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### SECTION 1: SELECTED LEGISLATION AND LEGISLATIVE DEADLINES

May 6 is the last date for policy committees to hear and report to the Floor non-fiscal bills introduced in their house; May 13 is the last day for policy committees to meet prior to June 6; and May 27 is the last day for fiscal committees to hear and report to the Floor bills introduced in their house. June 3 is the last day for each house to pass bills introduced in the respective house.

#### *Sales Tax on Services*

- **Sales tax on services:** Intent for legislation to expand retail sales tax to services. The bill states intent to “provide tax relief to middle- and low-income Californians, secure greater stability for California’s infrastructure and workforce, and enhance California’s business climate”; it is unclear whether SB 1445 will include a local component (**SB 1445/ Hertzberg**)
- See “As Nation Moves to a Services Economy, State’s Look to Tax it More” by The Pew Charitable Trusts <http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/02/26/as-nation-moves-to-a-service-economy-states-look-to-tax-it-more>

#### *Shared Economy Short Term Rentals (Also refer to Section 10 of this report)*

- **TOT: hosting platforms:** Creates a method that would allow online platforms (“collecting platforms”) to elect to participate and collect TOT revenues and the return the revenue to locals. The State Controller would be responsible for developing guidelines to implement the bill. There are provisions to note including that local governments must notify the State Controller if they wish to be a “collecting jurisdiction”; “collecting platforms” would be subject to an annual audit or review that is conducted by the Controller; local governments’ would need to make a request of the Controller to allow locals or designated officer to review the Controller’s audit findings. See <http://www.muniservices.com/services/government-relations/> for more information (**SB 1102/ McGuire**)
- **BOE: contracting authority: local tax collection:** According to the author’s office AB 2006 is a ‘back up’ spot bill to possibly carry language related to local TOT revenue collection from short-term rentals (**AB 2006/ (Mullin)**)

#### *Sales and Use Tax Exemptions*

- **Exemption for diapers until 2022:** Applies to diapers designated 3 years old or under; BOE estimates state and local revenue loss of \$36.3 million (**AB 717/Garcia**)
- **Exemption for feminine products:** BOE estimates state and local revenue loss of \$20 million (**AB 1561/Garcia**)**Sac**
- **Exemptions for disaster preparedness products:** Applies to qualified purchases for a two-day period in 2017 and excludes revenues that are deposited; state and local revenue impact is pending (**AB 1562/ Kim**)
- **Exemption for pawn broker sales:** Applies to an original pledger that re-acquires the property originally pawned as security for a loan; state and local revenue impact is pending (**AB 2365/ Gipson**)

*Sales and Use Tax Exemptions*

- **Exemption for nonprofit construction materials:** Authorizes a partial exemption for building and construction materials purchased by a non-profit organization; state revenue impact is pending **(AB 2518 /Gomez)**
- **Exemption for gun safes:** Authorizes for one calendar year a partial exemption for specified types of gun safes with a purchase price of \$1,000 or less; state revenue impact is pending **(AB 2540/ Melendez)**
- **Exemption for hydrogen refueling station equipment:** Authorizes an exemption for hydrogen refueling station equipment purchased by a recipient of a grant under the Alternative and Renewable Fuel and Vehicle Technology program; state and local revenue impact is pending **(AB 2673/Harper)**
- **Exemption for certain passenger vehicles:** Exempts from taxes any new car bought in the State by a non-resident that is permanently moved and used outside the State within 30 days; the bill sunsets January 2020; revenue impact is dependent on future taxpayer behavior **(SB 680/Wieckowski)**
- **Exemption for zero-emission equipment used by ports:** Authorizes, from January 1, 2017, to January 1, 2030, a partial exemption for zero-emission equipment purchased by port operators to transport or handle freight and cargo within a California public seaport; state revenue impact is pending **(SB 1338/Lara)**
- **Exemptions for back-to-school tax holiday:** Provides a partial exemption for clothing, footwear, books, computers and other school supplies during a two-day period in August; state revenue impact is pending **(SB 1210/ Gaines)**

