I. **State Budget and Issues Briefing**

Rich Garbarino, League President and Council Member from the City of South San Francisco, welcomed all the attendees and thanked them for their valuable contributions to the League’s policy development process. He then paused and asked the attendees to celebrate the voter’s support earlier that week for Proposition 69, which ensured that revenues derived from SB 1 could only be used for transportation purposes. He added that the battle to protect local transportation funds was not over, and the League would be working with our partner organizations in the Fix Our Roads coalition to help voters understand the value of preserving these funds. He also noted that voters had approved two other League-supported measures: Prop. 68, the park bond, and also Prop 72 to give a tax break for rainwater capture. League Executive Director Carolyn Coleman provided additional welcoming remarks.

Next, League Fiscal Policy Consultant, Michael Coleman, gave an in-depth update of the Governor’s May budget revise. He discussed the revenues generated by the state and the funding priorities for the administration. Erin Evans-Fudem explained the League’s budget asks including wildfire and disaster funding, increasing funding for the Transformative Climate Communities program, and increasing state funding to address organic waste recycling challenges.

League Deputy Executive Director/Legislative Director Dan Carrigg then gave an overview of the primary election results including the high-profile Governor’s race in November. He talked about the candidates and highlighted some of the positions the candidates have on issues important to the League, such as housing.

Michael Coleman then provided an update on local ballot measures from the recent election. Dan Carrigg then discussed the challenges the League faces with multiple ballot measures in November. Specifically, Dan discussed the Business Roundtable’s initiative. This initiative would significantly hinder a city’s ability to raise revenue and fund essential services. Due to its retroactive provision, the initiative would undo 25 local ballot measures passed by the voters at the June election.

Jason Rhine, League’s Assistant Legislative Director, then updated the attendees on housing legislation. Jason highlighted several bills including AB 2923 (Chiu), SB 828 (Wiener), SB 831 (Wieckowski), AB 2890 (Ting), AB 3162 (Friedman), and SB 946 (Lara). Jason explained that
the budget deal on homelessness has been struck, but he urged everyone to call or visit their legislators to tell them that they support funding for homelessness.

Rony Berdugo, the League’s lobbyist on Transportation, Communications and Public Works, was joined by National League of Cities lobbyist, Angelina Panettieri. Rony provided an overview of the fight over SB 649 (Hueso) the small-cell bill from last year, and the implementation transportation funding from SB 1 (Beall, 2016), and asked for volunteers to be champions to help defend SB 1. Rony then introduced Angelina, who discussed the National League of Cities perspective on telecom issues and how other states are addressing the issue. She asked for members to speak to their congressional legislators about broadband deployment to make sure that local government perspectives are heard in Washington D.C.

Dane Hutchings, the League’s lobbyist on Governance, Transparency and Labor Relations, discussed AB 1912 (Rodriguez) that would apply retroactive liability to each member agency of a joint powers authority. Dane also discussed a recent budget trailer bill affecting contracting for library services that is reminiscent of AB 1250 (Jones-Sawyer) from last year.

Dan Carrigg then introduced the League’s newest lobbyist for Public Safety, Charles Harvey. Charles introduced himself and discussed various cannabis and public safety bills. Primarily, Charles discussed SB 1302 (Lara) that would force cities to allow for deliveries in their jurisdictions. He urged the group to call their legislators to let them know that cities do not support SB 1302 or any other measure that removes cities’ ability to regulate cannabis deliveries.

Lastly, Dan Carrigg gave a brief overview of the issues related to Revenue and Taxation. He briefly described SCA 20 (Glazer) and efforts to refine a proposed transition to destination allocation of local Bradley-Burns sales taxes as one of the primary topics of ongoing discussion.

II. Welcome and Introductions
Committee Chair Bob Biery welcomed the committee and invited members to introduce themselves.

III. Public Comment
No public comment.

IV. Additional Discussion of State Budget
Dan Carrigg, League Deputy Executive Director further reviewed Governor’s May Revised Budget and the LAO comments. The committee didn’t have additional questions or comments about updated state budget.

