

REVENUE AND TAXATION POLICY COMMITTEE HIGHLIGHTS

Friday, March 29, 2019 in Costa Mesa

State Budget and General Briefing

Jeff Slowey, Chair, League Revenue and Taxation Policy Committee, gave a brief introduction to the General Briefing Session and introduced League President Jan Arbuckle, Council Member, Grass Valley, who welcomed everyone to the second round of policy committee meetings of the year. President Arbuckle then shared a highlight of the most recent League board meeting where the Board had the pleasure of meeting with newly elected Governor Gavin Newsom. Arbuckle stated that the Governor's decision to visit the League Board of Directors and his willingness to stay for over an hour demonstrates the importance of our collective city voice. She encouraged everyone in the room to register for the League's Legislative Action Day.

League's fiscal advisor, Michael Coleman, walked through the State Budget update. He briefly discussed the moderate growth of the economy but acknowledged that there are some signs of a slowing economy, and stressed the importance of maintaining a balanced budget.

Carrigg discussed two important economic development bills, SB 5 and AB 11. Both measures would reinvest the state into tax increment financing. A renewed investment would greatly improve opportunities for economic development and provide a great opportunity for the state to work with locals to accomplish shared state and local goals. He also discussed ACA 1 and several initiatives that have qualified for the ballot including the split roll, bail reform, and the Grocers and Police Chiefs criminal justice reform initiative.

The League's lobbyists discussed their respective issue areas.

Lastly, Carrigg discussed issues related to revenue and taxation. Carrigg touched on the League's support of AB 147 (Burke) which would implement the *Wayfair* decision in California and increase revenue for local governments, and discussed legislation that would limit sales tax agreements that shift revenue from other jurisdictions.

There was a special briefing about the impacts of *Cal Fire Local 2881 v. California Public Employees Retirement System*. The core issue at hand was whether or not "classic" level members still have a vested pension right to purchase future years of service – more commonly known as "airtime". This option was eliminated after the enactment of PEPR in 2012.

Welcome and Introductions

Committee Chair Jeff Slowey, Council Member, Citrus Heights and Vice Chair Olivia Valentine, Council Member, Hawthorne welcomed the Committee members to the second policy committee meeting of 2019.

Michael Coleman presented the budget update and Dan Carrigg gave a brief budget overview and expanded on what was discussed in the general briefing. Michael Coleman warned that the

expected revenue in the May revise of the budget might be different than what was anticipated in January. It was projected that the budget can only sustain an additional three billion dollars of new ongoing spending. With all of the spending proposals on the table and an economy that is expected to slow, the importance of good budgeting and restraint is increasingly important. Next, they discussed several bills that would impact the budget such as affordable housing tax breaks and earned income tax credits. Then they discussed the specifics of the Governor's housing budget proposal and expressed our dedication to continue working with the administration throughout the budget process.

Legislative Agenda

- SB 598 (Moorlach) Open Financial Statement and iXBRL.
The committee was provided with an overview of the legislation and a brief background on Senator Moorlach. The committee then discussed the proposal and provided their initial thoughts and feedback to League staff. There were initial cost concerns and some questioned the need to mandate that all cities use this new language in place of their current technology. The committee discussed the benefit of having every document in the same digital language and the benefits of uniformity across the board.

The Committee decided to take the staff recommendation and only take this item up for discussion at this meeting.

- AB 485 (Medina) Local Economic Development Subsidies-Warehouses.
The committee was briefed on the bill and the work of the City Manager Sales Tax Working group. Carrigg stated that based on the recommendations of the working group, this bill would go too far in restricting cities in giving local business subsidies.

The committee voted to recommend a position of oppose. Motion Carried unanimously.

- AB 176 (Cervantes) and SB 162 (Galgiani) CAEAFTA 10-Year Extension
The committee was provided with an overview of both of these measures and was provided a brief history of the program. This measure would extend the existing California Alternative Energy and Advanced Transportation Financing Authority (CAEAFTA) Program for another decade to January 1, 2031. This program operated through the State Treasurer's Office is authorized to award \$100 million annually in sales tax rebates which affect both state and local shares. The LAO has estimated that a ten-year extension of this program would result in a loss of \$550 million to local governments.

The committee voted to recommend a position of oppose. Motion Carried unanimously.

Discussion with Senator John Moorlach, Senate District 37

Senator John Moorlach joined the committee to discuss his SB 598. The Senator gave a brief background on the bill and why he believes that it is necessary. The Senator believes that this bill will make it easier to pull information regarding local government coffers and reduce the time

and cost associated with doing so. The Senator stated that he does not intend to make this bill retroactive and that going forward this bill will increase transparency. The committee members engaged in discussion with the Senator and voiced their concerns about the bill.

Legislative Update

Dan Carrigg briefed the committee on the below list of revenue and taxation bills of interest.

Sales and Use Taxes – Update

- AB 147 (Burke) Wayfair Implementation SB 531 (Glazer) Sales Tax Agreements Senator Glazer has not reintroduced SCA 20 and instead took one of the City Manager Sales Tax Working Group recommendations and introduced SB 531. The intent of this measure is to limit sales tax agreements so that a city can only give away their portion of revenue and not a neighboring city.
- ACA 13 (Oberholte) is the reintroduction of SCA 20. Dan Carrigg has already spoke with the office and will continue to brief the author on the work that has already been done on this issue.

Tax Increment/Economic Development

- SB 5 (Beall/McGuire) Tax Increment
- The committee is briefed on how this tax increment financing program is proposed to work and speaks to its potential benefits.
- AB 11 (Chiu) Redevelopment
- SB 128 (Beall) EIFD (Plus Gov's Opportunity Zone Proposal)
- AB 1259 (Luz Rivas) CA New Markets Tax Credit

Local Revenue and Financing

- ACA 1 (Aguiar-Curry) 55% Vote for Local Infrastructure and Affordable Housing
- AB 213 (Reyes) City Annexation-Restoration of Funding and Incentives
- AB 818 (Cooley) Financing of New City Incorporations
- AB 1637 (Smith) Unclaimed property – will send support letter soon.
- SB 532 (Portantino) Former RDA Bonds: Affordable housing
- Property Tax and the Welfare Exemption

Tax Reform

- SB 522 (Hertzberg) Service tax spot bill
- SCA 3 (Hill) and SCA 4 (Galgiani) Property tax: inheritance exclusion

Local Funding Opportunities

Carrigg briefly spoke to the multiple opportunities that are currently available or soon to be available. Below are several of the current funding opportunities. A more comprehensive list is linked in the general session briefing notes.

- SB 2 Atkins—Funding for Local Planning
- Allocation of Housing Bonds
- Cap and Trade
- Park Bonds
- SB 1 Allocations

Next Meeting: Friday, June 14 in Sacramento