



## 2016 "SUMMER RECESS" EDITION

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### DATES

- August 1: Legislature returns from Summer Recess
- August 12: Last day for fiscal committees to hear and report bills
- August 19: The last day to amend bills on the Floor
- August 15-31: Committees will not meet and there is Floor Session only

*The above deadlines are subject to rule waivers.*

- August 31: Marks the beginning of recess
- September 30: Last day for the Governor to sign or veto bills
- December 5: 2017-18 Regular Session convenes

**SECTION 1: 2016-17 STATE BUDGET HIGHLIGHTS**

- **Recession and Rainy Day Fund:** Funds the required deposit by \$1.3 billion and supplements with an additional \$4 billion deposit (54 percent of goal); Proposition 2 established a constitutional goal of having 10 percent tax revenues in the Fund.
- **Strengthen infrastructure:** Includes over \$2 billion for various projects, \$1.3 billion GF for improving Sacramento office buildings; \$688 million (\$485 billion in GF) for deferred maintenance projects and \$270 million in lease-revenue bond authority for local jails.
- **Minimum wage:** Implements the raising of minimum wage to \$10.50 per hour on January 1, 2017.
- **Vehicle registration fees:** Currently \$43 will increase to \$53; will rise incrementally; generates \$400 million for the DMV, CHP and ARB.
- **Library innovation:** Increase of \$4.8 GF for innovations in local library services through the California Library Service Act; this is one time revenue for the Library Services Board (likely to meet in August) to decide on projects and the best use for the funding.
- **Safe drinking water:** Over 400 public water systems rely on sources of drinking water that fall short of state and federal standards; \$1.3 million for positions to assist local efforts for water quality testing and support public water systems.
- **Affordable housing and homelessness programs:** Reflects \$3.6 billion in State (Proposition 63) and Federal funding, sets aside \$400 million in GF for affordable housing programs contingent upon the passage of a “by right” approval process (means local government could not require a conditional use or other review for qualifying affordable housing projects). “No place like home” will develop permanent supportive housing for persons who are in need of mental health services and are homeless or at risk of being homeless.
- **Health care for retired state workers:** Reserves \$240 million to fund future costs.
- **Climate change:** AB 32 (2006) Cap and Trade revenues to reduce greenhouse gas emissions will be completed later this year.
- **Mandates:** The Governor’s 2016-17 State Budget mandate suspensions are similar to last year’s budget. Refer to [http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160SB8268885-295-0001](http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB8268885-295-0001) (8885-295-0001) for the list of funded and suspended mandates.
- **Local government/ RDA:** Anticipates that counties will receive \$740 million in new general purpose revenues in 2015-16 and 2016-17 combined, with cities receiving \$700 million and special districts \$330 million. On an ongoing basis, it is estimated that over \$ billion annually will be distributed to counties, cities and special districts.
- **Local government/ re-entry centers:** \$25 million is included for the Community-Based Transitional Housing Program to encourage local communities to support housing that provides treatment and reentry programming to released criminal offenders and other individuals.

**SECTION 2: SALES AND USE TAX**

## Exemptions with State &amp; Local Revenue Impact

- Disaster preparedness products for a two-day period in 2017: Loss of \$5.1 million **(AB 1562/ Kim) (dead)**
- Nonprofit construction materials until 2020: Loss of \$270,000 **(AB 2518 /Gomez) (dead)**
- Property sold at the Jimmy Doolittle Air and Space Museum Education Foundation (San Diego): One -time \$39,000 loss of revenues **(AB 724/ Dodd)**
- Diapers designated size 3 or under until 2022: Loss of \$36.3 million **(AB 717/Garcia)**
- Feminine hygiene products until 2027: Loss of \$20 million **(AB 1561/Garcia)**
- Animal blood sold for injury and disease prevention or treatment: Loss of \$158,000 **(SB 898/ Nguyen)**



