



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: CEO  
Department No.: 012  
For Agenda Of: 6/05/07  
Placement: Set Hearing  
Estimated Tme: 60 mins on 6/19/07  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Michael F. Brown, County Executive Officer  
Director  
Contact Info: Jim Laponis, Deputy County Executive Officer, 568.3400

**SUBJECT: Maddy Emergency Medical Services Fund Ballot Measure**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Public Health

**Recommended Actions:**

A. Set a hearing for June 19, 2007 (60 minutes) to receive a report on the options for a local tax measure to provide ongoing funding related to the Maddy Emergency Medical Services Fund.

On June 19, 2007:

- A. Receive a report on the options for a local tax measure related to the Maddy Emergency Medical Services Fund.
- B. Consider selecting a preferred funding option for a local tax measure to be placed on the ballot that would provide sufficient funds to support the emergency medical and trauma care system.
- C. Consider selecting a date for the placement of a local tax measure in accordance with the upcoming scheduled elections.
- D. Direct staff to move forward with the preferred local tax measure and elections timing as determined by the Board.

**Summary Text:**

*Overview:* The term "Maddy Emergency Medical Services (EMS) Fund" refers to a funding mechanism that currently generates approximately \$1.6 million a year through the assessment of penalties on motor vehicle and criminal fines and forfeitures to partially compensate health care providers for otherwise uncompensated emergency medical services. As stipulated in Assembly Bill (AB) 2265, which is now enacted in Section 42207.5 of the Vehicle Code and Section 76104.1 of the Government Code, the County is authorized to collect these penalties for emergency medical services only until January 1, 2009. AB 2265 also states, that the Legislature "expects that the County of Santa Barbara shall place

*an appropriate proposed tax ordinance as a county measure on the ballot for or before the November 2008 election that will ensure the collection of sufficient funds to fully support the trauma center.”*  
 While the Maddy EMS Fund generates \$1.6 million annually, the local hospitals have determined that the amount of revenue needed to recover costs of providing uncompensated emergency medical services is at least \$8 million a year.

*Funding Options:* Three potential funding options have been examined as a possible funding mechanism for uncompensated emergency medical services: (1) Parcel Tax (2) Sales Tax and (3) Transient Occupancy (Hotel) Tax (TOT). Each option would require a 2/3 vote of the electorate to pass.

The transient occupancy tax (TOT) has been excluded from the table below as a significant rate increase would be required to generate an additional \$8 million in revenue. Approximately \$31 million in TOT revenue is generated countywide. Of this total, the County’s portion is approximately \$6 million, derived from the \$3.8 million generated within the unincorporated area of the County and \$2.2 million generated from the County’s share of the revenues generated within the Goleta incorporated area, per the revenue sharing agreement to expire in 2012. Because the County only has the legal authority to increase TOT rates in the unincorporated area of the County, the unincorporated hotel room tax rate of 10% would need to increase to 31% to generate an additional \$8 million, or about \$0.4 million for every 1% increase in the TOT rate. While there is no statutory maximum on hotel taxes, a rate of 31% would be extremely high (as a comparison, San Francisco’s hotel tax is 14% and Washington DC is 14.5%). A hotel tax rate of this magnitude would likely dissuade visitors to the County and/or encourage visitors to stay only in the incorporated cities where the tax rate is lower.

Tax Type	Increase Needed (additional \$8 million in revenue)	Pros	Cons
Parcel	<ul style="list-style-type: none"> <li>▪ To generate an additional \$8 million, the parcel tax assessment on each of the existing 126,090 parcels within the County would need to be assessed a flat fee of \$64 a year (an additional \$5.29 a month on the existing property tax).</li> <li>▪ The other option is to levy a countywide parcel tax assessment based on parcel type:                             <ul style="list-style-type: none"> <li>▪ \$161/Yr for Hotel/Commercial</li> <li>▪ \$92/Yr for Mineral/Other</li> <li>▪ \$80/Yr for Multifamily Residence</li> <li>▪ \$75/Yr for Agricultural</li> <li>▪ \$59/Yr for Single Family Residence</li> <li>▪ \$46/Yr for Condo</li> <li>▪ \$3/Yr for Mobile Home</li> <li>○ <i>This option ranges from \$13/month to \$0.28/month</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The additional parcel tax based on assessed value would distribute the tax equitably.</li> <li>▪ The parcel tax would be relatively modest and constant.</li> <li>▪ All parcels would be taxed regardless of type.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Renters would not directly pay for the cost of uncompensated emergency medical services (although it is likely that landlords would pass this cost onto renters).</li> <li>▪ Homeowners (Single Family Residences, Condos, Mobile Homes) already pay property tax of 1% of assessed value (the average homeowner property tax payment is \$2,400) to fund County services and often also pay additional benefit assessments for certain services.</li> <li>▪ Commercial, Mineral, Agriculture, and Multi-Family Residences owners also pay taxes already.</li> </ul>

