I. Welcome and Introductions

II. Public Comment

III. Overview of Parliamentary Procedures and Roberts Rules (Attachment A) Informational

IV. Committee Orientation (Attachment B) Informational

V. League Strategic Goals for 2018 (Attachment C) Informational

VI. Review of Existing Policy & Guiding Principles (Attachment D) Informational

VII. Adoption of Updated Revisions to Existing Policy & Guiding Principles Action

VIII. Additional Discussion on State Budget Proposal Informational

Speakers: Mike Coleman, Fiscal Policy Advisor, League of California Cities; Dan Carrigg, Legislative Director, League of California Cities

- Governor’s Budget (Click here to view)
- League’s Summary of Governor’s Budget (Attachment E)
- Governor Opines on “California Rule” (Attachment F)
- Legislative Analyst’s Office Comments on Governor’s Budget (not yet available)
- SB 227 (de Leon): State effort to respond to federal tax package (Attachment G)

Committee analysis:

IX. State Legislative Update (Handout and verbal) Informational

- Discussion of planned League-sponsored bills on Annexation and Incorporation
- Memo on Annexation: (Attachment H)
- Incorporation: (Western City Article on Incorporation click here to review)
- Tax Increment/Restoration of RDA 2.0 efforts (Handout)
- Other Legislative items

X. Discussion on Next Steps on Sales Tax Modernization Informational

- Review of Existing League Policy sales tax (Attachment I)
- Plans for League City Manager Working Group
- Discussion of Recent State Auditor’s Report on Sales Tax (click here to view report)
XI. 2018 Ballot Measures (Attachment J includes summaries of ACA 5, SB 5, SB 3) Informational

June Ballot:
- ACA 5 - Const. protection for transportation funding. (Click here to view.)
- ACA 1 - 2/3rds vote for post-2024 allocation of cap and trade revenue
- SB 5 - $4 billion park and water bond (Click here to view)
- ACA 17 - certification of votes prior to effective date of initiative measures

November Ballot:
- SB 3 - $4 billion housing bond. (Click here to view.)

XII. Initial Discussion of Other Potential Ballot Measures (Rev and Tax Related) Informational

- Proposed repeal of recent transportation funding package (17-0033) (Click here to view)
- Realtor’s Prop Tax Base Transfer (No Limit for 55+ and Disabled) (17-0013) (Click here to view)
- Revenue Restrictions (Business Roundtable): Requires 2/3rds votes (both council and voters) for all local tax measures—and more. (17-0051). (click here to view text and click here for the LAO analysis.)
- Another (17-0050) also affects state. (Click here to view)
- Property Tax (Split Roll) (Click here to view)

XIII. 1:30 p.m. Discussion with Nick Maduros, Director, CA Department of Tax and Fee Administration Informational

(Mr. Maduros leads the recently-created CDTFA, which administers the collection and distribution of local sales and use taxes, district taxes and many other functions that were formerly performed by the Board of Equalization) (Bio – Attachment H)

Click here to view CDTFA organizational chart

XIV. Adoption of 2018 Work Program (Attachment L) Action

Next Meeting: Thursday, April 12, 2018, Sheraton Fairplex Hotel & Conference Center, Pomona

NOTE: Policy committee members should be aware that lunch is usually served at these meetings. The state’s Fair Political Practices Commission takes the position that the value of the lunch should be reported on city officials’ statement of economic interests form. Because of the service you provide at these meetings, the League takes the position that the value of the lunch should be reported as income (in return for your service to the committee) as opposed to a gift (note that this is not income for state or federal income tax purposes—just Political Reform Act reporting purposes). If you would prefer not to have to report the value of the lunches as income, we will let you know the amount so you may reimburse the League.

Brown Act Reminder: The League of California Cities’ Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:
1. Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or
2. A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.
A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

Informational Items: Any agenda item listed for information purposes may be acted upon by the Policy Committee if the Chair determines such action is warranted and conforms with current League policy. If the committee wishes to revise League policy or adopt new policy for an item listed as informational, committees are encouraged to delay action until the next meeting to allow for preparation of a full analysis of the item.
Parliamentary Procedure Basics Relating to League Policy Committees
(adapted from Robert’s Rules of Order Newly Revised¹)

Note: This document is designed to provide practical examples of common procedural matters encountered by League policy committees. It strives to provide guidance to foster productive and efficient meetings; it is not meant to be an exhaustive or comprehensive discussion of Robert's Rules. As always, it is the role and discretion of the chair to provide helpful guidance to individuals that may digress from the appropriate form and substance related to the conduct of meetings and the presentation of motions and other procedural matters set forth below.

I. COMMON MOTIONS

1. Main Motions
   Purpose: To introduce items to the committee for their consideration.
   Example: "I move the staff recommendation to support AB 123."

2. Motion to Amend
   Purpose: Retains the main motion under discussion, but changes it in some way.
   Example: "I move to amend the (presented main) motion to support AB 123 if amended."

"Friendly" Amendments
   Purpose: To offer an amendment to the main motion that is still supportive of the main motion.
   Example: If there is currently a motion to support AB 123 on the floor and a committee member makes a "friendly" amendment to support AB 123 and also request that staff report back after contacting the sponsor for clarification on specific language.

Note: This is commonly mishandled procedurally. Often the individual that seeks to offer the "friendly" amendment will inquire if the maker of the original motion will "accept" the amendment, and if so the chair will treat the motion as amended. This is not the proper way to handle such an amendment. It is not the discretion of the mover of the original motion (or the chair) to accept or decline the amendment, rather it must be adopted by the committee.

However, if it appears to the chair that an amendment (or any other motion) is uncontroversial, it is proper for the chair to ask if there is "any objection" to adopting the amendment. If no objection is made, the chair may declare the amendment adopted. If even one member objects, however, the amendment is subject to debate and vote like

any other, regardless of whether its proposer calls it "friendly" and regardless of whether the maker of the original motion endorses its adoption.

3. **Substitute Motion**
   
   *Purpose:* Removes the motion under discussion and replaces it with a new motion.

   *Example:* When there is a main motion on the floor to support a bill, a substitute motion would be, “I move a substitute motion that the committee oppose AB 123.”

**Addressing Multiple Motions**

The following examples provide guidance relating to how multiple motions are handled, and the impact failed substitute motions have on original (main motions) and any proposed amendments. The last motion presented should be considered first.

*Note:* Substitute motions commonly occur during policy committee meetings, yet Robert's Rules does not make a distinction between motions to amend and substitute motions. However, motions to amend must be considered prior to a main motion. Because the use of "substitute" motions is fairly widespread, the label as it is reflected in practice is used in the examples below. Rosenberg’s Rules of Order do reference substitute motions and their impact is also reflected below.

**Example 1**

Committee Member 1: "I move that we support AB 123."
Committee Member 2: "I move that we support AB 123, if amended."
Committee Member 3: "I move a substitute motion that we oppose AB 123."

**Characterizing the Motions:**

In the above example:
- Committee Member 1 has made a (main) motion.
- Committee Member 2 has made an *amendment* to Committee Member 1's motion.
- Committee Member 3 has made a *substitute* motion to Committee Member 1's motion.

**Order for Consideration and the Possible Outcomes**

Committee Member 3's motion is considered first. If Committee Member 3's motion *fails*, Committee Member 2's motion will be considered next. If Committee Member 2's motion *fails*, Committee Member 1's motion will be considered. If Committee Member 2's motion *passes*, there is no need to consider Committee Member 1's motion.

If Committee Member 3's motion *passes*, there is no need to consider Committee Member 1's motions because Committee Member 3's motion replaces Committee Member 1's original motion. There is also no need to consider Committee Member 2's motion since it is an amendment to Committee Member 1's motion that has been replaced by Committee Member 3's substitute motion.

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Example 2
Committee Member 1: "I move that we support AB 123."
Committee Member 2: "I move a substitute motion that we oppose AB 123."
Committee Member 3: "I move that we oppose AB 123 unless amended."

Characterizing the Motions
In the above example:
Committee Member 1 has made a (main) motion.
Committee Member 2 has made a substitute motion to Committee Member 1’s motion.
Committee Member 3 has made an amendment to Committee Member 2’s substitute motion (sometimes referred to as a substitute to a substitute motion).

Reviewing the Possible Outcomes
Committee Member 3’s motion should be considered first. If the motion fails,
Committee Member 2’s motion is considered.
If Committee Member 2’s motion passes, it is not necessary to consider Committee Member 1’s motion because Committee Member 2’s motion substitutes for it.

If Committee Member 3’s motion fails, Committee Member 2’s motion is considered. If Committee Member 2’s motion fails, the substitute motion for Committee Member 1’s motion fails, and Committee Member 1’s motion is considered.

If Committee Member 3’s motion passes, it is not necessary to consider Committee Member 1’s motion because Committee Member 3’s motion substitutes for it.

Example 3
Committee Member 1: "I move that we support AB 123."
Committee Member 2: "I move a substitute motion that we oppose AB 123."
Committee Member 3: "I move a substitute to the substitute motion that we take no position on AB 123."

Characterizing the Motions
In the above example:
Committee Member 1 has made a (main) motion.
Committee Member 2 has made a substitute motion to Committee Member 1’s motion.
Committee Member 3 has attempted to make a substitute to Committee Member 2’s substitute motion (sometimes referred to as a substitute to a substitute motion).

Reviewing the Possible Outcomes
While procedurally permissible, in an effort to avoid confusion Committee Member 3’s motion should not be entertained by the chair until Committee Member 1 and Committee Member 2’s motions have been discussed and voted upon.

Committee Member 2’s motion should be considered first. If the motion fails
Committee Member 1’s motion is considered. If Committee Member 1’s motion fails, then Committee Member 3’s may make the motion to "take no position on AB 123."

If Committee Member 2’s motion passes, it is not necessary to consider Committee Member 1’s motion because Committee Member 2’s motion substitutes for it.
4. **Motion to Withdraw**  
*Purpose:* To withdraw an item from discussion.

*Making the Motion to Reconsider:* Only the individual that made the initial motion can make a motion to withdraw an item from discussion. The individual may interrupt a speaker (after being recognized by the chair) to withdraw the motion under discussion at any time.

*Note:* This type of motion typically occurs following some debate by the committee that may provide additional information that influences the mover to reconsider continued debate on the original motion presented. Another member may subsequently make the same motion after it has been properly withdrawn.

*Example:* “Madame Chair, I move to withdraw my motion to support AB 123.”

5. **Motion to Reconsider**  
*Purpose:* To revisit discussion of an issue.

*Making the Motion to Reconsider:* A motion to reconsider must be made by an individual that previously voted in the majority of the original motion. A motion to reconsider made by an individual that previously voted in the minority must be characterized as out of order.

*Timing:* A motion to reconsider must be made at the same meeting where the original motion was discussed, or the next meeting of the body. Motions for reconsideration following the next meeting are out of order.

*Example:* “I move to reconsider the committee’s position to support AB 123.”

6. **Motion to Table**  
*Purpose:* This motion is often used in the attempt to "kill" a motion by setting it aside. The option is always present, however, to "take from the table," for reconsideration by the committee.

*Note:* This type of motion should be reserved to temporarily set an item aside if agreed upon by a majority of the committee to take up an item of immediate urgency. However, in practice it is sometimes used as an option to end debate and prevent a vote, and not typically to take up an item of immediate urgency. This is technically improper procedure (or out of order) under Robert's Rules.

*Example:* “I move that the committee table the motion to support AB 123.”

7. **Call for the Question**  
*Purpose:* To refocus the committee on the agenda in the event there is sentiment that the discussion has drifted. The individual seeking to end debate must first be recognized by the Chair, make the motion and the motion must receive a second. The motion must be adopted by a 2/3 vote or unanimous consent.

*Example:* “I move the previous question.”
8. **Motion to Appeal**  
*Purpose:* To appeal a ruling made by the chair. A committee member may move to appeal a ruling by the Chair, but it must be seconded and receive a majority vote to be reversed.