*Additional Sales and Use Tax Measures*

- **Taxation of sales at state-designated fairs:** Requires tax returns filed for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property when the place of sale or use is on or within the property of a state-designated fair; requires that 30 percent of revenue from those sales and use tax amounts be deposited into the Fair and Exposition Fund and appropriated for fair-related purposes **(AB 2678/ Gray)**
- **Authorizes a customer to file a claim for refund of excess sales and use tax paid by the customer:** Includes an amount of \$1,000 or greater, allowing the BOE to make a direct refund to the customer **(SB 640/ Beall)**
- **Vehicle registration and transfer of title or interest: use tax:** Intends to have the DMV transmit specific data to the BOE with respect to off-highway vehicles and for the BOE to allocate the use taxes to the specific jurisdiction where the vehicle is registered **(AB 2321 /Rodriguez)**

*Local Ballots*

- **Impartial analysis for local ballots:** Requires local governments to provide an impartial analysis for local ballots (75 words or less) in the format of "What does a yes vote mean?" and "What does a no vote mean?" **(AB 2265 /Stone)**

*Economic Development / Post Redevelopment*

- **Community revitalization:** Improves AB 2 (from 2015) that created a new form of redevelopment; League sponsor **(AB 2492 /Alejo)**
- **Redevelopment Dissolution: Successor Agencies: Disposal of Assets and Properties:** Imposes new procedural and substantive requirements for the disposition of former redevelopment properties; League opposed **(AB 2697/ Bonilla)**
- **Economic development:** Provides some helpful clean up to several aspects of a provision of existing law that provides five examples of local actions that may constitute economic opportunities, and clarifies that loan, lease and sale agreements and property acquisition are included in the range of options a community may employ to advance economic development. Updates a provision that has operated well for the disposal of city/county-acquired property from former redevelopment properties so that all other communities can use these options to acquire and dispose of other properties to create economic opportunities **(AB 806 /Dodd)**

*Special District Funding*

- **New Inland Empire taxing district:** Authorizes the Desert Healthcare District to expand into the Coachella Valley and to identify funding options for the district; authorizing is subject to the approval of the Riverside County Board of Supervisors **(AB 2414/ (Garcia)**
- **California New Markets Tax Credit (NMTC):** Creates the NMTC Program, to stimulate private sector investment in low-income communities by providing a tax incentive to qualified entities; mirrors the federal program in existence since 2001 **(AB 2627/ E. Garcia)**



*Amnesty*

- **Amnesty for tax penalties and fees:** Requires the FTB and the BOE to administer a tax penalty and fee amnesty for a three-month period, for tax periods beginning before January 1, 2015, if certain conditions are met **(AB 2692/ Brough)**

*Cannabis*

- **Taxing medical marijuana:** Imposes a tax on the distribution of medical marijuana by licensed cultivators; requires distributors to collect the tax from cultivators and remit to the BOE. The tax would be imposed at a rate of \$9.25 per ounce of marijuana flowers, \$2.75 per ounce of leaves, and \$1.25 per immature plant for sale **(AB 2243/ Wood)**
- **Taxation of medical marijuana:** Imposes an excise tax of 15 percent on the consumption or use of medical marijuana purchased from any retailer in California; the League expressed concerns with the exorbitant proposed rate and would threaten to operate as a de facto pre-emption of local taxes that cities will likely want to levy on top of a state tax of any kind **(SB 987/ McGuire)**
- **Tax amnesty:** Sets up a tax penalty amnesty program between April 1 to September 30, 2016 for medical cannabis dispensaries to begin to comply with the tax laws **(SB 567/Gipson)**
- **Cash payments:** Allows the BOE to accept cash payments for cannabis businesses **(AB 821/ Gipson)**
- **Changes the term ‘marijuana’ to cannabis’ and other advisory group provisions:** In addition to the proposed term change in the Medical Marijuana Regulation and Safety Act (MMRSA), requires the BOE to create a group to examine strategies including point-of-sale systems to improve financial monitoring of cannabis businesses and would create an enhanced financial monitoring certification for entities licensed under the Act **(AB 1575/ Bonta)**
- **Training for licensee agents and employees:** Requires a state licensee to institute and maintain a training program for the licensee’s agents and employees regarding compliance with the MMRSA **(AB 26/ Jones-Sawyer)**
- **Policing authority for medical marijuana cultivation:** An exemption from the medical marijuana licensing requirements does not limit or prevent local government from exercising its police power authority **(SB 435/Pan)**
- **Clarification for cities and counties to regulate medical cannabis:** Removes the MMRSA provisions that would have granted the Department of Food and Agriculture the sole licensing authority for medical marijuana authority cultivation if a local cultivation regulation was not in effect as of March 1, 2016 **(AB 21/ Bonta - Chaptered)**