V. Legislative Update
The committee was provided an informational updated during the general briefing by Carrigg about the following agenda items:

- June Primary Election results – Carrigg echoed how the League was pleased that voters supported the passage of Proposition 69, which protects transportation funding. Voters also passed Proposition 68, the parks and water bond; and Proposition 72, the rain water capture system investment incentive. All three measures were supported by the League.
- Business Roundtable 2/3rds Vote Measure Update & Other Items on Nov. Ballot – Carrigg explained that the League needs to focus on the November election. The League is waiting to see if the repeal of SB 1 qualifies for the November ballot.
• Transportation Funding SB 1 Expenditure Reports due Oct. 1: Rony Berdugo reminded all committee members about the importance of submitting their expenditures during the General Briefing.
• Dan Carrigg updated the committee on two bills supported by the League: AB 2268 (Reyes) and AB 2941 (Cooley). AB 2268 would restore funding to approximately 140 cities that had annexed inhabited territory relying upon previous financial incentives that were swept away due to the passage SB 89 (2011). AB 2941 will restore a funding mechanism to assist new incorporations. Both bills were regretfully held in the Assembly Appropriations Committee.

VI. Discussion of Tax Policy Issues
Assembly Member Autumn Burke, Chair of the Assembly Committee on Revenue and Taxation, joined the committee for an informal discussion on tax policy, which included the state’s efforts to adjust to federal tax reform and issues surrounding SCA 20 (Glazer), which proposes to shift the allocation of local Bradley-Burns sales taxes to the location where the customer receives the product. Assembly Member Burke said that she thought it was unlikely that the bill would move this year, but cautioned the committee that the issue was not going away. She also recognized the importance of considering local impacts of any transition.

VII. Discussion on Next Steps on Sales Tax Modernization
The committee was provided an informational update on the following issues:
• City Manager Sales Tax Working Group;
• Pending Quill decision;
• SB 993 (Hertzberg), State Services Tax; and
• Governor’s Budget Press Conference comments indicating post-budget focus on tax reform.

VIII. Legislative Action Items Review
The committee reviewed and discussed the status of SCA 20 (Glazer), a proposed Constitutional Amendment, that proposes to shift the allocation of the local Bradley-Burns Uniform Local Sales and Use Tax derived from online sales to the point of delivery. The author has proposed amendments to phase-in this transition over nine years.

After discussion, the committee unanimously passed the following recommendation:
• Request the author to hold off on attempting to push his proposal for the November 2018 ballot, while the League works to finalize a proposal for the November 2020 ballot, to be introduced in the 2019 Legislative Session.
• Request the City Manager Working Group to continue its efforts to refine a proposed transition to destination allocation that would be presented to the League’s Revenue and Taxation Committee and the City Manager’s Department Meeting at League’s 2018 Annual Conference in Long Beach. An update would also be provided to the League Board. (By July 1, if not earlier, the President of the City Manager’s Department should update the membership of the working group to ensure it remains properly balanced, including ensuring representation from each of the League’s 16 regions with a total membership not to exceed 30 people.)
• The City Manager Working Group will take input received at the League’s Annual Conference and a final proposal will be presented to the League’s Revenue and Taxation Committee at its January 2019 meeting, with a recommendation forwarded to League Board.
IX. **November Ballot Measure: Transfer of Property Tax Base to Replacement Property**

The committee reviewed a proposed ballot measure sponsored by the California Association of Realtors called “The People's Initiative to Protect Proposition 13 Savings” which would expand property tax breaks for certain categories of individual homeowners when they move.

The California Constitution offers a one-time property tax saving opportunity for four categories of homeowners (those over 55 years old, the severely disabled, individuals displaced by a natural disaster, or moving from contaminated housing) who move to another home. All of these individuals have the ability to transfer their Proposition 13 property tax base-year value from their current dwelling to a replacement dwelling of equal or lesser value within the same county. Transfers to other counties are prohibited unless the county agrees to allow such transfers.

This measure (17-0013A1) sponsored by the California Association of Realtors® would expand this property tax break for these “qualified” individuals in the following ways:

- Reduce the taxes, per a specified formula, below the existing Prop. 13 base-year value for those who move to a dwelling of equal or lesser value;
- Provide a tax break, per specified formula, when the move is to a replacement dwelling of a greater value;
- Allow such transfers to all counties; and
- Allow individuals to use such transfers multiple times.

After presentations from proponents and opponents, the committee began its discussion. The discussion focused less on the overall fiscal impact of the property tax reductions projected by the Legislative Analyst on city and local government budgets and more on how the measure would affect the decisions by individual homeowners and seniors. A motion to take No Position on the measure passed the committee unanimously, except for one “No” vote.

Prior to the vote, one committee member questioned whether it was appropriate to take a vote on the measure given numerous committee members had already left the meeting. The question of a quorum was not called, however, League staff said they would note the concern over absent members when reporting the committee’s recommendation to the board.

**Next Meeting (tent.): Annual Conference, Long Beach, September 12**

*Staff will notify committee members after July 20th if the policy committee will be meeting in September.*