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February 22, 2019 is the last day for bills to be introduced in the California State Legislature. This report reflects selected measures introduced to-date. Updates to this report since its original publishing January 17, 2019 are noted.

- Sales Tax / Exemptions / *Wayfair*
- City Managers Sales Tax Working Group
- Property Tax / RDA
- Cannabis / Regulations / 2018 Farm Bill / Hemp
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## PART 1: SELECTED INTRODUCTIONS AND ISSUES

### Sales Tax

**Sales Tax Exemption for Diapers:** Exempts diapers designated size 3 and under from sales and use taxes. (AB 66 / Gonzalez)

**Sales Tax Exemption for Feminine Hygiene Products:** Exempts specified feminine hygiene products from sales and use taxes beginning January 1, 2020. (AB 31 / Cristina Garcia, Bonta, Gonzalez, Mathis)

**Sales Tax Exemptions: Trucks:** Authorizes an exemption on the purchase of a remanufactured truck with an unladen weight of 6,000 pounds or more that is delivered to an in-state purchaser but subsequently is moved or used outside California. (AB 321 / Patterson)  
*Added on 2/1/19*

### Sales and Use Tax Exemption for Water Treatment:

Exempts chemicals used to treat water, recycled water, or wastewater regardless of whether those chemicals or other agents become a component part thereof and regardless of whether the treatment takes place before or after the delivery to consumers. (AB 405 / B. Rubio)  
*Added on 2/11/19*

### Alternative Energy and Advanced Transportation:

Extends the authorization for the Alternative Energy and Advanced Transportation Financing Authority to provide financial assistance in the form of specified sales and use tax exclusions for qualifying projects, and extends the sales and use tax exclusion for the lease or transfer of title of tangible personal property constituting a project to any contractor for use in the performance of a construction contract for a party that will use that property as part of the approved project. (SB 162 / Galgiani)

### *Wayfair* Implementation: April 1, 2019

**Implementation:** The CDTFA will require out-of-state retailers to collect and remit use tax beginning on April 1, 2019 if in the preceding or current calendar year their sales into California exceed \$100,000 or 200 or more separate transactions. Proposed AB 147 defines “doing business in California” for the purposes of collecting sales and use taxes as having \$500,000 in cumulative sales or deliveries into California in the preceding 12 months; this is different than the \$100,000 or 200 separate transaction standard used in South Dakota and replicated in proposed CDTFA implementation regulations. The U.S. Supreme Court’s ruling in *Wayfair v. South Dakota* allows states more authority to require out-of-state sellers to collect use tax. Previously, California individuals were responsible for reporting and paying use tax on out-of-state purchases. The League of California Cities Revenue and Taxation Committee in January voted to support the bill. The League’s Board of Directors must next act on the Committee’s recommendation. **Status:** AB 147 is marked “urgency,” meaning it will take effect immediately if approved by the Governor. At the time of writing, AB 147 has not been calendared, but was referred to the Assembly Revenue and Taxation Committee. The author is also the Committee’s Chair. *Updated on 2/11/19*

**Study of Replacing the Sales Tax with Carbon Tax:**

Requires the California Air Resources Board to work with the CDTFA on the feasibility of replacing the sales tax with a carbon tax imposed on goods and products sold in California, with the stated intent of encouraging the use of less-carbon-intensive products. (SB 43 / Allen)

**Tax Expenditures / New Law:** Existing law requires any bill introduced on or after January 1, 2015 that would authorize a personal income or corporation tax credit to contain specified detailed performance indicators. This bill would extend the information requirement for any bill, introduced on or after January 1, 2020, that would authorize a personal income or corporation tax expenditure. (AB 263 / Burke) [Added on 1/28/19](#)

**Recreational Vehicle Donation: Registration Fee and Tax Exemptions: State of Emergency:** Waives applicable sales and use taxes and vehicle registration fees, upon the donation and transfer of ownership of a recreational vehicle, if the Governor has proclaimed a state of emergency, and the donee of the recreational vehicle is a person who has suffered a total loss of his or her residence as a result of the event that precipitated the state of emergency. (SB 32 / Nielsen)

