



California - 2019 "Summer Recess" Edition

Summer Recess began on July 12. The Legislature will reconvene on August 12. August 30 is the last day for fiscal committees to meet and report bills to the Floor. September 6 is the last day to amend bills on the Floor. Floor Session only will be held September 3-13. September 13 is the final day of the 2019 Session. The Governor must act on measures by October 13, 2019.

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Highlights

Local Voter-Approved Sales Taxes: Local agencies continue to seek authorization for transaction and use taxes that would exceed the combined rate limit of 2%. Refer to the "sales tax" section of this report.

Ballot Measures: Local Taxes: SB 268, which is in Assembly Appropriations, makes changes to ballot label requirements for a local measure that imposes or increases a tax with more than one rate or authorizes

the issuance of bonds. SB 268 provisions state, "It is the intent of the Legislature that elections officials prepare ballot materials for the March 3, 2020 primary election in compliance with this act."

Tax Reform: Discussions of expanding the state tax base into services continue and may become more substantive in 2020. The leader of these discussions, Senator Hertzberg, introduced SB 522 this session.

Disaster Relief: The State Budget includes nearly \$51 million in relief for local governments impacted by recent disasters.

Split Roll: A ballot measure is eligible for the November 2020 ballot and would require reassessment of business and industrial properties to market value at a minimum of every three years.

Tax Vote Threshold: ACA 1, which proposes amendments to the Constitution to allow a local agency, with 55% voter approval, to incur bonded indebtedness or impose special taxes to fund projects for public infrastructure, affordable housing and other items, is on the Assembly Floor. AB 570 authorizes local agencies imposing parcel taxes under ACA 1 to exempt from those taxes, persons over the age of 65, persons receiving SSI regardless of age, and; persons receiving Social Security Disability Insurance, whose yearly income was less than 250% of federal poverty guidelines. AB 570 would become effective should voters approve ACA 1.

Utility User Tax: SB 344 provides a one-year sunset extension from January 1, 2020 to January 1, 2021 for AB 1717 (2014) which set up a mechanism to capture UUT from prepaid wireless. More than 104 local agencies to-date have seen more than over \$24 million in UUT revenue from AB 1717. Refer to the "UUT" section of this report.

Business License: Several measures will impact processes with respect to issuing local business licenses. Refer to the "business license" section of this report.

Consumer Privacy: Data and personal privacy continues to be an issue this session. Some bills apply directly to government agencies and MuniServices encourages its clients to track consumer privacy measures for unintended consequences. Refer to the "consumer privacy" section of this report.



1) Sales Tax

Sales Tax Exemptions and Exclusions / (See SB 648)

Sales Tax Exemption for Diapers and Feminine Hygiene Products:

The State Budget includes a two-year sales and use tax exemption for diapers and feminine hygiene products. Revenue Impact: Estimated annual revenue losses of approximately \$35 million for diapers, and an annual General Fund revenue loss of \$4.4 million in 2019-20 and \$8.8 million each year thereafter for feminine hygiene products. (SB 92 / Committee on Budget) [Signed by the Governor](#)

Sales Tax Exemptions for Remanufactured Trucks:

California residents until January 1, 2025 may purchase commercial trucks from California dealers tax free, provided the purchaser complies with certain requirements. The bill expands the current state and local sales and use tax exemption for vehicles delivered in California but used in interstate or foreign commerce. Currently, California residents who intend to purchase trucks for interstate commerce can obtain an exemption, but they must take delivery of these trucks outside of California and make the first functional use of the truck in interstate or foreign commerce. CDTFA reports the revenue loss as minimal. (AB 321 / Patterson, June 18, 2019 Version) [Senate Floor](#)

Sales Tax Exemption for Vehicle Modifications:

Veterans with Burn Injuries: Expands a current exemption for items and materials used to modify a vehicle for physically handicapped persons to include veterans with severe burns. The bill sunsets July 1, 2030. (AB 1257 / Salas, June 20, 2019 Version) [Senate Appropriations](#)

State Sales Tax Exemption for California Hybrid Zero Emission Truck and Bus Voucher Incentive Program:

A state-only exemption until January 1, 2024 for any zero-emission technology transit buses sold to specified public agencies. AB 784 is supported by several regional transit districts. Revenue Impact: The CDTFA estimates an annual GF revenue loss of approximately \$914,000. (AB 784 / Mullin, June 24, 2019 Version) [Senate Appropriations](#)

Transactions and Use Tax

City of Scotts Valley and City of Emeryville: Authorizes either city (upon adopting an ordinance and submitting a proposal to voters) to impose a transactions and use tax for general or specific purposes at a rate of no more than 0.25% that, in combination with other transactions and use taxes, would exceed the combined rate limit of 2%. The Governor's veto message indicated that the respective cities have not reached the 2% cap, making it unclear why additional tax authority is needed. A previous analysis for AB 366 from 2016 notes: "Because Alameda County imposes four 0.5% district taxes, the county is at the 2% limit. Consequently, any city in Alameda County, including the City of Alameda, cannot enact a new district tax without specific authority because the combined rate of district taxes imposed in every city in Alameda County is already at the 2% limit." We will provide more detail. (AB 618 / Stone) [Vetoed by the Governor](#)

