



2014 LEGISLATIVE PROPOSALS REACHING THE GOVERNOR'S DESK

This report summarizes selected legislative proposals of interest to our local government clients that have reached the Governor's Desk. September 30th is the last day for the Governor to sign or veto bills passed by the Legislature before September 1st and in the Governor's possession on or after September 1st. We have noted those that have already been acted on as of today. Please refer to www.leginfo.ca.gov to review the measures and status updates. The bills reported below are organized as follows:

SECTION I: HOT BILLS

- AB 1717 (Perea) Prepaid services: state surcharge and fees: local collection
- AB 2493 (Bloom) Redevelopment bond proceeds: jobs, infrastructure & housing

SECTION II: 2014 PROPOSALS REACHING THE GOVERNOR'S DESK

- Sales and Use Taxes/ District Taxes
- Property Tax/ Parcel Tax
- Infrastructure Financing/ Economic Development
- Post Redevelopment
- Local Governance
- State Administration

Please contact the Government Relations team or your Client Services Manager for additional detail or if assistance is needed in drafting city-specific position letters on any of the proposed measures.

SECTION I: HOT BILLS

- **AB 1717 (Perea) Prepaid services: state surcharge and fees: local collection**

AB 1717 (Perea) is a measure on the Governor's Desk that is especially important for cities and counties with a Utility Users Tax (UUT) as well as for those local governments considering voter-approval for a UUT. AB 1717 provides the mechanism for the collection of existing state and local revenues for prepaid wireless services. This year's bill is similar to AB 300 (2013/Perea) with improvements to address the Governor's concerns outlined in AB 300's veto message.

Why is the passage of this bill important for local government? Over 50% of new wireless services are prepaid. Consumers across all income levels are purchasing prepaid phones. Local voter-approved UUT ordinances are technology-neutral and apply to all wireless customers. In some cases the loss to cities is as high as 25% in the last three years. The Board of Equalization (BOE) estimates nearly \$73 million of local revenue will be collected as a result of the bill. There is currently about \$400 million of wireless UUT statewide, so as much as one-half or \$200 million could be at risk over time.



How is this proposal different from AB 300? Local government has worked hard with the other stakeholders to explore various options to address the Governor's concerns with last year's bill. AB 1717 responds to those concerns with appropriate safeguards. The tax collection responsibilities of the BOE have been significantly reduced by requiring the wireless carriers to directly remit the state and local taxes to those taxing jurisdictions. AB 1717 includes provisions for a pro rata sharing of costs among the state and local public agencies. A 2020 sunset provision, together with a reporting requirement of the BOE, will allow stakeholders to assess the cost effectiveness of the program and recommend any needed adjustments. AB 1717, with its new amendments, enjoyed overwhelming support of the Senate and Assembly.

What about concerns from constituents that this bill unfairly targets low-income wireless users? The demographic user for prepaid wireless has shifted and is no longer a predominantly "lower income" service. As discussed above over 50% of all new wireless services are now prepaid. Most UUT cities have a voter-approved ordinance with a provision that allows a city council to create a "low income" exemption at any time, without voter approval. Approximately 50% of the wireless UUT in California is now subject to some form of "low income" exemption. The bill also has the support of public safety. AB 1717's stakeholders agreed to language guaranteeing at least nearly \$10 million by the mobile telephony services providers will be paid into the Prepaid 911 account if there is any deficiency.

AB 1717 is a reasonable solution to a difficult problem and reflects the work between stakeholders, and carries the intent of AB 300. AB 1717 is supported by numerous cities, the California State Association of Counties, California Contract Cities Association, Board of Equalization Members Runner and Horton, MuniServices, and other stakeholders.

What can cities do to encourage the Governor's signature on AB 1717? The author's office indicated that *calls* from stakeholders and city representatives directly to the Governor requesting a signature on the bill would be effective. The Governor's Legislative Affairs number is 916.445.4341.

