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CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

REVENUE DIVISION

February 14, 1985
RD:851031-ADM:MLM:ld

Budget and Finance Committee
Sacramento, California

CITY MANAGER'S OFFICE
RECEIVED
FEB 14 1985

Honorable Members in Session:

SUBJECT: SENIOR/DISABLED CITIZENS UTILITY USERS TAX REFUND

SUMMARY

The attached City Council report responds to Councilman Serna's request for information regarding raising or eliminating the present income restriction for eligibility for the senior/disabled citizens utility users tax refund.

DISCUSSION

The report details the history of the City's senior/disabled citizens utility users tax refund program, discusses alternative eligibility criteria, and provides estimated costs for various income levels of senior/disabled citizens. The report recommends that the City Council not change the eligibility criteria for the 1984 program, which is underway. However, the report recommends that the City Council provide staff with direction regarding its intent to make changes in the eligibility criteria for 1985.

RECOMMENDATION

It is recommended that the Budget and Finance Committee recommend that the City Council provide staff with direction of its intent of any changes in the eligibility criteria for the 1985 senior/disabled citizens utility users tax refund program.

RECOMMENDATION APPROVED:

Solon Wisham, Jr.

SOLON WISHAM, JR.
Assistant City Manager

Respectfully submitted,

Michael L. Medema
MICHAEL L. MEDEMA
Revenue Officer

Attachment

All Districts
February 19, 1985



CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

REVENUE DIVISION

February 13, 1985

RD:851010-ADM:MLM:ld

City Council
Sacramento, California

CITY MANAGER'S OFFICE
RECEIVED
FEB 13 1985

Honorable Members in Session:

SUBJECT: SENIOR/DISABLED CITIZENS UTILITY USERS TAX REFUND

SUMMARY

This report responds to Councilman Serna's request for information regarding raising or eliminating the present income restriction for eligibility for the senior/disabled citizens utility users tax refund.

BACKGROUND

On January 4, 1985 Councilman Serna requested that staff provide statistical information on the financial impact of raising or eliminating the present income restriction for eligibility for the senior/disabled citizens utility users tax refund.

PROGRAM HISTORY

The utility users tax refund program began in 1977-1978. The 1984 program provides qualified senior citizens and 100% disabled citizens with refunds for City utility users taxes paid on natural gas, electricity, and intrastate telephone services. To qualify, an applicant must be a head of a household, have paid the taxes for services rendered to property within City limits, have a combined annual gross income of no more than \$12,000 and be either 62 years of age or older or 100% disabled as verified by a physician, Veterans Administration or Social Security Administration. The application deadline is March 15.

The following chart summarizes the refund statistical data for 1980 through 1984.

	1980 <u>Actual</u>	1981 <u>Actual</u>	1982 <u>Actual</u>	1983 <u>Actual</u>	1984 <u>Estimated</u>
Income limitation in effect	\$9,800	\$10,200	\$10,200	\$12,000	\$12,000
Amount of refund in effect	\$30-36	\$30-36	\$30-36	\$45-65	100%
Program filers & declaration forms	102,000	98,403	96,049	93,568	108,255
Declaration forms received	5,274	5,404	6,060	6,730	NA
Denials made	105	237	401	232	NA
Refunds granted-seniors/disabled	4,326/843	4,540/839	4,754/905	5,974/724	NA
Total amount refunded	\$156,529	\$161,663	\$185,878	\$319,632	\$500,000
Average refund	\$30.38	\$30.00	\$30.67	\$47.72	\$4.40

DISCUSSION

The current eligibility criteria is based upon the criteria utilized by the State of California for eligibility for deferral of property taxes. Various federal and state programs for citizens assistance utilize a multitude of eligibility standards. Some examples are:

<u>Program</u>	<u>Income Eligibility Criteria</u>
Section 8 Housing Assistance	Single person \$15,300; two persons \$17,500; three persons \$19,650; four persons \$21,850
Social Security Retirement (full benefits)	Single person, age 62, \$5,400; single person, age 65, \$7,320; single person, age 70+ no income limit
Student Financial Aid	Family of four, with one member in college \$35,000 to \$44,000.
Food Stamp Assistance	Single person \$4,980; two persons \$6,720; three persons \$8,460; four persons \$10,200

It is difficult to compare eligibility criteria due to the different clientele the programs are designed to serve.

