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## Legislative Proposals

### Sales Tax

- Raises the cap on the local transactions and use tax from 2% to 3% above the statewide base rate (**AB 464/ Mullin**)
- Prohibits revenue sharing agreements causing loss to other locals; public notice requirements (**SB 533/Pan**)
- Broaden the tax base by imposing a sales tax on services; does not allow an increase sales tax on services for local voter-approved district taxes (**SB 8/ Hertzberg**)
- Sales tax exemption for energy or water efficient home appliances; includes local loss (**AB 88/ Gomez**)
- Expansion and extension of partial exemption for manufacturing and R&D with local certification requirements (**AB 1090/ O'Donnell**)
- Federal Marketplace Fairness Act of 2015 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 (**S. 698**)

### Post Redevelopment / Economic Development

- Use of 2011 bond proceeds for affordable housing; budget trailer language (**AB 974/ Bloom**)
- Enhanced Infrastructure Financing Districts; clarifying implementation requirements (**AB 313/ Atkins**)
- Allows locals to form Community Revitalization and Investment Authorities to administer economic development and affordable housing programs (**AB 2/ Alejo**)

### Hotel Taxes and Short Term Rentals

- Advertiser of an online platform or Internet Web site must have property owner's permission (**SB 761/ Hall**)
- Requires vacation rental businesses to comply with local ordinances (**SB 593/ McGuire**)

### Utility Users Tax

- Prepaid wireless revenue collection: State Budget and BOE rulemaking for implementing **AB 1717 (Chapter 885, Statutes of 2014)** for the collection of local UUT revenues from prepaid mobile telephony services
- Threat to UUT: The Internet Tax Freedom Act expires 10/2015; seek amendment to protect the pre-emption of California's locally adopted UUT's that include "telecommunication services," used to access the Internet (**S. 431**)
- Digital Goods and Services Tax Fairness Act would reduce state and local revenues by pre-empting the taxation of purchases such as downloaded music, movies and online services (**S. 851**)
- Wireless Telecommunications Tax and Fee Collection Fairness Act of 2015 (**HR 1084**)

**Local Governance**

- Reusable grocery bags and recycled paper bag fee exemptions **(AB 1136/ Steinorth)**
- Prohibits a local from imposing a fine for a brown lawn during a state of emergency **(AB 1/ Brown)**
- Parking: car share vehicles; local ordinance to set up mechanism for payment **(AB 1015/Bloom)**
- Pre-empt state and local taxing authority to impose supposed 'discriminatory' taxes on automobile rentals and property related to renting automobiles **(H.R. 1528)**
- Requires a LAFCO to review a contract or agreement for new or extended fire service outside of an existing service area **(SB 239/ Hertzberg)**
- Private parking facilities; authorized uses included in ordinances **(AB 451/Bonilla)**
- Medical marijuana and regulating; allows counties to impose a tax **(AB 266/Bonta and SB 643/ McGuire)**
- Cap-and-Trade spending for 'disadvantaged and low-income communities' **(AB 156/Perea)**
- Automated license plate recognition systems/ requirements for local agencies for use of data **(SB 34/Hill)**
- FTB City Business Tax Program; data exchange, expand program to counties **(AB 279/ Dodd)**
- Relates to formulas for calculating VLF adjustments to include the assessed property valuation within inhabited territory annexed to cities **(AB 448/ Brown and SB 25/ Roth)**
- Extends time period for fiscal transaction reporting from 110 days to 7 months **(AB 341/ Achadjian)**
- Safe Neighborhood Parks, Rivers, and Coastal Protection Bond Act of 2016, \$2.45 billion bond on the 11/16 ballot **(SB 317/ De Leon)**

**Use of Aviation Fuel / FAA Ruling and Impact on the Use of Local Revenues/ Cost to the State's General Fund**

- FAA re-interpretation of a ruling that requires states and locals to target jet fuel revenue for the benefit of airports, or lose revenues; the ruling has a compliance requirement of 2017
- MuniServices representatives have been part of stakeholder meetings and asked to notify clients on this issue and to contact respective Congressional Representatives as appropriate and as soon as possible with concerns and impact
- A bill implementing the ruling **(SB 747/ McGuire)** was held under submission and noted a BOE estimate of GF revenue loss in 2018-19 to be \$140 million
- Aviation in California: Fact Sheet (4/ 2015)/ [www.dot.ca.gov/hq/planning/aeronaut/documents/AeroFactSheet.pdf](http://www.dot.ca.gov/hq/planning/aeronaut/documents/AeroFactSheet.pdf)

