

# JumpStart/Payroll Expense Tax Proposed Appropriations & Spending Policies

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Select Budget Committee | October 16, 2024

Ben Noble, Director



**Budget Overview &  
Department Presentations**

STEP 1

SEPT 25 - OCT 02



**Policy Considerations**  
Central Staff Presentations

STEP 2

OCT 16 - 21



**Revenue  
Forecast Update**

STEP 3

OCT 22



**Chair's  
Balancing Package**

STEP 4

OCT 30



**Budget Amendments**  
Discussion & Voting

STEP 5

NOV 13 - NOV 15

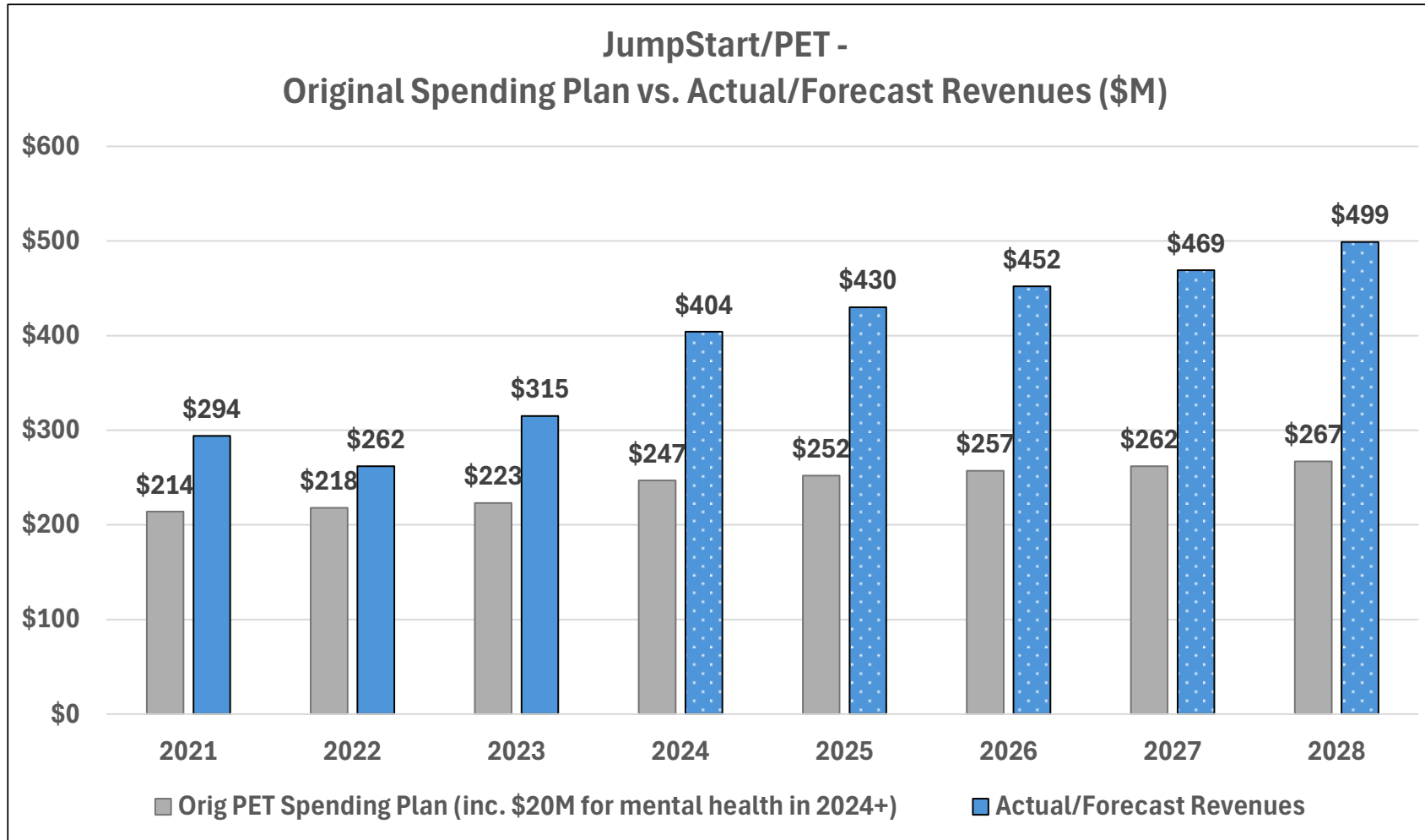


**Final Committee Vote &  
Council Adoption**

STEP 6

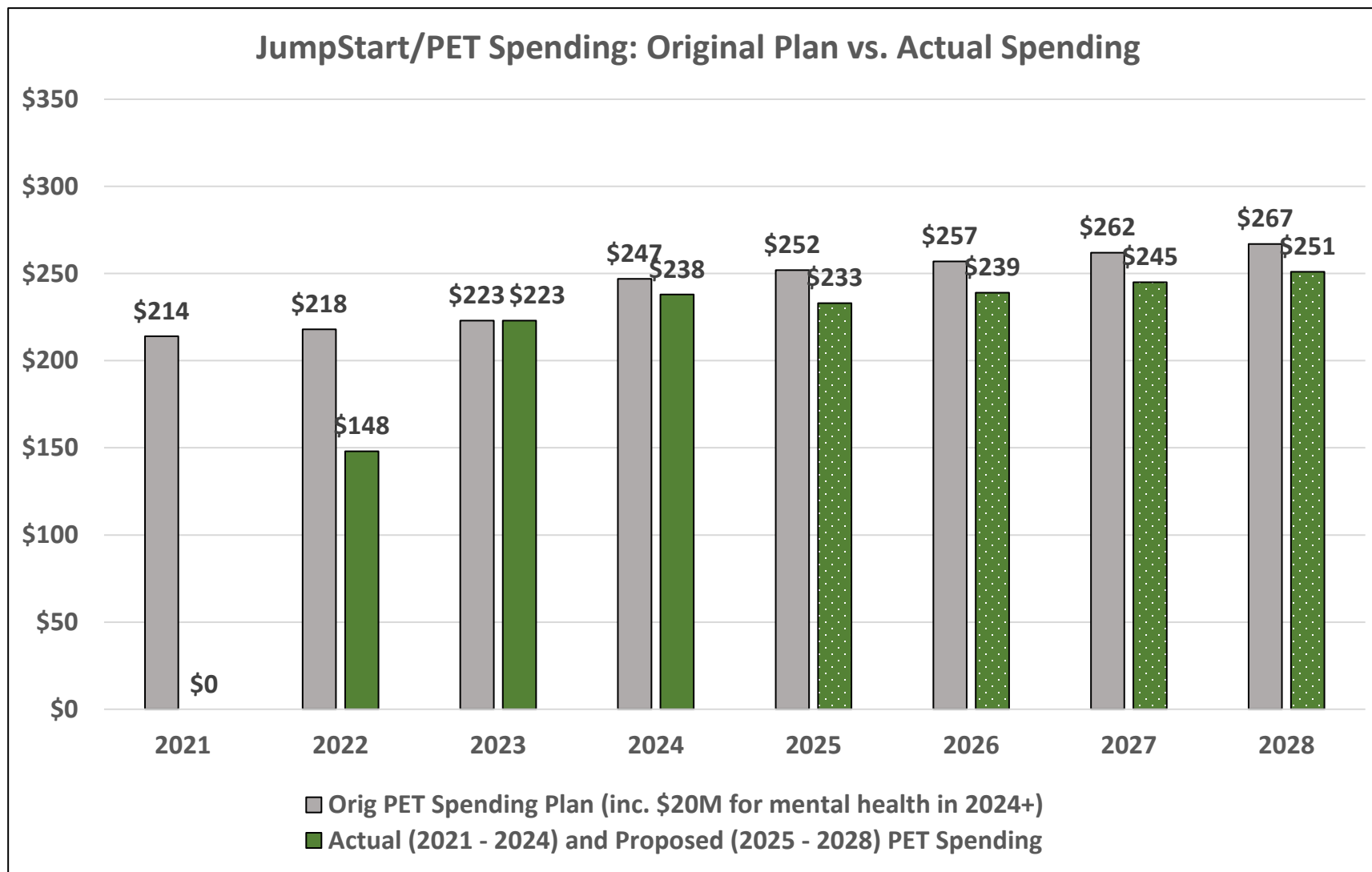
NOV 19 - NOV 21