City of Fremont and County of Alameda: Authorizes the City of Fremont to impose a transaction and use tax (TUT) at a rate of no more than 1% that, in combination with other transactions and use taxes, would exceed the combined rate limit of 2%. Increases the maximum rate of tax that the County of Alameda may propose to voters for a TUT from 0.5% to 1%. (AB 723 / Quirk, July 1, 2019 Version) [Senate Floor](#)

Transactions and Use Tax Approval: Local

Transportation Authorities: Authorizes the San Diego Regional Transportation Commission, the San Diego Association of Governments, the San Diego Metropolitan Transit System and the North County Transit District to impose a transactions and use tax applicable to only a portion of their jurisdictions. (AB 1413 / Gloria, Introduced Version) [Senate Floor](#)

Transactions and Use Tax: Omnitrans Transit District in the County of San Bernardino: Authorizes the district to seek voter approval of retail transactions and use tax measures, and to issue revenue bonds. The jurisdiction of the District initially includes the Cities of Chino, Chino Hills, Colton, Fontana, Grand Terrace, Highland, Loma Linda, Montclair, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Upland, Yucaipa, and specified portions of the unincorporated areas of the County of San Bernardino. (AB 1457 / Reyes, May 24, 2019 Version) [Senate Governance and Finance](#)



Additional Sales Tax Proposals and Issues

Carbon Intensity Study / Sales Tax: Requires the State Air Resources Board by January 1, 2022, to submit a report to the Legislature on the findings from a study to determine the feasibility and practicality of assessing the carbon intensity of all retail products subject to the tax imposed pursuant to the Sales and Use Tax Law, so that the total carbon equivalent emissions associated with such retail products can be quantified. (SB 43 / Allen, July 1, 2019 Version) [Assembly Revenue and Taxation](#)

Office of Tax Appeals (OTA) – Process Revisions

Requires the OTA to create a process for a person filing an appeal to choose to appear before one Administrative Law Judge (ALJ) when the appeal is a Personal Income Tax issue where the total amount in dispute, including taxes, penalties, and fees, is less than \$5,000; or arises from a tax or fee administered by the CDTFA where the total amount in dispute, including taxes and fees, is less than \$50,000; and the person filing the appeal has gross receipts of less than \$20 million. Prohibits a single ALJ from issuing a precedential decision, and sunsets the process for one ALJ on January 1, 2030. (SB 92/ Committee on Budget) [Signed by the Governor](#)

2) Wayfair Implementation / AB 147 (Chapter 5, Statutes of 2019)

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.

Collection of Revenues: Revenues under AB 147 are distributed by the county-wide pool. MuniServices is beginning to identify in 4Q2018 data new out-of-state e-commerce tax revenues that are being collecting. Since compliance under Wayfair and the CDTFA is April 1, 2019, the full magnitude and impact will show in 1Q2019 data, which we will likely see in August 2019.

Hold Harmless: AB 147 authorizes the CDTFA to grant relief for interest and penalties imposed on use tax liabilities if specified conditions are met.

Marketplace Facilitators: Beginning October 1, 2019, AB 147 defines “marketplace facilitators” as the seller and retailer for each sale facilitated through its marketplace, thus responsible for collecting and remitting sales & use tax for each transaction. To determine cumulative sales in California, a facilitator must include sales made on its own behalf and those sales facilitated on behalf of marketplace sellers.

Wayfair Implementation Provisions / State Budget

Adopts language to limit the CDTFA to 3-year look back for back taxes. In addition, the bill clarifies provisions to state that newspapers, internet websites, and other entities that advertise tangible personal property for sale; that refer purchasers to the marketplace seller by telephone, internet link, or other similar means to complete the sale; and do not participate further in the sale are not facilitating a sale for purposes of the Act. Directs CDTFA to allow a delivery network company to elect to become a marketplace facilitator. Under the bill, “delivery network company” means a business entity that maintains an internet website or mobile application used to facilitate delivery services for the sale of local products. (SB 92 / Committee on Budget) [Signed by the Governor](#)

E-Commerce

Marketplace Sellers: Requirements in Clear Language: Requires a marketplace to ensure that their terms and conditions regarding commercial relationships with marketplace sellers meet specified requirements, including that the terms and conditions are drafted in plain and intelligible language. The bill applies to a “marketplace seller” as a person residing in the state who has an agreement with a marketplace and makes retail sales of services or tangible personal property through a marketplace owned, operated, or controlled by that marketplace. According to the author: “With such a large footprint in the retail space, e-commerce marketplaces have a responsibility to ensure that third-party sellers know and understand the policies that govern their contractual relationship prior to selling on the marketplace platform.” (AB 1790 / Wicks, June 28, 2019 Version) [Senate Floor](#)



