

DATE ISSUED: November 26, 2003

REPORT NO. 03-245

ATTENTION: Committee on Rules, Finance and Intergovernmental Relations
Docket of December 3, 2003

SUBJECT: Safety Sales Tax Usage

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE.

FISCAL IMPACT – None.

BACKGROUND

Safety Sales Tax Revenue is a result of the voters approving Proposition 172 on November 3, 1993, which dedicated one-half cent of sales tax to public safety. Under Proposition 172, 95 percent of Safety Sales Tax revenues was distributed to the County, while five percent was distributed amongst the municipalities. Senate Bill (SB) 8 raised the cap for the County of San Diego, allowing up to approximately 5.6 percent to be distributed amongst the municipalities, with the remaining approximately 94.4 percent allocated to the County.

The State of California allocates Safety Sales Tax revenue to each county's Public Safety Augmentation Fund based on taxable sales within the county. In Fiscal Year 2002-2003 the County budgeted \$181.5 million in Safety Sales Tax revenue to be dedicated to their Public Safety Group, specifically the District Attorney and the Sheriff.

Approximately three percent of the total revenue to the San Diego region is allocated to the City of San Diego, as mandated by California Government Code 30054 and 30055. In Fiscal Year 2004, the budget for Safety Sales Tax in the City is \$6.2 million, which is allocated for public safety, including debt service payments on Fire-Rescue and Lifeguard facilities.

The balance of the revenue allocated to the San Diego region is distributed to the other San Diego region municipalities.

DISCUSSION

Although there is no maintenance of effort requirement by law, San Diego's City Council approved Council Policy 500-07 on June 27, 1994 to more specifically allocate the Safety Sales Tax funding. The Council Policy 500-07 as amended on February 27, 2001 (Attachment 1) requires that the Proposition 172 monies are to be used for public safety expenditures. Further, the Council Policy directs the City Manager to include how Proposition 172 monies are to be used in the proposed budget each fiscal year.

Consistent with Council Policy 500-07, Attachment 2 reflects how the Safety Sales Tax revenue and the annual growth in Safety Sales Tax revenue were used for Public Safety services within the General Fund. Attachment 2 has two bar charts for each fiscal year since the inception of Proposition 172. The first bar (on the left) reflects the growth in General Fund expenditures for public safety purposes. The second bar (on the right) reflects the Safety Sales Tax revenue allocation for the first year and the growth in Safety Sales Tax revenue for each subsequent year. For example, in Fiscal Year 1999, the growth in public safety expenditures was approximately \$14.9 million, whereas the growth in the Safety Sales Tax allocation was \$280,000. Clearly, the public safety expenditures are significantly greater than the Safety Sales Tax allocation. This chart reflects the adherence to Council Policy 500-07.

In addition, Council Policy 500-07 requires that the City Manager include in his proposed budget how the Safety Sales Tax is proposed to be used for that fiscal year. This information has been included in Volume I of the budget document since the implementation of Proposition 172. Copies of this information from the Fiscal Year 1995 through Fiscal Year 2004 Annual Budget is attached (Attachment 3).

CONCLUSION

The City consistently uses Safety Sales Tax revenues for public safety expenditures, in accordance with Proposition 172, SB 8 and Council Policy 500-07.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

[Attachment 1: Council Policy 500-07](#)

[Attachment 2: Annual Safety Sales Tax Compared to Increases in Public Safety Expenditures](#)

[Attachment 3: Fiscal Year 2004 Safety Sales Tax Annual Budget](#)