Ben Noble
Special Budget Committee
11.19.2024
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Amendment 3 Version 1 to CB 120912 Payroll Expense Tax 2024 Modifications

Sponsor: CM Moore

Co-Sponsors: CM Morales and CM Saka

Limit use of JumpStart proceeds for the General Fund, increase funding for affordable housing, and restore the sunset

Effects:

1. This amendment would establish the following spending priorities for JumpStart proceeds in 2027 and beyond:
   - 2.5% to be transferred to the General Fund Revenue Stabilization Account.
   - 42.5% for the General Fund, with the City's commitment to Equitable Development, Economic Development, the Green New Deal, and Student Mental Health and Youth Violence Prevention guiding the allocation of these dollars.
   - 55% for Affordable Housing.

   In 2027, the General Fund financial plan currently projects a General Fund deficit of approximately $100 million, after a transfer of $233 million from the JumpStart Fund. This amendment would limit that transfer to ~$217 million and provide as much as $266 million of JumpStart funding for affordable housing. This amendment would not provide funding for the other JumpStart priorities and would also increase the projected General Fund deficit by $16 million.
2. Eliminate the automatic transfer of unanticipated year-end JumpStart Fund Balance to the JumpStart Revenue Stabilization Account.
3. Keep the December 31, 2040 sunset date for the JumpStart Payroll Expense Tax by removing the proposed repeal of Seattle Municipal Code Section 5.38.120.

Amendment

Changing JumpStart Spending Policies:

Amend Section 1 of Council Bill 120912 as follows:

5.38.055 Payroll expense tax—Allocation of proceeds

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B. ~~The~~ For the 2025 and 2026 budgets, the following percentage amounts shall guide, but not constrain, the total combined funding allocated each year to Administration, Affordable Housing and Associated Services, the Equitable Development Initiative, Economic Development and Revitalization, and Investments in the City's Green New Deal program:

1. Administration – up to five percent;

2. Affordable Housing and Associated Services – 62 percent;

3. The Equitable Development Initiative – nine percent;

4. Economic Development and Revitalization – 15 percent; and

5. Investments in the City's Green New Deal Program – nine percent.

C. ~~Allocations~~ For the 2025 and 2026 budgets, allocations of payroll expense tax proceeds to programs and services supported by the City's General Fund shall be limited to the amount needed to sustain critical services and attend to emerging needs that cannot otherwise be sufficiently addressed with General Fund resources.

D. For the 2027 budget and subsequent budgets, payroll expense tax proceeds shall be allocated as follows:

1. Contributions to the General Fund Revenue Stabilization Fund established in Section 5.80.020 – 2.5 percent;

2. Programs and services supported by the City's General Fund – 42.5 percent. The City's commitment to the Equitable Development Initiative, Economic Development and

Revitalization, the City's Green New Deal program, and Student Mental Health and Youth Violence Prevention should guide the allocation of these dollars; and

3. Affordable Housing and Associated Services – 55 percent.

~~D. When payroll expense tax proceeds decline or fall short of forecast, consideration shall be given to increasing General Fund support to programs and services that would otherwise rely upon funding from payroll expense tax proceeds.~~

Eliminate the automatic transfer of unanticipated year-end JumpStart Fund Balance to the JumpStart Revenue Stabilization Account:

Amend Section 2 of Council Bill 120912 as follows:

5.38.105 Payroll Expense Tax Revenue Stabilization Account

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~~D. In addition to any direct appropriations to the PET RSA authorized by the annual budget, 50 percent of any unanticipated year-end fund balance within the JumpStart Payroll Expense Tax fund, after accounting for carryforward appropriations, encumbrances, and planned reserve amounts reflected, in the adopted budget, shall be transferred to the PET RSA, if the PET RSA balance is below the target level. If such a transfer would bring the balance of the PET RSA above the target level, the amount of this transfer shall be limited to the amount needed for the PET RSA balance to achieve the target level.~~

Keep the December 31, 2040 sunset date for the JumpStart Payroll Expense Tax by removing the proposed repeal of Seattle Municipal Code Section 5.38.120:

Amend the title of Council Bill 120912 as follows:

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AN ORDINANCE relating to the Payroll Expense Tax; adjusting the allocation of tax proceeds; eliminating the Payroll Expense Oversight Committee; eliminating the sunset date for the Payroll Expense Tax; amending Section 5.38.055 of the Seattle Municipal Code; adding a new Section 5.38.105 to the Seattle Municipal Code; and repealing Section~~s~~ 3.35.100 ~~and 5.38.120~~ of the Seattle Municipal Code.

Remove Section 3 of Council Bill 120912, which reads as follows, and renumber subsequent sections appropriately.

Section 3. Section 5.38.120 of the Seattle Municipal Code, enacted by Ordinance 126108, is repealed:

((~~5.38.120 Sunset~~

~~For all periods from January 1, 2021, through December 31, 2040, a payroll expense tax as imposed by this Chapter 5.38 is hereby levied. No business shall owe a payroll expense tax for payroll expenses after December 31, 2040, and this Chapter 5.38 shall be limited to determining and collecting the payroll expense tax due for all business activities prior to December 31, 2040.~~))