**Alternative to the Gas Tax for Transportation Funding (Study); Oregon's Tax by the Mile Program**

- Study on a road usage charge alternatives to the gas tax for transportation purposes established by **SB 1077 (2014)**; the Governor has asked the CATC to accelerate this study. SB 1077 is based on an Oregon law; Oregon implemented a voluntary program (OReGO) which is the first in the nation to test a new system that would tax drivers by the mile
- **The next CATC meeting is on June 26 (<http://catc.ca.gov>)**
- Provides increase in various transportation related taxes to fund roads, bridge repairs and freight mobility at ports; among other provisions sets aside 5 percent of revenue to support counties that pass sales and use taxes to fund transportation projects after July 1, 2015 **(SB 16/ Beall)**
- Changes the method (to 4 years of historical data) used by the BOE to adjust the excise tax on fuel each year as part of the "gas tax swap"; attempts to reduce the volatility of revenues received by local governments **(SB321/ Beall)**

**FCC Change to Allow Basic Cable Rate Increases Without Local Approval**

- The FCC on June 2, 2015 adopted a rule that will allow cable companies to raise rates for basic cable without first seeking approval from local governments. Under the FCC's rule change, local franchise officials' authority over basic-cable rates is diminished. Cities and counties will be given a 90-day window to appeal and request an extension of their authority. ([www.fcc.gov](http://www.fcc.gov))

**Triple Flip Wind Down Expected to Begin Next Month; Bonds to be “Defeased”**

- *BOE returning to 1%:* DOR alerts the BOE. BOE then has **90 days** to return to the 1% local tax rate, but can only return to 1% on the **1st of the 1st month of a calendar quarter**; the earliest date the BOE can return to the 1% local tax rate then becomes **January 1, 2016**
- *First 1% allocation:* The first time the City or County would see 1% allocations is the 1st Advance portion of the **March 2016** payment
- *Calculating the in-lieu of sales tax:* Because the return to 1% allocations is so late in the year, the BOE will calculate the property tax in-lieu of sales tax in **January and May 2016** along with true ups and administrative fees covering **FY 2014-2015**
- *Property tax in lieu revenues:* Will be provided to local jurisdictions via their respective County as per current procedures for receipt of the property tax in lieu of sales tax process
- *Final true-up:* The State will need to make one final true-up after the end of the FY 2015-2016 (**June 2016**). This final true-up payment is planned to come from the **DOF** directly to cities and counties in **August 2016**

**Outstanding Proposed State Budget Issues on the RDA Dissolution Process**

*The below was extrapolated from the League of California Cities regarding a proposal in the Governor’s May Revision on the RDA Dissolution process. Note Assembly Budget Committee adopted the FY 2015-16 budget reports from its budget subcommittees by a vote of 15-8, moving it to the full joint-house Budget Conference Committee. **The State Budget must be passed by midnight on Monday, June 15.***

- **Local Agency Investment Fund (LAIF) rate.** This affects every city that expects to have a loan repaid. Additionally, it has major impacts on affordable housing funding since 20% of any repayment must go to affordable housing. Existing Law says that the interest rate will be calculated at the LAIF rate. Glendale won a case on this issue. The trailer bill proposes to delete all references to LAIF and insert “up to 1%.” *At the time of print we are hearing rumors that the proposal would exempt Glendale in their recognition of their current litigation (and would establish a legal precedent for all cities) and then the rest of the cities / agencies would be subject to a new rate in the trailer bill (perhaps 3-4%).*
- **Not Recognizing City-RDA Reimbursement Agreements as Loans.** This is a major issue for many cities. AB 1484 offered that former city-agency loans would be repaid for those agencies that agreed to make specified payments required to obtain a DOF “finding of completion.” The trailer bill would declare that loans that were structured as reimbursement agreements no longer qualify as an enforceable obligation. *At the time of print we are hearing of possible amendments to exempt the city of Watsonville due to their current litigation, and all other reimbursement agreements would presumably disallowed.*

**Suggested Action and Comments When Communicating with the Legislature**

Cities should contact the members of the Budget Conference Committee (<http://assembly.ca.gov/legislativebudget>) to express their position; the League is recommending all cities oppose the measure.

- I oppose the Governor’s Budget RDA Dissolution Proposal for two reasons: 1) the LAIF Rate provision as currently written will mean a loss millions of dollars to my city’s general fund and 2) this proposal does not recognize City-RDA Reimbursement Agreements as Loans.
- As proposed, the current LAIF rate provision would cost my city up to \$XXXXX. The difference for City would be between \$XXXX to DOFs current proposal \$XXXX.
- The City of Glendale has already won a case on this issue and this proposal changes the rules of the game by reversing that decision.
- Not recognizing city-RDA reimbursement agreements as loans would declare that loans structured as reimbursement agreements no longer qualify as an incentive.