*Property Tax*

- **Property taxation welfare exemption increase:** Increases exemption for tax cap on certain low income housing owned by non-profits; estimated annual local property tax reduction is at \$240,000 **(SB 678/ Hill)**
- **Property tax postponement:** Various provisions for senior citizen and disabled citizen property tax postponement **(AB 1952/ Gordon)**
- **Parcel tax notices:** Requires local governments to notify all property owners that the electorate will be voting on a parcel tax **(AB 2476/ Daly)**
- **Property tax contracts:** Requires government agencies to provide copies of recorded contracts to the assessor as soon as possible after the date of recordation; could be burdensome for locals **(AB 2450/ Achadjian)**
- **Property tax exemption for disabled veterans:** Expands the definition of “veteran” to include a person who was discharged from service in other-than-dishonorable conditions **(SB 1458/Bates)**
- **Tax increment financing: property tax override rates:** Prohibits the division of revenues derived from property tax override rates approved by the voters **(SB 975 / Senate Governance and Finance Committee)**
- **Local property tax: commercial air carriers:** Extends the approach for local property tax assessment of commercial certificated aircraft from December 2016 to 2019; SB 1329 includes an unspecified end date and would allow trial de novo for locally assessed taxes on airline carriers **(AB 2622/ Nazarian and SB 1329/ Hertzberg)**
- **Commercial property reassessment:** Proposed “split roll” **(SCA 5/ Hancock; SB 1093/ Hancock & Mitchell)**



*Vehicle Tax Revenue*

- **Car tax revenue for cities incorporated after 2004 and before January 2012:** Restores funding and changes the formulas for calculating the annual vehicle tax adjustments for Eastvale, Jurupa Valley, Menifee and Wildomar; these cities were impacted during the 2011 budget process; the bill is similar to last year's SB 25/ Roth that was vetoed ( **SB 817/ Roth; AB 2277/ Melendez**)

*Transparency*

- **Online postings for local government meetings:** Requires local governments to post a direct link to their meeting agenda online (**AB 2257/ (Maienschein)**)
- **Government financial transparency:** Establishes the "California Financial Transparency Act of 2016" and requires a (currently unspecified) state government entity to maintain a website that lists state financial obligations (**SB 1251/ Moorlach**)
- **State and local outstanding debt reporting:** Would require the state to track and report on all state and local outstanding debt until fully repaid or redeemed; the League is supportive of transparency and expressed concerns with the bill including the process surrounding reporting requirements (**SB 1069/ Hertzberg**)

*Wages*

- **Double pay the fourth Thursday in November:** Certain grocery and retail stores would be required to pay at least two times the regular rate of pay to an employee for work (**AB 67/ Gonzalez**)
- **Increase State's minimum wage:** The State's current minimum wage will increase from \$10 per hour to \$15 per hour, phased in from 2017 to 2018 and from 2018 to 2023 for small businesses (**SB 3/ Leno - Chaptered**)

*Local Governance*

- **Parking:** Deletes the sunset on an expiring law that prohibits locals from ticketing cars at broken meters, includes intent language to immediately make parking available once street sweeping has concluded, prohibits valet services from blocking off spaces regulated by a meter or loading/unloading zone; prohibits cities from providing quota or revenue incentives when contracting for private enforcement (**AB 2586/ Gatto**)
- **Land use zoning:** Repeals the ability of local governments to enact ordinances that totally prohibit accessory dwelling units. It also limits the ability of cities and counties to impose certain standards on accessory dwelling units (**SB 1069/ Wieckowski**)
- **Local tax authorization for cigarettes & tobacco products:** Allows counties to impose a tax on the privilege of distributing cigarettes and tobacco products (**ABX2 10/ Leno - Governor's Desk**)