*Example:* "I move to appeal the Chair’s ruling that the committee approved support of AB 123."

9. **Adding an Item to the Agenda for Consideration**  
*Purpose:* To have the committee discuss an item that is not on the prepared agenda before them. Because the League is committed to complying with the legal requirements and spirit of the Brown Act additional agenda items may be considered only if they fall within any of the below exceptions:

- An item may be added to the agenda by circulation to the committee members and posting on the League website at least 72 hours prior to the meeting.

- An item may be placed on the agenda at the meeting if the majority decides that it is an “emergency situation.” An emergency situation includes work stoppage, crippling disaster, or any other activity that impairs public health safety or both.

- Two-thirds of the committee members present (or all of the members if less than two-thirds are present) must determine that there is a need for immediate action, and the need to take action arose subsequent to the circulation of the agenda.

If an item does not fall within one of these exceptions it may not be discussed and acted upon, but may be added to a subsequent agenda.

*Note:* This procedure is typically used when there is a supplemental agenda that is distributed at the meeting that was not mailed to the committee prior to the meeting.

II. **OTHER ITEMS**

1. **Point of Privilege**  
*Purpose:* To draw attention to an item that interferes with the comfort of the meeting.

*Example:*  
*Committee Member:* “Point of privilege.”  
*Chair:* “State your point.”  
*Committee Member:* “Madame Chair, may we inform the hotel staff that the room is uncomfortably hot and request that the air conditioning be adjusted.”
2. **Point of Order**  
*Purpose:* To draw attention to inappropriate conduct at the meeting.

*Example:*

Committee Member: “Point of order.”  
Chair: “State your point.”  
Committee Member: “Madame Chair, the motion was approved without opportunity for debate.”

3. **Public Comment**  
In the spirit of the Brown Act an opportunity for public comment is included on all agendas. The chair should exercise discretion in determining the appropriateness and extent of public comment during committee meetings setting reasonable limits as needed.

### III. HOW TO PRESENT A MOTION

1. Obtain the floor by raising your hand and wait to be recognized by the chair.
2. Make your motion.  
   a. Speak clearly and concisely.  
   b. Always state a motion affirmatively. For example, "I move the staff recommendation that we support AB 123..." rather than, "I move that we do not take a position ...".  
   c. Avoid comments unrelated to the subject of the motion.  
   d. Avoid making any arguments supporting your motion at this time, simply state the motion.
3. Wait for someone to second your motion.
4. Another member will second your motion or the chair will call for a second.
5. If there is no second to your motion it is lost and no vote will be taken by the committee.
6. If there is a second to your motion the chair should re-state the motion, or ask League staff to re-state the motion.  
   a. The chair will say, "it has been moved and seconded that we ..." This places the motion before the committee for consideration and action.  
   b. The committee then either debates the motion or may move directly to a vote.  
   c. Once a motion is presented to the committee by the chair it becomes "committee property," and cannot be changed by the maker of the motion without the consent of the committee.
7. At this point the individual making the initial motion (the mover) may elect to expand on the motion. For example, this would be the appropriate time for the mover to present an argument in support of the motion.
8. The chair should always recognize the mover first.  
   a. All comments and debate must be directed to the chair.  
   b. Keep to the time limit (if any) for speaking that has been established.  
   c. The mover may speak again only after other speakers are finished, unless called upon by the chair.
9. **Putting the Question to the Committee**  
   a. The chair asks, "Are you ready to vote on the question?"
   b. If there is no more discussion, a vote is taken on the motion.  
   c. If the motion passes, the committee moves on to the next item on the agenda.
d. If the motion fails, and no other motion is on the floor, then a new motion is in order.

Note: If a motion to support AB 123 fails, this does not mean that there is opposition to AB 123 by default. A separate motion to oppose AB 123 or some other formal motion must be made and voted on by the committee.

IV. VOTING ON A MOTION

1. Voting is Conducted by Voice
   The chair asks those in favor to say, "aye," those opposed to say "no." If the outcome is unclear by voice, a hand vote may be taken. Any member may move for an exact count. Following the vote, the chair should announce the outcome.

   Example:
   Chair: There is a motion and a second to support AB 123. All those in favor say, "aye." All those opposed say, "no." If the outcome by voice is clearly in support the chair would announce that, "The motion to support AB 123 passes." If the outcome results in opposition to the motion, the chair would announce that, "The motion to support AB 123 fails." If the outcome is unclear the chair, or another member may ask for a hand count.

V. QUORUM

1. Presumption of a Quorum
   The presence of a quorum is presumed unless the issue is raised.

   Note: It is not necessary, and is disfavored for the chair to routinely begin a meeting inquiring about the presence of a quorum.

2. Calculating the Presence of a Quorum
   If the issue of whether a quorum is present is raised, a quorum consists of a majority of all appointed, voting members of a policy committee. A majority simply means more than half, not fifty percent plus one.

3. Votes Taken Prior to the Question of Whether a Quorum is Present Are Valid
   If a vote(s) is taken prior to the question of whether a quorum was present is asked, and it is later determined that a quorum was not present when the vote(s) was taken, the action taken is still valid.

4. Votes Taken in the Absence of a Quorum are Advisory
   A vote may be taken on matters even if a quorum is not present, but all votes taken by that body will be advisory to the League Board or the General Resolutions Committee, and the Board or the General Resolutions Committee must be advised that a quorum of the body was not present. The vote count should also be noted and communicated.
COMMITTEE ORIENTATION

Policy Committee Subject Matter
The League has eight (8) policy committees, each with its own subject matter jurisdiction. You may refer to the “Summary of Existing Policy and Guiding Principles” booklet (Summary) to find the subject matter for each committee. This document is updated every two years. Policy in the Summary is used to determine League legislative and regulatory positions. The Summary, in its entirety, is located on the League’s Website at www.cacities.org/summary. Individual sections are located on each policy committee’s Web page, which are available at www.cacities.org/polcomm.

Policy Committee Legislative Agenda Items
League policy committees review bills or regulatory proposals on issues for which the League does not have existing policy, or for which staff members feel a policy discussion needs to occur for greater clarity or background on an issue. Staff will lobby legislation, funding proposals, or regulatory changes where existing policy provides clear direction.

Role and Responsibility of Committee Members
The strength of the League’s policy process and ability to effectively engage in the legislative process is based on the active involvement of and the expertise of city officials. We rely on your technical and policy knowledge, thoughtfulness, strategic thinking, and political savvy. Your role is to engage in thoughtful discussions at the meeting. Members should review the agenda and background material prior to the meetings, attend each meeting, and stay for the entire duration of the meeting.

Committee Recommendations on Positions on Bills
The committee’s actions or positions are a recommendation to the League Board of Directors for a formal League position. Possible committee recommendations can be:

- Support
- Oppose
- Support-if-amended (as appropriate, specific amendments may be requested)
- Oppose-unless-amended (as appropriate, specific amendments may be requested)
- No position
- Neutral

There are nuanced differences between some of these positions. For example, “support-if-amended” sends a very different message than “oppose-unless-amended.” Both positions might seek the same change but the support-if-amended position means that the League would be listed with the “supporters” of the bill in most legislative analysis. In addition, “no position” and “neutral” have different meanings and require different actions from staff. Selection of one or the other depends in part upon what type of
message or political posture the League needs to take. Staff will advise the committee about the implications of each on a case-by-case basis.

**Approval by League Board Needed for All Committee Recommendations**

All committee actions are recommendations to the League Board, which has the final say on all positions. Under no circumstances are individual committee members or the committee itself authorized to speak on behalf of the League. When a committee action is supported by a large majority (e.g., 32 to 3), the recommendation is placed on the Board’s consent calendar. When the committee vote is split (e.g., 15 to 13), the item will be presented as an action item for the Board’s discussion. Staff will also provide information about the reasons behind the committee’s recommendation to the Board.

Most of the time, the Board adopts the recommendation of the policy committee. When the Board adopts a different position, staff will notify the committee members of the reason for the different position. This likely will be done in the next regular communication with the committee.

Some issues cut across more than one committee. When this occurs, staff will coordinate and bring a bill to more than one committee for review and recommendation. The recommendations are then forwarded to the League Board and if there is a different recommendation, the League Board resolves the difference.

**Role of the Committee Chair**

The chair’s role is to balance the often competing needs of the membership to have a full and thoughtful discussion on the issues within the very real time constraint. The chair will often limit debate – either in the number of speakers or the amount of time each speaker has – in order to ensure that we can move ahead on our agenda and cover the items included. We ask that when you make comments on issues before the committee that you be brief and concise and that you not repeat what has already been stated. Also, if you have already spoken on an issue, the chair may ask you to hold your comments until after new speakers are able to share their comments.

**Committee Schedule and Process**

Committees generally meet three times a year (January and June in Sacramento, April in Southern California), plus an abbreviated meeting at the Annual Conference (September in Sacramento) to review resolutions if any are assigned to it. (The September meeting schedule will be announced in mid-July). Meetings begin at 10:00 a.m. and conclude by 3:00 p.m., although some subcommittees may meet at 9:00 a.m. Please plan to be present for the full duration of the committee meetings.

**Agendas/Disseminating Information**

Agenda packets will only be sent via email and posted online. If you prefer a hard copy of the agendas and highlights, please contact Meg Desmond by email: mdesmond@cacities.org or phone: 916-658-8224. Highlights that summarize committee actions are prepared by staff and provided to committee members about two to three weeks after the meetings. All materials are also available on the League’s Website: www.cacities.org/polcomm.

We encourage you to visit the League’s Website: www.cacities.org. In addition to containing committee materials, the Website contains information on the League’s priorities and a link to track individual bills and the League’s position on them. You should also subscribe to the League’s electronic newsletter CA Cities Advocate.
For meetings that are heavy in legislative review (generally in March/April and June), staff will try to find a balance between getting the agenda packet out early and the need to delay finalizing the agenda packet in order to include as many legislative items as possible and in their most current version. At some meetings, staff may use a supplemental agenda for last minute legislative issues. We will use e-mail as appropriate to send out late-breaking information or to gather committee input throughout the year. It is important that we have your preferred e-mail.

**How to Get an Item on the Agenda**

Because staff prepares background material in advance of the meeting, and prepares the agenda in consultation with the Chair and Vice Chair, it is difficult to add items at the last minute. In addition, the League tries to comply with the spirit of the Brown Act in its meetings. If you wish to have the committee discuss an item, you should contact staff well in advance of the meeting in order to determine the feasibility of including it on the agenda, and if so, allow staff time to prepare the appropriate background material. Because of time constraints and a full work program before the committee, it may not always be possible to respond to such requests.

**Issues Should Have Statewide Impact**

Although some of you may represent your division, your department, your affiliate organization, or simply yourself, we should all keep in mind that the League must address issues of statewide impact and interest. Thus, while an issue or bill may be of interest to your city or region, if it does not have broader, statewide implications, the League likely will not engage in that policy discussion or take a position. You should keep this in mind if you wish to suggest an item for discussion.

**Brown Act and Roberts Rules of Order**

The League tries to comply with the spirit of the Brown Act. Thus, when the committee discusses items not already on the agenda (e.g., supplemental legislative agenda), the Chair will ask for a vote of approval to add that item to the agenda. The League also follows Roberts Rules of Order and provides a brief overview of key procedural steps in Roberts Rules as they apply to committees.

**Staffing for Committee**

Each committee has a staff lobbyist assigned to it. This individual is your main point of contact for logistics or questions about the agenda. Generally, each lobbyist has a “main” committee and will remain with the committee throughout the meeting. Occasionally he/she may leave the meeting to make guest appearances in other committees to discuss issues or bills. Additional staff may also be present to support the committee’s work.