### Authority to Impose a District Tax Beyond 2% Cap

- **City of Alameda:** Allows the adoption of an ordinance to exceed the 2% cap; BOE estimates the bill will generate about \$4.1 million annually for the City (**AB 366/ Bonta**)
- **Contra Costa Transportation Authority (CCTA):** Shifts the authorization to impose a TUT from Contra Costa County to CCTA; this bill allows under current law for the CCTA to move forward with proposing a transportation tax measure to county voters (**AB 1665/ Bonilla**) (*chaptered*)
- **Cap Exception History:** SB 314 (2003) for MTA (0.5%); AB 1086 (2011) for the County of Alameda (0.5%); AB 210 (2014) City of El Cerrito) (0.5%); SB 767 (2015) MTA (0.5%); SB 705 (2015) San Mateo and the Transportation Agency for Monterey County (authorize to exceed the 2% cap)

### Additional Sales Tax Related Measures

- Intent for legislation to expand retail sales tax to services (**SB 1445/ Hertzberg**) (*dead*)
- The Remote Transactions Parity Act would not impose a new tax, but enable state and local governments to compel retailers to collect and remit sales taxes on online sales; may see a vote before Congress adjourns (**HR 2775**)

### SECTION 3: HOTEL TAX AND SHORT-TERM RENTALS

SB 133 (McGuire) is a gut-and-amend to set up a mechanism to allow locals and on-line platforms to 'opt in' a process for the collection of TOT revenues. SB 1102 (McGuire) proposed to create 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 is the responsible agency for developing guidelines under these bills. Concerns include local control, data maintenance and auditing provision. MuniServices expressed concerns with both bills. SB 133 and SB 1102 will not move forward this year.

Resource: [http://www.muniservices.com/wp-content/uploads/042016\\_MuniServices\\_Policy\\_Update\\_-\\_SB\\_1102\\_McGuire\\_TOT\\_Shared\\_Platform\\_-\\_Request\\_for\\_Review\\_and\\_Feedback\\_by\\_Monday\\_\\_April\\_25.pdf](http://www.muniservices.com/wp-content/uploads/042016_MuniServices_Policy_Update_-_SB_1102_McGuire_TOT_Shared_Platform_-_Request_for_Review_and_Feedback_by_Monday__April_25.pdf)

### SECTION 4: PROPERTY TAX/ PARCEL TAXES

- Increases the welfare exemption for non-publically financed affordable housing (**SB 996 / Hill**)
- Exemptions for disabled veterans; annual revenue loss of \$127,000 for every 100 newly-qualified disabled veterans (**SB 1458/Bates**)
- Property tax postponement for senior citizens and disabled citizens (**AB 1952/ Gordon**)
- Prohibits the division of revenues derived from property tax override rates approved by the voters (**SB 975 / Senate Governance & Finance**) (*chaptered*)
- Allows a transfer for a seniors home's base-year value to a new principal residence, regardless of the new property's value (**AB 2688/ Mullin**)
- Property tax payments: Monthly property tax payment programs can be implemented by counties (**AB 2691/Holden**); authorizes Board of Supervisors to allow the tax collector to charge a fee for partial payments (**AB 2291/ Achadjian**)
- Requires local agencies to send notices to a property owner, if that owner does not reside within the jurisdictional boundaries, before the adoption of any new parcel tax (**AB 2476/ Daly**)

### SECTION 5: UTILITY USER TAX/ AB 1717 IMPLEMENTATION

- **AB 1717 clarification and program funding:** Sellers of de minimus sales of prepaid MTS (AB 1717/ 2014) are not required to register with the BOE (**SB 1481**); State Budget funding for additional 'customer service' positions; funding expires January 2020 when AB 1717 sunsets. See [http://www.boe.ca.gov/industry/prepaid\\_mts\\_surcharge.html](http://www.boe.ca.gov/industry/prepaid_mts_surcharge.html)
- **Replacement of public switched telephone network:** Would have created a process to expedite "plain old telephone services" as long as telecoms did property outreach to customers (**AB 2395/ Low**) (*dead*)

