

**2017 "END OF SESSION" STATUS REPORT**

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- ENERGY/ WATER/ SEWER/ UTILITIES / FRANCHISE FEES
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- STATE MANDATE REIMBURSEMENT / PROPOSED REGULATIONS / COMMENTS DUE 9/ 22

**September 15<sup>th</sup>** marked the last day for any bill to be passed by the California Assembly and Senate. The Governor has until **October 15<sup>th</sup>** to sign or veto bills passed by the Legislature on or before September 15. Refer to <http://leginfo.legislature.ca.gov/> for bill analyses and up-to-date details.

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**Sales and Use Tax**

## Revenue Expansion

- **Offer in Compromise Extension:** Repeals the January 1, 2018 sunset for the BOE existing "Offer in Compromise" program for active businesses; anticipates an average annual revenue gain of \$477,500. The bill is supported by the League of California Cities and California Chamber of Commerce. **(AB 525/ Aguiar-Curry) (Governor's Desk)**
- **Revenue Expansion - Reporting Use Tax Liabilities:** Requires a taxpayer who reports use tax on their FTB return to enter a number on the use tax line or to indicate that the taxpayer owes no use tax or the taxpayer has remitted the tax to the BOE; anticipates collecting approximately \$6.1 million annually. **(AB 1593/ Ridley-Thomas) (Governor's Desk)**

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

- **San Mateo County Transit District:** Would authorize the District's board to exceed the 2% limit to impose a transactions and use tax set at a rate of no more than 0.5%, if approved by the board before January 1, 2026. **(AB 1613/ Mullin) (Governor's Desk)**
- **Riverside County Transportation Commission:** Authorizes the Commission to impose a maximum tax rate for transportation purposes of 1%, subject to voter approval. **(AB 1189/ Garcia) (Governor's Desk)**
- **Counties of Alameda, Santa Clara and City of Santa Fe Springs: Cap Increase:** Authorizes these agencies to each impose a general-purpose or specific-purpose transactions and use tax that, in combination with all district taxes imposed, that may exceed the existing 2% rate limitation. Under the bill, Alameda County rate could be no more than 0.5%; Santa Fe Springs at no more than 1%; and Santa Clara County at no more than 0.625%. **(SB 703/ Skinner) (Governor's Desk)**
- **Peninsula Corridor Joint Powers Board:** Allows the Board to impose a transactions and use tax up to 0.125%, applies to the Counties of San Francisco, San Mateo, and Santa Clara and used to expand Caltrain service and reduce traffic. **(SB 797/ Hill) (Governor's Desk)**

## Additional Proposals Related to Local District Taxes

- **San Diego Area Transit Restructure and Sales Tax Increase:** Revises the governance structure and practices of the San Diego Associate of Governments, the Metropolitan Transit System, and the North Coast Transit District; authorizes MTS and NCTD to impose a 0.5% transactions and use tax for public transit purposes. **(AB 805/ Gonzalez Fletcher) (Governor's Desk)**
- **Affordable Housing Authorities/ Allocating and Use of Tax Revenues:** Permits a locality to establish an affordable housing authority to fund affordable housing; specifies that the authority can capture property tax increment, or revenues from a local sales and use tax or transactions and use tax, provided those revenues are used for qualified affordable housing projects. **(AB 1598/ Mullin) (Governor's Desk)**



- **Sacramento Regional Transit:** Would allow upon voter approval for the levy and collection of property taxes, and a local transactions and use tax at the rate of 1/8 of 1% for participating jurisdictional boundaries. **(AB 709/ McCarty)** *(Senate Rules)*