▪ **AB 2493 (Bloom) Redevelopment bond proceeds: jobs, infrastructure & housing**

AB 2493 would allow successor agencies flexibility for bond obligation proceeds issued between January 1, 2011 and June 28, 2011. AB 2493 provides assurances that successor agencies would only be able to use 2011 redevelopment bond proceeds for infrastructure and affordable projects that were actively being planned prior to January 1, 2011 and intended to be financed with bond proceeds. Approximately 39 successor agencies have similar redevelopment bond proceeds, totaling approximately \$750 million, which they are currently unable to use. The proceeds would generate an estimated 19,000 jobs, over \$130 million in new State and local tax revenues, and \$2.8 billion in statewide economic activity. AB 2493 is supported by several cities, the League of California Cities, MuniServices, and other stakeholders.

What can cities do to encourage the Governor's signature on AB 2493? Stakeholders are encouraging *letters* from cities, especially from those holding 2011 bonds, be sent to the Governor's office. Please direct letters to Camille Wagner, Chief Deputy Legislative Secretary for Governor Brown at Camille.Wagner@gov.ca.gov.



SECTION II: 2014 PROPOSALS REACHING THE GOVERNOR'S DESK

SALES AND USE TAXES/ DISTRICT TAXES

- AB 919 (Williams) Sales and use taxes: veterans: itinerant vendors: repayment
- AB 1324 (Skinner) Transactions and use taxes: City of El Cerrito
- AB 2119 (Stone) Local taxes: transactions and use taxes
- AB 2250 (Daly) Toll facilities: revenues
- AB 2681 (Dababneh) Sales and use tax: retail sale: storage use: counterfeit mark

PROPERTY TAX/ PARCEL TAX

- AB 1450 (Garcia) Local government: redevelopment: revenues from property tax override rates (pension)
- AB 1521 (Fox) and SB 69 (Roth) Local government finance: vehicle license fee adjustment
- AB 1760 (Chau) and SB 1203 (Jackson) Property taxation: payment-in-lieu-of-taxes agreement (PILOT)
- AB 2109 (Daly) Controller: reports: parcel taxes
- AB 2211 (Ting) Counties: database: information on general ad valorem property tax revenues
- AB 2231 (Gordon) Controller: property tax postponement (senior citizens & disabled citizens)
- AB 2618 (Perez) Property and business improvement areas: benefits assessments

INFRASTRUCTURE FINANCING/ ECONOMIC DEVELOPMENT

- AB 229 (Pérez) Local government: infrastructure and revitalization financing districts
- AB 2170 (Mullin) Joint powers authorities: common powers
- AB 2280 (Alejo) Community revitalization authorities
- AB 2292 (Bonta) Infrastructure Financing Districts
- SB 614 (Wolk) Local government: jurisdictional changes: infrastructure financing
- SB 1183 (DeSaulnier) Vehicle registration fees: surcharge for bicycle infrastructure

POST REDEVELOPMENT

- AB 1963 (Speaker Atkins) Redevelopment
- SB 1129 (Steinberg) Redevelopment: successor agencies to redevelopment agencies

LOCAL GOVERNANCE

- AB 1147 (Bonilla) Massage therapy
- AB 1965 (Yamada) Outdoor dining: pets
- AB 2241 (Eggman) Local government: agricultural land
- AB 2719 (Bonta) Mobile retail operations and pop-up operations: model local ordinance
- SB 270 (Padilla) Solid waste: single-use carryout bags
- SB 1462 (Committee on Governance and Finance) Local government: omnibus bill

STATE ADMINISTRATION

- SB 1711 (Cooley) Administrative Procedures Act: economic impact assessment

**SALES AND USE TAXES/ DISTRICT TAXES****AB 919 (Williams) Sales and use taxes: veterans: itinerant vendors: repayment**

AB 919 would require the BOE to certify to the State Controller the amount of qualified repayments to be made to each qualified veteran, and would appropriate \$50,000 to make the payments of qualified repayments. The bill would limit the total amount of money available to make qualified repayments to not more than \$50,000. **Status:** Enrolled.