**League Partners and Other Guests**

The League Partners have non-voting representatives assigned to each policy committee and are seated at the table with other committee members. In addition, city officials, other members of the League Partners Program, and interested members of the public are welcome to attend the meetings. We provide an opportunity for our League Partners and other members of the public to offer comment on items before the committee during the designated public comment period on the agenda.
2018 LEAGUE STRATEGIC GOALS

1. Address Public Safety Concerns of California Cities.

   Address public safety concerns arising from recently enacted reduced sentencing laws.

   Protect local funding and authority in the implementation of the Adult Use of Marijuana Act.

   Continue to preserve city rights to deliver emergency medical services (Health and Safety Code 1797.201).

   Seek additional tools and resources to address critical community challenges such as homelessness, mental health, domestic violence, drug rehabilitation, ex-offender reentry, and human trafficking.

2. Ensure Sustainability of Public Pension and Retirement Health Benefits.

   Consistent with the League’s adopted pension sustainability principles, work with affected stakeholders, employees, CalPERS, legislators and the Governor to achieve meaningful options for cities to address growing unfunded pension liabilities that will ensure cities remain solvent and provide services to residents while continuing to offer employees meaningful and sustainable pension and health benefits.

3. Protect Existing Transportation Funding for Local Priorities.

   Protect existing transportation funding for local priorities and oppose efforts that would reduce or eliminate funding for cities.

4. Improve Housing Affordability and Support Additional Resources to Address the Homelessness Crisis.

   Increase state and federal financial support and provide additional local incentives and tools to improve housing affordability and develop more workforce and affordable housing. Support additional resources and tools to address the homelessness crisis and advance the recommendations of the CSAC-League Homelessness Task Force.
SUMMARY OF EXISTING POLICIES AND GUIDING PRINCIPLES

2018 DRAFT

Every two years, the League updates its “summary of Existing Policies and Guiding Principles” to reflect new League policy adopted during the past two years. The purpose of this update is not to develop new League policy or revisit existing League policy, but to reflect any new policy that has been adopted through Annual Conference Resolutions, League positions on bills approved by the League Board of Directors, or broad League policy approved by the League Board of Directors over the last two years.

Many changes to Revenue and Taxation policies were made in 2016 that reflected policies adopted based on the committee’s extensive tax modernization discussion and several other items. For 2018, however, League staff believes – after reviewing all committee agenda items and highlights over the past two years – that no changes are necessary for 2018. The League’s advocacy work over the past two years on Revenue and Taxation issues either reflected existing policies or did not rise to the level that would require a significant policy modification. The League’s recent updated pension principles will be included in the Governance, Transparency and Labor Relations Committee update.

Committee members are welcome to review the proposed update and consider whether it accurately reflects the actions taken by the policy committee (and League Board) over the last two years, and whether there are any missing policy items or errors in describing policy. Committee members who wish to propose new League policy or to revisit existing League policy should suggest that the issue be placed on an agenda for a future policy committee meeting, as opposed to attempting to modify the policy through this update.

Revenue and Taxation

Scope of Responsibility

The Committee on Revenue and Taxation reviews issues related to finance administration, taxation reform, revenue needs, and revenue sources at the federal, state and local levels.

Summary of Existing Policy and Guiding Principles

Cities and the League

Preamble
Inherent in these recommendations is the underlying principle that meaningful fiscal reform should allow each level of government to adequately finance its service responsibilities, with each being accountable to taxpayers for its own programs.

Efficiency
Cities and the League should continue to emphasize efficiency and effectiveness, encouraging and assisting cities to achieve the best possible use of city resources.

Authority and Accountability
Cities must locally achieve political authority and accountability for revenues raised and services provided. For accountability, revenues should be logically linked to traditional and emerging
responsibilities. Cities must effectively communicate the good news about city programs and operations, as well as information concerning financial conditions and city responsibilities.

**Alliances**
Cities should seek alliances with counties, schools, other cities, employee organizations, other local agencies, and business and professional organizations to support cooperation, sound financial policies and joint action.

**Initiative**
Cities and the League are prepared to use the statewide initiative process, if necessary, to secure fiscal independence and a sound intergovernmental financial structure. Initiative efforts should, to the extent feasible, incorporate and, in no case violate, the principles developed by the Fiscal Reform Task Force as follows:

- Cities require a greater share of the property tax and other reliable, discretionary revenues in order to finance local services to property.
- Cities require constitutional protection of their revenue sources in order to provide insurance against diversion by the state of these revenues in the future for non-municipal purposes.
- Major reforms in the unfunded mandate reimbursement process should be enacted to make it more workable and meaningful.

**Legislature or the Voters**

**Local Authority and Accountability**
To preserve local authority and accountability for cities, state policies must:

- Ensure the integrity of existing city revenue sources for all cities, including the city share and situs allocation, where applicable, of property tax, sales tax, vehicle license fees, etc.
- Protect the authority of local governments to collect revenues from telecommunications providers and ensure that any future changes are revenue neutral for local governments.
- Oppose any state or federal legislation that would pre-empt or threaten local taxation authority including but not limited to Utility User’s Taxes.
- Allow every level of government to enjoy budgetary independence from programs and costs imposed by other levels of government.
- Authorize a simple majority of the voters in a city or county to establish local priorities, including the right to increase taxes or issue general obligation bonds.
- Offer incentives to reward cities achieving program goals rather than withhold or reduce revenues to accomplish targets.

**State Legislative and Budget Reforms.**
To stabilize state funding and programs and reverse the trend of the state’s reliance on local revenues to solve the state’s fiscal crises, the state should implement fiscal and legislative reforms which may include for consideration the following:

- A two-year spending plan with the first session focused on expenditures over the period.
- Oversight hearings that review programs for savings, duplication or gaps in services.
- Limits on the number of bills that legislators may introduce.
- A prudent reserve fund.
- Official records kept of all Assembly official meetings.
- A balanced deficit reduction approach, which could include temporary revenue increases dedicated solely to retiring short-term debt, spending cuts, short-term borrowing and multi-year spending limitations.
• Long term restructuring measures, including increased local government property tax shares to create balanced growth and separate budget detail of all state expenditures at local level.

**State Mandates**

The state must provide full and prompt reimbursement to all local agencies for all state-mandated programs and/or infractions and losses associated with local revenue shifts.

Local agencies must be authorized to petition the Commission on State Mandates immediately after legislation is chaptered for determination of eligibility for reimbursement, and reserve the right to directly pursue court intervention without an administrative appeals process.

Reforms are needed in the mandate approval and reimbursement process.

The State should be prohibited from deferring mandate payments.

Unless specifically requested by a city, no new duties, responsibilities or obligations should be assigned to a city or cities under state realignment.

**Additional Revenue**

Additional revenue is required in the state/local revenue structure. There is not enough money generated by the current system or allocated to the local level by the current system to meet the requirements of a growing population and deteriorating services and facilities.

When disasters occur in various areas of the state, state government has traditionally stepped in to assist with recovery efforts through various means, including the passage of legislation to provide income and property tax relief to affected individuals and businesses, and reimbursing local governments for their losses. The League supports disaster recovery legislation that includes mitigation for losses experienced by local governments. The League also supports establishing a federal debt guarantee program that supports state catastrophe insurance programs for post-event debt that they incur as a result of paying for insured losses caused by major natural catastrophes.

The League supports legislation that would make adjustments to the vehicle license fee-property tax swap of 2004 to ensure that the formula appropriately accounts for city incorporations and annexations of inhabited territory.

The League supports legislation that would bolster existing local efforts to enforce local ordinances and revenue collection associated with short-term rentals.

**Reduce Competition**

Revenue from new regional or state taxes or from increased sales tax rates should be distributed in a way that reduces competition for situs-based revenue. (Revenue from the existing sales tax rate and base, including future growth from increased sales or the opening of new retail centers, should continue to be returned to the point of sale.)
The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected.

Tax proceeds collected from internet sales should be allocated to the location where the product is received by the purchaser.

Restrictions should be implemented and enforced to prohibit the enactment of agreements designed to circumvent the principle of situs-based sales and redirect or divert sales tax revenues from other communities, when the physical location of the affected businesses does not change.

**Funding for Counties**

Counties require additional funding if they are to fulfill their state-mandated and traditional roles.

As legal agents of the state, county expenditures in that capacity should be funded by the state. Their local programs should be financed locally.

The concept of “self-help” for counties should be expanded. An example might be that counties could receive certain state funding if they raise a specified level of revenue locally.

To alleviate competition among cities and counties, funding for counties should be accompanied by agreements on new development in undeveloped areas within the cities’ sphere of influence.

**Regional Revenues**

Local government issues, programs, and services do not always recognize local government jurisdictional boundaries. In cases where regional issues, programs, and services are identified, multi-jurisdictional revenues should then be identified and implemented. As an example, the sales tax has been considered and used by many countywide areas to address multi-jurisdictional transportation issues.

Support regional cooperation on common interests and goals by providing access to share incremental growth in ERAF property tax.

**Revenue Modernization**

**Property Tax**

The League supports legislation which would clarify and improve the definition of “change of ownership” for property tax reassessment purposes to include when more than 90 percent of direct or indirect ownership interests in a legal entity are cumulatively transferred in one or more transactions. Such changes would reduce the use of complicated strategies employed to evade reassessment of property upon changes of ownership.

**Sales Tax**

- **Sales and Use Tax Base:** The League supports modernization to the sales tax through measures that would either broaden the tax base on goods, which includes reviewing existing exemptions on certain goods and expanding to digital forms of goods that are otherwise taxed, and expanding the sales tax base to services, such as those commonly taxed in other states. Specific proposals in these areas should be carefully reviewed so that the impacts of any changes are fully understood.
- **Sales Tax Sourcing Rules:** Support as League policy that point of sale (situs) is where the customer receives the product. Specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood.

- **County Pool Use Tax Allocations:** Support the League working with the state Board of Equalization to update the county pool allocation process to ensure that more revenues are allocated to the jurisdiction where the purchase or first use of a product occurs (usually where the product is delivered).

- **State Sales Tax Exemptions:** The League opposes state legislation that proposes to grant exemptions for specific products that fails to protect those portions of the sales tax that are dedicated to local government.

**Federal Streamlined Sales and Use Tax Agreement (SSUTA)**

There are more questions than answers for California cities about potential state participation in the SSUTA. The SSUTA offers many more risks for California cities than benefits. Thus, the League should:

- Continue to monitor developments of the SSUTA and related federal legislations, but not support any additional efforts that would lead to California joining the agreement. This position can always be revisited at a future point if events change.

- Strongly oppose any federal effort that attempts to force California to conform to the Agreement, or amendments to federal legislation that would directly undermine California’s utility user tax structure.

- Work with the State Board of Equalization and other parties on alternative efforts to increase the collection of use taxes within California. Share the League’s analysis of the SSUTA with interested parties, exchange information on use tax collection issues with municipal Leagues in other states, including those states with tax structures similar to California.

**Federal Legislation Requiring Use Tax Collection**

The League supports federal legislation that would require the collection of use tax from internet or “remote sales” that meets the following conditions:

- Is limited to the collection of sales and use taxes.
- Does not require states to participate in the SSUTA.
- Requires remote sellers to collect the full destination rate (combination of state and local rate at location the product will be delivered).
- Exempts intrastate (non-remote sales within California) from the destination rule.
- Provides sufficient flexibility to accommodate California’s tax structure. (There are instances where the state, for policy reasons, has opted not to collect the state’s share of sales taxes on an item, but the local rates on those items are still collected).

State regulatory actions and possible legislation may be needed to address issues raised by the collection of new revenue from remote sales. Implementation by the State Board of Equalization would likely require appropriate software for remote sellers to implement the new system.