**SECTION 6: CANNABIS / MARIJUANA**

- Removed the MMRSA provisions to grant the Department of Food and Agriculture the licensing authority for medical marijuana authority cultivation if a local regulation was not in effect as of March 1, 2016 **(AB 21/ Bonta)** (*chaptered*)
- A tax penalty amnesty for April 1, 2017 to September 30, 2017 for medical cannabis dispensaries to begin to comply with the tax laws; depending on participation estimated one-time revenue increase of \$52.8 million (50% compliance); \$79.2 million (75% compliance); or \$105.6 million (100% compliance) **(AB 567/Gipson)**
- Excise tax of 15 percent on medical marijuana for the consumption or use of this marijuana purchased from any retailer in California (refer to policy report for revenue allocation) **(SB 987/ McGuire)** (*Failed in Assembly Revenue and Tax*)
- Allows the BOE to accept cash, check or credit card payments for cannabis businesses **(AB 821/ Gipson)**
- Authorizes the BOE and counties to collect cash payments from medical cannabis-related businesses for state agencies **(AB 2149/ Bonilla)**
- Tax for distributing medical cannabis (unspecified amount for small specialty cultivators and medium cultivators, imposes a \$9.25 per ounce tax for small cultivator, and imposes a \$1.25 per immature plant); BOE would administer; inoperative if the Control, Regulate and Tax Adult Use of Marijuana Act initiative is approved **(AB 2243/ Wood)**
- Resource: <http://www.muniservices.com/services/cannabis-support-services/>

**SECTION 7: ECONOMIC DEVELOPMENT / RDA**

- Allows local governments to acquire, sell or lease properties that are owned to promote economic development; clarifies that locals can make loans to rehabilitate certain commercial buildings **(AB 806/ Dodd)**
- League sponsored to clean up AB 2 (from 2015) that created a new form of redevelopment (IFD); **(AB 2492 /Alejo)**
- Expands reporting requirements for the California Competes Tax Credit Program such as the primary location of the facility(s) for which the taxpayer is applying for credits listed by city or county **(AB 2901/ Committee on Jobs and the Economy)**

**SECTION 8: TRANSPORTATION FUNDING – SPECIAL SESSION**

- MuniServices is a “Fix Our Roads” partner. California locals estimate a shortfall of \$78 billion in deferred maintenance. The deferred maintenance on the state highway system is around \$59 billion.
- Earlier this year the BOE reduced the excise tax on gas by 2.2 cents which reduced funding by \$328.2 million.
- From a revenue perspective the “Roadmap to Consensus” includes: increase in gas excise tax by 12 cents (phased over three years) for \$1.8 billion annually; increase diesel tax by 11 cents for \$300 million annually, creates a road access fee of \$65 for \$2 billion annually, imposes a zero emission vehicle fee of \$100 for \$10 million, increases diesel sales tax rate from \$1.74% to 5.25% for \$300 million.
- Transportation funding is likely considered in a ‘special session’ in 2016. There are over 50 proposals pending to address funding with the following considered major: SB X1 1 / Beall with \$6 billion in funding; AB 1591/ Frazier with \$7 billion in funding; and the Governor’s proposal with \$3.6 billion in funding).
- Resource: [http://catc.ca.gov/notices/ComparisonOfTransportationFundingProposals\\_010816.pdf](http://catc.ca.gov/notices/ComparisonOfTransportationFundingProposals_010816.pdf)