Tax Type	Increase Needed (additional \$8 million in revenue)	Pros	Cons
<b>Sales</b>	<ul style="list-style-type: none"> <li>▪ A 0.25%, or ¼ cent, tax increase (the minimum increment legally allowed) would generate approximately \$15 million countywide.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The County has 1% remaining in sales tax capacity before reaching the statutory maximum rate of 8.25% (contingent on “Measure D” remaining at 0.50% tax).                             <ul style="list-style-type: none"> <li>▪ A sales tax is applicable to residents and visitors alike and is based on the amount and type of goods/services purchased.</li> <li>▪ Sales tax revenues are fairly consistent.</li> <li>▪ The 0.25% increase has the potential to be shared among strategic partners.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ The 0.25% (¼ cent) increase would generate more revenue than is being requested for uncompensated emergency medical services.                             <ul style="list-style-type: none"> <li>▪ If the sales tax was successful, the remaining tax rate that could be allocated toward other priorities (i.e. jails, open space, roads) is .075% (¾ cent).</li> <li>▪ Special legislation would be needed to allow tax increments of 0.125% (1/8 cent), which would generate \$7.5 million.</li> </ul> </li> </ul>

*Sales Tax Option:* As noted in the chart above, the County has the authority to propose an increase in sales tax in 0.25% (¼ cent) increments up to a 1% increase as depicted below, contingent on the passage of the sales tax increase by 2/3 of the electorate:

State	6.50%
Local	0.75%
Measure D	0.50%
<b>Remaining</b>	<b>1.00%</b>
<i>Total</i>	<i>8.25% (Maximum Allowed by Statute)</i>

A sales tax is one that is imposed upon every retailer in the County based upon that retailer’s sale or lease of tangible personal property. As opposed to a general tax, in which proceeds are used for general governmental purposes and requires a majority (50% plus 1 vote), a sales and use tax is considered a special tax, which is used for a specific purpose. A special tax which is used for a specific purpose requires an election in which at least two-thirds of the qualified voting electorate approves the additional revenue.

According to the Revenue and Taxation Code, a transactions and use tax (“sales tax”) may be levied at a rate of 0.25% (¼ cent) or multiples thereof. An increase of 0.25% (¼ cent) would generate \$15 million per year for the County. If the \$15 million generated via a sales tax increase is more than the amount cited for uncompensated emergency medical services (hospitals have cited \$8 million a year), a potential ballot measure could include funding for other services. Two possible options include (1) funding for the programs currently funded by the Tobacco Tax Settlement monies (approximately \$5 million a year) and (2) funding the Children’s Health Initiative (a total of approximately \$6 million a year). These two options arguably have a clear nexus to the intent of the Maddy EMS Fund. Almost 2/3 of the tobacco settlement monies are allocated to the County’s healthcare safety net and the physicians/hospitals that

serve as the “virtual county hospital”. The Children’s Health Initiative provides health insurance for children who are ineligible for coverage through other existing programs. Should such a ballot measure pass, under Option 1, tobacco settlement monies, in accordance with current Board policy, could be directed toward other County *healthcare-related* priorities or, under Option 2, the Children’s Health Initiative would be completely funded.

Other options for the additional \$7 million generated a year through a 0.25% sales tax increase (¼ cent) that would address identified needs but may not have a direct nexus to the Maddy EMS Fund include funding toward a new jail, acquisition of open space and/or roads maintenance and transportation needs.

Should the Board decide to dedicate 0.25% (¼ cent) of the sales tax to this specific purpose (and it is subsequently passed by 2/3 of the voters), the Board would then have only 0.75% (¾ cent) remaining sales tax authority to allocate toward other priorities such as expanded jail capacity, open space acquisition and roads maintenance/transportation. It should also be noted that placement of the “health safety net funding” ballot measure assumes that “Measure D” funding remains at 0.50% (½ cent). The November 2006 “Measure D” ballot measure proposed an increase to 0.75% (¾ cent). Should “Measure D” be increased an additional 0.25% (¼ cent), the remaining sales tax capacity would decline to 0.50% (½ cent).

While there are a few other jurisdictions and governmental entities that have levied sales tax in 0.125% (1/8 cent) increments, it requires the passage of special legislation. The County would not be able to secure a sponsor for such legislation until early 2008. It is not likely that such a bill would be enacted before the November 2008 election, which is the deadline espoused in the legislation that expects the County to place a tax ordinance before the voters.