3) Economic Incentives / Tax Reform

Prohibits Economic Incentives / Applies to New

Agreements: Prohibits on or after January 1, 2020 a local agency from entering into any agreement that results in a rebate of Bradley-Burns local tax revenues to a retailer in exchange for that retailer locating within that agency's jurisdiction. This measure is consistent with policies developed by the League as part of a comprehensive multi-year review of issues related to the collection and distribution of Bradley-Burns Sales and Use Tax. "Retailer" under SB 531 means a retailer as defined by Section 6015 of the Revenue and Taxation Code: (1) Every seller who makes any retail sale or sales of tangible personal property, and every person engaged in the business of making retail sales at auction of tangible personal property owned by the person or others. (2) Every person engaged in the business of making sales for storage, use, or other consumption or in the business of making sales at auction of tangible personal property owned by the person or others for storage, use, or other consumption. (3) Any person conducting a race meeting under Chapter 4 of Division 8 of the Business and Professions Code, with respect to horses which are claimed during such meeting. (SB 531 / Glazer, April 29, 2019 Version) [Assembly Floor](#)

Online Sales: Point of Delivery: Provides that, on and after January 1, 2021, for the purpose of distributing the sales tax revenues imposed pursuant to the Bradley-Burns Law, the retail sale of tangible personal property by a qualified retailer, that is transacted online is instead consummated at the point of the delivery or to any other delivery address designated by the purchaser. *In a conversation with the author's office, MuniServices was told that ACA 13 was introduced since Senator Glazer was no longer going forward with his version of last year's SCA 20.* (ACA 13 / Obernolte, Introduced Version) [Has not been heard](#)

Economic Development Subsidies: On or after January 1, 2020, requires local agencies to provide specified information to the public before approving an economic development subsidy for a warehouse distribution center. Requires local agencies to submit a report to the Governor's Office of Business and Economic Development providing specified information and requires the office to make those reports available to the public. The bill prohibits a local agency from signing a nondisclosure agreement regarding a warehouse distribution center as part of negotiations or in the

contract for any economic development subsidy. **Existing Law:** (AB 562 / Williams 2013) Requires cities to report specified information to the public before approving an economic development subsidy. AB 2853 (Medina) from 2018 was vetoed. (AB 485 / Medina, June 17, 2019 Version) [Senate Floor](#)

4) Manufacturing-Related Exemptions

Capital Investment Incentive Program: Local Governments: Property Tax Abatement: Allows until January 1, 2024, a city or county to pay, for up to 10 years, a capital investment incentive amount to the proponent of a qualified targeted manufacturing facility located within the jurisdiction equal to the taxes owed on the manufacturing property in excess of the first \$5 million assessment, upon making certain findings. This bill expands access to small and medium-sized manufacturers investing over \$5 million in new or existing facilities operated by a business entity with manufacturing as its principal business activity code, as self-reported on its personal income tax or corporate tax return. (AB 1248 / E. Garcia, June 24, 2019 Version) [Senate Appropriations](#)

5) Property Tax / RDA

The State Budget includes nearly \$51 million in relief for local governments impacted by recent disasters. Includes \$15 million for disaster impacted counties and \$518,000 to backfill property taxes (this is in addition to \$31.3 million provided in AB 72). Includes \$10 million for communities impacted by the Camp Fire; \$2 million for the Butte County Fire Department; \$21 million for local disaster and emergency preparedness plans.

Property Tax Postponement: Lowers the interest rate on Property Tax Postponement loans to 5%, down from 7%, effective on July 1, 2020. Increases the income eligibility threshold from \$35,500 in annual household income to \$45,000. The program provides homeowners who are over 62, blind, or disabled who cannot afford to pay their property taxes. (AB 133 / Quirk-Silva, June 24, 2019 Version) [Senate Appropriations](#)

Property Tax: VLF: Provides property tax revenue to cities that annexed inhabited territory in reliance on previous financial incentives and that were removed by SB 89 in 2011. SB 89 cost 140 cities over \$4.3 million annually. (AB 213 / Reyes, Introduced Version) [Senate Appropriations](#)



Property Taxation: Welfare Exemption: Provides an exemption for qualified property (new Mello-Roos Community Facility District special taxes), that meets the requirements of the welfare exemption and that is used exclusively for rental housing and related facilities. (AB 1743 / Bloom, Introduced Version) [Senate Floor](#)

Property Taxation: Welfare Exemption: Low Income Housing: Existing law exempts from property taxation property used for rental housing and related facilities. Decreases the percentage of occupants that must be lower income households to qualify for exemption from 90% to 50% and requires that the total exemption amount be prorated based on the percentage of lower income households that occupy the property. (SB 294 / Hill, July 1, 2019 Version) [Assembly Appropriations](#)

6) Transient Occupancy Taxes / Short Term Rentals

Short Term Rentals: San Diego County: Authorizes until January 1, 2023 a hosting platform to book a transaction for a unit within an eligible area as a short-term rental 365 days per year if the primary resident lives onsite of the residential property full time. The bill defines “full time” for these purposes as 270 days per year. The bill prohibits a hosting platform from booking a transaction for residential property that is located within an eligible area in which the primary resident does not live onsite full time as a short-term rental for more than 30 days per year. The bill prohibits a city, county, or other local public agency from permitting a housing platform to book a transaction for residential property in an eligible area as a short-term rental for more than 30 days per calendar year. (AB 1731 / Horvath, July 2, 2019 Version) [MuniServices was notified that AB 1731 is a two-year bill](#)

7) Cannabis

Cannabis / State Budget Trailer Bill: Among other provisions, extends the provisional license program for two years (until January 1, 2022) to allow lawful cannabis operators the ability to continue to operate, while the CEQA review process is conducted. Authorizes the issuance of citations against unlicensed cannabis operators at a maximum of \$30,000 per violation, per day. (AB 97 / Committee) [Signed by the Governor](#)