**SECTION 2: PREPAID MOBILE TELEPHONY SERVICES / BOE IMPLEMENTATION / CLEAN UP, SB 1481**

The Prepaid Mobile Telephony Services (Prepaid MTS) Regulations 2460, 2461, and 2462; and proposed amendments to Emergency Telephone Users Surcharge Regulations 2401, 2422, and 2413, were approved on January 26, 2016. MuniServices, through the cooperative efforts of participating cities, spent five years working with the wireless industry, retailers, the Governor's office, the BOE, the CPUC, and the Legislature in developing a solution for a complicated problem for collecting local taxes owed from the usage of from "prepaid wireless." We expect our client Utility User Tax (UUT) cities, on the average, to experience a 15 to 20% increase in their wireless UUT once the state program is fully functioning, probably by the fourth quarter of 2016.

**SECTION 3: TRIPLE FLIP – FINAL PAYMENT / VLF**

The DOF should get the final tabulations (of how much is owed to each county and each city) from BOE sometime in late May. The DOF expects to send the Controller the relevant transfer advice sometime in June and they (Controller) would make the transfers to the Sales and Use Tax Compensation Fund for each county shortly thereafter. The DOF expects those transfers to be made in June. After that, each county auditor has 60 days to allocate the funds to each city and to the county. Barring any mishaps or unforeseen complications, all the money should be in the correct accounts by the end of August. The wind down is also independent of VLF interaction.

**SECTION 4: FAA RULING & USE OF LOCAL JET FUEL REVENUES (2017 COMPLIANCE REQUIREMENT)**

An FAA re-interpretation of a ruling requires states and locals to target jet fuel revenue for the benefit of airports, or lose federal revenues. The rule does not apply to taxes in effect on December 31, 1987 including the local Bradley Burns 1.25% rate or the 4.75% state general fund rate in effect at the time. MuniServices continues to receive questions on this issue including how local voter-approved transactions and use taxes are treated, even if they are approved for a specific purpose. The Department of Finance indicated its understanding that “the FAA’s opinion is that any tax, regardless of whether it was intended by voters for a specific non-aviation purpose, if the tax is levied on aviation fuel, that aviation-fuel-related revenue must be dedicated to aviation purposes.” Impacted jurisdictions and the State were required to submit an ‘action plan’ to the FAA by the December 8, 2015. We encourage clients to continue contacting their State and Congressional representatives with any concerns or comments with respect to new FAA requirement. Please refer to <http://www.muniservices.com/services/government-relations/> for more information.

**SECTION 5: TRANSPORTATION ROAD MAINTENANCE PROPOSALS**

*Please note there are currently over 50 legislative proposals pending and the below is representative of some of today’s major considerations. The below covers the proposed revenue provisions to cover the state’s \$59 billion shortfall to adequately maintain the existing state highway system, in order to keep it in a basic state of good repair. Cities and counties face a \$78 billion shortfall over the next decade to maintain the existing network of local streets and roads.*

**The current taxes and fees related to transportation are as follows: Gasoline Excise Tax:** \$0.30/gallon; **Diesel Excise Tax:** \$0.13/gallon; **Diesel Sales Tax:** \$0.27/gallon; **Vehicle License Fee (VLF):** 0.65% of market value; **Vehicle Registration Fee (VRF):** \$43 per vehicle; **Weight fees, for commercial vehicles only:** up to a maximum amount of \$2,271

**Transportation Funding (SBX1 1/ Fraizer)**

**Revenue:** \$4.5 billion available for state highways and local streets and road maintenance

**Gasoline Excise Tax:** \$0.12/gallon

**Diesel Excise Tax:** \$0.22/gallon

**Road Access Charge:** \$35 per vehicle annually

**VRF:** Increase of \$35 per vehicle annually, plus an additional \$100 for zero-emission vehicles

**Road Maintenance and Rehabilitation Program (AB 1591/Fraizer)**

**Revenue:** \$7.7 billion annually with \$2.1 going to local streets and roads (and \$1 billion to cities)

**Gas tax:** Increase the gas excise tax by 22.5 cents for \$3.3 billion annually (to be adjusted for inflation every three years)

