OFFICE OF THE MAYOR

February 28, 2017

The Honorable Sebastian Ridley-Thomas
California State Assembly
State Capitol, Room 2176
Sacramento, CA 95814

Re: OPPOSE Assembly Bill 252 (Ridley-Thomas) – Local Government Taxation Prohibition/Video Streaming Services

Dear Assemblymember Ridley-Thomas:

The City of Pasadena opposes AB 252, which would enact a technologically biased tax policy that undermines local voters and risks the financial wellbeing of California’s cities and counties. The City is concerned, not only with the immediate revenue implication if AB 252 were to become law, but the precedent set by undoing the will of our local voters who overwhelmingly adopted our Utility User Tax (UUT) ordinance.

By prohibiting local governments from imposing any tax, including any sales, use, or UUT on video streaming services, while continuing to allow such taxes to be imposed on cable and video services, AB 252 imposes a discriminatory tax that disadvantages cable and video providers. Tax policy should be fundamentally technology neutral and applied based on services provided, not the technology used. As such, our elected representatives are obligated to strike down any policy that favors one industry over another.

AB 252 sets a dangerous precedent by undermining the already established will of local voters. Over the last two decades, voters in over 107 cities and 3 counties have adopted measures to modernize local UUT policy and permit local governments to levy a UUT on similar video providers. In 2008, Pasadena voters had the foresight to anticipate changing technologies and approved a policy to address the issue.

By reducing the rate and expanding the number of services that fall under a jurisdiction’s UUT policy, including “over the top” (OTT) streaming services, cities like Pasadena accounted for the likelihood of lost revenue and prevented the obligation to engage in costly elections every time a new technology is introduced.
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AB 252 erodes these protective measures, and presents local jurisdictions with a diminished UUT revenue base, resulting in millions of dollars in lost revenue. Some projections estimate that as high as 20 percent of a city’s UUT revenue base could disappear – equating to nearly $186 million statewide. Additional figures estimate that cable will experience a 6 percent decline in the number of subscribers, 12 percent of whom are likely to switch in the next six months. The City of Pasadena could lose approximately $2.3 million annually if its ability to collect on video service is eroded.

In a time where many cities and counties already face constricted budgets and are struggling to provide critical police, fire, parks, and library services, this rapid decline in revenue would prove catastrophic. UUT as a whole represents 12.8 percent of the City’s General Fund revenues and the video portion is 7.6 percent of this. This revenue funds public safety and other essential services, and with a projected deficit in the City’s five-year financial plan, these revenues are critical to maintaining the current level of service.

AB 252 also pours into sales tax and at a time when the state is considering conversations around tax reform. This bill does not look at the broader conversation with respect to local UUT’s nor the complexity surrounding the hundreds of utility providers. For the reasons stated above, the City of Pasadena strongly urges you to consider the consequences of this bill.

Respectfully,

Terry Tornek
Mayor

cc: The Honorable William Brough, Vice-Chair, Assembly Revenue and Taxation Committee
The Honorable Chris Holden, Assemblymember District 41
The Honorable Anthony J. Portantino, State Senator District 25
Steve Mermell, City Manager, City of Pasadena
David Jones, Emmanuel Jones & Associates