Lawsuit to Invalidate California Bureau of Cannabis Control Regulation Regarding Deliveries: A lawsuit filed by 25 local governments seeks to invalidate recent regulations by the BCC that purport to allow delivery of commercial cannabis state-wide, including in communities that have regulated or banned commercial cannabis. The lawsuit alleges that BCC Regulation 5416(d) is invalid because it eliminates the ability of cities and counties to regulate commercial cannabis deliveries within their communities, a key promise in Proposition 64, which legalized commercial cannabis activities in California. The 25 locals are: Santa Cruz County, Agoura Hills, Angels Camp, Arcadia, Atwater, Beverly Hills, Ceres, Clovis, Covina, Dixon, Downey, McFarland, Newman, Oakdale, Palmdale, Patterson, Riverbank, Riverside, San Pablo, Sonora, Tehachapi, Temecula, Tracy, Turlock, and Vacaville.

Medicinal Cannabis: Donations: No Reimbursement for Local Revenue Losses: Exempts until January 1, 2025 from the use tax medicinal cannabis or medicinal cannabis products that are donated. Medical cannabis is exempt from the sales and use tax if proper documentation is provided. (SB 34 / Wiener, July 3, 2019 Version) [Assembly Appropriations](#)

Track and Trace: Requires the information recorded by the track and trace program to include the date of retail sale to a customer, whether the sale is on the retail premises or by delivery. (AB 1288 / Cooley, June 19, 2019 Version) [Assembly Appropriations](#)

Cannabis: Licensing Fees: Removes the requirement that the licensing authorities charge a renewal fee and prohibits State licensing authorities from setting application and license fees that exceed certain specified amounts that are consistent with regulations adopted as of May 17, 2019. (AB 1420 / Obernolte, June 20, 2019 Version) [Senate Appropriations](#)

Licensing: Public Records: Requires the licensing authorities to post on their internet websites or through the California Cannabis Portal certain information regarding an applicant or a licensee, including specified disciplinary actions taken by a licensing authority or a regulator of another state or jurisdiction. (SB 581 / Caballero, April 25, 2019 Version) [Assembly Business and Professions](#)



Cannabis: Banking: Authorizes the creation of limited charter banks and credit unions and authorizes the use of special purpose checks issued by these institutions for certain purposes, including the payment of state and local taxes, rent, and goods and services, and the purchase of state and local securities, as specified. (SB 51 / Hertzberg, June 13, 2019 Version) [Assembly Appropriations](#)

Party Buses: Cannabis: Prohibits the smoking or vaping of cannabis products by a passenger in a bus, taxicab, or limousine, but creates a limited exemption for limousines, modified limousines, and charter buses only if there are no passengers under 21 years of age present and the driver is sealed off from the passenger compartment. (SB 625 / Hill, July 1, 2019 Version) [Assembly Appropriations](#)

Hemp: Uses: Establishes a regulatory framework for industrial hemp products to be used as a food, beverage, or cosmetic product. Industrial hemp is legally defined as a crop of the plant *Cannabis sativa L.* that has no more than 0.3% THC. The United States Agriculture Improvement Act of 2018, or the Farm Bill, changed the legal landscape for industrial hemp by treating it more like other agricultural commodities. It allowed for hemp cultivation, broadly, beyond the pilot programs that were used previously. Additionally, it allowed for the transfer of hemp-derived products across state lines. (AB 228 / Aguiar-Curry, June 26, 2019 Version) [Senate Appropriations](#)

8) Business License

Business Licensing: Local Exemption for all Services:

Veterans: Exempts a veteran who is honorably discharged or honorably relieved from the Armed Forces of the United States and is a resident of this state from paying any local business license fees for a business that sells or provides services if the veteran is the sole proprietor of the business. This bill applies to all cities, including charter cities. (AB 498 / Weber, June 10, 2019 Version) [Assembly Floor](#)

Nitrous Oxide: Retail Sales: Revoking Business

License: Makes it a misdemeanor for a retailer of tobacco or tobacco-related products to sell nitrous oxide. Requires the court to order the suspension of the business license for up to one year of a person who knowingly commits that offense after having been previously convicted of the offense, unless the owner of

the business license can demonstrate in good faith attempt to prevent violations. (SB 193 / Nielsen, June 26, 2019 Version) [Assembly Appropriations](#)

Family Daycare Homes / Business License Exclusion:

Recasts and revises existing law to treat both small and large family day care homes for purposes of regulation by local ordinances. Existing law prohibits a local jurisdiction from imposing a business license, fee, or tax for operating a small family day-care home. Prohibits a locality from prohibiting large family day care homes on lots zoned for single-family dwellings, requires them to either classify these homes as a permitted use of residential property for zoning purposes or establish a process for applying for a permit to use the property as a large family day care home. (SB 234 / Skinner, April 9, 2019 Version) [Assembly Appropriations](#)