**Note:** The League will review new legislation to determine how it relates to existing League policies and guiding principles. In addition, because this document is updated every two years to include policies and guiding principles adopted by the League during the previous two years, there may be new, evolving policies under consideration or adopted by the League that are not reflected in the current version of this document. However, all policies adopted by the League Board of Directors or the League’s General Assembly become League policy and are binding on the League, regardless of when they are adopted and whether they appear in the current version of “Summary of Existing Policies and Guiding Principles.”
Governor Unveils Proposed FY 2018–19 Budget
Press Conference Remarks Highlight Continued Fiscal Prudence, Protection of Transportation Funding, Status of State-Federal Relations and Upcoming Court Decision on Pensions

This morning Gov. Jerry Brown held a press conference in the Capitol to unveil his budget proposal for the upcoming fiscal year, which includes $131.7 billion in General Funding spending and — with proposed special fund and bond proceeds allocations — totals $190.3 billion. Despite increased revenue from growing economy and booming stock market, the Governor urged continued prudence and caution, and proposes to put most of the projected $6.1 billion surplus into reserves.

Pointing to charts highlighting California’s past boom-and-bust revenue cycle and the length of the current economic expansion, the Governor reminded reporters of inevitability of a future downturn. Also highlighted were federal policy changes that could cause uncertainties for the state budget, including recent and potential changes affecting health care and tax reform.

The Governor proposes to allocate $5 billion to ensure the state’s Rainy Day Fund is funded to its full constitutional target of 10 percent of the General Fund, at $13.5 billion. In other areas, the budget document summarizes areas of achievement since 2011 when the state faced a $27 billion deficit, to stabilizing state finances and paying down an accumulated “Wall of Debt” from $35 to less $6 billion. Also highlighted is the Administration’s work on corrections policies aimed at reducing the state prison population, addressing transportation and other state infrastructure deficits and climate change. Estimates also are included for allocations of the pending $4 billion park and water bond (June ballot) and $4 billion housing bond (November ballot) should voters approve them.

The proposed budget includes $4.5 billion in new funding for state and local transportation projects from League-supported SB 1 (Beall). In FY 2018–19 cities and counties will receive $2.7 billion total for local streets and roads, with $1.2 billion being generated by SB 1. The first payments FY 2017–18 the new transportation revenues will begin flowing to cities in February.

The Governor delayed expenditure plans on an estimated $600 million generated through legalized recreational cannabis sales until the May Revise. Department of Finance Director Michael Cohen said this estimate is based on a great deal of uncertainty. Cohen said revenues are collected in year one and spent in year two. When asked if the tax rates were so high that those in the black market will opt not to operate in the legalized environment, Cohen responded that it hard to tell. He stated that the state is working to get the regulatory structure all in place.

With the additional funding available for schools under Proposition 98 funding formulas, the Governor proposes to fully fund the Local Control Funding Formula, which directs additional funds to assist schools serving needier students. Another initiative would create an online university designed to assist working adults upgrade their job skills.

Highlights of Press Repartee with Outgoing Governor

Given this is Governor Brown’s final budget proposal, his comments and reporter’s questions strayed into other areas.

- Effort to Repeal Transportation Funds: When asked about the ballot effort to eliminate new transportation funding, Governor Brown responded that no measure had yet qualified, but stated there would be major opposition to the measure and thought it could be defeated. He also cautioned that eliminating this funding source would be devastating to the economy and it would be at least a decade before lawmakers considered providing necessary money for highways, roads, streets and bridges.

- State-Federal Relations: When questioned about the current tensions between the state and federal policies enacted by Congress and the President, the Governor stated that he did not like to emphasize divisions. He pointed out that the President’s Administration had been helpful on
disaster response. When asked about the recent exemption from offshore oil drilling granted to Florida, the Governor responded that California would also request an exemption. On California’s reaction to federal tax deduction limits, the Governor said he was interested in Senator de León’s charitable deduction concept, but that it needed more analysis. He also opined that the results of the 2018 Congressional elections could restore some balance to the state-federal relationship.

- **Pension Sustainability:** On pension issues, the Governor proclaimed that he had a “hunch” that the California Supreme Court, in their decisions on several pending cases, may modify what is known as the “California Rule” (a collection of prior court decisions interpreted to mean the terms of a public employee’s pension cannot be changed without providing the employee offsetting benefits). Governor Brown stated that he believes there is more flexibility in this area than is assumed. He mentioned recent briefs filed with the Court on this topic and lower court decisions by both liberal and conservative judges that state that employees are entitled to a reasonable pension but not to any amount of remuneration.

- **On Being Governor:** Asked to comment on the differences in being Governor now compared to the 1970s, the Governor mentioned the increase in partisanship and the post-Prop. 13 insertion of state government into local decision-making has changed the nature of government in California.

Details budget areas of importance to cities are outlined below.

**Transportation, Communications, and Public Works**

The Governor’s budget proposes and $18.7 billion overall transportation budget, anticipated to deliver over $2.7 billion in fuel excise tax revenue to cities and counties. A significant portion of this revenue is derived from last year’s SB 1 (Beall), a historic transportation funding plan generating $54 billion over the next decade. SB 1 will provide $4.6 billion in transportation year in FY 2018–2019 fiscal year, with funding distributed from the Road Maintenance and Rehabilitation Account to the following programs:

**Local Allocations:**
- $1.2 billion for local streets and roads, including $600 million for cities and $600 million for counties.
- $330 million for the Transit and Intercity Rail Capital Program (TIRCP).
- $355 million for State Transit Assistance (STA).
- $200 million for the State-Local Partnership Program (SLPP).
- $100 million for the Active Transportation Program (ATP).
- $36 million for Commuter Rail and Intercity Rail.
- $25 million for Local Planning Grants.

**State Allocations:**
- $1.2 billion for maintenance of the state highway system known as the State Highway Operation and Protection Program (SHOPP).
- $400 million for bridges and culverts.
- $250 million for commuter corridors.
- $306 million for trade corridor enhancements.
- $79 million for the Department of Parks and Recreation.
- $25 million for freeway service patrol.
- $26 million for the Department of Food and Agriculture.
- $7 million for transportation-related research at the California State University and University of California.
- $5 million for the Transportation Workforce Development Board.
- $8 million for the Department of Motor Vehicles.

SB 1 funding in FY 2018–19 is generated from:
- $1.5 billion from the tiered Transportation Improvement Fee ($25–$175 depending on vehicle value);
- $1.8 billion from the 12 cent increase to the gasoline excise tax;
- $672 million from the 11 cent increase to the diesel excise tax;
- $286 million from the increase of four percent to the diesel sales tax; and
- $235 million from the general fund for loan repayment.

In addition to providing transportation funding for local streets and roads, bridges, the state highway system, transit, active transportation, trade corridors, congestion management, self-help municipalities, intercity rail, commuter rail, transportation research and freeway patrols, the Governor’s January budget summary also notes the following:

- $100 million in annual efficiencies are expected to be achieved by the California Department of Transportation (Caltrans) from reducing overhead costs, accelerating work, innovation in contracting tools, value engineering, environmental streamlining, and new technologies.
- A new Inspector General has been appointed by the Governor to oversee the newly created Office of the Inspector General that has audit and investigative oversight over Caltrans.
- $2.4 billion generated by new SB 1 revenue and Cap-and-Trade auction proceeds will bolster the Transit and Intercity Rail Capital Program, with awards expected to go out by April 30, 2018.
- The California Transportation Commission (CTC) is expected to select projects by May 16, 2018 for matching funds through the SLPP.
- Project selection for the ATP has already been completed.
- The CTC expects to complete project selection for the Commuter Corridors program, Trade Corridors Enhancement program, and matching funds for the SLPP by May 16, 2018.

For city and county transportation funding, it is important to note the increase this year’s growth in new transportation dollars of $1.2 billion as compared to last year’s partial year of funding of $445 million, which are divided equally between cities and counties. As mentioned earlier, city and county funding will grow to approximately $1.5 billion by next fiscal year and grow over the following years as adjustments for inflation are made, and as all the revenue increases go into effect.

**Enhanced Transportation Resulted From Years of Effort**

For over 10 years, city officials had been raising concerns about the declining of local streets and roads. Beginning with a report in 2008, the League partnered with the California State Association of Counties and regional governments to review local conditions statewide through the biennial needs assessment report. The 2016 report documented $70 billion in unmet funding needs for the local transportation network, that absent any new funding would have grown by another $20 billion in just 10 years.

In addition to the shortfall for the local network, the state highway system faced a similar backlog exceeding $59 billion over the next 10 years, with similar underfunding for transit as well. In short, transportation infrastructure would have continued to deteriorate.

After 25 years without new federal transportation funding, increased vehicle fuel efficiency standards, decades of lost purchasing power due to inflation, and severe storms finally taking their toll to wipe out aged infrastructure, 2017 represented the culmination of a perfect storm for the successful passage of the Road Repair and Accountability Act of 2017. With 25 other states increasing fuel taxes, vehicle and transportation related fees across the country, the chart below helps explain why California needed to do the same:
Therefore, securing funding for transportation, especially for our city streets was the League’s top strategic priority for a number of years. In partnership with other local governments, business, and labor, the League formed the Fix Our Roads Coalition and helped push for SB 1 to make it across the finish line.

**Wildfire Response and Recovery**

The wildfires in late 2017 in both Northern California and Southern California, were the most lethal and destructive in the history of the state. Estimates for the total costs will be in the billions of dollars and the budget suggests that the full economic impacts will not be realized for years to come. The May Revise may include further adjustments.

CALFIRE response costs require an increase for the FY 2017–201 of $469.3 million provided through the Emergency Fund. Another $43.4 million was accessed from the State Fund for Economic Uncertainties for various departments for equipment, personnel, and other disaster response, including removal of hazardous waste. Additional resources were used to provide food, mortgage and rent vouchers, and utilities assistance to individual who were not eligible for federal assistance.

**Housing, Community, and Economic Development**

The Governor’s proposed FY 2018–19 budget highlights the passage of the 2017 “housing package” and does not call for any additional state intervention at the local level to spur housing construction. The Budget contains the following allocations that mainly support existing programs:

- $277 million from the Veterans and Affordable Housing Bond Act (requires the passage of the Bond Act in November 2018) for the Multifamily Housing Program, which assists with new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households.
- $262 million for Building Homes and Jobs Fund Programs (SB 2). $131 million of these funds are available for local governments to update or create general plans, community plans, specific plans, local coastal programs, and sustainable communities strategies. Local governments may also use the funds to conduct new environmental analyses that improve or expedite local housing permit processes.
- $455 million for Strategic Growth Council for Affordable Housing and Sustainable Communities.
- $1.5 billion for California Housing Finance Agency for single-family first mortgage lending.
- $108 million for California Housing Finance Agency for single-family down payment assistance.
- $259 million for Tax Credit Allocation Committee for low-income housing tax credits (federal).
- $97 million for Tax Credit Allocation Committee for low-income housing tax credits (state).
- $35 million for Department of Social Services for CalWORKS homeless assistance program.
• $3 million for Department of Housing and Community Development for implementation of the 2017 statewide housing package. It is assumed that these funds will be largely used to hire additional staff.

Housing supply and affordability challenges are not just a California phenomenon. Nationally, individuals have found it difficult to find an affordable place to live, especially near booming job centers. State estimates calculate that California needs to add 180,000 housing units per year to keep pace with population growth. The Governor’s Budget points out that 139,000 units annually are expected to be produced by 2019. This represents a 39 percent increase in housing production since 2013. While there has been much debate over California housing production, census data included in the Governor’s budget reveals that California’s production has rebounded since 2013 at a faster rate than the nation as a whole, which is projected to increase by 33 percent.

Numerous laws took effect in January aimed at streamlining the housing approval process, and provided new funding for important housing programs and local planning activities. When combining California’s projected increase in housing production with the recently enacted 15 bill “housing package,” even more housing units could be produced. For more information, please see the League’s 2018 Guide to New Housing Law in California.

Homelessness

The proposal contains funding for the No Place Like Home Program by earmarking $262 million for permanent supportive housing for persons who are eligible for mental health services under Prop. 63 (2004) and are homeless, chronically homeless, or at risk of chronic homelessness. Technical Assistance Grant guidelines are available on the Department of Housing and Community Development (HCD) website. Distribution of funds are on hold until the Superior Court of the State of California validates the issuance of revenue bonds. HCD anticipates the court decision in Spring 2018 with Notice of Funding Availability (NOFA) in Summer 2018.

