LEGISLATIVE DIGEST

(Amendment to the Whole, dated August 4, 2010)

[Establishing an Alcohol Cost Recovery Fee]

Ordinance adding Chapter 106, Sections 106 through 106.28, to the San Francisco Administrative Code to impose a fee on Alcoholic Beverage Wholesalers and certain other persons who distribute or sell Alcoholic Beverages in San Francisco to 1) recover a portion of San Francisco's alcohol-attributable unreimbursed health costs, and 2) fund administration costs.

Existing Law

The City does not charge any fees to recover its alcohol-attributable health costs.

Amendments to Current Law

The Alcohol Cost Recovery Fee Ordinance ("Ordinance") establishes an Alcohol Cost Recovery Fee ("Fee") on alcohol sold in San Francisco to defray a portion of the alcohol attributable costs that the City incurs each year. Specifically, the Fee would reimburse the City for the following costs: 1) the unreimbursed health care costs of treating alcohol-attributable conditions, 2) the unreimbursed costs of emergency transport due to alcohol, 3) alcohol prevention and treatment programs administered by the Department of Public Health, and 4) administration costs, including but not limited to fee collection, investigation, and enforcement costs.

The Fee is based on the results of a nexus study conducted by The Lewin Group and Oxford Outcomes, Inc. ("Nexus Study Authors") entitled "The Cost of Alcohol to San Francisco: Analyses Supporting an Alcohol Mitigation Fee."

Beginning in Fiscal Year 2011-2012, the Controller may adjust the Fee upward or downward biannually to ensure that the amount collected produces revenue that is sufficient – and that does not exceed – the health costs for which it is assessed. The Fee is not a tax.

Alcoholic beverage wholesalers, and certain other businesses who sell alcohol in San Francisco without wholesalers in the distribution chain, must pay the Fee quarterly to the Office of the Treasurer and Tax Collector. Fee payers are required to keep commercially reasonable records of alcohol sold and must permit the Tax Collector to audit books, papers and records during normal business hours for the purpose of ascertaining and determining compliance with this Ordinance. To enforce the Ordinance, the Tax Collector may issue and enforce deficiency and jeopardy determinations for Fee payments and obligations.

The first Fee payment for the Fee established by this Ordinance would be due April 30, 2011 for Fee Payers doing business during the quarter ending March 31, 2011.

Background

This Amendment to the Whole makes the following changes to the legislation that was introduced on June 22, 2010:

- The Fee would be assessed based on per gallon of beer, wine, and spirits, rather than per ounce of ethanol (Section 106.7(b))
- The Fee amount would be approximately 25% lower and also reflect a $47,862 reduction in the Tax Collector's administration costs (Section 106.7(b))
- The start date for imposition of the Fee would be January 1, 2011, rather than October 1, 2010 (Sections 106.7(a),(c))
- The Controller's first review and potential adjustment of the Fee would take place fiscal year 2011-12, rather than 2012-13 (Section 106.16(a))
- The Ordinance would be retitled "Alcohol Cost Recovery Fee Ordinance" from "Alcohol Mitigation Fee Ordinance"