

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst
SUBJECT: March 13, 2013 Budget and Finance Sub-Committee Meeting

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1	13-0173	Adjusting the Access Line Tax with the Consumer Price Index of 20131

Item 1 File 13-0173	Department: Treasurer/Tax Collector's Office Office of the Controller
EXECUTIVE SUMMARY	
Legislative Objective	
<ul style="list-style-type: none"> The proposed resolution would concur with the Controller's establishment of the Consumer Price Index (CPI) for FY 2013-14 of 2.22%, and authorize that 2.22% CPI annual rate adjustment for the Access Line Tax rates as of December 31, 2012, pursuant to Section 782 of the City's Business and Tax Regulations Code. 	
Key Points	
<ul style="list-style-type: none"> San Francisco voters approved Proposition O in November 2008, establishing the Access Line Tax for telephone communication services. The revenue realized by the City from the Access Line Tax can be expended for any General Fund services, subject to appropriation approval by the Board of Supervisors. According to Proposition O, the Access Line Tax rates would be adjusted each year in accordance with the increase in the Consumer Price Index (CPI) beginning December 31, 2009 pending a notice issued by the Controller and approval by resolution of the Mayor and the Board of Supervisors. According to the Controller's Office, the CPI increased by 2.22% from December 2011 to December 2012. Based on the CPI increase, the proposed Access Line Tax rates for FY 2013-14 would be: (a) \$3.01 for each Access Line, (b) \$22.60 for each Trunk Line, and (c) \$406.79 for each High Capacity Line. The proposed rates would be effective July 1, 2013 through June 30, 2014. 	
Fiscal Impact	
<ul style="list-style-type: none"> According to Mr. Deric Licko, Revenue Analyst in the Controller's Office, the FY 2013-14 revenue projection for the Access Line Tax revenues to be received by the City under the proposed tax rates are \$40,710,000 or \$391,488 more than the revenues of \$40,318,512 projected for FY 2012-13. According to Mr. Licko, annual fluctuations in the Access Line Tax revenues are due to (1) the number of access lines used by individual and business consumers, and/or (2) the annual changes in the tax rate which is based on the Consumer Price Index adjustments. 	
Recommendation	
Approve the proposed resolution.	

MANDATE STATEMENT & BACKGROUND

Mandate Statement

Under Article 10B, Section 782 of the City's Business and Tax Regulations Code, the cap established for the Access Line Tax shall be annually adjusted in accordance with the increase in the Consumer Price Index¹ as of December 31st of each year; and such increase shall take effect when (1) the Controller provides notice of the tax increase, and (2) the increase is approved by the Mayor and the Board of Supervisors.

Background

San Francisco voters passed Proposition O in November 2008 which replaced the Emergency Response Fee, or the "911" Fee, with the Access Line Tax. The Access Line Tax is levied on every person and businesses who subscribe to telephone communications services within the City and County of San Francisco, with specified exemptions, including customers receiving Lifeline services, service suppliers², and nonprofit hospital and educational organizations. The Access Line Tax applies to each access line³ within the City's tax jurisdiction and the revenues realized by the City from such taxes can be expended for any General Fund services, subject to appropriation approval by the Board of Supervisors.

To ensure continuity, the initial Access Line Tax rates were imposed at the same monthly rates as the previous Emergency Response Fee rates, which were \$2.75 per month per Access Line, \$20.62 per month per Trunk Line⁴ and \$371.15 per month per High Capacity Line.⁵ According to Proposition O, the tax rates are to be adjusted each year in accordance with the increase in the Consumer Price Index beginning on December 31, 2009 pending notice issued by the Controller and approval by resolution of the Mayor and the Board of Supervisors.

¹ The annual adjustments would be in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index.

² A service supplier is any person supplying an Access Line to any telephone communications services subscriber within in the City.

³ An Access Line is any connection whether by wire or by wireless technology, from a customer location to a provider of telephone communications services offered to the public for compensation.

⁴ A Trunk Line is a line between a service supplier's switching device and a private branch exchange or automatic call distributing system, or other similar device, at a telephone communications service subscriber location.

⁵ A High Capacity Line is a trunk line with a capacity of at least 24 channels over a high capacity service.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would concur with the Controller's establishment of a Consumer Price Index (CPI) for FY 2013-14 of 2.22% and authorize that 2.22% CPI annual rate adjustment for the Access Line Tax rates as of December 31, 2012, pursuant to Section 782 of the City's Business and Tax Regulations Code.

As shown in Table 1 below, based on the Controller's estimated 2.22% increase in the CPI, the proposed Access Line Tax rates for FY 2013-14 would be (a) \$3.01 for each Access Line, (b) \$22.60 for each Trunk Line, and (c) \$406.79 for each High Capacity Line. The proposed rates would be effective from July 1, 2013 through June 30, 2014.

Table 1
Proposed FY 2013-14 Access Line Tax by Line Type

Line Type	FY 2012-13 Tax per Line	CPI Adjustment Factor	Proposed FY 2013-14 Tax Rate per Line
Access Line	\$2.94	2.22%	\$3.01
Trunk Line	\$22.11	2.22%	\$22.60
High Capacity Line	\$397.96	2.22%	\$406.79

FISCAL IMPACTS

According to Mr. Deric Licko, Revenue Analyst from the Controller's Office, the revenues projected to be realized by the City for FY 2013-14 under the proposed Access Line Tax rates are \$40,710,000, which is \$391,488 or approximately .97% more than the \$40,318,512 projected for FY 2012-13, as shown in Table 2 below.

Table 2
Consumer Price Index Adjustments, Tax Rates and Tax Revenues for the Access Line Tax
from FY 2009-10 to FY 2013-14

CPI Adjustment and Line Type	FY 2009-10	FY 2010-11	FY 2011-2012	FY 2012-13	FY 2013-14
CPI Adjustment	n/a	2.61%	1.52%	2.93%	2.22%
Access Line	\$2.75	\$2.82	\$2.86	\$2.94	\$3.01
Trunk Line	\$20.62	\$21.16	\$21.48	\$22.11	\$22.60
High Capacity Trunk Line	\$371.15	\$380.84	\$386.63	\$397.96	\$406.79
Total Revenues & Estimated Total Revenues	\$41,500.362	\$40,926,450	\$41,043,536	\$40,318,512	\$40,710,000
Change from Prior Year	n/a	(\$573,912)	\$117,086	(\$725,024)	\$391,488

The average revenues collected from the Access Line Tax since FY 2009-10 is \$40,899,772. However, according to Mr. Licko, annual fluctuations in the Access Line Tax revenues are due to (1) the number of access lines used by individual and business consumers, and/or (2) the annual changes in the tax rate which is based on the annual Consumer Price Index adjustments.

Mr. Greg Kato, Policy and Legislative Manager in the Office of the Treasurer/Tax Collector noted that the Treasurer and Tax Collector's Office has retained an outside contractor to assist with auditing the collection and remittance practices of the Access Line Tax to ensure that all potential revenues are realized by the City.

RECOMMENDATION

Approve the proposed resolution.