### Business License

- **Shared Economy/ Single Business License:** Allows transportation network company (TNC) drivers to obtain a single business license in their jurisdiction of “domicile” that will be valid in all local jurisdictions. The bill is opposed by the League of California Cities, MuniServices and other locals. **(SB 182/ Bradford)** *(Governor’s Desk)*
- **Business License Fee / \$1 For Certified Access Specialists/ Extends the Sunset and Increases the Fee to \$4:** Extends the fee (SB 1186, Chapter 383, Statutes of 2012) indefinitely. On and after January 1, 2018, and until December 31, 2023, increase the amount from \$1 to \$4; reverts the fee back to \$1 on and after January 1, 2024. For locals that do not issue a business license or an equivalent instrument or permit, would require an applicant for a building permit to pay an additional fee of \$4 on and after January 1, 2018, and until December 31, 2023, and an additional fee of \$1 on and after January 1, 2024, for the building permit, to be collected by the local agency issued the building permit. **Revenue Impact:** Increased state revenue of \$200,000 annually for four years (DSA) and increased local revenue of \$6.1 million for four years. **(AB 1379/ Thurmond)** *(Governor’s Desk)*
- **Local Government: Taxicab Transportation Services/Single Business License:** Would require cities and counties to regulate taxicabs if a taxicab provider is substantially located in the jurisdiction. The League expressed concerns that that the bill cuts out the business license/permitting authority of jurisdictions which fall outside of the “largest share” threshold. The League’s letter of opposition to the author included reference to language submitted by the League to his staff, taxicab industry representatives, and committee staff which would have allowed the jurisdictions with at least thirty percent (30%) or the three largest shares of a taxicab’s business activity to license and permit taxicab business. The idea behind this framework is to protect the most impacted cities (cities where taxis are abundant) and the small-midsize cities that have a robust taxi industry, but may not have the largest share of business for any one particular company/driver given the natural dispersion of industry activity. This approach is not included in the bill that was sent to the Governor. The bill’s implementation date is January 1, 2019 and exempts the City and County of San Francisco. **(AB 1069/ Low)** *(Governor’s Desk)*

### Cannabis Regulation

- **AB 133 (Budget) Cannabis Regulation/ Clean Up:** SB 94 (2017) was the measure that combined the Medical Cannabis and Regulatory Safety Act (MCRSA) and the Adult Use of Marijuana Act (AUMA: Proposition 64) into one regulatory framework for the regulation and licensure of medical and adult use cannabis businesses in California. AB 133 includes a provision that amends the local and state licensing process by allowing the state to issue a license to an applicant that shows proof of local approval without first verifying this with the local jurisdiction. There was agreement amongst stakeholders that this issue will be addressed through the Emergency Regulatory process. *(Chaptered)*

### Energy/ Water/ Sewer/ Utilities/ Franchise Fees

- **Conversion of Existing Overhead Electric & Communications Facilities:** In cases where locals ask for utilities to be moved (underground), requires locals to reimburse cable television operators the way they do other utilities (like telephone). The California Improvement Act of 1911 requires local governments provide all other utilities with partial reimbursement for the forced relocation of their facilities. **(AB 1145/ Quirk)** *(Governor’s Desk)*
- **Solar Energy Systems: Permits: Fee Cap:** Lowers a cap on local government permit fees for rooftop solar energy systems and extends the cap to cover solar thermal systems. The bill lowers residential permit fees to \$450 through January 1, 2025 and still allows local governments to charge higher fees if they justify the cost. California has set a goal of procuring 50% of its electricity from renewable sources by 2030. The bill is opposed by the League of California Cities and California State Association of Counties. **(AB 1414/ Friedman)** *(Governor’s Desk)*