State Agencies: Licenses for Business: Authorizes any state agency that issues any “business license” to establish a process for a person or business that has been displaced or is experiencing economic hardship as a result of an emergency, to submit an application for reduction or waiver of fees required by the agency to obtain a license, renew or activate a license, or replace a physical license for display. Under the bill “license” includes, but is not limited to, a certificate, registration, or other required document to engage in business. (SB 601 / Morrell, June 27, 2019 Version) [Assembly Appropriations](#)

Gender Discrimination: Notifications by Local Agencies

When Issuing a Business License: Requires a city or county starting January 1, 2021 that issues local business licenses to provide written notification in English, Spanish, Chinese, Tagalog, Vietnamese, and Korean at the time the business license is issued with respect to prohibiting discrimination to the licensee at the time the business license is issued. Authorizes the agency to increase the fee for a business license to cover the reasonable costs of providing the notice. Requires the Department of Consumer Affairs to develop, on or before January 1, 2020, a written notification of the above provisions and requires the notification to be available for download from the department’s internet website. (AB 1607 / Horvath, July 5, 2019 Version) [Assembly Appropriations](#)



Implementation for Local Governments: Stormwater Discharge Compliance: Business Licenses: Requires effective January 1, 2020 when applying for a business license or renewal a regulated industry to demonstrate enrollment with the National Pollutant Discharge Elimination System (NPDES) permit program under penalty of perjury, on the application. Requires a city or county to determine the applicability of any Standard Industrial Classification Code and to confirm that information submitted to demonstrate enrollment corresponds to the business requesting the initial business license or business license renewal and requires the city or county to transfer that information to the State Water Resources Control Board. (SB 205 / Hertzberg, July 1, 2019 Version) [Assembly Floor](#)

Optometrists: Home Residence Permit: Business License Requirement: Prohibits among other provisions an optometrist from engaging in the practice of optometry at any home residence without a home residence permit except for a person engaging in the temporary practice of optometry. The optometrist or employer of the optometrist must meet certain requirements including is licensed a local business with the city or county in which it is located. (AB 458 / Nazarian, June 25, 2019 Version) [Senate Floor](#)

Name Change for CalGold to the California Business License Center: The intent of CalGold is to assist users in finding the appropriate permit information for a business and also provides contact information for the various state and local agencies. *An earlier version of last year's bill AB 767 that was vetoed would have re-named CalGold to "Master Business License Center."* MuniServices requested that the author substitute "Master," with "California" or "State," to mitigate possible confusion with respect to local licensing requirements. (AB 1806 / Committee on Jobs, Economic Development and the Economy) [Held in Committee](#)

9) Utility Users Tax / SB 344 / Telecommunications

UUT Collection Mechanism: Prepaid Wireless: Provides a one-year sunset extension from January 1, 2020 to January 1, 2021 for AB 1717 (2014) which set up a mechanism to capture UUT from prepaid wireless will be done via legislation. To-date 104 agencies participate in AB 1717 and have captured so far over \$24 million in UUT revenue.

MuniServices is a lead stakeholder on this measure. Please contact us for additional information including advocacy documents and draft sample letters. (SB 344 / McGuire, June 27, 2019 Version) [Assembly Appropriations](#)

UUT: Exemption: Clean Energy Resource: Extends the sunset on the exemption from local utility user taxes for electricity generated by a clean energy resource located solely on the customer's premises for use only by that customer until January 1, 2027. As noted in a Committee analysis, the exemption that AB 1208 would extend favors the consumption of renewable electricity produced on-site over utility programs that allow customers to consume renewable energy transmitted through the grid. As a result, property owners with the means to deploy their own renewable energy generation could avoid paying UUTs for electricity from renewable sources but renters, who can't install on-site renewable generation, must pay the tax. The League of Cities opposes this bill. *Please refer to MuniServices advocacy email regarding this measure. (AB 1208 / Ting, May 6, 2019 Version) [Senate Floor](#)*

Consumer Privacy: Telecommunication: Impact on UUT: As recently amended, the bill prohibits a wireless provider from disclosing a subscriber's cell site location information without first obtaining their expressed written consent. An earlier version of the bill related to when and how telephone corporations can use customer propriety network information (CPNI). MuniServices review of the bill found provisions that would impact local UUT revenues, and specifically access to records for audits. *MuniServices suggested amendments were incorporated into AB 523 on May 20. (AB 523 / Irwin, July 5, 2019 Version) [Senate Appropriations](#)*

Telecommunications: Community Isolation Outage: Notification: Requires telecommunications services providers to give notification to the California Office of Emergency Services (CAL OES) if its telecommunications systems become unable to connect customers to 911 or deliver emergency notices within 60 minutes of the telecommunications service provider discovering the outage. (SB 670/ McGuire, June 26, 2019 Version) [Assembly Floor](#)



Upgrade to the State's 9-1-1 Emergency Operations System:

Imposes a surcharge for prepaid mobile telephony services at the time of each retail transaction in the state, at the rate equal to the monthly surcharge amount per access line. California now pays for the system with a fee on phone calls. The fund has been losing money as more people send text messages instead. Requires the surcharge to be remitted and administered by the CDTFA. The plan authorizes the Office of Emergency Services to impose a fee of as much as 80 cents a month, based on the number of phones used in the state. State officials expect the fee to be about 34 cents a month. In 2017, more than 28 million calls were placed to 9-1-1, representing approximately 77,000 calls per day, an increase of nearly 30 percent since 2010. (SB 96 / Senate Budget and Fiscal Review) [Signed by the Governor](#)