Workforce Development

The Budget contains new allocations that build on the workforce reforms in K-12 and higher education in recent years:
• $212 million for K-12 local educational agencies to improve and expand their career technical education programs aligned with the goals of the Strong Workforce Program.
• $20.5 million for a cost-of-living adjustment for the Adult Education Block Grant program, with $5 million for investments in a data collection and accountability system to ensure comprehensive and shared data reporting by Adult Education Block Grant regional consortia members.
• $17.8 million ongoing for increased reimbursements to K-12 and community college-sponsored apprenticeship programs for instructional hours provided in FY 2018–19, with an additional one-time increase of $30.6 million to backfill shortfalls in reimbursements provided from FY 2013–14 to FY 2017–18.

Job Creation

In the wake of dissolving redevelopment agencies and repealing the enterprise zone program, the state redirected some of the saved state revenue to the California Competes tax credit program. California Competes is an income tax credit available to any business that wants to locate, stay, or expand in California.

The budget seeks to extend the California Competes program as follows:
• $180 million for an additional five years with an additional $20 million to provide direct assistance to small businesses.

A separate program will provide $50 million per year credit to encourage businesses to hire individuals with employment barriers.
State Infrastructure Funding Plan

Pursuant to the California Infrastructure Planning Act of 1999, the Governor is required to submit a five-year infrastructure plan to the Legislature for consideration with the annual budget bill, which focuses limited resources on the state’s core responsibilities. Below are some highlights noted in the 2018 five-year infrastructure plan:

- Integrating Climate Change and Resiliency into Planning and Investment
  - The Governor’s Executive Order B-30-15 of 2015 directs all state agencies to consider climate change in all planning and investment decisions, including the Governor’s greenhouse gas emissions reduction target of 40 percent below 1990 levels by 2030, which was adopted in 2016 (SB 32). The Governor’s Office of Planning and Research (OPR) established a guidance document in coordination with the Strategic Growth Council and the Government Operations Agency. In addition, the permanent Technical Advisory Council was established to coordinate resiliency efforts across state, local, and regional agencies to meet these goals.

- Maintenance of Existing Infrastructure
  - $55 billion in new revenue over the next 10 years to repair and maintain the existing transportation network.

- Affordability — Debt Management
  - While the administration has taken action to reduce the growth of debt financing, preferring pay-as-you-go financing (i.e. SB 1), debt service on infrastructure bonds are still expected to increase to $8.5 billion in FY 2021–22 assuming the Housing and Parks Bonds are approved by the voters in 2018. While debt service is expected to grow, the debt ratio is actually projected to decline slightly because of higher projected revenues.

- Judicial Branch
  - The proposal includes $32.2 million from the Immediate and Critical Needs Account to complete design of courthouse projects in Riverside, Sonoma, and Stanislaus County. The Budget also commits to completing construction for another ten courthouse projects in Imperial, Riverside/Indio, Shasta, Siskiyou, Tuolumne, Glenn, Sacramento, Sonoma, and Stanislaus County.

- Housing
  - The Veterans and Affordable Housing Bond Act of 2018 would generate a $4 billion bond if approved by the voters in November 2018. The first $3 billion will support affordable multifamily housing, farmworker housing, transit-oriented development, infill infrastructure, homeownership programs, as well as matching grants for Local Housing Trust Funds (awarded over five years). $1 billion is set aside to support homeownership for veterans with downpayment assistance, competitive interest rates, reduced fees and closing costs. The Governor’s January budget also includes $277 million local assistance for the Multifamily Housing Program, if voters approve the 2018 Housing Bond.

- Natural Resources
  - If approved by the voters in June 2018, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 would authorize $4 billion in general obligation bonds, where funding would be prioritized for existing programs and shovel-ready projects.

- California Conservations Corps
  - The budget includes $14 million in General Fund dollars to initiate four new residential center projects in Auberry, Los Pinos, Greenwood, and Yountville and to rehabilitate two
centers in Ukiah and Fortuna, adding capacity for up to an additional 390 corps members.

- Department of Corrections and Rehabilitation
  - The proposal includes $60 million to replace roofs at the California Substance Abuse Treatment Facility, Salinas Valley State Prison, and Ventura Youth Correctional Facility. It contains $20 million for mold remediation at various facilities and $35.9 million in General Fund dollars for projects to support CDCR’s programs, including mental health crisis beds, statewide medication distribution, and cognitive behavioral treatment classrooms.

- K-12 Education
  - Over the last two years, voters have approved 208 local bond measures authorizing more than $28 billion for school construction and modernization and $7 billion in state general obligation bonds to support the existing K-12 School Facilities Program. Additionally, the Governor’s proposed budget includes $640 million in bond authority for new construction.

- Department of Veterans Affairs
  - The proposal includes $15.7 million in General Fund dollars for the preliminary plan phase of a Skilled Nursing Facility at the Veterans Home of California, Yountville, which represents CalVet’s top priority. There is also $571,000 for the working drawings phase of the California Central Coast Veterans Cemetery Project in Seaside, CA.

Environmental Quality

Cap-and-Trade

As a result of extending the Cap-and-Trade program through 2030, the state has garnered additional Cap-and-Trade revenues. The budget proposes $1.25 billion will be available for appropriation in FY 2018–19. The Governor will announce a plan for spending Cap-and-Trade funds during his State of the State Address scheduled for Jan. 25.

Climate Resiliency and Adaptation

The budget acknowledges the role of climate change in coastal storm surges, drought, wildfires, floods, and heat waves and proposes to hold targeted stakeholder discussions on climate change and adaptation with stakeholders to discuss climate adaptation for state and local governments as well as private industry.

SB 5 Park and Water Bond

The budget proposes $1.02 billion for the first year of implementation if the voters pass this measure in June. This includes $123 million for climate resiliency and adaptation programs, including coastal protection. The budget proposes to fund “shovel-ready” projects with SB 5 funds in FY 2018–19.

Water

The Governor’s budget proposes a water action plan made up of the components below.
- Groundwater Sustainability: Proposes the following funding to support 2014 groundwater management bills that require local agencies to work together to manage groundwater:
  - SGMA Implementation: Proposes to use $61.8 million from SB 5 for the Department of Water Resources (DWR) to support groundwater sustainability agencies: (1) technical assistance to develop and evaluate plans, (2) supplement planning grants, and (3) grants to implement groundwater projects.
  - Groundwater Treatment: Proposes to use $84 million from SB 5 for the State Water Board for regional groundwater treatment and remediation activities that prevent or reduce contamination of groundwater that serves as a source of drinking water, including $10 million for technical assistance for drought and groundwater investments.
• Flood Management: Proposes $98.5 million from SB 5 for flood control projects for public safety and fish and wildlife improvement, as well as funding for a new Floodplain Management, Protection and Risk Awareness Program.

• Salton Sea Restoration: Proposes $30 million from SB 5 for the Natural Resources Agency to construct water management infrastructure and habitat conservation and dust mitigation projects, consistent with the Phase I ten-year plan.

• Drinking Water: The proposal states that many local water systems continue to fail to provide safe drinking water and a stable funding source is needed for long-term operations and maintenance for those parts of the state, which are primarily serve disadvantaged communities. It makes two proposals to address this:
  o Safe and Affordable Drinking Water Fund: Establishes a new special fund for the State Water Resources Control Board (SWRCB) to assist communities in paying for the short-term and long-term costs of obtaining access to safe and affordable drinking water. The Administration is proposing statutory language, consistent with the policy framework of SB 623 (Monning) to establish a program that provides grants, loans, and administrator contracts or services to assist communities and households in securing access to safe and affordable drinking water. Proposes $4.7 million in 2018-19 for the SWRCB and the Department of Food and Agriculture to begin implementation of this new program, including (1) developing and implementing fee collection systems, (2) conducting an assessment to estimate funding needs, and (3) a map of high-risk aquifers used as drinking water sources.
  o Safe Drinking Water Projects: Proposes $63 million from SB 5 to the SWRCB for grants to public water systems in disadvantaged communities for infrastructure improvements for drinking water and wastewater treatment projects. Of this, $27 million would be designated for regional water supply improvements in the San Joaquin River watershed.

Department of Water Resources

The budget proposes $3.4 billion ($119.4 million General Fund) and 3,214 positions for the department. In addition to the new dam safety requirements put into place in 2017, the budget continues to propose fixes to the Oroville Dam in 2018, following the spillway emergency in February 2017.

Department of Forestry and Fire Protection (CALFIRE)

The budget proposes $2.3 billion (including $1.4 billion from the General Fund) and 7,014.5 positions for CALFIRE. While recognizing that fire season has become longer and more intense in recent years, the budget proposes the following changes:
• $42.2 million of new ongoing funding to expand the states firefighting capabilities.
• $200 million from Cap-and-Trade fund to support healthy and fire resilient forests.
• $97.6 million for four helicopters to replace the existing aging fleet.
• $4 million to add 6 permanent positions and 6.1 seasonable positions to staff and operate the McClellan ReLoad Base for rapid deployment of air tankers.
• $26.6 million for an 18-month firefighter training program for 80 ex-offenders at the Ventura Conservation Camp in Ventura County. The funding is proposed for appropriation to CALFIRE, the Department of Corrections and Rehabilitation, and the California Conservation Corps.

Department of Fish and Wildlife
The proposal includes $609.7 million ($93.9 million General Fund) and 2,171.8 positions for the Department. To continue to implement recommendations from the 2012 California Fish and Wildlife Strategic Vision report, the budget proposes $50.6 million of ongoing funding ($6.6 million General Fund, $18 million Motor Vehicle Account and $26 million Tire Recycling Management Fund). The $50.6 million is proposed to be allocated for the continuing services and augmenting services:

- $19.6 million to allow the department to continue critical programs supported by the Fish and Game Preservation Fund, and
- $31 million augmentation to implement specific priorities identified through the stakeholder process and detailed in the future vision for the department.

**Community Services**

**Department of Parks and Recreation**

The budget proposes $1.2 billion ($147 million General Fund) and 2,304.2 positions for the Department of Parks and Recreation. It proposes to modernize state parks system and improve access to both state and local parks largely through proposed appropriations of SB 1 and SB 5 funds.

- Local parks/SB 5: Should SB 5 pass in June, this budget proposes to expend the $464 million allocated for local parks:
  - $277 million for the Statewide Park Development and Community Revitalization Program for grants to create new parks and rehabilitate existing parks.
  - $186 million for per capita grants to local governments.

- State parks/SB 5: Should SB 5 pass in June, this budget proposes to expend $200 million for state park enhancements, including project identification and planning. Of this, $1.9 million is proposed for implementation of the Redwoods Rising project to enhance old growth coastal redwoods.

- State parks/SB 1: Using funding garnered by SB 1 (Beall, 2017), the budget includes ongoing funding of $80 million to the State Parks and Recreation Fund to be used in the following ways:
  - $42 million and 364 positions to increase services that improve park access and fix and maintain park infrastructure, including to help address the more than $1 billion in deferred maintenance projects.
  - $26.6 million in permanent funding to address the structural imbalance in the State Parks and Recreation Fund and to $8.5 million to establish a reserve.
  - $1 million in permanent funding for a recruitment and training program for hard-to-fill classifications and diversity that was established in the FY 2017–18 budget.
  - $1 million for off-highway vehicle recreation, including law enforcement, environmental monitoring, and maintenance grants to support federal off-highway vehicle recreation
  - $1 million for the Abandoned Watercraft Abatement grant program to remove abandoned watercraft from waterways.