**Sales Tax Reform:** SCA 20 (Glazer) that proposed to shift local sale tax to destination allocation was the catalyst for continuing working group discussions in 2018. At the time of print we have not seen 2019 proposals for tax reform. See: <https://www.avenuinsights.com/wp-content/uploads/2018/08/MuniServices-I-Avenu-Research-and-Analysis-City-Managers-Working-Group-SCA-20-and-Destination-Sourcing-Revised-083018-Final-PDF-v2.pdf>

## Property Tax / RDA

**Reauthorizes Redevelopment Agencies:** Authorizes a city, county, or two or more cities acting jointly to propose the formation of an affordable housing and infrastructure agency; authorizes these agencies to issue bonds to finance redevelopment housing or infrastructure projects. (AB 11 / Chiu, Aguiar-Curry)

**Redevelopment: City of Santa Cruz: Bond Proceeds: Affordable Housing:** Would authorize the City of Santa Cruz to use the remaining bond proceeds for the purposes of increasing, improving, and preserving affordable housing, as defined, and facilities for homeless persons. (AB 411 / Stone) [Added on 2/11/19](#)

**Redevelopment Spot Bill:** Intent legislation relating to redevelopment. (SB 15 / Portantino)

**Split Roll:** An initiative to scale back Proposition 13 protections for commercial and industrial properties is eligible for the November 2020 ballot. Earlier this month, the California Teachers Association and WEIU endorsed the initiative. A poll released February 6 by the Public Policy Institute of California found that 49% of likely voters support a split-roll property tax, while 43% are opposed, and 10% said they don't know. The support came from 58% of Democrats surveyed, 37% of Republicans, and 49% of independents. [Updated on 2/11/19](#)

## Cannabis / 2018 Farm Bill

**Cannabis Deliveries in California:** Local ordinances that prohibit deliveries of cannabis products in cities may be impacted under new State regulations for cannabis businesses. These new regulations, approved January 16, 2019 by the Office of Administrative Law, take effect immediately. The new regulation states that "a delivery employee may deliver [cannabis] to any jurisdiction within the State of California provided that such delivery is conducted in compliance with all delivery provisions of this division." It is anticipated that this regulation may be challenged, but, for now, enforcement of an ordinance that conflicts with this regulation may subject a local jurisdiction to litigate. See: <https://www.avenuinsights.com/wp-content/uploads/2019/01/MuniServices-I-Avenu-Policy-Update-Bureau-of-Cannabis-Control-Regulations-013119-Final-v.6-PDF.pdf> [Added on 1/28/19](#)

**Tax Reduction: Cannabis:** Reduces the excise tax on the purchase of cannabis and cannabis products to 11% on and after the operative date of this bill until June 1, 2022, at which time the excise tax rate would revert to 15%. Suspends the imposition of the cultivation tax on and after the operative date of this bill until June 1, 2022. (AB 286 / Bonta) [Added on 2/1/19](#)



**Cannabis: Banking:** Creates the Cannabis Limited Charter Bank and Credit Union Advisory Board and specify its composition, to include the Treasurer, the Controller, and the Chief of the Bureau of Cannabis Control, and commit to it the general responsibility for ensuring that this law functions in a safe and efficient way. (SB 51 / Hertzberg)

**Deduction for Cannabis Businesses:** Authorizes a personal income tax deduction or credit for business expenses relating to cannabis beginning January 1, 2019. (AB 37 / Jones-Sawyer)

**Industrial Hemp:** Makes non-substantive changes to the existing definitions to the law. Existing law governs the growth of industrial hemp and establishes a registration program for growers of industrial hemp and seed breeders. Existing law also defines various terms for the purposes of these provisions. (SB 153 / Wilk).  
*Added on 1/28/19*