AB 1324 (Skinner) Transactions and use taxes: City of El Cerrito

AB 1324 would allow the City of El Cerrito to adopt an ordinance proposing to impose a transaction and use tax that exceeds the 2% limitation. Prior to 2003 (SB 566/ Scott) cities lacked the ability to place transactions and use taxes before their voters without first obtaining approval by the Legislature to bring an ordinance before the city council, and, if approved at the council level, to the voters. SB 566 contained provisions to increase a county's transactions and use tax cap to 2% because of the possibility that certain counties were going to run out of room under their caps if cities within those counties approved transactions and use taxes. A bill analysis raised the question of whether the Legislature should discuss whether the 2% transactions and use tax combined rate cap needs to be raised statewide, instead of having cities and counties come to the Legislature on a case by case basis. **Status:** Enrolled.

AB 2119 (Stone) Local taxes: transactions and use taxes: county

AB 2119 would allow county boards of supervisors to levy, increase, or extend a transaction and use tax within the entire county or within the unincorporated area of the county, if approved by the voters of the entire county. This bill makes the approval process for county transactions and use taxes comparable to the current process for approving city transactions and use taxes. This bill would require the revenues derived from this tax to be used within the area for which the tax was approved by the qualified voters. *AB 2119 is a MuniServices supported bill.* **Status:** Signed by the Governor - Chapter 149, Statutes of 2014.

AB 2250 (Daly) Toll facilities: revenues

AB 2250 requires any revenue generated from a managed lane that is administered by a local agency on a state highway to be used in the corridor in which it was generated. An analysis reports that the Self Help Counties Coalition (SHCC) asserts that local county transportation agencies that are charged with delivering voter-approved transportation sales tax measures develop managed lanes to help address the state's transportation needs. The SHCC contends that decisions over revenue allocation and tolling policies need to rest with the agency assuming the project development, construction, and financing risk and should remain available for expenditure by the local agency in the respective corridor. **Status:** Enrolled.

AB 2681 (Dababneh) Sales and use tax: retail sale: storage use: counterfeit mark

AB 2681 would provide that a sale includes any sale of tangible personal property with a counterfeit mark by an individual convicted of selling counterfeit merchandise under state or federal law, regardless of whether it's for resale. Current law applies the sales tax to illegal sales, but doesn't apply to sales for resale. The Legislature added the use tax in 1935 in response to complaints from in-state retailers that California residents would evade the sales tax it enacted in 1933 by purchasing property out-of-state, but use it California. **Status:** Enrolled.

**PROPERTY TAX/ PARCEL TAX****AB 1450 (Garcia) Local government: redevelopment: revenues from property tax override rates (pension)**

AB 1450 would allow revenues from a voter-approved pension property tax to be allocated to, and when collected to be paid into, the fund of the city or county whose voters approved the tax. AB 1450 would apply unless following a written request with each ROPS cycle from the successor agency to the city or county whose voters approved the tax it rather authorizes the use of the revenues by the successor agency to pay any enforceable obligation. There are some cities throughout the state whose voters historically approved a tax for pension obligations for city staff, including 12 cities in Los Angeles County. Some pension levies were approved as early as the 1920s, with some cities amending and increasing their levy through the late 1970s. The amounts of the levies also vary by city and range from 0.05% to 0.45%. These rates are levied in addition to the 1% general property tax rate. **Status:** Enrolled.