**Child Care**

In 2016, the state committed to a three-year deal to expand child care and preschool slots and increase rates after these programs faced major cuts during the Great Recession. This budget proposes to build upon these investment with the following adjustments:

- $31.6 million to increase the Standard Reimbursement Rate by approximately $2.8 percent.
- $32.3 million increase for: (1) costs of new policies associated with an update of the Regional Market Reimbursement Rate to the 75th percentile of the 2016 regional market rate survey beginning Jan. 1, 2018 and (2) 2,959 additional full-day State Preschool slots beginning April 1, 2018.
- $5.2 million increase for CalWORKS Stage 2 and 3.
Decrease of $120.1 million from federal TANF funds for $707 million in total spending from federal TANF and Child Care and Development Fund.

Public Safety

First-Responder Communications

The Governor’s January 2018 budget proposes $11.5 million for the State Emergency Telephone Number Account (SETNA) to modernize the state’s 9-1-1 system with a Next Generation 9-1-1 system and improve public safety communications during emergency events.

The budget summary also acknowledges that the current SETNA fee model is no longer sufficient to support the legacy 9-1-1 system or the buildout for the Next Generation 9-1-1 system. The budget proposes to revise the fee structure to a per-subscription flat rate on all voice and data plans similar to other states, which is currently only charged on intrastate voice plans. Additionally, the Administration has formally opted into the federal FirstNet program, which was awarded to ATT and anticipates to deliver a dedicated telecommunications spectrum to law enforcement and first responders.

Department of Corrections and Rehabilitation

The Governor’s budget emphasizes continuing progress on efforts to manage the prison population consistent with the federal court order to maintain that population at 137.5 percent of the correctional system’s design capacity. Despite the state taking the initiative with AB 109 (2011), and the separate development of Prop. 47 (2014), which reclassified a host of felony offenses as misdemeanors, in late 2016 CDCR’s adult inmate population projections indicated the prison population would continue to increase by 1,000 inmates per year. This frustrated the state’s goal of adhering to the federal court’s directive.

To maintain compliance with the court-ordered population cap, the Governor sponsored Prop. 57, providing inmates with incentives in the form of good time credits for significant rehabilitation programming, granting courts discretion as to whether young offenders should be tried as adults, creating a parole consideration process for non-violent offenders who serve 100 percent of their baseline sentence. The proposed FY 2018–2019 budget seeks to advance the goals of providing offenders a greater opportunity for rehabilitation, improving offender outcomes and enhancing public safety in the long run.

Total funding: $12 billion (increase of $599 million over last fiscal year) with the preliminary breakdown being:
- $11.7 billion General Fund.
- $313 million other funds.

Inmate Population:
- Current estimated Average Daily Inmate Population: 130,317 (up 2.1 percent over what was projected a year ago).
- Adult inmate population projected to decline by 0.2 percent in FY 2018–19 to 127,412.
- Proposition 57 is estimated to reduce CDCR’s inmate population by 6,300 in 2018-19, increasing to 11,500 in 2020-21. (NOTE: Budget document concedes these numbers are uncertain – in part due to the threat of Police Chiefs-Retailers Initiative, although it is not explicitly mentioned)

Parolee Population:
- Increase of $23.1 million general fund for Adult Parole Operations.
- FY 2016–19 population projection: 49,794 (increase of 5.1 percent).
Division of Juvenile Justice Average Daily Population:
- Total population of 615 in FY 2017–18, and 645 in FY 2018–19.

Rehabilitation Programming Generally

While the budget states rehabilitation funding has “been re-established to prior levels,” it does not put this statement into context.

Core Rehabilitation Programs

The Administration maintains the following have been extended to all prisons:
- Substance abuse treatment programs.
- Cognitive behavioral treatment programs.
- Academic education classes.
- Career technical education, with additional resources to expand programming slots.
- Arts-in-Corrections programs.
- Transitional preparations courses focused on job readiness.
- Community College courses with in-person instruction.

Additional Programs (not claimed to be system wide):
- Implementation of TV-based education program for those unable to attend in-person instruction.
- Programming grants intended to encourage nonprofit providers to expand their programs.
- Expansion of programs tailored to long-term offenders:
  - Substance abuse disorder mentor certification.
  - Cognitive behavioral treatment for those before Parole Board.

Programs Addressing Post-Release Wrap-around Services:
- Cal-ID program providing released inmates with state ID cards.
- Pre-enrolling inmates into Medi-Cal prior to release.
- Community Re-entry programs allowing eligible ex-offenders to serve the final year of their sentence in community-based re-entry centers.
- New transitional housing program providing meals, support services, peer-driven programming and other resources for first six to 12 months post-release.

Expenditures on Rehabilitation Program Expansions:
- Career Technical Education: $6.7 million General Fund for 13 additional sites, 338 additional programming slots plus $1.5 million General Fund for equipment replacement. (Education aligned with state boards and national organization certifications):
  - Allows capacity for to serve up to 9,100 offenders/year.
  - Does not include information as to the amount of increase over the last fiscal year.

- Self-Help Groups: $2.5 million for Inmate Activity Groups eligible under Proposition 57 for Rehabilitative Achievement Credits.
  - Supports expansion from 1,100 programs in 2016-17 to over 3,000 programs by 2018-19

- Rehabilitative Programming Grants: $4 million GF to the Inmate Welfare Fund to provide these grants to Non-Profits with demonstrated track-record of success.

- Statewide Prison to Employment Initiative:
  - $16 million GF for this partnership between the California Workforce Development Board, CDCR, the California Prison Industry Authority to provide services for regional and local programming implementation to integrate re-entry and workforce services – also to direct services to ex-offenders.

- Firefighter Training and Certification Program (New):
- $26.6 million General Fund to establish this 18-month program for ex-offenders for education and training to become a firefighter.
- Creates a training center at the Ventura Conservation Camp for 80 ex-offenders
- California Conservation Corps to be employer of record, program allows up to 20 CCC members to participate in training courses.
- California Department of Forestry and Fire Protection (CAL FIRE) to be in charge of administration, fire training and certification.

**Infrastructure Maintenance**
- $131.1 million for system-wide infrastructure investments, consisting of:
  - $60.7 million to replace roofs at various facilities;
  - $20 million for mold remediation efforts;
  - $32.9 million to replace the public safety radio communication system at nine institutions that have not yet upgraded them;
  - $17.5 million to replace health care vehicles used to transport inmates to health care appointments outside the prisons.

**Inmate Medical Care and Mental Health Services:**
- $3.1 billion General Fund for health care services programs:
  - Mental Health.
  - Medical and Dental Care.

**Federal Receivership Overseeing Prison Medical Care:**
- Established by federal court in 2005.
- To date, the Receiver has transferred oversight of 15 institutions back to the state (roughly half of the prisons).
- Budget includes $2.1 billion for prison medical care, an increase of $12.8 million:
  - $8.3 million to complete integration of an Electronic Health Records System
  - $4.5 million to lease automated drug cabinets for controlled substances, and establish a Correctional Clinic Model for non-patient specific medications

**Increase to In-Patient Mental Health Treatment Bed Capacity:**
- $20.1 million to address mental health bed capacity, and resources to monitor health care data reporting and patient referrals:
  - $8.7 million for conversion of two existing housing units to allow them to transition between different levels of care;
  - $6.8 million to add 15 Mental Health Crisis beds and 5 Psychiatric In-patient beds at the California Institute for Women;
  - $2.4 million to improve patient movement in and out of in-patient treatment beds;
  - $1.2 million for related utilization management reviews; and
  - $1 million to transfer 20 Mental Health Crisis beds from Northern California to Southern California to address a greater need for treatment beds.

**Juvenile Justice Reform**

**Age of Jurisdiction:**
- The proposal includes reversal of change made in 2012 that lowered the upper age of jurisdiction from 25 to 23 for youth sent to Division of Juvenile Justice. The department will once again have jurisdiction over youth up to age 25.
- This is based on new research on brain development, and juvenile case law re: diminished culpability of juvenile offenders, and will allow a larger universe of youth to access rehabilitative programming designed for young offenders, helping reduce their rate of recidivism upon release.

**Youthful Adult Offender Pilot Program**
• $3.8 million General Fund allocation for a state pilot program to establish two housing units supporting a Young Adult Offender Pilot Program diverting a limited number of young adult offenders who have committed specified crimes from adult prison to a juvenile facility.
• This is based on the success of a five-county pilot program authorized by SB 1004, Chapter 865, Statutes of 2016 providing housing for youth aged 18 to 21 in juvenile halls rather than county jails.

Local Public Safety

Community Corrections Performance Incentive Grant:
• $106.4 million to continue this successful program, providing incentives for counties to reduce the number of felony probationers sent to state prison.

Post-Release Community Supervision:
• $29 million GF for county probation departments to supervise temporary increases in average daily population of Post-Release Community Supervision offenders as a result of Prop. 57.

Prop. 47 Savings:
• Department of Finance estimates net savings of $64.4 million in FY 2018–19, this is an increase of $18.8 million over estimating savings in FY 2016–17.
• Ongoing savings currently estimated to be $69.9 million

Department of Justice

New Sex Offender Registry: DOJ will proceed working with the Attorney General’s office on a funding proposal in the spring to implement SB 384, Chapter 541, Statutes of 2017, which mandates replacement of the lifetime sex offender registry with a tiered registration system beginning Jan. 1, 2021.

Judicial Branch

The proposal continues to honor the state’s commitment to fund new trial court construction, improve access to the courts, and to make the court system whole in the face of ongoing declining revenues from the State Penalty Fund.
• Total Funding: $4.2 billion
  o $1.9 billion GF
  o $2.3 billion other funds (with $2.2 billion supporting trial court operations)
• Breakdown:
  o $150 million GF to improve and modernize trial court operations, and increase access to courts
    ▪ Trial Court Operations: $47.8 million for trial court operations in courts that are below 76.9 percent of their overall funding needs, based on Workload-Based Allocation and Funding Methodology
    ▪ Discretionary funding for trial courts: $75 million for allocations based on Judicial Council priorities
    ▪ Self-Help Services: $19.1 million to help prepare self-represented litigants (total budget: $30.1 million)
    ▪ Language Access: $4 million for expanded availability of interpreters for civil matters in all courts
    ▪ Civil Traffic Pilot: $3.4 million for a five-court pilot program to usher in a civil model for adjudication of minor traffic violations
    ▪ Court-Appointed Special Advocate Program: $500,000 for grants to trained volunteers assigned by a juvenile court judge to youth in foster care — for direct services to 2,200 foster youth
• California Courts Protective Order Registry: $200,000 to expand this registry serving as a central repository of restraining and protective orders safeguarding victims of violence and law enforcement officers in the field

State Penalty Fund
• $34.1 million General Fund to backfill losses resulting from a continuing decline in fines and penalty revenues expected in 2018-19

Trial Court Employees
• $25.9 million General Fund for trial court employee retirement and health benefit costs

Trial Court Construction
• $32.2 million for completing the design of three courthouse projects in Riverside, Sonoma, and Stanislaus Counties.
• Separate commitment to completing construction for next ten courthouse projects ready to begin construction from lease revenue bonds through 2020.
  o This includes projects in Imperial, Riverside/Indio, Shasta, Siskiyou, and Tuolumne in FY 2018–19, plus additional projects in Glenn, Riverside/Mid-County, Sacramento, Sonoma, and Stanislaus in FY 2019–2020.

Next Steps

Following the release of the Governor’s budget, an analysis by the Legislative Analyst is expected shortly. The League will continue to examine the details of this budget proposal and provide additional information to cities as warranted.

Governor Brown Opines on Why Supreme Court May Modify “The California Rule”

In his final budget presentation, Gov. Jerry Brown specifically addressed questions by reporters pertaining to the California Rule — the judicial precedent established in 1955 that has hampered the state and local governments’ ability to make any prospective modifications to public employee pension formulas. This “rule” is often cited as a limitation on state and local agency efforts to modify public pension programs in an effort to reduce their cost.

However, several cases are making their way through the judicial process including one specific to the ability to purchase years of service credit or “airtime” that is currently pending before the California Supreme Court.