- **Limits Local Discretionary Review: Wireless and Small Cell Telecommunications Facilities:** Prohibits cities and counties from precluding the leasing of their “vertical infrastructure,” including streetlights and stoplights, for the installation of wireless telecommunications facilities; and impose a cap developed for utility poles on the rents that cities or counties could charge for the use of their publicly-owned non-utility pole vertical infrastructure. **(SB 649/ Hueso) (Governor’s Desk)**
- **Storm Water: School Facility Water Capture Practices: Local Partnership:** Requires state and regional entities to consult on and recommend best design and use practices for storm water and dry weather runoff capture that can generally be applied to all new, reconstructed, or altered public schools. The bill is supported by the League of California Cities, California Contract Cities Association and several local agencies. **(SB 541/ Allen) (Governor’s Desk)**
- **Local Government: Fees and Charges:** Makes it easier for local agencies to finance projects capturing storm water to reuse it, instead of letting the water run off; provides legal clarity on the interpretation of Proposition 218 (defines “sewer”) while maintaining the proposition’s transparency and accountability guidelines. **(SB 231/ Hertzberg) (Governor’s Desk)**
- **Water Quality: Safe and Affordable Drinking Water Fund:** Would establish a fee on public water system customers. Funding will come from a safe drinking water fee in the form of a fertilizer mill fee, a safe drinking water fee on dairies, and a new, small safe drinking water fee assessed monthly on water bills. The Fund will focus on the needs of small disadvantaged communities. **(SB 623/ Monning) (Two-Year)**
- **Overtake Local Voter-Approved Utility User Taxes (UUT): Prohibits Video Streaming:** Sets a precedent for cities and counties who have levied a UUT, and directly impacts 88 jurisdictions with a “video” provision. Cities receive between 15 and 30 of the general-purpose revenue from UUT policies, and many provide exemptions for low income and elderly service users. **(AB 252/ Ridley-Thomas) (Interim Study)**

### Public Contracts

- **Counties: Prohibits Contracts for Certain Services:** As drafted, would place restrictions on how counties contract for personal services; requires counties to clearly demonstrate that the proposed contract will result in actual overall costs savings and to show that the contract does not cause the displacement of workers. AB 1250 calls for extreme restrictions on local flexibility and exponential increases in costs and workload for local governments that are unreasonable. **(AB 1250/ Jones-Sawyer) (Senate Rules)**

### Economic Development

- **Climate Change: Enhanced Infrastructure Financing Districts:** Would expand the types of projects that can be funded with EIFDs to specifically include projects that enable communities to adapt to the impacts of climate change. These impacts could include, but are not limited to, extreme weather events, sea level rise, flooding, heat waves, wildfires, and drought. **(AB 733/ Berman) (Governor’s Desk)**
- **Local Agencies: Capital Investment Incentive Program:** Extends the authorization for locals to establish a capital investment program from January 1, 2018 to January 1, 2019. The CIIP, was enacted in 1997 and expanded in 1999 to provide local governments with an opportunity to attract large manufacturing facilities to invest in their communities and to encourage industries, such as high technology, energy, environmental, and others to locate and invest in California. CIIP authorizes a local government to offer a partial property tax abatement for qualified manufacturing facilities for assessed property taxes in excess of \$150M. **(AB 755/ E. Garcia) (Governor’s Desk)**
- **Affordable Housing and Sustainable (AHSC) “Buy Local and Train Local”:** Revises the provisions of the AHSC by requiring the Strategic Growth Council (SGC) to seek methods for the inclusion of local entrepreneurs and workforce training and certification of workers hired to work on the projects. **(AB 863/ Cervantes and Quirk-Silva) (Governor’s Desk)**

### Local Governance

- **Inoperable Parking Meters:** Prohibits a local authority from prohibiting or restricting the parking of a vehicle in a space regulated by an inoperable parking meter or parking payment center but allows cities to implement a four-hour cap if notice is given at broken meters with no posted time limit. **(AB 1625/ Rubio) (Governor’s Desk)**