# JumpStart/PET Revenues – History and Context



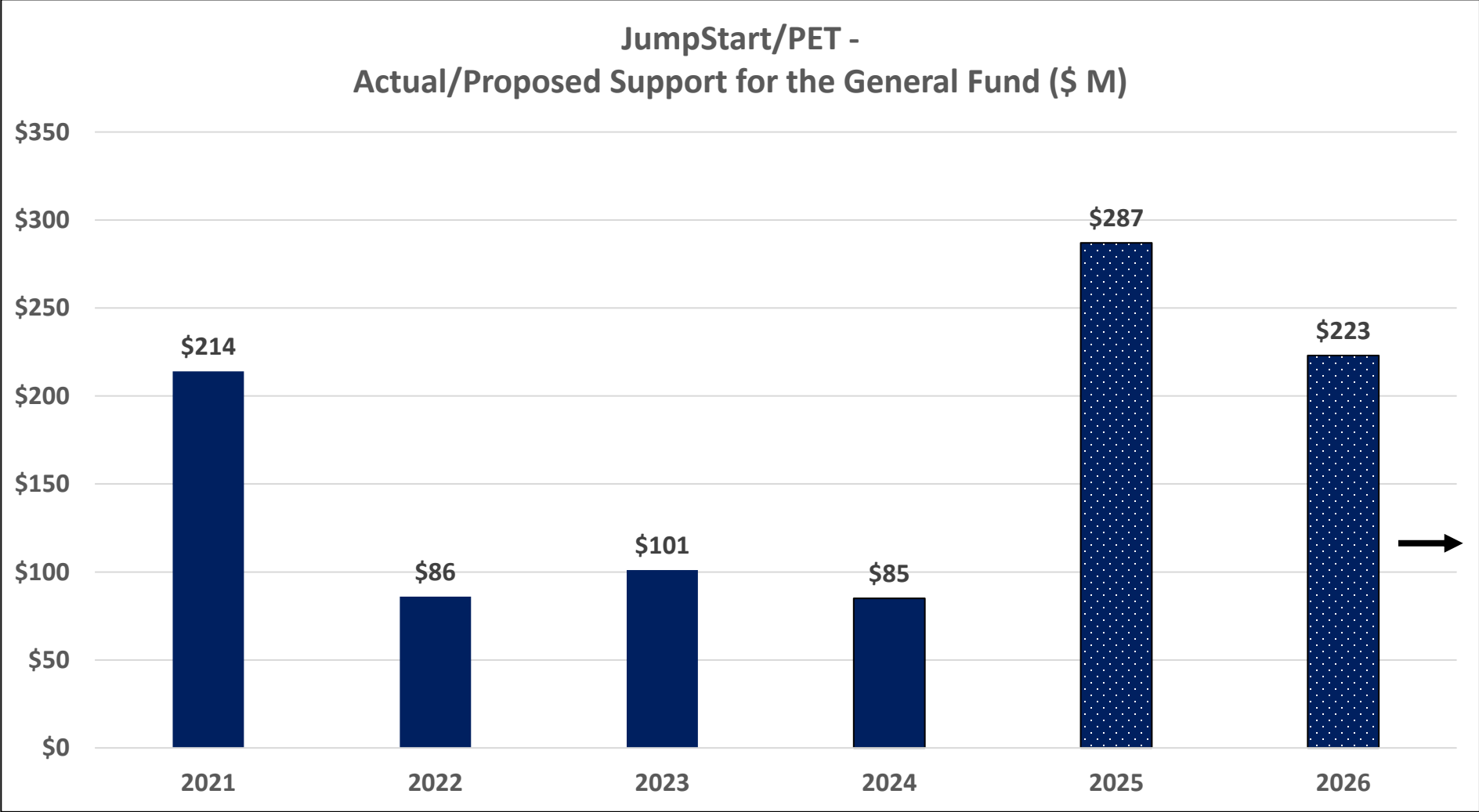
- Realized revenues have dramatically outpaced the original spending plan.
- We have only three years of actual revenue receipts, and the revenue stream has proven somewhat volatile in that time.
- The forecasts anticipate very significant growth in the near term.
- Both these factors represent risks going-forward.