When asked to share his opinion about why he believes the California Supreme Court will provide more flexibility under the California Rule, the Governor, in part stated, “There have been several lower court opinions with judges both liberal and conservative who have taken the position that employees are entitled to a reasonable pension but not entitled to any numeration that they can imagine”.

He goes on to say, “Like many things in law the so-called California Rule is not as clear as you might think … I think where that’s going to lead when the Supreme Court looks at it [the pending case], will be greater flexibility …”

This is not the first time the Governor has made a strong case for more flexibility. In November, he departed from tradition by supplanting the Attorney General’s office, submitting a brief specific to the case currently pending before the California Supreme Court. In the brief he states, “Employers and taxpayers should not bear the burden of guaranteeing the additional employee investment risk that comes with airtime purchases.”

Earning praise from various editorial boards, the Governor contends that an agency must be able to make modifications to current formulas to ensure the fiscal solvency of public agencies as well as the sustainability of the retirement system.

The full clip of Governor Brown’s comments regarding the California Rule is available to watch online.

As Governor Brown embarks on his final year in office, public retirement security and system sustainability will remain a hot topic in Sacramento. Defined benefit pension plans play a vital role in attracting and retaining quality public employees. Many cities, however, face increasing challenges funding these benefits while maintaining levels of public services their residents expect.

Employer contribution rates have increased dramatically in recent years and will continue to do so for years to come. In 2012, the Legislature adopted more reasonable and sustainable benefit tiers for new employees. However, it will take decades for those cost savings to be realized.

The League is committed to work with all stakeholders to address these challenges head-on in order for local agencies to continue to provide quality services while retaining their valued employees. For more information on retirement system sustainability, please visit www.cacities.org/pensions.

INCOME TAXES: CREDITS: CALIFORNIA EXCELLENCE FUND

Enacts the California Excellence Fund Tax Credit, which allows a Personal Income or Corporation Tax credit equal to the amount of a contribution to the California Excellence Fund.

Background

Federal Charitable Deduction. The Internal Revenue Code allows a deduction from income for any charitable contribution made within the taxable year. California conforms to this deduction. A charitable contribution includes a contribution to public agencies, not just charitable organizations, but only if the contribution or gift is made for exclusively public purposes.

Federal law limits the deduction when the donor receives consideration in exchange for the contribution, as the contribution can lose part of its charitable nature. If the benefits expected to be received by a donor are greater than those to the general public, then the transferor has received a quid pro quo sufficient to deny the deduction. Treasury regulations clarify that no part of a payment that a taxpayer makes in consideration for goods or services qualifies for the deduction unless the taxpayer intends to make, or makes, a payment that exceeds the fair market value of the consideration. For example, a taxpayer donating $100 to the Public Broadcasting Service can claim a $100 deduction, but only an $80 deduction if he or she received a $20 tote bag as a result of the donation.

Treasury regulations don’t specifically address whether a reduction in state tax liability constitutes a good or service, instead defining “goods and services” to mean “cash, property, services, benefits, and privileges.” In response to questions from taxpayers regarding whether cash payments to state agencies can be considered charitable contributions, an Internal Revenue Service (IRS) Chief Counsel Advice Memoranda from February, 2011 (CCA 201105010), states that the payment of cash to a state agency “is treated for federal tax purposes as a reduction or potential reduction in tax liability,” and not as consideration, based on its legal analysis of the relevant case law, most notably McLennan v. United States, 23 Cl. Ct. 99 (1991). CCA 201105010 additionally states that “the tax benefit of a federal or state charitable contribution deduction is not regarded as a return benefit that negates charitable intent, reducing or eliminating the deduction itself,” and that the IRS has no reason to distinguish between a state tax deduction and a credit based on the amount of the benefit, even transferable tax credits. While the memo appears to allow contributions made to public agencies that also generate state tax benefits to qualify for the federal charitable deduction without any reduction for consideration received, it does contain a caveat, namely that “there may be unusual circumstances in which it would be appropriate to recharacterize a payment of cash or property that was, in form, a charitable contribution as, in substance, a satisfaction of tax liability.”
Additionally, the IRS website states that chief counsel advice memos “have no precedential value and cannot be relied on by taxpayers. Nonetheless, they may be useful for background or insight into a position the IRS might take on an undecided or novel issue for which no other agency guidance is available.”

**State Tax Credits.** California law allows various income tax credits, deductions, and sales and use tax exemptions to provide incentives to compensate taxpayers that incur certain expenses, such as child adoption, or to influence behavior, including business practices and decisions, such as research and development credits. The Legislature typically enacts such tax incentives to encourage taxpayers to do something that but for the tax credit, they would not do. The Department of Finance is required to annually publish a list of tax expenditures, currently totaling around $57 billion per year.

Similar to other states, California law allows credits against state tax for specified donations to state government, that when combined with the federal charitable deduction can afford tax benefits almost equal to the amount of the contribution, specifically the Natural Heritage Preservation Credit, and the College Access Tax Credit:

- The Legislature enacted the Natural Heritage Preservation Tax Credit to compensate landowners who donate land to the state for preservation purposes (SB 1647, O'Connell, 2000), and extended it until 2020 (SB 355, Beall, 2014). To qualify for the credit, landowners must apply to the Wildlife Conservation Board (WCB) for approval to donate a parcel of property, and for certification that the property meets certain requirements. If the WCB approves the contribution, the landowner may claim a tax credit equal to 55% of the property’s fair market value and carryover the credit for eight years.

- In 2014, the Legislature enacted a new tax credit to induce taxpayers into contributing to the College Access Tax Credit Fund, which helps to fund the Cal Grant B High School Entitlement Program (SB 798, De Leon, 2014), and extended it last year through the 2022 taxable year (AB 490, Quirk-Silva). The California Educational Facilities Authority (CEFA), housed in the Office of the State Treasurer, administers the tax credit. Taxpayers make cash contributions to CEFA, who then issues the taxpayer a credit certificate with a credit of 50% of the value of the contribution, which the taxpayer keeps after claiming the credit on his or her return. CEFA then deposits contribution proceeds into the College Access Tax Credit Fund. Fund proceeds first offset the foregone General Fund revenue resulting from the credit, and then are appropriated by the Legislature to the Franchise Tax Board (FTB), CEFA, the State Controller, and the Student Aid Commission to reimburse any administrative costs. Any funds remaining are then continuously appropriated to the California Student Aid Commission to supplement other moneys funding Cal Grants. CEFA can allocate up to a total of $500 million in credits each year on a first-come, first-served, basis.

**HR 1.** On December 22nd, 2017, President Trump signed HR 1, which enacted fundamental changes to the federal income tax. Among them, HR 1:

- Increased the standard deduction from inflation-indexed amounts of $6,350 (single)/$12,700 (joint) in 2017 to $12,000 (single)/$24,000 (joint), adjusted annually for inflation, but using the chained consumer price index (CPI) for all urban consumers instead of the traditional CPI.
• Limited the deduction from income for state and local taxes paid by individuals to $10,000 per taxable year, not indexed for inflation. HR 1 did not affect the deduction for state and local taxes paid when carrying out a trade or business.

• Raised the general percentage limit for charitable contributions, which disallows deductions for charitable contributions above a specified percentage of the taxpayer’s modified adjusted gross income, from 50% to 60%, among other changes.

Seeking to ameliorate the effect of HR 1’s limitation on the deductibility of state and federal taxes, the author wants to enact a state tax credit equal to 100% of a taxpayer’s contribution to the California Excellence Fund that would also qualify for the federal charitable deduction.

**Proposed Law**

Senate Bill (SB) 227 enacts the California Excellence Fund Tax Credit against the Personal Income and Corporation Tax equal to the amount of a contribution to the California Excellence Fund, which the measure creates in the General Fund to accept monetary contributions exclusively for public purposes. The measure requires the contributed funds be used for those public purposes when appropriated by the Legislature.

The measure directs the Treasurer to establish a procedure for the public to make monetary contributions to the Fund, and obtain a certification for the credit. The procedure must require the Treasurer to certify the contribution amount within 45 days following the receipt of the contribution. The Treasurer must provide to FTB a copy of each credit certificate issued for the calendar year by March 1st of the following calendar year. The bill requires the Treasurer to adopt any regulations necessary and appropriate to implement the measure, which are exempt from the Administrative Procedures Act.

Taxpayers may carry forward the credit for up to six subsequent taxable years until exhausted, but cannot claim as a deduction any amounts taken into account when calculating the credit. The measure states that Section 41 of the Revenue and Taxation Code, which requires any introduced bill enacting a tax credit to contain specified provisions, does not apply to the credit.

**State Revenue Impact**

According to FTB, “FTB noted four potential revenue impacts that would result from taxpayer behavioral changes. Unfortunately, we have no way to predict the magnitude of any of these behavioral responses. If the majority of itemizing taxpayers shift the majority of their payments from the first half of the year to the end of the year, the revenue transfer across fiscal years would be in the low tens of billions of dollars. We expect the actual revenue transfer to be significantly less than that by an unknown amount.”

**Comments**

1. Purpose of the bill. According to the author, “SB 227 mitigates the damage to the pocket books of California taxpayers caused by GOP tax reform by allowing them to contribute to the California Excellence Fund. Donations to the California Excellence Fund will allow taxpayers to help bolster funding for critical California programs, including higher education, healthcare, and public safety. The bill will utilize the current IRS charitable donation deduction to make sure California taxpayers are not burdened with a tax increase as a result of the recently enacted GOP
tax reform measure. The measure punishes California taxpayers so that wealthy individuals and corporations can benefit. SB 227 builds upon several other tax credits in 21 other states, including my own 2014 bill SB 798 (de León). SB 798 established a tax credit for taxpayers that made donations to the Cal Grant program. SB 227 is a scaled up version of SB 798 that will minimize harm caused by the GOP tax measure to California taxpayers and give them an opportunity to help strengthen California.”

2. Sure, but will it work? In 2013, Phillip Blackman of Penn State School of Law and Kirk Stark of the UCLA School of Law outlined a roadmap for states to capture federal moneys by creating a state tax credit for cash contributions to a state entity, with very little cost to the state.\(^1\) SB 227 expands the model described by Blackman and Stark to potentially offer California taxpayers a way to reduce an increase in their federal tax liability resulting from HR 1’s limitation on the deduction for state and local taxes. In addition to California, many other states have similar tax credit programs, including credits equal to 100% of donations made to private nonprofit scholarship-granting organizations that issue scholarships to K-12 students to attend private schools, or public schools outside of the district, approved by the scholarship organizations, according to the National Conference on State Legislatures.

However, critics argue that SB 227’s approach may not work, and that IRS may deny any federal deductions claimed by taxpayers making contributions. Jared Wakcza of the Tax Foundation states “that charitable contributions have a charitable aspect is a significant challenge for this approach” as the donor gets two benefits in exchange for the contribution: government services, and lower tax liability, which runs afoul of IRS publication 526’s exclusion from deduction for contributions for which the donor benefits.\(^2\) Wakcza argues that contributions under SB 227 may not qualify as meeting the “solely for public purposes” standard, as the contribution serves no public purpose, has no net effect on state revenue, and is intended to leave the giver in better shape financially.

Congress could clarify the issue by changing federal law, or IRS could issue further guidance on the issue altering or reversing CCA 201105010. In either case, taxpayers receiving a 100% tax credit from the state will be no worse off at the state level – the taxpayer still received a tax credit equal to the contributed amount. However, it’s unclear whether federal accuracy-related penalties would apply if IRS denies any SB 227 federal charitable contributions given CCA 201105010. The Committee may wish to consider whether SB 227’s approach will work.