**2018 U.S. Farm Bill / Legalizing Hemp:** Allows farmers to legally grow industrial hemp, which would mean more CBD products on the shelves. Through this Farm Bill, hemp will no longer be considered a controlled substance. Generally, the legalization of industrial hemp will not impact the cities that prohibit commercial cannabis. Industrial hemp is specifically excluded from the definition of "Cannabis" as it relates to the commercial cannabis industry. See: Section 11018.5 of the Health and Safety Code. Industrial cannabis must meet the specifications provided in the Health and Safety Code section 11018.5. Local jurisdictions can allow commercial industrial hemp businesses without impacting bans on the commercial cannabis businesses. <https://www.congress.gov/bill/115th-congress/house-bill/2/text>

## Gambling

**Bureau of Gambling Control / New Card Club Proposed Regulations / Comments Were Due February 8:** The State Bureau of Gambling Control held public workshops on new card club regulations. We understand the proposal raised concerns for the state's 66 card clubs that generates an estimated \$300 million in local, state, and federal taxes annually. <http://www.cgcc.ca.gov/documents/enabling/2018/NO-PA-HEARINGS.pdf>

*Murphy v. National Collegiate Athletic Association*, the Supreme Court declared the federal Professional and Amateur Sports Protection Act (PASPA) unconstitutional. PASPA, adopted in 1992, prohibits states from authorizing sports gambling. As a result of this decision, state legislatures may repeal state laws banning sports betting and/or pass laws allowing sports betting.

AB 1168 (2018) extends the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 1, 2020, to January 1, 2023. *Updated on 2/11/19*

## Selected Housing Measures

**Tax Vote Threshold:** Lowers the vote threshold from 2/3rds to 55% for taxes that fund "infrastructure" and affordable housing. (ACA 1 / Aguiar-Curry)

**Land Use / Housing:** Limits restrictive local land use policies and legislation that would encourage increased housing development near transit and job centers, in a manner that ensures that every jurisdiction contributes its fair share to a housing solution. (SB 4 / McGuire)

**Keep Californians Housed Act:** Requires the Department of Housing and Community Development to develop and publish on its Web site, a guide to all state laws pertaining to landlords and the landlord-tenant relationship. (SB 18 / Skinner)

## Telecommunications / Utility User Tax/ Utilities

**Text Tax Ban:** Prohibits the Public Utilities Commission from collecting any revenue derived from a communications service that the Federal Communications Commission has determined is an information service. (AB 162 / Kiley)

**Prepaid Wireless Collection / UUT / AB 1717:** The United States District Court for the Northern District of California issued a ruling in *Metro PCS California, LLC v. Michael Picker et al.* The CDTFA no longer will enforce the Prepaid MTS Surcharge Collection under AB 1717. MuniServices and its Legal Counsel led the effort and prepared a letter sent by the League of Cities to the CDTFA outlining why the judgment is not applicable to local UUT's. The CDTFA in a notice confirmed that the local UUT will continue to be collected. *Clients should prepare to advocate in 2019 to ensure the continuation of AB 1717, which is set to sunset on January 1, 2020.*



## Office of Emergency Services / State Emergency

**Telephone:** Related to the 2018 State Budget, it makes a \$10,000,000 appropriation (loan) to the State Emergency Telephone Number Account which will be repaid in 2023. This will allow the State to begin working on the Next Gen 911 system activities. (AB 72 / State Budget) [Added on 2/1/19](#)

**California Net Neutrality:** The Attorney General announced in October he would not enforce the law pending the outcome of a lawsuit looking to overturn the FCC decision to discard the national net-neutrality standards.

**Public Utilities: Regulations:** States the intent of the Legislature to enact legislation reforming the regulation of public utilities. (SB 155 / Bradford) [Added on 2/1/19](#)

## Business License

**Spot Bill to Codify *Dynamex* Decision:** Intent is to codify the California Supreme Court's decision in *Dynamex Operations West Inc. v. Superior Court of Los Angeles*, in which the court ruled that a worker who performs services for a hirer is an employee rather than an independent contractor under specified circumstances. (AB 5 /Gonzalez)

**Implementing 2019 Laws:** Includes AB 2184, related to identification requirements and form change and AB 3002, disability notice. This report includes a legal analysis of the *Dynamex* case: See: <https://www.avenuinsights.com/wp-content/uploads/2018/11/MuniServices-I-Avenu-Policy-Update-California-Business-License-Related-Measures-and-Dynamex-Planning-for-2019-112918-PDF-1-.pdf>