AB 1521 (Fox) and SB 69 (Roth) Local government finance: vehicle license fee adjustment

AB 1521 and SB 69 would change the formulas for calculating annual vehicle license fee adjustments amounts to account for territory annexed to cities since 2004 and establish a foundation to support sustainable and compact growth policies. SB 69 specifically reinstates, via property tax shares, funding stripped from recently incorporated cities; and AB 1521 reinstates, via property tax shares, funding stripped from cities that annexed inhabited territories, and would provide similar funding going forward. SB 89 (2011) moved city VLF revenues to fund law enforcement grants that previously had been funded by the State leaving recently incorporated cities particularly harmed. *AB 1521 and SB 69 are MuniServices-supported bills.* **Status:** Enrolled.

AB 1760 (Chau) and SB 1203 (Jackson) Property taxation: payment in lieu of taxes agreement (PILOT)

AB 1760 would prohibit a local government from entering into a PILOT agreement with a property owner of a low-income housing project. The bill would presume that any payments made under any PILOT agreement entered into before January 1, 2015, are used to maintain the affordability of, or reduce the rents otherwise necessary for, the units occupied by lower income households. SB 1203 would prohibit an assessor from levying any escape or supplemental assessment as a result of the certification requirement, because of a property owner's certification concerning the use of funds that would have been necessary to pay property taxes and a PILOT agreement with a local government for which the assessor did not levy any assessment. **Status:** Enrolled.

AB 2109 (Daly) Controller: reports: parcel taxes

AB 2109 would require the State Controller to report annually on the imposition of each locally assessed parcel tax including the amount of revenue received from the parcel tax; and the manner in which the parcel tax is being used. This bill seeks to provide transparency on parcel taxes especially since over the past several decades they have become an increasingly popular option of local entities to raise revenue for various programs. **Status:** Enrolled.

**AB 2211 (Ting) Counties: database: information on general ad valorem property tax revenues**

AB 2211 would require counties to make available to the public on its internet website a graph visualization of how general ad valorem property tax revenues are allocated countywide at a summarized jurisdictional level. Specified information to be included on the website includes a brief summary of programs and services funded by property tax revenue. **Status:** Enrolled.

AB 2231 (Gordon) Controller: property tax postponement (senior citizens & disabled citizens)

AB 2231 reinstates the Senior Citizens and Disabled Citizens Property Tax Postponement (PTP) program to provide property tax deferment to seniors and disabled persons and allows income-eligible senior citizens and disabled persons to apply to the Controller to defer payment of property taxes, beginning on July 1, 2016. Though the funding for the previous program was eliminated in 2009, the statute remains. **Status:** Enrolled.

AB 2618 (Perez) Property and business improvement areas: benefits assessments

AB 2618 would include Proposition 218 requirements into the Property and Business Improvement District (PBID). Proposition 218 created confusion around issues such as district formation, the levying of assessments and the permissible functions of PBIDs. Consequently, cities throughout the state are using divergent methodologies to form PBIDs and impose assessments. Litigation arising from this lack of clarity threatens the viability of all of California's PBIDs and the employment, public health and safety, and economic development benefits they create. Most assessments are levied against real property and are generally collected on the property tax roll, secured by a lien against the assessed property, and subject to Proposition 218. Assessments levied on businesses, not real property, are not subject to Proposition 218, and are usually collected along with business license taxes and are not secured by a lien against real property. **Status:** Enrolled.

INFRASTRUCTURE FINANCING/ ECONOMIC DEVELOPMENT**AB 229 (Pérez) Local government: infrastructure and revitalization financing districts**

AB 229 creates infrastructure and revitalization financing districts (IRFDs) modeled after infrastructure financing districts (IFDs) in existing law. The bill authorizes a military base reuse authority to form a district, and allows these districts to finance a broader range of projects and facilities to clean-up and develop former military bases. Military base closure and realignment creates significant adverse economic hardships on many California communities. Unlike cities and counties, military base reuse authorities do not have the financing tools necessary to respond to the infrastructure and economic development requirements of a post-redevelopment world. **Status:** Enrolled.