The following schedule summarizes the number of heads of households age 62 and over within the City at various income levels per the 1980 U.S. Census:

City of Sacramento
Number of Heads of Households Age 62 and Over
1980 U.S. Census Data

<u>Income Range</u>	<u>Homeowner</u>	<u>Renter</u>	<u>Total</u>
Under \$10,000	6,798	8,062	14,860
\$10,000 - \$14,999	3,320	1,150	4,470
\$15,000 - \$19,999	2,254	617	2,871
\$20,000 - \$24,999	1,802	278	2,080
\$25,000 and over	<u>3,109</u>	<u>542</u>	<u>3,651</u>
	17,283	10,649	27,932
	=====	=====	=====

The estimated financial impact for these income levels is:

<u>Income Level</u>	<u>Maximum Refund</u>	<u>Likely Range</u>		<u>Cumulative Total</u>	
		<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
under \$10,000	\$1,857,500	\$185,750	\$557,250	\$185,750	\$ 557,250
\$10,000 - \$14,999	558,750	14,375	43,125	200,125	600,375
\$15,000 - \$19,999	358,875	43,065	129,195	243,190	729,570
\$20,000 - \$24,999	280,000	41,600	109,200	284,790	838,770
\$25,000 and over	456,375	114,094	292,080	398,884	1,130,850

Due to lack of experience, staff estimated the previous data based upon an average annual utility cost of \$1,389, adjusted for expected number of eligibles claiming a refund and adjusted for reductions to the average annual utility cost for living space estimates. The size of the estimated refund increases as income increases. Persons with a higher income are anticipated to take a greater advantage of the program and have a larger living unit, thus requiring more utility service.

The refund program for 1984 is well underway and a change in the eligibility criteria is not recommended. Over 100,000 notices have been distributed regarding eligibility criteria in addition to numerous news media reports. The end result of a midstream change of criteria would be confusion.

In the event the City Council intends to change the present eligibility criteria for the 1985 senior/disabled citizens utility users tax refund program, it would be appropriate at this time to provide staff with direction regarding the intent. This would allow staff to draft prepare the necessary ordinance revisions and to incorporate the refund program costs within the FY 1985/86 proposed budget.

RECOMMENDATION

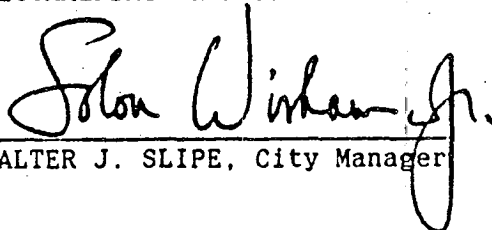
It is recommended that the City Council provide staff with direction of its intent regarding any criteria changes for the senior/disabled citizens utility users tax refund program for the 1985 program.

Respectfully submitted,



MICHAEL L. MEDEMA
Revenue Officer

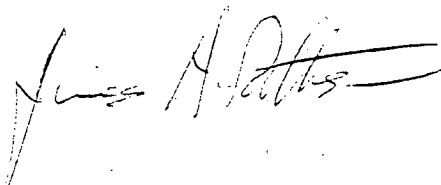
RECOMMENDATION APPROVED:

For: 
WALTER J. SLIPE, City Manager

All Districts
February 19, 1985

Recent monthly and quarterly data do not indicate conclusively that the Sacramento area economy is entering a period of much slower growth, but they do suggest that the region is approaching an important turning point in the economic expansion. The sheer momentum of the recovery through the first half of 1984 was enough to keep the local economy moving at a good clip through the end of last year, but it is much more difficult at this point to be confident about the continued strength and duration of the expansion going into 1985. It does seem clear, however, that construction-related activity, manufacturing employment and other cyclical, interest-sensitive sectors of the economy are likely to grow at substantially reduced rates this year.

Our current forecast for the Sacramento area assumes that, once existing construction and manufacturing inventories have been reduced, and real income growth settles down to a more gradual and sustainable level of 3% to 5% per year, construction activity, manufacturing employment and sales of consumer durables will resume a very healthy--although probably highly cyclical--growth path. The principal risk to the current forecast is that real interest rates could rise higher and faster than we are currently forecasting, exacerbating this year's cyclical slowdown in the interest-sensitive sectors of the regional economy. Another concern is that the metropolitan area's unusually large inventory of vacant office space will not be absorbed as quickly as expected, reflecting proposed or actual Federal tax law changes, lower demand, and/or reduced investment funds. For whatever reason, a prolonged cyclical slowdown eventually could undermine the healthy, broad-based economic growth trend which we are currently projecting for the region over the next few years.



James H. Patterson
Patterson Research Associates