, which translated to 7.6% of total City General Fund revenues. The impact on utility rates from utility taxes far outstrips efficiencies and programmatic reductions the Utility has identified in the Strategic Plan.
4. Because SPU *service* rates have gone up an average of 7% a year in the last 10 years, and are projected to go up about 4.6% in the next 6 years under the Strategic Plan, the rate of growth in utility *tax* revenues associated with SPU have and will continue grow at a similar rate—much faster than inflation.
5. We acknowledge that General Fund services—police, fire, human services, are also critical to the quality of life in Seattle.
6. That said, Seattle’s utility taxes on water, sewer, drainage and solid waste are, across the board, at least 50% higher than the median utility tax rates imposed by other Cities statewide (according to a 2012 Association of Washington Cities survey). Rates are also higher than those imposed by any city in King, Pierce or Snohomish County, with the exception of the City of Kirkland which has a higher utility tax rate on sewer services.
7. Utility tax rates went up substantially in the City in 2005. Now that we are coming out of the recession, we would encourage the Mayor and Council to consideration whether there can be some rollback of utility tax rates, perhaps to pre-2005 levels-- with the exception of water rates which we understand are higher in order to fund the city hydrant system.
8. We acknowledge the gap in General Fund revenues from a reduction in utility tax revenues would have to be made up somewhere, and it is beyond the scope of our mission to identify what mix of other revenue increases or budget cuts is feasible or appropriate. Fortunately, Seattle is blessed with a vibrant and diverse economy. We think it is appropriate to explore options that may be less regressive in order to support General Fund programs.