**SECTION 9: ADDITIONAL PROPOSALS**

- **Parking meters:** Deletes the 2017 sunset prohibiting locals from ticketing cars at broken meters; prohibits cities from providing quota or revenue incentives when contracting for private enforcement **(AB 2586/ Gatto)**
- **Shared economy/ taxi cabs and transportation network companies:** Shifts local regulatory authority to the CPUC (note the CPUC per the Governor will be going through a major revamp) **(AB 650/ Low)**
- **Debt reporting:** Requires annual information on the status of local debt to be reported to the State Treasure **(SB 1029/ Hertzberg)**
- **Retail wages:** Certain grocery and retail stores would be required to pay at least two times the regular rate of pay to an employee for work over a Thanksgiving holiday **(AB 67/ Gonzalez)**
- **Environmental justice plan:** Add to the required elements of the general plan an environmental justice element that identifies disadvantaged communities **(SB 1000/ Leyva)**



- **Tire recycle fee:** Provides a 1.5% retailer cost reimbursement of the California tire regulatory fee; will encourage recycling and reduce costs for locals for cleaning up illegally dumped tires **(AB 1239/ Gordon)**
- **Storm water capture and use:** Allows a public agency that captures storm water to use the water **(AB 2594/ Gordon)**
- **Zoning for multi-family units and parking:** Requires locals to create ordinances for second units in single-family and multifamily residential zones; prohibits cities from imposing parking standards for certain conditions **(AB 2299/ Bloom)**
- **Accessory dwelling units (second units) and limitations on utility connection fees:** Restricts locals ability to impose requirements **(SB 1069/ Weickowski)**
- **Revises definition of a 'retail location' for selling tobacco products to 'tobacco stores':** BOE estimates the bill will prohibit about 30,000 retailers from selling these products; the bill estimates 7,000 new stores will open to meet the demand. BOE estimates reduced state and local sales tax revenues of about \$29 million per year **(SB 1400/ Weickowski)**
- **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)**
- **Transparency:** Requires local governments to post a direct link to their meeting agenda online **(AB 2257/ (Maienschein)**

#### **SECTION 10: BUSINESS LICENSE FEE FOR THE DISABILITY ACCESS AND EDUCATIONAL REVOLVING FUND (SB 1186 / 2012)**

SB 1186 (Steinberg) from 2012 included a State fee of \$1 on any applicant for a local business license for purposes of increasing disability access and compliance with construction-related accessibility requirements and developing educational resources for businesses to facilitate compliance with federal and state disability laws. The bill divided those moneys for the state between the local entity that collected the moneys and the Division of the State Architect (DSA). The Department of General Services' latest report is at:

<http://www.documents.dgs.ca.gov/Legi/Publications/2016LegislativeReports/SB1186Report2016.pdf>.

This year AB 1873 as proposed would have increased the fee attached to an application for a local business license or equivalent instrument from \$1 to \$4, and by removing an existing sunset, would extend this fee indefinitely; provides that instead of retaining 70 percent of the business license fee and sending 30 percent to the DSA, the local government would keep 90 percent of the funds and provide 10 percent to the DSA. **(AB 1873/ Thurmond)**

#### **SECTION 11: TRIPLE FLIP – FINAL PAYMENTS**

The DOF on June 30, 2016 sent an email to counties with the final triple flip payment schedule. The Controller sent the funds to counties on July 7, 2016. Counties have 60 days to allocate these funds to cities.

#### **SECTION 12: FAA RULING & USE OF LOCAL JET FUEL REVENUES / PLAN REQUIREMENTS – PLANS TO BE MADE PUBLIC**

Impacted agencies remain concerned with the implementation of the FAA re-interpretation of a ruling requiring states and locals to target jet fuel revenue for the benefit of airports, or lose 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. Impacted jurisdictions and the State were required to submit an 'action plan' to the FAA by the December 8, 2015. On June 23, 2016 an FAA representative sent an email notification to "Public Officials" indicating that actions plans will be made public via "Docket Number FAA-2013-0988" on July 11, 2016. The FAA was asking public officials to notify the FAA Compliance Division (by July 5) if submissions contain proprietary information. Representative Napolitano's office indicated this week that the FAA reported receiving multiple requests from the public to have the submitted action plans available to view online and the reason for putting them on the online docket (unless an entity wants the information withheld for proprietary reasons). This step according to the FAA in posting the plans online is not approval of the plans. The Self Help Counties on May 5, 2016 sent a letter to the FAA outlining concerns with the ruling, which include the approval standards that will be applied in assessing and approving the action plans. Implementation and enforcement of the ruling is set for December 8, 2017.