**Stormwater Quality Improvement Tax/ New Requirements for Business Licenses:** Requires applicable industrial facilities to demonstrate coverage under the Industrial General Permit (IGP) when applying for a business license or renewal. The author's fact sheet reports the bill would standardize the filing process for all facilities subject to an IGP, encouraging uniformity with water quality requirements, and would bolster California's efforts to keep harmful pollutants out of precious water sources. MuniServices Business License and Government Relations team are in contact with the author's office regarding the bill. We have raised the following and expect to learn more: Would this apply to non-regulatory programs? Some

municipalities do not technically define their programs as "business licensing" but instead, a fee or registration. They do not regulate the program, meaning that all documentation, certifications, approvals are reviewed through the Permitting Department vs. the Finance Department. How will access be verified? Does this apply to all municipalities or only those with a population of 100,000 or more? The North American Industry Classification System (NAICS) has largely replaced SIC codes because it is a more specific classification. We do still see municipalities that track SIC in their systems. (SB 205 / Hertzberg) [Added on 2/11/19](#)

## Government Administration / Local Governance

### Elimination of the State Board of Equalization:

Eliminates the BOE and move its powers and responsibilities to the CDTFA and the OTA. (There is also a new proposed Federal measure H.R. 25 that would abolish the IRS and enact a national sales tax to be administered by the States.) (ACA 2 / Nazarian)

**State Government: FI\$Cal: Transparency:** Enacts the Budget Transparency Act of 2019. This modifies the transparency component of the system described above to require it to have information regarding all state expenditures, including the amount, the type, and a description of each state expenditure. (AB 62 / Fong)

**State Project Audits:** Intent language for a law that would require an independent audit of all state projects whose estimated cost exceeds a given threshold. (AB 64 / Fong)

**Dumping/ Increased Fines:** Increases the punishable fine amounts for dumping waste matter on private property, including on any private road or highways, without the consent of the owner punishable by a fine between \$250 and \$1,000 for a first conviction, between \$500 and \$1,500 for a 2nd conviction, and between \$750 and \$3,000 for a 3rd conviction. The bill would make a 4th or subsequent conviction a misdemeanor punishable by imprisonment in a county jail for not more than 30 days and by a fine of not less than \$750 nor more than \$3,000. (AB 215 / Mathis) [Added on 2/11/19](#)



**Solid Waste: Eliminate Paper Receipts:** Requires a receipt for the proof of purchase from a retailer to be provided only in electronic form, unless the consumer requests that the proof of purchase be provided in paper form. Sets forth violations and would be effective January 1, 2022. (AB 161 / Ting)

**Counties: Recording Fees:** Authorizes an additional \$1 fee when recording an instrument to be used for restoration and preservation of the county recorder's permanent archival microfilm, to implement and fund an archive program as determined by the county recorder, or to implement and maintain or utilize a trusted system for the permanent preservation of recorded document images. (AB 212 / Bonta)

**Local Government Finance: Property Tax: Vehicle Fees:** Provides property tax revenue to cities that had annexed inhabited territory in reliance on previous financial incentives that were removed by the passage of SB 89 in 2011. Over 140 cities were affected and lost over \$4.3 million annually. *MuniServices encourages impacted cities and those considering annexation to support this legislation.* Refer to the link for a list of impacted cities: <https://www.cacities.org/Resources-Documents/Annexation-Bill-Material/FY-2011-12-Loss-SB-89-Annexation-2019.aspx> (AB 231 / Reyes) *Updated on 2/11/19*

**Microenterprise Home Kitchen Operations:** Modifies the conditions for microenterprise home kitchens. *Reporting:* Requires an enforcement agency that is permitting and inspecting microenterprise home kitchen operations to annually report specified information about the operations and post a link to a report on the homepage of its internet website. *Safety Standards:* The bill would modify the food safety standards applicable to microenterprise home kitchen operations. *Marketing:* Prohibits an internet food service intermediary or a microenterprise home kitchen operation from using the word "catering" or any variation of that word in a listing or advertisement of a microenterprise home kitchen operation's offer of food for sale. (AB 377 / Garcia) *Added on 2/11/19*