**VLF:** imposes a \$38 vehicle license fee for \$1.254 billion annually);

**Fee on Zero Emission Vehicles:** Imposes a \$165 vehicle fee on zero-emission vehicles (\$16 million annually)

**Allocations:** 5% to counties that approve a transaction and use tax on or after July 1, 2016 for transportation (\$228.5 million); 47.5 percent to the State Highway Protection Program (SHOPP) (\$2.17 billion annually); 47.5 percent to local streets and roads (\$2.17 billion annually)

**Governor’s 2016-17 Proposed State Budget Transportation Priorities**

**Revenue:** \$3 billion annually

**Road Improvement Charge:** \$2 billion from a new \$65 fee on all vehicles, including hybrids and electrics

**Stabilize Gasoline Excise Tax:** \$500 million from a 6 cents per gallon excise tax; would be done by setting the gasoline excise tax beginning in 2017-18 at the historical average of 18 cents and eliminating the current annual adjustments. The broader gasoline tax would then be adjusted annually for inflation to maintain purchasing power

**Diesel Excise Tax:** \$500 million from an 11 cent increase in the diesel excise tax beginning in 2017-18. This tax would also be adjusted annually for inflation to maintain purchasing power

**Cap and Trade:** \$500 million in additional cap and trade proceeds

**Caltrans Efficiencies:** \$100 million in cost saving reforms



- **Transit priority projects:** Expands the area eligible for a modest CEQA exemption for a transit priority project area by requiring that only 50% of the area of each parcel be within a ½ mile of the area as opposed to the 75% requirement under existing law (**AB 1886/ McCarty**)
- **Local Government Transportation Projects: Special Taxes: Voter approval:** Lowers the voter threshold from 2/3 to 55% for imposing, extending, or increasing a sales and use tax or transactions & use tax for transportation funding (**ACA 4/ Frazier**)

**SECTION 6: 2016-17 STATE BUDGET PROPOSAL HIGHLIGHTS**

The Governor released his 2016-17 State Budget proposal on January 7, 2015 that includes a \$122.6 billion General Fund budget plan that makes significant increases in funding for education, health care and state infrastructure. We expect the Governor's May Revision to be released mid-May and the State Budget must be passed by midnight on June 15.

**Rainy Day Fund:** Makes a supplemental deposit of \$2 billion into the state's Rainy Day Fund - boosting the balance from 37 percent today to 65 percent of the Constitutional target.

**Local Government/ Re-Entry Centers:** \$25 million is included in the Budget to provide incentive payments to cities and counties that agree to issue permits for hard-to-site facilities such as re-entry centers and mental health facilities between January 1, 2016 and June 30, 2017.

**Local Wildfire Relief:** Backfill (\$1.9 million) in response to the losses for the respective fires along with \$2.6 million for a contract with South Lake County Fire and a \$267,000 contract with Calaveras County.

**SECTION 7: STATE CONTROLLERS COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 2015**

<http://www.sco.ca.gov/Files-ARD-Local/LocRep/cafr15web.pdf> (released March, 16, 2016)

**California's economy:** Eighth largest in the world with a 2014-15 fiscal year GDP of \$2.3 trillion.

**Sales and use tax:** Year-to-date, sales tax cash (includes final payment for fourth quarter 2015 sales) as well as the first prepayment for the first quarter of 2016 sales is \$122 million *below* forecast. The Controller in April, 2016 reported for the first nine months of the fiscal year, the sales tax is lagging by 0.9% for the fiscal year, to date.

**Ranking in the U.S.:** California ranked third among 50 states in the 2014 State New Economy Index - an index that evaluates a state's economy based on factors related to innovation and knowledge based industries.

**Exports:** In 2014 exported \$174.1 billion in products (top five are computers and electronic products, transportation equipment, machinery (except electrical), manufactured commodities and chemicals.

