

## **Amendment 4 Version 1 to CB 121028 – B&O Tax Ordinance**

**Sponsor:** Councilmember Kettle

Add findings related to budget deficit and use of JumpStart Payroll Expense Tax Fund

**Effect:** This amendment would add findings related to budget deficits in 2026, 2027 and future years, and provide information on current use of JumpStart Payroll Expense Tax Fund revenue.

Add a new findings section to CB 121028 as follows and renumber subsequent sections and cross-references:

### Section 1. The City Council finds and declares:

- A. The October 2024 forecast from the Office of Economic and Revenue Forecasts (Forecast Office) projected an estimated \$89 million structural General Fund (GF) deficit, beginning in 2027.
- B. In April 2025, the Forecast Office released revised revenue projections, which show:
  - 1. A \$150 million deficit in the JumpStart Payroll Expense Tax Fund (JumpStart Fund) in 2025 and 2026;
  - 2. An average combined JumpStart Fund and GF deficit of \$232 million each year, beginning in 2027. Of that deficit, \$85 million is in the JumpStart Fund and \$147 million is in the GF.
- C. The Forecast Office estimates that the Business and Occupation Tax restructure in this ordinance could generate \$90 million in additional net GF revenue per year, after accounting for the higher exemption threshold and new standard deduction.
- D. Of that \$90 million in net revenue, up to \$30 million may be used to mitigate the impact of federal funding reductions, leaving at least \$60 million to help offset the GF and JumpStart Fund projected deficit.

- E. If this ordinance is approved in the November 2025 general election and generates the projected \$90 million in net GF revenue, and if \$30 million of that is used to mitigate federal funding reductions and \$60 million is used to offset GF and JumpStart Fund project deficit, the City would still face a projected combined JumpStart Fund and GF deficit of approximately \$90 million in 2026 and an average of \$172 million each year beginning in 2027. As such, the City will need to take other actions to address the projected deficit.
- F. The City Council, in adopting future budgets, will need to make difficult decisions that address the ongoing budget deficit and produce a balanced budget, including determining future funding amounts for the JumpStart Fund investment categories described in Ordinance 127155, as adopted by the Council in November 2024. Those investment categories are: housing and services; the Equitable Development Initiative; economic development and revitalization; community planning efforts; the City's Green New Deal program; youth mental health; contributions to the JumpStart Fund revenue stabilization account; and programs and services supported by the City's General Fund.