**SECTION 13: TAX EXEMPT MUNICIPAL BONDS – FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD PROPOSAL**

A proposed rule by the Federal Accounting Standards Advisory Board would require the federal government to include in annual financial reports the revenue impact lost revenue from tax breaks. State and local government interests have fought proposals from the Administration and Congress to limit or repeal the exemption. FASAB indicates that reporting the impact of lost revenue from tax breaks will “allow users to gain a more complete understanding of the service efforts, costs and factors impacting federal revenues,” and is not meant to be an attack on federal tax breaks. See [http://files.fasab.gov/pdf/taxexpenditures\\_ed\\_2016.pdf](http://files.fasab.gov/pdf/taxexpenditures_ed_2016.pdf).

**SECTION 14: NOVEMBER 2016 STATE BALLOT**

**Tax Extension to Fund Education and Healthcare (#15-0115A1):** Extends Proposition 30 (2012). Components include extending the temporary personal income tax increases on incomes over \$250,000 for 12 years to be used for education and health care funding. Proposition 30 had a sales tax component and the initiative does not extend this provision (expires at the end of 2016). The Governor reports the State will see a budget shortfall of \$4 billion by 2019 unless this initiative is renewed; the LAO disagrees and sees a surplus if the tax expires. **Proposition 55**

**California Public Vote on Bonds Initiative (#15-0003):** Known as the “No Blank Checks Initiative,” a “yes” vote is in favor of requiring voter approval before the state could issue more than \$2 billion in public infrastructure bonds that would require an increase in taxes or fees for repayment. **Proposition 53**

**Legislature Transparency Amendment (#15-0083A1):** Prohibits Legislature from passing any bill unless it has been in print and published on the Internet for at least 72 hours before the vote, except in cases of public emergency. Requires the Legislature to make audiovisual recordings of all its proceedings, except closed session proceedings, and post them on the Internet. **Proposition 54**

**California Plastic Bag Ban Referendum to Ratify SB 270 from 2014:** Backed by many locals, would prohibit large grocery stores and pharmacies from providing plastic single-use carryout bags and ban small grocery stores, convenience stores and liquor stores from doing so the following year; mandate stores to charge 10 cents for recycled, compostable and reusable grocery bags. **Proposition 67**

**Control, Regulate and Tax Adult Use of Marijuana Act (15-0103):** Imposes state and excise tax on retail sales of marijuana equal to 15% of sales price, and cultivation taxes on marijuana of \$9.25 per ounce of flowers; \$2.75 per ounce of leaves. Revenue: Upwards of \$1 billion annually (this is in addition to the sales and use tax imposed by the State and locals). **Proposition 64**

Resources: [https://ballotpedia.org/California\\_2016\\_ballot\\_propositions](https://ballotpedia.org/California_2016_ballot_propositions)  
<http://www.ss.ca.gov/elections/ballot-measures/qualified-ballot-measures/>

**SECTION 15: BOE JULY 14, 2016 HEARING IN IRVINE**

- Proposed revisions to Audit Manual Chapters 1, General Information, and 4, General Audit Procedures; and Compliance Policy and Procedures Manual Chapters 1, General and 7, Collections
- Proposed revisions to Compliance Policy and Procedures Manual Chapters 1, General, 2, Registration, 4, Security, and 7, Collections
- [http://www.boe.ca.gov/meetings/pdf/2016/071416\\_PAN\\_July\\_Irvine.pdf](http://www.boe.ca.gov/meetings/pdf/2016/071416_PAN_July_Irvine.pdf)