# JumpStart/PET Revenues – History and Context (cont.)

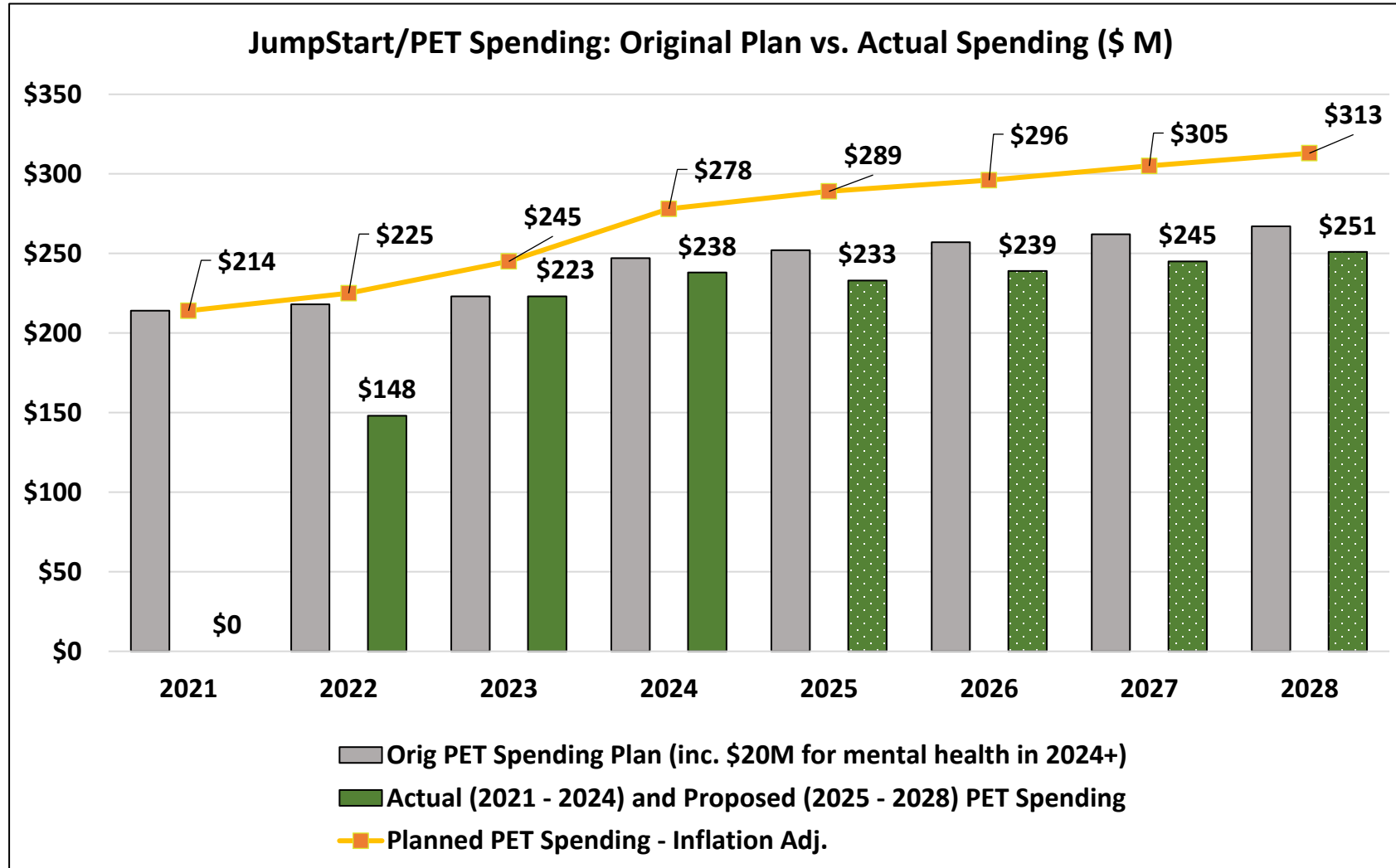


- To date, the original JumpStart/PET spending plan has been fully implemented only once, in 2023.
- The Mayor’s proposed budget falls short of the original JumpStart/PET spending plan in 2025, 2026, and beyond.
- Every year since it was first authorized, a significant share of JumpStart/PET revenues have been directed to the GF.

