Making Progress in Our Recovery

A Proposal for Progressive Revenue Solutions to the COVID-19 Budget Crisis

The Problem

The U.S. has been thrust into a global health crisis not seen before in recent memory. The COVID-19 health crisis has shut down our economy, caused record unemployment, and has tested the capacity of our health system to the brink of collapse. The cost of our response to the virus, and the consequences of our economic shutdown and unemployment has left the state with a projected revenue shortfall of $8.8 billion for the 2020-21 and 2022-23 biennia and the City of Seattle, the most populous city in the state, is facing a $300 million shortfall.

Yet, long before COVID-19, the Seattle area has been facing an affordable housing and homelessness crisis, which has disproportionately impacted Black, Indigenous, and people of color (BIPOC) communities. According to the King County Regional Affordable Housing Task Force (RAHTF), the County needs to build, preserve or subsidize a total of 244,000 net new homes by 2040 to meet the projected need. There are currently 6,500 chronically homeless individuals in King County, and the latest point in time count shows a 5 percent increase from the 2019 count to 11,571 experiencing homelessness. Among people that have access to housing, renters, low-income, and BIPOC are disproportionately cost-burdened than homeowners, middle- and higher-income, and white individuals. The affordable housing crisis in our region is exacerbating racial wealth gap, and increasingly the health gap with COVID-19.

Our state and our region have acted swiftly and boldly in the past several years with voters approving local housing levies, local governments using sales tax dollars for housing, and historic investments in the state housing trust fund. Yet, these approaches are not enough to match the scale of need and rely on a regressive tax structure where working families pay up to 7 times more in taxes than the wealthiest in our state. Washington state’s upside-down tax system perpetuates historic, structural and systemic racism hurting BIPOC, who make up a large part of our lowest-income communities. As we look forward to our recovery from the COVID-19 pandemic, we must enact solutions that promote and equitable and inclusive recovery.

The Solution

Achieving an equitable and inclusive recovery as we gradually emerge from the COVID-19 pandemic and simultaneously address our existing affordable housing and homelessness crisis will require a three-pronged approach:

1. Enact Progressive Revenue
2. Equitable Allocation of Resources
3. Divest/Invest Strategies

Our state and local elected leaders have introduced a number of bold plans that, together, will be necessary to a healthy social and economic future.

Enterprise Community Partners believes that the following revenue package at the state and local level will be critical to our equitable and inclusive recovery.
Building Toward Equitable & Inclusive Funding
For Affordable Housing and Racial Equity

Enact Progressive Revenue

Enacting progressive revenue would reduce the tax burdens on our lowest income populations, those who can least afford to pay, and proportionally increase the tax rate on higher income earners based on their income, those who can afford to pay. Scaling up these strategies can lessen income inequality and racial wealth and health gaps.

City of Seattle

- **JumpStart Seattle** – A progressive payroll tax on large businesses that would raise approximately $214 million/year.
- **Capital Gains** – A capital gains tax on the sale of stocks and bonds, with a projected $37 million in revenue a year for supportive housing. A complement to the JumpStart Seattle proposal.

State

- **The HEART Plan** – Establishes a Fair Share Contribution on large corporations, resulting in $500 million/year, in a dedicated account, to respond to the pandemic, invest in behavioral health and mental illness treatment, and supporting health care across Washington.
- **Social Security for Childcare and Early Learning** – Creates a social insurance model, similar to the state’s Paid Family and Medical Leave Program, to raise over $1 billion/year to invest in Early Childhood Education Assistance Program (ECEAP) and Working Connections Child Care.
- **Working Capital for Working Families** – Creates a capital gains sales tax on extraordinary profits, to raise $500 million for workforce education, workforce housing, and the working family tax credit.

Equitable Allocation of Resources

Our state and local governments currently operate an upside-down tax system where the lowest income families are taxed up to 7 times more than the state’s wealthiest families. However, this hasn’t slowed the urgency to use our existing tools to fund housing and homelessness programs. We must support these existing sources of funding and ensure that they contribute to reducing income inequality and the eliminating the racial health and wealth gap.

King County

- **Enact Taxation Authority Granted by HB 1590** - A county may impose a 0.1% sales tax by councilmanic authority. King County may only impose the tax if it plans to spend at least 30% of the revenue collected in cities with populations over 60,000 within the boundaries of that city. Funds must be used for housing facilities and housing related programs for persons at or below 60% AMI for specific populations.

Divest/Invest Strategies

We support local calls to divest from the costly and punitive criminal justice system, including aggressive policing strategies, that disproportionately target BIPOC, and instead invest in prevention and community safety solutions that prevent violence and crime, safeguard communities and give BIPOC the power to create community-based approaches to support the well-being of its residents. Solutions include economic development opportunities, access to quality, safe and affordable housing, and increasing access to quality education beginning with our earliest learners from birth to five.