- **Electric Generation Facilities Assessments:** Adds certain facilities that produce power from nonconventional power sources to the list of facilities that the BOE is not required to assess. This allows the facilities to be locally assessed. In the case of solar facilities, local assessment allows the facility to qualify for the new construction exclusion. **(SB 639/ Hertzberg)** *(Chaptered)*
- **AB 758 (Eggman) Tri-Valley-San Joaquin Valley Regional Rail Authority:** Would establish the Tri-Valley-San Joaquin Valley Regional Rail Authority for the purposes of planning, developing, and delivering transit connectivity between BART's transit system and the Altamont Corridor Express commuter rail services. The Authority's membership would be comprised of a representative from the following cities: Dublin, Lathrop, Livermore, Manteca, Pleasanton, San Ramon, Stockton, Tracy; Town of Danville; counties of: Alameda and San Joaquin; the Livermore Amador Valley Transit Authority, Mountain House Community Services District, and the San Joaquin Regional Rail Commission. *(Governor's Desk)*
- **Gambling Moratorium:** Extends by 3 years (currently expires in 2020) a statewide moratorium on expansion of legal gaming and threatens local revenue from these operations; blocks cities currently hosting card rooms from expanding operations. The bill is opposed by the League of California Cities. **(AB 1168/ Gibson)** *(Inactive File)*
- **Parking: Exclusive Electric Charging:** Would authorize a local authority to designate stalls or spaces on a public street within its jurisdiction for the exclusive purpose of charging and parking a vehicle that is connected for electric charging purposes. The bill would authorize the removal of a vehicle from a designated stall or space on a public street if the vehicle is not connected for electric charging purposes. **(AB 1425/ Muratshuchi)** *(Inactive File)*
- **Williamson Act: Cancellation/ Renewal Contracts: Cities and Counties:** Requires cities and counties to adopt rules governing partial cancellation and partial nonrenewal of contracts under the Williamson Act. **(AB 1564/ Arambula)** *(Inactive File)*
- **Capturing Revenue from New Technology: Horse Racing: Payments to Cities: "Digital" Wages:** The digital age paved way for advance deposit wagering (ADW); the bill directs the California Horse Racing Board to determine that bets made on the race track property using ADW are included as part of the total payments made to cities from the betting handle. **(AB 1508/ Chau)** *(Two-Year)*

#### [Special Districts / Internal Control Guidelines for Locals / State Controller](#)

- **Special Districts:** Mandates the creation of a list of inactive special districts in California; establishes a process for local agency formations commissions (LAFCOs) to dissolve inactive special districts. Supported by the California Special Districts Association and the Little Hoover Commission. **(SB 448/ Wieckowski)** *(Governor's Desk)*
- **Controller: Internal Control Guidelines for Locals:** Allows the State Controller to audit any local agency for purposes of determining whether the agency's internal controls are adequate to detect and prevent financial errors and fraud. **(AB 804/ Garcia)** *(Governor's Desk)*

#### [Local Voter Requirements, Notices to the Public, Challenging Public Expenditures](#)

- **Ballot Printing Specifications:** Requires the ballot statement for *all* local ballot measures that impose a tax or raise the rate of a tax to include specified information about the tax. **(AB 195/ Obernolte)** *(Chaptered)*
- **Local Initiative Measures: Submission to Voters: Special Elections:** Eliminates the requirement that a special election be held to vote on a local initiative measure if certain conditions are met, and instead generally provides for the measure to be submitted to voters at a regularly scheduled election. **(AB 765/ Low)** *(Governor's Desk)*
- **Local Bond Measures:** Requiring the fiscal statement that is required to be included in the sample ballot for local bond measures to include the best estimate from official sources of the average annual tax rate that would be required to repay the bond. **(AB 1194/ Dababneh)** *(Governor's Desk)*
- **County Voter Information Guide:** Requires ballot pamphlets mailed to voters to include a notification that any new taxes approved by voters must be challenged within 60 days of that tax's approval. **(SB 348/ Leyva)** *(Two-Year)*
- **Transparency: Parcel Tax Notice:** Would require a local agency to provide thirty-day notice of a new parcel tax to any owner of record of a parcel affected by the tax, if that owner of record does not reside within the jurisdictional boundaries of the taxing entity. **(AB 448/ Daly)** *(Two-Year)*