# JumpStart/PET Revenues – History and Context (cont.)



# JumpStart/PET Revenues - History and Context (cont.)



- Councilmembers asked what the original JumpStart/PET plan would require if it were adjusted for realized inflation.
- Relative to the Proposed Budget, meeting such a target would require a shift of ~\$56M from the GF to the JumpStart/PET priorities per year in 2025 and 2026. (Or the addition of new revenues.)

# Current JumpStart/PET Spending Policies

Category	Percent	2025 Amount
Housing	62%	\$267 M
Economic Revitalization	15%	\$65 M
Equitable Development Initiative	9%	\$39 M
Green New Deal	9%	\$39 M
Administration	5%	\$22 M
Mental Health / Youth Violence Prev.	\$20 M	\$20 M
General Fund	<u>\$0</u>	<u>\$0</u>
<b>Total (Excluding carry-forward balance from 2024)</b>		<b>\$430 M</b>

- Adopted in 2022, Ordinance 126719 created the JumpStart/PET Fund, codified the spending plan included in Resolution 31957, and allowed limited use of the JumpStart/PET revenues to support the GF.
- This ordinance permits support for the GF in the 2023 and 2024 biennium only.
- To date, a portion of JumpStart/PET has always been used to support the GF.

# Mayor's Proposed JumpStart/PET Policies

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1. Define seven eligible spending categories:
  - General Fund
  - Affordable Housing
  - Economic Revitalization
  - Equitable Development
  - Green New Deal
  - Student Mental Health / Youth Violence Prevention (eligible only for '25 and '26)
  - Administration
2. Set no restrictions on how JumpStart/Pet resources are divided among these categories
3. Eliminate the JumpStart/PET Oversight Committee
  - The proposed budget instead allocates \$100K for CBO to conduct an assessment of program effectiveness and the economic impact of the tax
4. The Proposed Budget funds a ~10% Revenue Stabilization Reserve for JumpStart/PET but does not formally propose this as a policy