**State Mandates/ Reimbursement Claim Date Change:** Existing law authorizes a local agency or school district, by February 15, to file an annual reimbursement claim detailing state-mandated costs. This bill would extend that date to March 1. (AB 400 / Lackey). *Added on 2/11/19*

**Alcoholic Beverages: Hours of Sale:** Beginning January 1, 2022 to January 2, 2027, requires the Department of Alcoholic Beverage Control to conduct a pilot program authorizing the department to issue additional hours (2 a.m. to 4 a.m.) license to an on-sale licensee located in a qualified city. The pilot program applies to Cathedral City, Coachella, Long Beach, Los Angeles, Oakland, Palm Springs, Sacramento, San Francisco, and West Hollywood. (SB 58 / Wiener)

**Single-use Plastic Waste: Reduction:** Reduces the amount of single-use plastic waste entering California's waste stream, polluting oceans, littering local communities and beaches, and costing local governments millions of dollars in clean-up costs. Note that the City of Berkeley adopted a surcharge on beverages served in a disposable cup. (SB 54 / Allen)

**Enhanced Infrastructure Financing District/ Eliminates Voter Requirement:** Enhanced Infrastructure Districts (EIFD) are tools for cities and counties to cooperate regionally to finance projects and encourage economic growth. The bill, sponsored by CALED, eliminates the voter requirement to issue EIFD bonds. At the time of writing, SB 128 is supported by the City of West Sacramento and the Greater Sacramento Economic Council. The proposed State Budget encourages the formation of additional EIFDs through removal of the 55-percent voter approval requirement to issue debt. (SB 128 / Beall) *Updated on 2/11/19*

## Consumer Privacy

**Consumer Privacy Act:** Intent is to enact legislation relating to the California Consumer Privacy Act of 2018. In 2018, MuniServices was successful in seeking amendment language to SB 244 and SB 1121 that protects local's access to certain taxpayer records and especially for auditing purposes. Over 200 CEO's of the country's largest companies released a framework for a national consumer privacy law. *We encourage locals to follow this issue, especially with respect to access to certain taxpayer data.* [https://s3.amazonaws.com/brt.org/privacy\\_report\\_PDF\\_005.pdf](https://s3.amazonaws.com/brt.org/privacy_report_PDF_005.pdf) (AB 25 / Chau) *Updated on 1/28/19*



## **Privacy: Lodging and Common Carriers: State Emergencies: Disaster Response-Emergency**

**Operations Account:** Includes clean up language to SB 1194 (2018) to clarify that the prohibition on disclosure of hotel records and private/charter bus records to third parties does not prevent a government entity from requiring a private business to provide business records in a public health, civil rights, or consumer protection investigation, or in an investigation conducted pursuant to section 308.5 of the Public Utilities Code. SB 1194 prohibited entities that offer lodging, transportation, or other accommodations to the public from disclosing, or communicating all or any part of any guest record to a 3rd party, other than a California peace officer, without a court-issued subpoena, warrant, or order.

MuniServices contacted the author's office with concern that an earlier version of the bill presented challenges with respect to a local's ability to perform lodging provider compliance reviews. The author agreed and accepted MuniServices suggestion to include language that protects locals' ability to use "agents" as a representative to perform TOT compliance audits. (AB 73 / Budget) [Updated on 2/11/19](#)

**Consumer Privacy: Social Media Companies:** Requires a social media company to provide users that close their accounts the option to have the user's personally identifiable information permanently removed from the company's database and records and excluded from sale. Requires a social media company to honor such a request within a reasonable time. (AB 288 / Cunningham) [Added on 2/1/19](#)