AB 2170 (Mullin) Joint powers authorities: common powers

AB 2170 would clarify that Joint Powers Agencies (JPAs) are able to raise revenue for projects consistent with the purposes for which the agency was formed. Proposition 218 (November 1996) established requirements for the imposition of, extension, or increase in local taxes, assessments and fees. This measure seeks to make clear that JPAs may increase revenue for community projects subject to all voter approval requirements. JPA's are an important part of California governance, and it is helpful to clarify the law to ensure a common understanding of existing JPA powers to levy fees or taxes. *AB 2170 is a MuniServices-supported bill.* **Status:** Enrolled.

**AB 2280 (Alejo) Community revitalization authorities**

AB 2280 would allow local government officials to establish a Community Revitalization and Investment Authority and use property tax increment revenues to finance the implementation of a community revitalization plan within a community revitalization and investment area. AB 2280 avoids the impact to the state General Fund by explicitly prohibiting school participation. There are potentially substantial fiscal impacts to participating local governments. **Status:** Enrolled.

AB 2292 (Bonta) Infrastructure Financing Districts

AB 2292 would provide cities and counties with a tool to expand broadband projects that would bring high-speed communications, jobs, and new businesses to local communities. To form an Infrastructure Financing District (IFD), the city or county must develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Once the other local officials approve, the city or county must still get the voters' approval. **Status:** Enrolled.

SB 614 (Wolk) Local government: jurisdictional changes: infrastructure financing

SB 614 allows a local agency, until January 1, 2025, to use tax increment financing in a newly formed or reorganized district to fund infrastructure improvements in disadvantaged unincorporated communities. Currently, cities and counties can create Infrastructure Financing Districts (IFDs) and issue bonds to pay for community scale public works. To repay the bonds, IFDs divert property tax increment revenues from other local governments for a period of 30 years. IFDs, however, are prohibited from diverting property tax increment revenues from schools. **Status:** Enrolled.

SB 1183 (DeSaulnier) Vehicle registration fees: surcharge for bicycle infrastructure.

SB 1183 authorizes, until January 1, 2025, a local agency upon voter approval to impose a surcharge of up to \$5 on vehicles registered within its jurisdiction. The revenue is to be used for improvements to and maintenance of existing trails and bikeways, the creation of new trails and bikeways, and the development of other bicycle facilities, such as bike parking. The bill includes a local funding mechanism; the surcharge would be specified in an ordinance and the Department of Motor Vehicles would administer the collection of fees and the distribution of net revenues to the local agency. **Status:** Enrolled.

POST REDEVELOPMENT**AB 1963 (Speaker Atkins) Redevelopment**

AB 1963 extends from January 2, 2015 until January 1, 2016, the date by which the Department of Finance (DOF) must approve a redevelopment successor agency's long-range property management plan. This measure repeals the requirement for the State Controller to review successor agencies' transfers of specified assets to cities or counties and provides for the return of improperly transferred assets. Successor agencies have time to get the DOF approval and avoid a "fire-sale" of former RDA property. *AB 1963 is a MuniServices-supported bill.* **Status:** Signed by the Governor - Chapter 146, Statutes of 2014.

**SB 1129 (Steinberg) Redevelopment: successor agencies to redevelopment**

SB 1129 would make changes to the process of dissolving redevelopment agencies and disposing of their assets. The bill clarifies that successor agencies do not have to pay compensation to the other taxing entities for the real property assets they elect to retain, once they have received a finding of completion from DOF. The bill requires the DOF to get Oversight Board approval for the removal of items from a successor agency's Recognized Obligation Payment Schedule (RPOS) after DOF has issued a finding of completion to the successor agency. And, the bill allows a successor agency to use 2011 bond proceeds if the Oversight Board, in consultation with the relevant Metropolitan Planning Organization, determines that the use of bond proceeds is consistent with the agency's Sustainable Communities Strategy developed pursuant to SB 375 (2008). SB 1129 is supported by many cities and the League of California Cities. **Status** Enrolled.