### Affordable Housing

- **Recording Fees:** Imposes a fee of \$75 to be paid at the time of the recording of every real estate instrument, and not to exceed \$225, to fund affordable housing. Requires half of the funds collected in the first year to be spent towards persons experiencing homelessness and the remaining half to be made available to localities to update planning document and zoning ordinances. In year two and beyond, 70% of the funds shall be distributed directly to locals and 30% shall go to the state to be spent for designated purposes. **(SB 2/ Atkins) (Governor's Desk)**
- **Bond Act of 2018:** Will ask voters on the November 2018 ballot to authorize the sale of \$3 billion in GO bonds with proceeds used to finance various existing housing programs, and infill infrastructure financing and affordable housing matching; and \$1 billion for home loans to military veterans. **(SB 3/ Beall) (Governor's Desk)**
- **Approval Process / Limits Local Discretion:** Would pre-empt local discretionary land use authority by making approvals of multifamily developments, that meet inadequate criteria, "ministerial" actions, thus bypassing the California Environmental Quality Act (CEQA) and public input. **(SB 35/ Wiener) (Governor's Desk)**
- **Residential Density and Affordability:** SB 166 requires that a local jurisdiction to maintain adequate housing sites at all times throughout the planning period for all levels of income. The author states the bill is intended to expand the supply of housing, including affordable housing, by ensuring that localities maintain an ongoing supply of land to meet the locality's unmet housing needs. SB 167 increases the burden on local jurisdictions from "substantial evidence" to "a preponderance of the evidence" when making findings as to the disapproval of a housing development project. **(SB 166 and SB 167/ Skinner) (Governor's Desk)**
- **Public Infrastructure: Voter Approval:** Lowers to 55% voter-approval requirement for locals to fund related projects. **(ACA 4/ Aguiar-Curry) (Two-Year)**

### California Department of Tax and Fee Administration

**SB 131: California Department of Tax and Fee Administration, Office of Tax Appeals:** MuniServices representatives met with Legislative Budget staff to clarify specific language in the 9/6/16 version of the bill. We very much appreciate the clarification, yet remain cautious about the following provision on page 17 of SB 131: "Section 13, "15676.5. Subject to Section 15679, in order to facilitate the implementation of Section 15676: (a) The office shall establish a process under which a person filing an appeal may request, notwithstanding Section 11425.20 or any other law to the contrary, a closed hearing." MuniServices expressed concern that this language could lead to unintended consequences by allowing agency staff and a taxpayer to agree to a closed hearing in which decisions are made; we are concerned that this could lead to unpublished decisions. MuniServices provided suggested language to address this concern. The final SB 131 language did not include these recommendations that would make clear that local allocation hearings are not subject to a closed hearing. *(Chaptered)*

In a June 2017 letter to the Governor and subsequent meeting with Marybel Batjer, Secretary of the Government Operations Agency, MuniServices expressed that our focus with the new agency transition is to assure that all local agencies continue to have the needed regulations and rules in place for governing local sales and use tax allocations and that a process is in place in cases when appeals become necessary. We noted as an example that MuniServices was a vocal advocate during the development of Regulation 1807, Petition for Reallocation of Local Tax (Bradley Burns; Transactions and Use Tax), Regulation 1828, Petitions for Distribution or Redistribution of Transactions and Use Tax, and the regulatory efforts to implement AB 1717 (prepaid wireless collection mechanism). We look forward to continuing our work with the CDTFA and the respective regulatory process.

### State Mandate Reimbursement / Proposed Regulations/ September 22 Hearing in Sacramento

The Commission on State Mandates is in the process of proposing new regulations that will create barriers for local agencies seeking to obtain reimbursement for state mandate services. Among the proposals would amend the filing period requirements for reimbursement claims, making the requirements more difficult for local governments to meet. Under the proposed regulations, test claims must be filed within 365 days of incurring increased costs, regardless of where it lands in the fiscal year; currently, the submission deadline is by June 30 of the fiscal year following the fiscal year in which the increased costs were first occurred. **Proposed Regulations and Deadlines:**

<https://www.csm.ca.gov/rulemaking.php>.



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## [Resources](#)

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