## **Contracts**

**Employment Discrimination: Enforcement:** At the time of writing, MuniServices was told amendments are expected. In its current form, the bill would prohibit a person from, as a condition of employment or continued employment, the receipt of any employment-related benefit from waiving certain rights and or not disclosing sexual harassment. AB 51 is similar to last year's vetoed AB 3080. The Governor's veto message concluded: "Since the bill plainly violates the federal law, I cannot sign this measure." (AB 51 / Gonzalez) [Added on 1/28/19](#)

## **Transportation / Transportation Funds**

**Transit Operators: Fare Revenues:** Requires a fare paid pursuant to a reduced fare transit program to be counted as a full adult fare for purposes of calculating any required ratios of fare revenues to operating costs. Under the Transportation Development Act, revenues from a 0.25% sales tax in each county are available for allocation by the transportation planning agency to transit operators. (AB 226/ Mathis) [Added on 1/28/19](#)

**California Transportation Plan:** Requires the Department of Transportation to address how the state will achieve maximum feasible emissions reductions in order to attain a certain state-wide reduction of greenhouse gas emissions below 1990 levels by the end of 2030 and carbon neutrality by 2045. (AB 285 / Friedman)

**High Speed Rail Authority:** This bill authorizes the High-Speed Rail Authority to keep the public informed through activities, including, but not limited to, community outreach events, public information workshops, and newsletters posted on the authority's internet website. (SB 147 / Beall) [Added on 1/28/19](#)

## **Water**

**Safe, Clean, Affordable, Accessible Drinking Water:** This bill would state findings and declarations relating to the intent of the Legislature to adopt policies to ensure that every Californian has the right to safe, clean, affordable, and accessible drinking water. (AB 134 / Bloom) [Added on 2/1/19](#)

**Proposed State Budget / Water Fund:** Trailer bill language will be considered that near-mirror's last years, SB 623 (Monning). The proposal would: seek to create a sustainable funding source for contaminated water systems, with a focus on disadvantaged communities, and includes monthly fees to be placed on users of public water systems, ranging from less than \$1 for residential user, up to \$10 for industrial users. The Governor's budget is also complementing this proposal with a proposed allocation of state bond and general fund dollars, a total of \$188 million for technical assistance, grants, and loans to public water systems in disadvantaged communities for infrastructure improvements. [Updated on 2/10/19](#)



**Water: Minimum Funding Guarantee:** Requests Statewide voters to approve starting in 2021-22 dedicating no less than 2% of the State's General Fund for the payment of principal and interest on bonds. Forty percent of these revenues will be allocated to the State Water Resources Control Board for water quality projects, including drinking water improvement projects, groundwater cleanup projects, and emergency drinking water projects. (ACA 3 / Mathis and Garcia)

## Additional Spot Bills

**Firearms Tax Spot Bill:** Imposes an excise tax on sales of handguns and semiautomatic rifles to raise revenue to fund grants through the Violence Intervention and Prevention Grant Program. (AB 18 / Levine)

**Water Tax Spot Bill:** Relating to providing safe drinking water to communities. The Governor's proposed Budget also includes the creation of a safe and affordable drinking water fund. (AB 134 / Bloom)

**Soda Health Fund Spot Bill:** Intent is to establish the California Community Health Fund to "diminish the human and economic costs of diabetes, obesity, and heart and dental diseases in California." (AB 138 / Bloom)

## GOVERNOR'S PROPOSED 2019 STATE BUDGET

Governor Newsom has unveiled his \$209 billion state budget proposal for the 2019-20 fiscal year. Total spending in the budget (including general fund, special funds, and bond funds) is 3.7% higher than in the current state budget. The proposed \$144.2 billion in general fund spending represents a \$5.5 billion, or 4%, increase over current general fund spending. *Here are a few key proposals of interest to clients:*

**Backfill Property Tax Revenue Losses / Wildfires:** Includes reimbursement to counties to offset property tax revenue losses from 2017 and 2018 wildfires. Also creates the Rapid Response Reserve Fund to address costs, including shelter and transportation, arising from immigration or human trafficking emergencies. (AB 72 / State Budget) [Updated on 2/10/19](#)