**Visitor impact on the economy:** Attracted visitors spent more than \$1.7 billion in 2014.

**Recovery:** Completed its sixth year of recovery as it ended the fiscal year on June 30, 2015.

**Personal income:** Increased by 5.5% during the year, compared to the 4.6% increase posted for the U.S.

**Auto registrations:** A 9.9% increase in registrations occurred (this is an increase from the 6.6% year-over-year)

**Home value and sales:** As of June 2015 prices for existing single family homes were 7.0% higher and sales up by 11% compared to the prior year.

**Employment:** For June 2015 rose to 17.8 million jobs, a gain of more than 481,000 jobs from June 2014.

**SECTION 8: FEDERAL PROPOSALS**

**Permanent Internet Tax Freedom Act Ban:** A permanent ITFA ban in the Trade bill was signed by the President. On October 22, 2015 Senator Feinstein sent a letter to ranking members in the Senate with concerns that a permanent prohibition would hurt local governments, especially in California; the Senator asked for consideration to protect existing voter-approved taxes on telecommunication networks. The actual impact of ITFA (which has been in effect as a moratorium for 18 years) on UUT remains to be seen, as traditional local exchange is gradually being replaced by broadband networks. By the end of this calendar year, MuniServices should have more real data to indicate: whether prepaid wireless revenues are likely to off-set any losses due to ITFA; whether reductions in local exchange will continue; and any other trends in the broadband area that could affect your UUT.

**The Remote Transactions Parity Act:** HR 2775, The Remote Transactions Parity Act, is bipartisan legislation that would not impose a new tax, but would enable state and local governments to compel retailers to collect and remit sales taxes on online sales, which are already owed to them under current law. HR 2775 is similar to the proposed Federal Marketplace Fairness Act of 2015 (S. 698) that would permit states to require vendors with more than \$1 million in gross receipts from remote sales to collect sales tax on purchases made by state residents if the state adopts and implements specified simplification requirements.

**SECTION 9: CALIFORNIA'S MINIMUM WAGE**

SB 3 (Leno) raises the State's minimum wage to \$10.50 per hour on January 1, 2017 for businesses with 26 or more employees, and will rise each year until reaching \$15 per hour in 2022. Small businesses (25 or fewer employees) are allowed until 2023 to phase in the increases. The law phases sick leave for In-Home Supportive Services workers starting in July 2018. Once the minimum wage reaches \$15 per hour for all businesses, wages could then be increased each year up to 3.5% (rounded to the nearest 10 cents) for inflation as measured by the CPI. The Governor can act each year to pause the next year's wage increase for a year if there is a forecasted budget deficit, or poor economic conditions.

**UC Berkeley Labor Center Analysis**

<http://laborcenter.berkeley.edu/wp-content/uploads/2016/03/CA-15-Min-Wage-Impacts.jpg>;

<http://www.irlc.berkeley.edu/research/livingwage>;

<http://www.nytimes.com/2016/04/03/sunday-review/how-the-15-minimum-wage-went-from-laughable-to-viable.html>

**Workers impacted:** Estimates that 5.6 million workers will receive wage increases. This does not include an additional 800,000 workers who will already receive wage increase due to \$15 an hour a result of local policies; represents 37% of the State's workforce. Retailers and restaurants account for more than a third of those who would be affected by the wage increase.

**Effects on businesses:** Higher wages will be absorbed by employers. The adverse effects on charging slightly higher prices are offset by the increased sales generated by the workers who receive raises. *(Editor's note: There is significant risk to jobs all the way back to suppliers. This runs the risk of costing many workers their jobs and companies will not absorb the costs.)*