*Literature Review:* According to the a report from the California Local Government Finance Almanac entitled “Local Revenue Measures November 2006”, two ballot measures requiring a parcel tax for hospital and emergency room services passed in Butte and Trinity counties. Of the total of nine ballot measures for various purposes, five passed (included the two hospital measures cited previously) and four failed. Ballot measures for public safety had a larger success rate statewide. Of the 29 ballot measures, 22 passed and seven failed.

A customized countywide public opinion survey was conducted by DAVIES Communications in April 2005 on emergency medical services to gauge residents’ willingness to fund certain services. According to the results of the survey, 54% would vote “yes” to raise the sales tax by one quarter (1/4) percent to fund emergency medical services, specialty physicians who are on call and trauma centers throughout the County. However, an actual ballot measure would require approval by 2/3 of voters in order to pass. This survey also asked respondents about the burden of various taxes in an effort to determine which types of taxes have the greatest and least impact on an individuals’ budget, as noted below

Greatest Tax Burden		Least Burden	
Gas Tax	40%	Tobacco/Alcohol	53%
Property Tax	38%	Property Tax	18%
Sales Tax	10%	Sales Tax	15%
Tobacco/Alcohol	2%	Gas Tax	6%
Other	4%	Other	3%
Don't Know	6%	Don't Know	5%

*Elections Requirement:* In order to place a measure on the ballot to either increase the sales tax rate or levy a parcel tax, the County Board of Supervisors must adopt an ordinance by a 2/3 majority (four votes). The ballot measure for uncompensated emergency medical services would be considered a specific purpose tax and require a 2/3 vote of the electorate for either a parcel tax or sales tax.

*Elections Dates:* The Board has several opportunities regarding the potential placement of a measure before the voters. Listed below are the upcoming elections that will be conducted by the County and the corresponding timeframe of when the Board would need to approve ballot measure language and request to consolidate the measure with the scheduled election, if the Board determines to place the measure on the ballot.

<b>Election</b>	<b>Last Date for Board approval</b>
February 5, 2008 Presidential Primary	October 2, 2007
June 3, 2008 Primary	January 29, 2008
November 4, 2008 Presidential General Election	July 1, 2008

An election scheduled prior to November 2008 would allow time to potentially pursue legislation to extend the January 1, 2009 sunset date of the Maddy EMS Fund should a local tax measure fail. Placing the measure before the voters prior to November 2008 would also allow the Board the opportunity to replace the measure on a future election ballot if it initially fails. Moreover, if “Measure D” is scheduled to be placed on the November 2008 election, then the Board may want to consider placing a tax measure for uncompensated emergency medical services on an earlier election ballot. Placing two different sales tax measures on the same ballot may result in the voters choosing one measure over the other or voting against both measures. However, based on previous elections turnout, there will likely be a greater turnout of voters for the November 2008 general election than in the primary elections.

**Background:**

In 1991, Santa Barbara County chose to allocate revenues generated from the “Maddy Fund” penalties on vehicle and other criminal penalties to the construction of courthouse and criminal justice facilities. In 2005, Senate Bill (SB) 635 was enacted allowing Santa Barbara County to assess additional penalties (an additional \$5 for every \$10 of base fines and \$2.50 for every parking violation) to specifically fund a “Maddy EMS Fund”. However, SB 635 stipulated a sunset date of January 1, 2007 and required the Board of Supervisors to report to the Legislature on the actions taken by the County to implement alternative local sources of funding. While a report was submitted to the Legislature, no alternative local funding source was identified. Subsequently, as requested by the Board of Supervisors, Assemblymember Nava introduced legislation, Assembly Bill 2265, which extended the Maddy EMS Fund sunset date for two years with the intent that the County would place an appropriate tax ordinance on the ballot for or before November 2008. As a result of this legislation, the Board of Supervisors is being asked to consider identifying an appropriate funding mechanism and election date.

**Fiscal and Facilities Impacts:**

Budgeted: No

**Fiscal Analysis:**

Narrative: Without the passage of a local financing mechanism, the County’s emergency medical services and trauma care providers may lose the \$1.6 million generated via the Maddy EMS Fund when it sunsets on January 1, 2009. These providers may also lose the opportunity to offset the costs of providing uncompensated emergency medical services to the community, which are estimated at a

minimum of \$8 million a year. If a local funding mechanism to generate ongoing revenues for the emergency medical services and trauma care system is passed by a 2/3 vote of the electorate, the funding would be restricted to the uses described in the ballot measure.

**Staffing Impacts:**

**Legal Positions:**  
0

**FTEs:**  
0

**Attachments:**

Santa Barbara County Report to Legislature on SB 635 Maddy EMS Fund Activities  
Addendum: Maddy Fund Allocation

**Authored by:**

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