10) Public Records / Recording Fees

Counties: Recording Fees: Authorizes County Recorders to use an existing \$1 fee until January 1, 2026 for restoration and preservation of Recorder's permanent microfilm, to implement and fund an archive program for permanent preservation of recorded document images. *MuniServices confirmed with the author's office that the bill is clear with respect to how the revenue will be used and the bill is a non-mandate.* (AB 212 / Bonta) [Signed by the Governor](#)

Public Records: Email Retention for Locals: Clarity: Requires local jurisdictions to retain and preserve for at least two years communications, relating to the public's business. The bill declares that it is the public's right to access e-mail communications as they relate to local governance. According to a fact sheet for the bill, "current law authorizes the destruction of public records after two years, if the legislative body or city attorney determines that the records are no longer of use. However, local jurisdictions have argued that current law is unclear regarding e-mail record retention requirements." (AB 1184 / Gloria, May 16, 2019 Version) [Senate Appropriations](#)

11) Economic Development / Opportunity Zones

California Tourism: Assessments: Restaurants and Retail Industry: Exempts from the assessments, certain businesses in the restaurants and retail industry category that derive less than 20% of their gross revenues annually from travel and tourism occurring within the state, unless the business elects to participate. (AB 1664 / Chiu, March 28, 2019 Version) [MuniServices was notified by the author's office that the measure is a two-year bill](#)

Microenterprise Development: Local Partnerships: When promoting the local partnerships, requires California communities and the public agencies that serve them to engage, to the extent feasible, microenterprise development providers for input on effective systems to support and effectively partner with microenterprises. (AB 1577 / Burke, April 29, 2019 Version) [Senate Floor](#)

Opportunity Zones

The federal Tax Cut and Jobs Act of 2017 created the Opportunity Zone (OZ) program. The program allows taxpayers to defer or eliminate federal taxes on capital gains in exchange for investments in designated census tracts. There are currently 879 OZ areas in California. Based on guidance from the U.S. Treasury, California had 3,516 eligible low-income census tracts, meaning California was able to nominate up to 879 census tracts.

Governor's Office of Business and Economic Development: Taxation: Gross Income Exclusions: Opportunity Zones: Among other provisions, requires a newly established California Opportunity Zone Authority Board under this bill to incorporate or form a California Qualified Opportunity Fund, for the purpose of making allocations to cities and counties that will invest in California Opportunity Zones. Subject to specified limitations, requires the board to solicit investments of eligible capital gains for deposit in the fund. Requires the board to develop and implement investment policy and objectives for the allocation of moneys and to allocate moneys to cities and counties that apply to the board consistent with this policy and other specified criteria. (SB 315 / Hertzberg, July 9, 2019 Version) [Assembly Revenue and Taxation](#)



12) Consumer Privacy / Impact on Local Government

The California Consumer Privacy Act of 2018, beginning on January 1, 2020, grants a consumer various rights with regard to personal information relating to that consumer that is held by a business, including the right to know the categories of personal information, and the specific pieces of personal information, that a business collects about the consumer. MuniServices encourages its clients to track consumer privacy measures for unintended consequences.

Examples include: In 2018, MuniServices was successful in seeking amendment language to **SB 1194** (TOT revenues) and **AB 2402** (cannabis revenue) that protects local agency access to certain taxpayer records, especially for compliance purposes. **AB 523** (UUT revenue) from 2019 had unintended language that would threaten the ability of cities and counties to collect UUTs on telecommunication services. AB 523 as with AB 2402 and SB 1994 were amended with MuniServices-suggested language to protect the respective local revenue.

Collection of Consumer Personal Information: Use by Governmental Agencies: Establishes an exception to the Consumer Privacy Act for a business that provides a consumer's personal information to a government agency solely for the purposes of carrying out a government program. These provisions sunset on January 1, 2024. (AB 1416 / Cooley, May 6, 2019 Version) [Senate Judiciary](#)

Collection of Consumer Personal Information: Lawfully Available: From Public Records: Expands the definition of "publicly available" information exempted from the definition of "personal information" in the California Consumer Privacy Act of 2018 to ensure "publicly available" information includes any information that is lawfully made available from government records. (AB 874 / Irwin, March 25, 2019 Version) [Assembly Appropriations](#)

13) Unclaimed Property / Local Government Property

Unclaimed Property: Local Government Property: Permits property reported to, and received by, the Controller in the name of a state or local agency, as defined, to be transferred by the Controller directly to that agency without the filing of a claim. (AB 1637 / Smith, Introduced Version) [Senate Appropriations](#)

14) Transportation Projects and Funds

Federal Transportation Funds: State Exchange Programs: Authorizes the exchange of funds between California Department of Transportation and regional transportation agencies, cities, and counties. According to the author, "SB 137 reduces duplicative federal transportation administrative processes and environmental review by expanding the State's existing program to exchange federal surface transportation revenues for state transportation revenues." SB 137 will allow the state and local agencies to reduce the cost of transportation projects and provide for more projects to be completed with the same amount of revenue by expanding the Match Exchange Program to other federal surface transportation programs where federal funds are allocated to local agencies, specifically the Highway Safety Improvement Program, and local bridge projects." (SB 137 / Dodd, June 18, 2019 Version) [Assembly Appropriations](#)

