

**FINAL WEEKS OF THE 2017 LEGISLATIVE SESSION**

- SALES AND USE TAX
- BUSINESS LICENSE
- ENERGY/ WATER/ SEWER/ UTILITIES / FRANCHISE FEES
- LOCAL GOVERNANCE
- AFFORDABLE HOUSING
- STATE MANDATE REIMBURSEMENT / PROPOSED REGULATIONS
- MARKETPLACE FAIRNESS
- FAA RULING / REDIRECTING SALES TAX REVENUES
- NON-BINDING LANGUAGE

2017 Legislative Deadlines: **September 1** marked the last day for fiscal committees to meet and report bills to the Floor. Bills referred to “Rules” must obtain a rule waiver to move forward. **September 8** is the last day to amend bills on the Assembly or Senate Floor. **September 15** is the last day for any bill to be passed by the Assembly and Senate. The Governor has until **October 15** to sign or veto bills passed by the Legislature on or before September 15. Refer to <http://leginfo.legislature.ca.gov/> for up-to-date details.

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. **(AB 525/ Aguiar-Curry)** *(To the 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 to collect approximately \$6.1 million annually. **(AB 1593/ Ridley-Thomas)** *(Active)*

Authority to Impose a District Tax Beyond 2% Cap

- **San Mateo County Transit District:** Would authorize the District’s board to exceed that 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, 2021. **(AB 1613/ Mullin)** *(To the 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)** *(Active)*
- **Alameda County, 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, may exceed the existing 2% rate limitation by no more than 0.5%. **(SB 703/ Skinner)** *(Active)*
- **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)** *(Active)* **New**

Additional Proposals Related to Local District Taxes

- **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)* **New**
- **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)** *(Active)*
- **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)** *(Active)*



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 local agencies. **(SB 182/ Bradford) (Active)**
- **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) (To the Governor’s Desk)**
- **Local Government: Taxicab Transportation Services/Single Business License:** Requires cities and counties to regulate taxicabs if a taxicab provider is substantially located in the jurisdiction. The bill would also prohibit a city or county from requiring a business license, service permit, car inspection certification, driver permit, or compliance with taxicab regulations for a taxicab service provider to operate, unless the provider is substantially located in the jurisdiction or the provider does not hold any of those permits within the county. **(AB 1069/ Low) (Active) New**

Utilities/ Energy/ Water/ Sewer/ Franchise Fees

- **Overturn Local Voter-Approved Utility User Taxes (UUT): Prohibits Video Streaming:** AB 252 now a two-year bill, sets a precedent for cities and counties who have levied a UUT, and will directly impact 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)**
- **Conversion of Existing Overhead Electric & Communications Facilities:** In cases where locals ask for utilities to be moved (underground), this bill would require 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) (Active) Updated**
- **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) (Active) Updated**
- **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. The bill is opposed by the League of California Cities and California State Association of Counties. **(SB 649/ Hueso) (Active)**
- **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) (Active)**
- **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) (To the 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. For single-family homes and most multi-family homes and businesses, the monthly safe drinking water fee is capped at a maximum of \$.95 cents, with an exemption from the fee for low-income households (under 200% of the federal poverty level). The Fund will focus on the needs of small disadvantaged communities. **(SB 623/ Monning) (Two-Year) New**



Local Governance

- **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)** *(To the Governor's Desk)* **New**
- **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)** *(Active)* **New**
- **Counties: Prohibits Contracts for Certain Services:** Beginning January 1, 2018, 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)*
- **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)** *(Active)*
- **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. Partial cancellations or partial nonrenewals may be made for a legally severable parcel. **(AB 1564/ Arambula)** *(Active)* **New**
- **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)** *(Active)*
- **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)** *(Active)*
- **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)*
- **Electric Generation Facilities Assessments:** Adds certain facilities that produce power from nonconventional power sources to the facilities the BOE is not required to assess; allows the facilities to be locally assessed and in the case of solar facilities, local assessment allows the facility to qualify for the new construction exclusion. **(SB 639/ Hertzberg)** *(Chaptered)*
- **Special Districts:** Mandates the creation of a comprehensive 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)** *(Active)*
- See the above "Business License" section (AB 1069 and SB 182) **New**



