

1 [Payroll Expense Tax.]

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3 **Resolution declaring an emergency under California Constitution Article XIII C, Section**
4 **2(b) and authorizing submission of Ordinance amending (1) Section 903.1 to reduce the**
5 **Payroll Expense Tax rate from 1.5% to 1.0%, for business whose taxable payroll**
6 **expense exceeds \$300,000, but is less than or equal to \$400,000, beginning with the**
7 **2010 tax year; and (2) Section 905-A to increase the Small Business Tax Exemption to**
8 **include all taxpayers whose taxable payroll expense is \$300,000 or less, beginning with**
9 **the 2010 tax year, as a general tax measure, to the voters at a special election.**

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11 WHEREAS, California Constitution Article XIII C, Section 2(b) requires voter approval of
12 all ordinances that propose to impose, extend or increase a general tax and allows the
13 submission of such proposals only at a regularly scheduled general election for members of
14 the Board "except in cases of emergency declared by a unanimous vote of the governing
15 body"; and,

16 WHEREAS, The City's next general election at which candidates for the Board of
17 Supervisors will stand for election will not be held until November 2010; and,

18 WHEREAS, The City has scheduled a special election for June 2, 2009 for the purpose
19 of submitting revenue and fiscal measures to the voters.

20 WHEREAS, The Board of Supervisors finds that an emergency exists requiring that the
21 voters be able to consider a general tax measure at the June 2, 2009 special election, and
22 that the existence of such an emergency is demonstrated by, among other commonly
23 reported stories regarding an economic crisis, the following circumstances:

24 (a) The fiscal crisis impacting the nation and the state, which has been called the
25 worst since the Great Depression, has affected San Francisco. The City has been hit by a

1 sudden and precipitous drop in local revenues far below the adopted budget levels. As a
2 result of these conditions, the Controller estimates that 2008-09 general fund tax revenue will
3 be \$127 million less than anticipated in the annual appropriation ordinance. Local
4 unemployment, office vacancy rates, retail sales, and travel indicators have all worsened in
5 recent months, suggesting that the City has followed the State of California into a recession.
6 The Controller has identified that the trends in all of these areas are negative.

7 (b) The Mayor's Office has projected a General Fund deficit of \$575.6 million for
8 Fiscal Year 2009-10, a loss of roughly half of the City's discretionary spending as compared to
9 funds available for discretionary spending in Fiscal Year 2008-09. This deficit will severely
10 impair the capacity of the City to deliver critical public health and human services in particular,
11 since the departments delivering those services are among those most dependent on the
12 General Fund. The City's inability to replace this funding will imperil the health, safety, and
13 welfare of the most vulnerable segments of the City's population.

14 (c) The City's adopted 2008-09 budget assumes \$709 million in State revenues.
15 Additional reductions in General Fund revenue appear likely given the approximate \$40 billion
16 shortfall the State of California faces during this same period.

17 (d) The City has already made significant cuts in government spending, including
18 the elimination or postponement of programs, lay-offs of nearly 400 City employees, and
19 elimination of over 300 vacant positions. Additionally, the Mayor's Office has directed all City
20 departments to prepare plans to reduce their fiscal year 2009-10 budgets by 12.5%, and
21 prepare contingency plans for an additional 12.5%. If shortages of funds forced the City to
22 implement these plans, the City will have no choice but to eliminate essential municipal
23 services and public programs.

24 (e) In response to this situation, the Board of Supervisors has called a special
25 election for June 2, 2009, to submit among other fiscal measures a number of proposed

1 revenue measures to the voters, so that the Board and the Mayor will know before the
2 commencement of Fiscal Year 2009-10 whether the voters have approved the revenue
3 measures.

4 (f) If the voters approve this tax increase, the revenues that it is estimated to
5 produce will help the City address the impending deficit and minimize its adverse effects on
6 health, safety, and welfare of its residents:

7 (g) Ordinance amending (1) Section 903.1 to reduce the Payroll Expense Tax rate
8 from 1.5% to 1.0%, for business whose taxable payroll expense exceeds \$300,000, but is less
9 than or equal to \$400,000, beginning with the 2010 tax year; and (2) Section 905-A to
10 increase the Small Business Tax Exemption to include all taxpayers whose taxable payroll
11 expense is \$300,000 or less, beginning with the 2010 tax year on file with the Clerk of the
12 Board of Supervisors in File No. 090135, is hereby declared to be a part of this Resolution as
13 if set forth fully herein; and, now therefore, be it

14 RESOLVED, That the City faces an emergency which warrants submission of this
15 Ordinance amending (1) Section 903.1 to reduce the Payroll Expense Tax rate from 1.5% to
16 1.0%, for business whose taxable payroll expense exceeds \$300,000, but is less than or
17 equal to \$400,000, beginning with the 2010 tax year; and (2) Section 905-A to increase the
18 Small Business Tax Exemption to include all taxpayers whose taxable payroll expense is
19 \$300,000 or less, beginning with the 2010 tax year to the voters at the June 2, 2009 special
20 election.

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