15) Parking / Safe Parking

Local Authority to Remove Vehicles: Eliminates the ability for a local public agency to adequately enforce state and local vehicle violations. Eliminates the ability to: immobilize, or place a boot on a vehicle, for motorists who have five or more unpaid parking tickets; remove vehicles with registration expired for 6 or more months; and remove vehicles that do not adhere to a 72-hour notice to move the vehicle. (AB 516 / Chiu, July 2, 2019 Version) [Senate Appropriations](#)

Public Property: Safe Parking Program: Requires a city or a county with a population greater than 330,000, in coordination with other entities to establish a safe parking program that provides safe parking locations and options for individuals and families living in their vehicles. Exempts a city or a county that has a specified safe parking program administered by a nongovernmental entity operating in its jurisdiction from these requirements. Requires a program to provide a bathroom facility and onsite security and for the parking programs be developed and implemented by June 1, 2022. There are several bills affecting safe parking programs, including AB 302 (Berman), AB 1187 (Jones-Sawyer), AB 1325 (Jones-Sawyer), and SB 369 (Hertzberg). (AB 891 / Burke, June 25, 2019 Version) [Senate Appropriations](#)



16) Water / Municipal Storm Systems

Safe and Affordable Drinking Water Fund: Establishes the Safe and Affordable Drinking Water Fund (SADWF) to help water systems provide an adequate and affordable supply of safe drinking water in both the near and the long term. Beginning in fiscal year 2020-21 and until June 30, 2030, annually transfers to the Fund five percent of the proceeds of the Greenhouse Gas Reduction Fund (GGRF) up to \$130 million. It requires the State Water Resources Control Board to adopt a fund implementation plan. As noted in an analysis, “While SB 200 does not identify a single, long-term funding source to solve the clean drinking water crisis, it does set up the needed framework and administrative structure for delivering future funds to the communities who need them the most.” (SB 200 / Monning, July 3, 2019 Version) [Governor’s Desk](#)

Municipal Storm Sewer Systems: Requires the State Water Resources Control Board by July 1, 2020, to establish financial capability assessment guidelines for municipal separate storm sewer system permittees that are adequate and consistent when considering the costs to local jurisdictions. Stormwater is defined by the US EPA as the runoff generated when precipitation from rain and snowmelt flows over land of impervious surfaces such as paved streets, parking lots, and building rooftops, without percolating into the ground. In most cases, stormwater flows directly to water bodies through sewer systems. (AB 1093 / Rubio, May 17, 2019 Version) [Senate Appropriations](#)

17) Selected Housing Measures

Budget Trailer Bill: Provides \$2.5 billion in funding to address California’s housing and homelessness crisis; establishes incentives to encourage cities and counties to increase housing production; establishes a process for a court to determine that a city or county has complied with housing element law; and imposes penalties, as a last resort, if cities and counties disregard the direction of a court and continue not to fulfil their responsibilities under housing element law.

AB 101 includes financial incentives: Additional points and preferences will be awarded for certain state funding programs for cities that have adopted: housing element approved by HCD; and “pro-housing local policies.” HCD will designate cities as “pro-housing” by July 1, 2021. Pro-housing local policies facilitate the

planning, approval, or construction of housing such as: Establishing local housing trust fund, reducing parking requirements, using by right approval, reducing permit processing time, reducing development impact fees. establishing Workforce Housing Opportunity Zone or housing sustainability district. (Source: League of California Cities) (AB 101 / Committee on Budget) [Governor’s Desk](#)

Planning and Zoning: Housing Development: High-Resource Areas: Requires by right approval of certain housing development projects in high resource areas. “Use by right” to mean that the local government’s review of the development project may not require a conditional use permit, planned unit development permit, or other discretionary local government review or approval that would constitute a “project” for purposes of the California Environmental Quality Act (CEQA). (AB 1279 / Bloom, Introduced Version) [Senate Housing, and Governance and Finance](#)

Residential Development: Requires local agencies including charters to examine impacts on persons belonging to a protected class, as identified in the Unruh Civil Rights Act, when performing an update to the housing element of the general plan. (AB 1561 / C. Garcia, April 29, 2019 Version) [Senate Appropriations](#)

Planning and Zoning: Incentives: Requires a local government to grant an equitable communities incentive, which reduces specified local zoning standards in “jobs-rich” and “transit rich areas” when a development proponent meets specified requirements. (SB 50 / Wiener, June 4, 2019 Version) [A two-year bill](#)

Affordable Housing and Community Development Investment Program: Establishes an ongoing funding mechanism that would ultimately direct up to \$2 billion annually in support of local infill, transit-oriented development, affordable housing and neighborhood revitalization projects. *Clients have reached out to MuniServices with respect to how the bill address those cities with “excess” ERAF. Cities with excess ERAF are protected under recent amendments to SB 5. The League, several cities and MuniServices are amongst the broad support for SB 5.* (SB 5 / Beall, April 23, 2019 Version) [Assembly Appropriations](#)