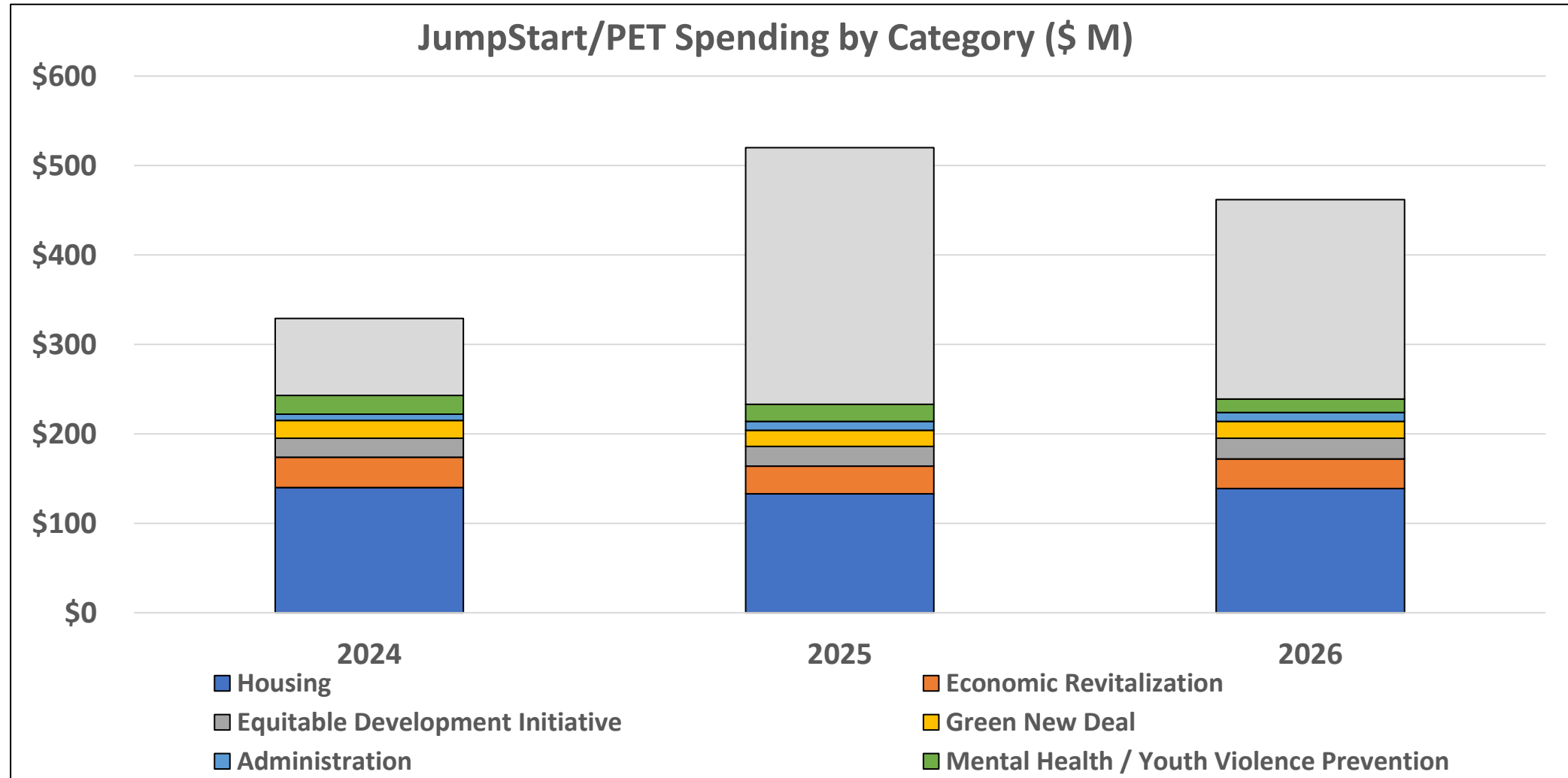
# Mayor's Proposed JumpStart/PET Spending (\$ M)

Category	Percent	2024	2025	2026
Housing	62%	\$140	\$133	\$139
Economic Revitalization	15%	\$34	\$31	\$33
Equitable Development Initiative	10%	\$21	\$22	\$23
Green New Deal	9%	\$20	\$18	\$19
Administration	4%	\$7	\$10	\$10
Mental Health / Youth Violence Prevention		\$21	\$19	\$15
<b>Total Spending for JumpStart Priorities</b>		<b>\$243</b>	<b>\$233</b>	<b>\$239</b>
<b>General Fund</b>		<b>\$86</b>	<b>\$287</b>	<b>\$223</b>

- Although the Mayor's proposed policies do not set category-specific funding targets, the proposed biennial spending largely matches the original JumpStart/PET percentage allocations.
- The proposed budget includes significant allocations to GF, and the 2026 allocation of \$233 is assumed to continue in 2027 and beyond. However, this still leaves a GF deficit of \$75M+ going forward.



# Mayor's Proposed JumpStart/PET Spending (\$ M)



# Potential Alternative Policies?

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## Key Questions

- 1. Should JumpStart/PET just be deposited directly in the General Fund?**
  - This would obviate need for separate policies for the JumpStart/PET fund
  - Would not provide some level of transparency about the use of the funds
- 2. How much JumpStart/PET revenue should be available for the General Fund?**
  - Mayor's proposed policies set no specific limit
  - Current ~48% allocation will not be sufficient to close the projected 2027 GF deficit
- 3. Should Council establish fixed percentage allocations for each PET Category? If so, what percentages?**
  - Mayor's proposed policies set no specific percentages
  - Should flexibility be built-in to any allocation policies?
- 4. Should some minimum amount of PET be reserved for either GF or the JumpStart/PET categories?**
  - If revenues decline, should cuts be taken proportionally, or should the GF or a particular categories be given priority?
- 5. Should a revenue stabilization revenue be formally established for the JumpStart/PET fund?**
  - If so, what level? 5% 10%?
  - Over what time frame and by what mechanisms should any target reserve be funded?

**Note: no matter how these questions are answered and legislated, future Councils could alter them (“Five votes makes policy ... “)**