**Workers by County Impacted**

**Alameda** (211,000); **Alpine, Amador, Calaveras, Inyo, Mariposa** (24,000); **Butte** (39,000); **Colusa, Glenn, Tehama, Trinity** (20,000); **Contra Costa** (117,000); **Del Norte, Lassen, Modoc, Plumas, Siskiyou** (17,000); **El Dorado** (22,000); **Fresno** (193,000); **Humboldt** (24,000); **Imperial** (35,000); **Kern** (155,000); **Kings** (24,000) **Lake, Mendocino** (23,000); **Los Angeles** (1,936,000); **Madera** (23,000); **Marin** (32,000); **Merced** (42,000); **Monterey, San Benito** (90,000); **Napa** (31,000); **Nevada, Sierra** (14,000); **Orange** (605,000); **Placer** (56,000); **Riverside** (339,000); **Sacramento** (242,000); **San Bernardino** (331,000); **San Diego** (522,000); **San Francisco** (144,000); **San Joaquin** (105,000); **San Luis Obispo** (51,000) ; **San Mateo** (100,000); **Santa Barbara** (90,000); **Santa Clara** (271,000); **Santa Cruz** (47,000); **Shasta** (30,000); **Solano** (54,000); **Sonoma** (73,000); **Stanislaus** (82,000); **Sutter, Yuba** (19,000); **Tulare** (94,000); **Ventura** (145,000) and **Yolo** (36,000).

**University of the Pacific / Center for Business and Policy Research Analysis**

[http://www.pacific.edu/Documents/school-business/BFC/MinWage/CBPR\\_\\$15%20minimum%20wage%20fact%20sheet.pdf](http://www.pacific.edu/Documents/school-business/BFC/MinWage/CBPR_$15%20minimum%20wage%20fact%20sheet.pdf)

In many counties, particularly those with a heavy dependence on agriculture and tourism, approximately 50% of current jobs have wages that would be affected by the legislation. Overall, it is estimated that 36.9% of all jobs across the Northern California mega region will be affected. The most affected industries are agriculture, restaurants, and retail while the least affected industries are utilities, information, and finance. In the San Francisco and the Silicon Valley 25-30% of workers will be affected, although many of these jobs will be impacted by local minimum wage ordinances even in the absence of statewide action.

**Cal Chamber Analysis**

<http://advocacy.calchamber.com/2016/04/01/minimum-wage-job-killer-goes-to-governor/>

They increase pay for minimum wage impacts salaried employees' compensation. In order for employees to qualify as "exempt" under any of the six exemptions in California, they must meet the salary-basis test, which is two times the monthly minimum wage. Under SB 3 that amount in January 2022 will rise from the current annual salary of \$41,600 to at least \$62,400, which is an increased cost to employers of \$20,800 per exempt employee. An increase in minimum wage will drive up workers' compensation costs, uniform/tool reimbursements, overtime, and consumer prices. *(Editor's note: This seems to imply one out of three will lose their jobs due to the additional costs.)*

**SECTION 10: CALIFORNIA TRAVEL AND TOURISM TRENDS AND ECONOMIC IMPACT / SB 1102 (McGUIRE)****Tourism Trends (See Section 1, SB 1102)**

<http://industry.visitcalifornia.com/media/uploads/files/editor/CA%20Forecast%20February%202016%20-%2020160210.pdf> (February, 2016)

**Visitation to California:** Forecast to grow by 2.3% in 2016, following a 2.6% expansion in 2015 which outperformed our previous forecast. Visits to California from overseas will grow by 4.9% in 2016, on par with the previous year.

**Domestic visitation:** Will expand 2.2% in 2016 after outperforming expectation in 2015 with a gain of 2.6%.

**Occupancy rates:** California hotels increased to 74.7% in 2015, driving growth in revenue per available room of 10.5%.

**Visitation to California:** Grew 2.6% in 2015, kicking off a period of more moderate growth. Total visits will grow by 2.3% in 2016 before ticking up 2.4% in 2017 and settling to 2.0% in the outer years

**Domestic business travel to California:** Will outperform that of the U.S. in the near-term before tracking the nation more closely over the forecast horizon.

**Domestic leisure travel:** Will outpace the state's business segment and the nation as steady job and income growth in key source markets and expansion at attractions, such as Disneyland's Star Wars and Marvel theme parks, support travel demand.

**Visitor spending:** While food and lodging prices advanced in 2015, lower transportation costs kept overall travel prices subdued, tempering spending growth to 2.8%. There is an anticipated total visitor expenditures growth between 4.1% and 4.3% between 2018 and 2020.