Housing Crisis Act of 2019: Will ask local governments to process permits for housing that is already allowed under their existing rules, but to do it faster and not change the rules once the housing application is submitted. Applies to those cities and counties that are experiencing a “housing crisis.” The bill employs the same approach that cities have used to help recover from fires or other disasters and includes anti-displacement measures. (SB 330 / Skinner, July 1, 2019 Version) [Assembly Appropriations](#)

18) Budget Reserves / Tax Expenditure Review

Local Government: Budget Reserves: Requires a local government by September 1, 2020, and annually thereafter, to submit a written report to the State Controller's office on how it plans to spend any of its budget reserves on specified priorities over a 5-year fiscal period, including, among others, mental and behavioral health services and affordable housing. This reporting requirement only applies to a local government if the local government's budget reserve in the immediately preceding fiscal year was in excess of 30% of the total expenditures of the local government in that fiscal year. *The author's office notified MuniServices the measure is a two-year bill.* (AB 1640 / Horvath, February 22, 2019 Version) [Assembly Local Government](#)

Tax Expenditure: Repeal Date: Establishes the California Tax Expenditure Review Board to determine the schedule for comprehensive assessments of major tax expenditures programs to be conducted by the Legislative Analyst's Office. Provides that the Board must hold an open and public meeting for the purposes of considering information provided by the public to determine the schedule for comprehensive assessment of major tax expenditures to be conducted by the LAO by October 1, 2020, and each October 1 thereafter. According to the DOF 2018-19 Annual Tax Expenditure Report, local government revenue losses from identifiable property tax exemptions are estimated to be in excess of \$100 million, while losses from sales tax expenditures are estimated to be in the range of \$10.6 billion. (SB 468 / Jackson, July 11, 2019 Version) [Assembly Appropriations](#)

19) Government Administration / Local Governance

Eliminates Local Funding for Criminal Fees

Criminal Fees: Impact on Counties: Ends the assessment and collection of administrative fees imposed against people in the criminal justice system. Revenue Impact: Currently, 56 of 58 California counties charge one or more administrative fees. Removal of specified fees for probation services alone would likely result in the loss of tens of millions of dollars in probation funding, funding that currently supports vital programs and practices as well as probation positions. (SB 144 / Mitchell and Herzberg, May 21, 2019 Version) [Assembly Public Safety](#)

Waste / Local Enforcement

Eliminate Paper Receipts: Starting January 1, 2022, among other provisions, requires a business, defined as a company that accepts payment through cash, credit, or debit transactions to provide a proof of purchase to a consumer only at the consumer's request. (AB 161 / Ting, June 27, 2019 Version) [Senate Appropriations](#)

Single-use Plastic Waste: Reduction: Requires single-use plastic packaging and products sold or distributed in California to be reduced, recycled or composted by 75% by 2030, and require all single-use packaging and products to be recyclable or compostable on and after 2030. (SB 54 / Allen, July 10, 2019 Version, and AB 1080 / Gonzalez, July 11, 2019 Version) [SB 54 is in Assembly Appropriations and AB 1080 is in Senate Appropriations](#)

Food and Drink / Local Enforcement

Alcoholic Beverages: Hours of Sale: Allows, but does not require, qualified local governments to permit bars and nightclubs to serve alcohol past 2am and up to 4am. The pilot program (2022 to 2027) applies to Cathedral City, Coachella, Fresno, Long Beach, Los Angeles, Oakland, Palm Springs, Sacramento, San Francisco, and West Hollywood. (SB 58 / Wiener, March 25, 2019 Version) [Assembly Appropriations](#)



Public Banking

Public Banks: Authorizes local agencies to create and operate publicly owned banks subject to approval by the Department of Business Oversight and the Federal Deposit Insurance Corporation. Exempts a public bank from all other taxes and licenses, state, county, and municipal, imposed upon a public bank, except taxes including real property, local utility user taxes, sales and use taxes. <http://www.publicbankinginstitute.org/> (AB 857 / Chiu and Santiago, July 9, 2019 Version) [Senate Appropriations](#)

Local Ballot Measures

Ballot Measures: Local Taxes: Requires a local measure that imposes or increases tiered tax rates, authorizes the issuance of bonds, or imposes a tax with a rate structure that cannot be accurately described in the ballot label, to include in the ballot label the words "See voter guide for information." The local tax measure would be exempted from the requirement to provide the rate, duration, and annual revenue in the ballot label, but would be required to include in the voter information guide key financial measures that include all those in existing law and more. (SB 268 / Wiener) [Assembly Appropriations](#)

RECENT LEGAL CASES IMPACTING LOCAL GOVERNMENT

Case: *City and County of San Francisco v. Regents of the University of California*, California Supreme Court, Case Number S242835.

Subject: A charter city can require state universities to collect city's parking tax.

Case: *Wyatt v. City of Sacramento*, Sacramento County Superior Court, Case Number 34-2017-80002634

Subject: Voter-approved "general tax" and general fund transfer from water utility to general fund invalid under Proposition 218.

Case: *City and County of San Francisco v. All Persons Interested in the Matter of Proposition C*, San Francisco County Superior Court, Case Number CGC-19-573230.

Subject: Special tax placed on ballot by voter petition only required a majority vote and not 2/3 vote.

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