August 11, 2014

Mr. John Arntz
Department of Elections
City Hall, Room 48
Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

RE: Proposition E – ordinance regarding a tax on sugar-sweetened beverages

Should the proposed ordinance be approved by the voters, in my opinion, it would have a significant impact on government costs and revenues.

The ordinance provides for a tax of two cents per fluid ounce on sugar-sweetened beverages sold in San Francisco, with the tax revenue dedicated to funding nutrition and health programs. Depending on consumer and market factors, the tax is estimated to generate between $35 million and $54 million annually.

Revenue collected through the tax would be dedicated to health purposes with 40% to the San Francisco Unified School District for student nutrition services, 25% to the Department of Public Health (DPH) and to the Public Utilities Commission for health programs and for public drinking water stations, 25% to the Recreation and Park Department for recreation programs and 10% to DPH for community grant programs in health-related areas. Up to two percent of revenue may be used for administration and evaluation by the Treasurer/Tax Collector and other City departments.

The ordinance specifies that these tax revenues may not be used to replace funds already budgeted by the City for the purposes of the ordinance. The Controller’s Office estimates that this baseline expenditure amount is currently approximately $25.2 million—with approximately $20.7 million in Recreation and Park programs and $4.5 million in DPH programs. Like other baseline programs, the City would be required to continue these programs going forward and grow them at the same rate as the City’s discretionary revenue grows.

The ordinance would place the tax on the initial distribution of each sugar-sweetened beverage in the City and details exemptions of various types such as for infant formula, medical products, and other specialized products.

This statement does not address the impact of the proposed ordinance on the private economy.

Sincerely,

Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times future 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.