SUBJECT: SB 297 (Romero)

RECOMMENDATION: Support

Recommendation:
SB 297 would authorize a board of supervisors, upon voter approval and under certain conditions, to levy a countywide tax on the privilege of consuming beer, wine, and distilled spirits purchased in a retail sale for consumption on the premises of the seller. The board could set the tax rate at a minimum of 1/8 percent but not more than 5%, to be used for either general or specific purposes. In order to levy the tax, the following conditions must be met:

1) An ordinance proposing a general tax must be approved by a vote of two-thirds of the entire membership of the county board of supervisors, and must be approved by a majority of the county’s voters voting on the issue in an election.
2) An ordinance proposing a special tax must be approved by a majority vote of the entire membership of the county board of supervisors, and must be approved by two-thirds of the county’s voters voting on the issue in an election.
3) The ordinance proposing the tax shall state the purpose or purposes for which the tax revenues are to be expended.
4) The ordinance proposing the tax must state the rate of the tax and the length of time for which it will be imposed.

Background and Analysis:
Currently, local governments are prohibited from imposing local taxes on the sale, use, ownership, holding, or other distribution of alcohol products. SB 297 would allow counties to seek voter approval to impose a countywide tax on the privilege of consuming beer, wine, or distilled spirits purchased in a retail sale for consumption on the premises of the seller.

Local governments have limited ability to independently raise revenues to meet the cost of providing essential services. SB 297 would provide counties with the option to seek voter approval of a tax on alcoholic beverages sold for consumption on the premises of a retailer such as a restaurant, bar, sports stadium, and arena. Counties would have the discretion to establish the tax for either specific or general purposes.

In 2005, the State Board of Equalization estimated the annual expenditure on alcoholic beverages sold for consumption on the premises of a seller to be $4.221 billion. Using Santa Clara County’s population as a percentage of the statewide population, a tax rate of 1% would result in $2 million in revenue for the county.

SB 297 is sponsored by Los Angeles County in an effort to establish a local revenue source to fund their emergency and trauma care system. In 2005, our County supported SB 656 (Romero), a similar measure also sponsored by Los Angeles County. SB 297 was originally scheduled to
be heard by the Senate Governmental Organization Committee on April 10, 2007. The bill’s author cancelled the hearing and has made SB 297 a two-year bill.

Consistent with the County’s support for measures which would provide greater local authority to generate revenues through increased fees and taxes, staff recommends support for SB 297.

*The Legislative Committee recommends support of SB 297.*