Local Voter Requirements, Notices to the Public, Challenging Public Expenditures

- **County Voter Information Guide:** Requires ballot pamphlets that are 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)*
- **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)*
- **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)*
- **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)** *(To the Governor's Desk)*
New
- **Ballot Measures to Create or Increase Local Special Taxes May Pass with a Simple Majority if Qualified by an Initiative Effort:** *California Cannabis Coalition v. City of Upland*, involved whether rules requiring tax measures to be voted on in general elections applied to an initiative-backed ballot measure backers in Upland intended to be considered in a special election. **New**

Affordable Housing

- **Public Infrastructure: Voter Approval:** Lowers to 55% voter-approval requirement for locals to fund related projects. **(ACA 4/ Aguiar-Curry)** *(Two-Year)*
- **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. **(SB 2/ Atkins)** *(Active)*
- **Bond Act of 2018:** 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. **(SB 3/ Beall)** *(Active)*
- **Approval Process / Limits Local Discretion:** "Streamline" multifamily housing project approvals by eliminating public input, prohibiting CEQA, and removing nearly all local discretion. **(SB 35/ Wiener)** *(Active)*

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>; Agenda, Notice, and New Filings for CSM Hearing on September 22, 2017 issued August 22, 2017 **New**



Marketplace Fairness

With revenue trending downward, some states are going after remote sales in the hope that *Quill Corp. v. North Dakota* will be overturned. *Quill* limits the collection of sales and use tax to vendors with a physical presence in the state. U.S. lawmakers reintroduced federal legislation that would require remote sellers to collect and remit state sales and use taxes: the Remote Transactions Parity Act (H.R. 2193) in the House, the Marketplace Fairness Act (S. 976) in the Senate, and No Regulation Without Representation (H.R. 2887). There is also a draft Online Simplification Act circulated by House Judiciary Committee Chair Bob Goodlatte. Congress has so far failed to act on a measure.

Speaking during oral arguments late August before the South Dakota Supreme Court in *State of South Dakota v. Wayfair Inc.*, South Dakota Attorney General Marty Jackley told the justices that they have “a very critical and important voice” in influencing the nation’s highest court. The physical presence test for remote sales tax collection is archaic and the South Dakota Supreme Court should “weigh in” on the need for the U.S. Supreme Court to overrule *Quill*, the state’s attorney general said. **Updated**

FAA Ruling – Redirecting Sales Tax Revenues / Non-Binding Language

This is an issue relevant to local agencies (that have an airport) with an adopted local sales tax in place after December 31, 1987. We are not aware of a viable amendment for consideration to overturn the ruling or to exempt local voter approved taxes. We do know the Congressional Senate Transportation Appropriations bill includes the following non-binding language “encouraging” the Transportation Department to fix this problem: “The Committee is aware of several self-help counties that have enacted sales tax measures to fund local transportation improvements. These sales tax measures are difficult to enact and provide critical funding to address local highway, transit, and other transportations requirements. Several of these counties contain airports and have been receiving funds raised on the sales tax associated with the sale of aviation fuel. In 2014, the FAA finalized a rule construing the term “local taxes on aviation fuel” to apply to all sales taxes rather than specific excise taxes on aviation fuel. This change in definition diverts funding away from projects outlined in local sales tax measures, violating promises made to the voters who approved these measures. According to the FAA rules, local transportation sales taxes collected on the sale of aviation fuel would have to be spent in accordance with FAA rules governing such expenditures. *The Policy and Procedure Concerning the Use of Airport Revenue [Docket No. FAA-2013-0988] is scheduled to be enforced by the end of December 2017.* Given the utility of sales tax measures to address local transportation needs and reduce the burden on federal spending, the Committee encourages the Secretary to postpone the enforcement of Docket No. FAA-2013-0988 and work with local governments and the FAA to develop a path forward to allow the use of local sales tax revenues generated on the sale of aviation fuel to be used in a manner consistent with their enactment.” **Updated**

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