LOCAL GOVERNANCE**AB 1147 (Bonilla, Gomez, and Holden) Massage therapy**

AB 1147 would makes changes to the Massage Therapy Act in the Business Professions Code (4600) including deleting the preemption of ordinances and local land use authority for "certified-only" massage establishments. AB 1147 reconstitutes the California Massage Therapy Council (CAMTC); reinforces local massage ordinances; raises professional and educational standards for massage therapists; expands the disciplinary authority of CAMTC; and specifies requirements for operators of massage businesses and establishments. The provisions enacted in AB 1147 include a January 1, 2017 sunset. **Status:** Enrolled.

AB 1965 (Yamada) Outdoor dining: pets

AB 1965 would authorize restaurants to allow dogs in outdoor dining areas provided the city or county does not prohibit the conduct by ordinance. AB 1965 is supported by the League of California Cities and California Restaurant Association. **Status:** Chapter 234, Statutes of 2014.

AB 2241 (Eggman) Local government: agricultural land

AB 2241 would revise the fees charged when a Williamson Act or Farmland Security Zone contract is rescinded to place the property into a solar-use easement contract, and specify that 50% of the rescission fees would be retained by the county and not transmitted to the General Fund. The bill would sunset on January 1, 2020, at which time rescission fees would return to the levels in current law and all fees would be deposited into the General Fund. The author's office indicates that the bill is intended to provide an incentivize for more counties to rescind current contracts on marginally productive or physically impaired lands by allowing counties to retain 50% of rescission fee revenues. **Status:** Enrolled.

AB 2719 (Bonta) Mobile retail operations and pop-up operations: model local ordinance

AB 2719 would require the Office of Planning and Research to develop, in consultation with local governmental entities, a model local ordinance or resolution regulating mobile retail operations and pop-up operations within the jurisdiction of a city or county. The bill would require the model ordinance to include the types of vehicles allowed to operate, used as mobile retailers, the types of structures to be used in pop-up operations, minimum qualifications for businesses operating in this manner, procedures for license renewal and revocation, and other provisions. **Status:** Enrolled.

**SB 270 (Padilla) Solid waste: single-use carryout bags**

SB 270 would prohibit stores from providing a single-use carryout bag to a customer. The bill would also establish requirements for reusable bags and prohibits stores from distributing reusable bags for less than 10 cents per bag. All moneys collected will be retained by the store and may be used for costs associated with complying with the requirements, the actual costs of providing recycled paper bags or reusable grocery bags, and the costs associated with a store's educational materials or line 9 educational campaign encouraging the use of reusable grocery bags. **Status:** Enrolled.

SB 1462 (Committee on Governance and Finance) Local government: omnibus bill

SB 1462 is the Local Government Omnibus Act of 2014. This year's bill includes language related to: 1) County law libraries' real property management; 2) Sacramento County fictitious business names; 3) Local bond issuers determination of taxable bond maturity; 4) State Controller's property tax audits cross-reference; 5. Infrastructure Financing Districts (IFDs); 6) Special districts and securitized limited obligation notes; 7) Office of Noise Control; 8) Port or harbor infrastructure definition cross-reference; 9) California Assessors' Association; and 10) Property and Business Improvement Districts (PBID). **Status:** Signed by the Governor - Chapter 1462, Statutes of 2014.

STATE ADMINISTRATION**SB 1711 (Cooley) Administrative Procedures Act: economic impact assessment**

SB 1711 would require an economic impact assessment to be included in the initial statement of reasons that a state agency submits to the Office of Administrative Law when adopting, amending, or repealing a non-major regulation. Under SB 1711 a "major regulations" will have an economic impact on California business enterprises and individuals in an amount exceeding \$50 million, as estimated by the agency. **Status:** Enrolled.

Sources

California Contract Cities Association (*Partner Affiliate*)
California Municipal Revenue Tax Association (*Partner Affiliate*)
League of California Cities (*Partner Affiliate*)
California Legislature
State Board of Equalization
CalTaxletter