**Affordable Housing – Transportation Revenues:** Going forward, the state will encourage jurisdictions to contribute their fair share of the state's housing supply by linking housing production to certain transportation funds and other applicable sources. Shortly after his inauguration, Governor Newsom said he plans to withhold state tax dollars from municipalities that do not meet California housing goals. The Governor called for a "Marshall plan for affordable housing." The phrase "Marshall Plan" is informally used to describe sizable programs of federally supported economic assistance. During a January 17, 2019 budget briefing, the Department of Finance reported there is no immediate plan to withhold SB 1 revenues from locals if housing goals are not met and that the intention is to work with local agencies. The MuniServices Government Relations team is in frequent contact with stakeholders and will keep clients apprised. The Governor proposes \$1.3 billion for increasing housing production; includes a grant to local governments and expands an existing loan program.

**Grants to Local Governments:** The Governor proposes \$750 million in General Fund grants to local governments meant to accelerate meeting new housing production goals (to be developed by the Department of Housing and Community Development). Of this amount, \$250 million could support various local government activities, like conducting planning and making zoning changes. As local governments reach these new goals, an additional \$500 million would be available to cities and counties for general purposes.

**Middle-Income Housing Loans:** The Governor's budget proposes \$500 million General Fund to expand the California Housing Finance Agency's (CalHFA's) Mixed-Income Loan Program. (This is in addition to the \$43 million allocated for the program in the budget with revenue from the recent real estate document recording fee.) The program provides loans to developers for housing developments that include housing for low- to middle-income households. Additionally, the budget proposes expanding the state's housing tax credit program by \$500 million. Of this amount, \$300 million would be allocated to the state's existing low-income housing tax credit program, which provides funding to builders of low-income affordable housing. The remaining \$200 million would be allocated to a new program targeting housing development for households with higher-income levels.



## How the Budget will Support the Overall Spending

**Increases:** Projects that GF revenue will increase 3.4%, or approximately \$4.7 billion over the current fiscal year's revenue. In the three primary general fund revenue sources, personal income taxes are projected to increase 2.9%, corporation taxes 6.4%, and sales and use taxes 4.5%. The revenue estimates are based on a projected growth rate of 3.2%.

**Sales Tax and Property Tax Revenues:** The sales tax revenue in 2017-18 was of \$25 billion. Sales tax is expected to generate \$26.2 billion in 2018-19 and \$27.4 billion in 2019-20. Receipts from the sales tax, the state's second largest revenue source, are expected to contribute 18.8% of all General Fund revenues in 2019-20. The property tax revenue is estimated to increase 6% in 2018-19 and 6.8 percent in 2019-20. Approximately 42% (\$31 billion) of 2019-20 property tax revenues will go to K-14 schools. This includes \$2.1 billion that schools are expected to receive in 2019-20 per the dissolution of RDA agencies.

## RESOURCES

### MuniServices Policy Update: 2019 Cannabis Regulations / Delivery and Other Issues:

<https://www.avenuinsights.com/wp-content/uploads/2019/01/MuniServices-I-Avenu-Policy-Update-Bureau-of-Cannabis-Control-Regulations-013119-Final-v.6-PDF.pdf>

### League of California Cities Budget Analysis:

<https://www.cacities.org/Top/News/News-Articles/2019/January/Governor-Newsom-Unveils-Proposed-FY-2019-20-Budget>

### CDTFA / Implementing *Wayfair*:

<http://www.cdtfa.ca.gov/industry/wayfair.htm>

### CSAC Budget Analysis:

[https://www.counties.org/sites/main/files/file-attachments/csac\\_january\\_budget\\_summary\\_-\\_2019-01-10.pdf?fbclid=IwAR2WpJHfR5GxAiNk71LR4zra7rEcScwwN829wa8Uei6jWacqUmvYP2vf7Nw](https://www.counties.org/sites/main/files/file-attachments/csac_january_budget_summary_-_2019-01-10.pdf?fbclid=IwAR2WpJHfR5GxAiNk71LR4zra7rEcScwwN829wa8Uei6jWacqUmvYP2vf7Nw)

### LAO Budget Analysis:

<https://lao.ca.gov/Publications/Report/3916>

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