



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

July 21, 2020

RE: File 200648 – Charter Amendment adjusting the City baselines funding and Ordinance amending the Business Tax & Regulations Code

Dear Ms. Calvillo,

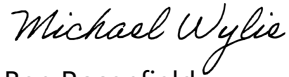
Should the proposed combined charter amendment and ordinance be approved by the voters, in my opinion, the measure would result in additional annual revenue to the City of approximately \$97 million annually on an ongoing basis. The proceeds would be deposited in the City's General Fund. Additionally, one-time spending, including from currently-impounded revenues, would increase by a further \$963 million in FY 2021-22, and \$407 million in FY 2022-23. The proposed Charter amendment now contained in this measure (originally File 200507), in my opinion, would have no impact on the cost of government. Any reduction in baseline funding will be available as discretionary revenue for appropriation by the Board of Supervisors.

The proposed ordinance in the measure would amend the city's existing Business and Tax Regulations Code in a number of significant ways, in some cases modifying or increasing tax rates, ending a tax (the Payroll Expense Tax), and consolidating or replacing other specific business taxes. The above revenue estimates reflect the change in revenues compared to the existing business tax code and the current availability of collected revenues under pending judicial action. It also includes an estimate of the likely revenue loss through the proposed repeal of the payroll expense tax. The ordinance would increase the City's appropriations limit by the total revenues collected under Articles 12-A-1 and 36 of the Business and Tax Regulations Code for four years.

The proposed charter amendment in the measure would exclude revenue increases to gross receipts taxes and the "backstop tax" of this measure from the calculation of previously voter-approved mandated "baselines," should it be approved by voters in the November 3, 2020 municipal election. The backstop tax is effective only if the homeless gross receipts and early care and education commercial rent taxes are struck down in court action. As a result, the Mayor and Board of Supervisors would have spending authority over the full amount of incremental revenue generated by the measure's tax changes.

It is important to note that business taxes and the city's aggregate discretionary revenue can vary significantly depending on economic conditions, and current estimates may not be predictive of future revenues.

Sincerely,



FOR Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.