3. How does this work? Under SB 227, Jane can contribute $10,000 to the California Excellence Fund, and the Treasurer issues her a $10,000 credit certificate. Jane may then claim a $10,000 credit on her California tax return in the year she makes the contribution, which she could carry over to future taxable years. Jane then claims a $10,000 charitable contribution deduction on her federal return in the same year. Jane could contribute amounts sufficient to offset her entire state tax liability, which she could then claim as charitable deductions on her federal return up to the percentage limit based on her income. Jane could contribute amounts that exceed her state tax liability, and generate a credit that she could carry forward and apply in future taxable years; however, she could not obtain a refund that exceeds her tax liability for that year because SB 227 does not provide for a refundable credit.

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\(^1\)“Capturing Federal Dollars with State Charitable Tax Credits,” 139 Tax Notes 53, 2013

4. **Generous Incentive.** This bill would enact the most generous tax credits ever allowed in California, which when combined with the federal charitable deduction, would afford the donating taxpayer benefits that exceed the amount contributed. Using the example above, Jane’s state tax liability can be entirely offset when she applies the credit for her $10,000 contribution, and she gets to deduct $10,000 in income as a charitable contribution. Assuming Jane is in the highest income tax bracket of 37%, and the contribution does not exceed the credit percentage for the year she makes the donation, she receives $13,700 in total federal and state tax benefits as a result of her contribution. While the measure precludes taxpayers from claiming a state charitable deduction for any amount used to calculate the California Excellence Fund Tax Credit, thereby negating any double benefit, the Committee may wish to consider whether SB 227’s credit percentage is appropriate.

5. **HR 1 and California.** Part of the federal income tax since its inception, the deduction for state and local income taxes paid permits taxpayers who itemize deductions on their federal income tax to deduct certain taxes paid to state and local governments for federal tax purposes. Taxpayers may deduct their property taxes plus either their state income or sales taxes, but not both. However, the deduction can be limited by the federal Alternative Minimum Tax. In 2015, more than five million Californians deducted more than $80 billion in state and local taxes from their federal returns, according to the IRS. Proponents of the deduction argue that it prevents both the federal government and the state from taxing the same income twice, while critics assert that it primarily benefits higher-income individuals. HR 1 capped the deductions at $10,000 per year, and provided a significantly higher standard deduction, which will reduce the number of filers who itemize. The Tax Policy Center states that residents of high-tax states, such as New York, California, and New Jersey, generally would face the biggest tax increases.

6. **Redirecting?** SB 227 could result in taxpayers redirecting charitable contributions from charities to the Fund, as contributions to other charities would only qualify for the state and federal deduction, and not the 100% state tax credit. The Committee may wish to consider whether SB 227 will impact general charitable giving.

7. **Open ends.** SB 227 may benefit from further detail in some areas, including:

   - Allow the credit to reduce tax liability below tentative minimum tax to ensure taxpayers can apply the full credit amount in the taxable year of the contribution.
   - Add a potential sunset date.
   - To accommodate multiple contributions in one taxable year, replace “for” with “during” before “taxable year,” (P.2, L.6., and P.3, L.22) and allow the Treasurer to grant one certificate per taxpayer per year instead of requiring one within 45 days of each contribution.


**Support and Opposition** (1/8/18)

**Support:** Unknown.

**Opposition:** Unknown.
-- END --
Legislation Planned in the 2018 Session to Restore Prior Financial Incentives for City Annexations of Inhabited Territory (harmed by the passage of SB 89 of 2011).

The League will be working on legislation designed to assist cities that were harmed by the passage of SB 89 (2011), and restore fiscal incentives that support future city annexations of inhabited county islands and adjacent areas.

Background:
The passage of SB 89 in 2011, a budget trailer bill that swept over $200 million annually in vehicle license fees from cities, caused significant fiscal harm to cities that annexed inhabited territory and recently incorporated cities. With the severe impacts to four recently incorporated cities finally addressed by the passage of SB 130 of 2017, it is time to also respond to the harm caused by SB 89 to annexing cities and restore fiscal incentives for cities that annex and improve service delivery to adjacent unincorporated territory, including disadvantaged unincorporated communities.

SB 89 caused over 140 annexing cities to lose revenue relied on to provide services to new residents. While many cities lost smaller portions, they all agreed to take in new residents and relied upon these revenues when making the policy decision. The total annual loss for the 140 cities was in 2011 was $4.316 million, including major losses to the following cities:

- Chico: $471,461
- San Ramon: $334,806
- Santa Clarita: $390,916
- Temecula: $428,745
- Fontana: $759,071
- San Bernardino: $112,994
- San Jose: $339,648
- Porterville $237,744
- Visalia: $146,248

Legislative Efforts:
Over recent years, legislative efforts focused mostly on the fiscal plight of four recently incorporated cities in Riverside County. These new cities were heavily dependent on VLF funds, losing a combined $16 million in annual revenue from SB 89. After the Governor vetoed several proposals, a breakthrough occurred in 2017 with the passage of SB 130 that provides a financial fix for the four cities. SB 130 provides these cities with additional shares of property tax to offset their annual VLF losses going forward (DOF estimates the cost of the fix to the state between $17-$19 million). With the issue of the four cities finally addressed, the policy discussion must resume over how to restore opportunities for new incorporations and incentives for city annexations of inhabited territory.
State Policy Benefits of Addressing Impacts of SB 89 on Annexations

SB 89 has also had negative impacts on state policies that recognize the benefits of annexation and incorporation in our growing state. After SB 89, cities no longer have sufficient incentive to annex and serve inhabited unincorporated areas. This is not only a problem for the affected communities it also has state policy impacts. State law also has policies in place that support annexation and consolidated service delivery.

- Section 56301 of the Government Code states, “Among the purposes of the commission (Local Agency Formation Commission) are the discouragement of urban sprawl and the encouragement of the orderly formation and development of local agencies based upon local conditions and circumstances.”
- Section 56001 of the Government Code states, “The Legislature finds and declares that a single governmental agency, rather than several limited purpose agencies, is in many cases better able to assess and to be accountable for community service needs and financial resources and, therefore, is the best mechanism for establishing community service priorities.”
- In 2011, the Legislature adopted SB 244 (Wolk) that tasked LAFCOs with increased focus on “disadvantaged unincorporated communities” and encouraging annexation of these impoverished areas as a means of improving services to residents.
- In recent years, the state has also enacted laws designed to promote compact growth and reduce vehicle miles traveled and greenhouse gas emissions. These policy objectives are advanced when cities provide consolidated service delivery and expand consistent with LAFCO policies.

Fiscal Background:

- **History on the VLF and 2004 VLF-Property tax swap**: Prior to 1998, cities had three sources of revenue: property tax; sales tax; and vehicle license fee (VLF) revenue. VLF originated as a local property tax levied on vehicles until 1933 when the state standardized collection. VLF was allocated to cities on a per-capita basis, which meant that cities received increased shares of VLF revenue when they annexed inhabited areas. New cities that incorporated also received an allocation of VLF according to their population. Then in 1998, during a good-budget year for the state, legislators became enamored with the idea of “cutting the car tax” from 2 percent to 0.65 percent with promises to backfill local agencies for their losses with shares of property tax from schools.

That commitment lasted only briefly. As state budget difficulties returned in the early 2000’s legislators questioned the backfill to local agencies and balked at the notion of allowing the triggers to be pulled which would allow VLF to be collected at its previous level of 2 percent. In 2004, this uncertainty was resolved with the VLF-Property Tax Swap (SWAP) that was solidified in Proposition 1A; the SWAP allowed all cities and counties in existence on that date to permanently swap dollar-for-dollar the amounts owed to them as VLF backfill for increased shares of local property tax for schools. The League had advocated for the SWAP to also address future incorporations and annexations, but the fix did not make it into the final package.
While all cities and counties in existence in 2004 were kept whole by the SWAP, the policy issue of how to address future incorporations or inhabited annexations was unresolved: there was no factor in the SWAP to address future incorporations or annexations. VLF had been previously allocated to cities on a per-capita basis. That meant that as new cities incorporated or otherwise added population they received increased shares of this pool of funds. These allocations also were a smart-growth incentive: more people in your city meant more revenue.

- **AB 1602 (Laird) of 2006 provided solution for incorporations and annexations:** While addressing the issue in the SWAP was the preferred solution, as an alternative the League worked with Assembly Member John Laird to fashion AB 1602, which addressed this problem by providing newly incorporated cities and cities that annexed inhabited areas with permanent increased shares of a small pool of remaining VLF. Four cities in Riverside County—Eastvale, Wildomar, Menifee and Jurupa Valley—all formed in reliance on these revenues. These revenues also served as an incentive for cities to annex inhabited unincorporated areas. Fontana, San Jose, Chico and many other cities annexed areas in reliance on these revenues to assist with serving the additional population.

- **SB 89 of 2011 sweeps all VLF revenue from recent incorporations and annexations:** In 2011, during another state budget crisis, the Legislature passed SB 89 quickly with no public hearings and swept all of the remaining VLF funds as part of a budget solution.

- **SB 130 of 2017 resolves four-city problem via amendment to the SWAP:** SB 130 resolves the problem created by the passage of SB 89 for the four Riverside County by providing the cities with shares of property tax to offset the amount of vehicle license fee revenue they would have received. In future years, the amount will be adjusted according to the same rules applied in the SWAP to other cities. In short, these cities will now be treated equally with all other cities. While SB 130 does not resolve issues associated with future incorporations and annexations, it provides the legislative template to address these issues in the future.
Existing League Policy Affecting Sales Tax

Sales and Use Tax Base: The League supports modernization to the sales tax through measures that would either broaden the tax base on goods, which includes reviewing existing exemptions on certain goods and expanding to digital forms of goods that are otherwise taxed, and expanding the sales tax base to services, such as those commonly taxed in other states. Specific proposals in these areas should be carefully reviewed so that the impacts of any changes are fully understood.

Sales Tax Sourcing Rules: Support as League policy that point of sale (situs) is where the customer receives the product. Specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood.

County Pool Use Tax Allocations: Support the League working with the state Board of Equalization to update the county pool allocation process to ensure that more revenues are allocated to the jurisdiction where the purchase or first use of a product occurs (usually where the product is delivered).

State Sales Tax Exemptions: The League opposes state legislation that proposes to grant exemptions for specific products that fails to protect those portions of the sales tax that are dedicated to local government.

Reduce Competition
- Revenue from new regional or state taxes or from increased sales tax rates should be distributed in a way that reduces competition for situs-based revenue. (Revenue from the existing sales tax rate and base, including future growth from increased sales or the opening of new retail centers, should continue to be returned to the point of sale.)
- The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected.
- Tax proceeds collected from internet sales should be allocated to the location where the product is received by the purchaser.
- Restrictions should be implemented and enforced to prohibit the enactment of agreements designed to circumvent the principle of situs-based sales and redirect or divert sales tax revenues from other communities, when the physical location of the affected businesses does not change.

Federal Legislation Requiring Use Tax Collection
The League supports federal legislation that would require the collection of use tax from internet or “remote sales” that meets the following conditions:

- Is limited to the collection of sales and use taxes.
- Does not require states to participate in the SSUTA.
- Requires remote sellers to collect the full destination rate (combination of state and local rate at location the product will be delivered).
- Exempts intrastate (non-remote sales within California) from the destination rule.
- Provides sufficient flexibility to accommodate California’s tax structure. (There are instances where the state, for policy reasons, has opted not to collect the state’s share of sales taxes on an item, but the local rates on those items are still collected).

State regulatory actions and possible legislation may be needed to address issues raised by the collection of new revenue from remote sales. Implementation by the State Board of Equalization would likely require appropriate software for remote sellers to implement the new system.

Federal Streamlined Sales and Use Tax Agreement (SSUTA)
There are more questions than answers for California cities about potential state participation in the SSUTA. The SSUTA offers many more risks for California cities than benefits. Thus, the League should:

- Continue to monitor developments of the SSUTA and related federal legislations, but not support any additional efforts that would lead to California joining the agreement. This position can always be revisited at a future point if events change.
- Strongly oppose any federal effort that attempts to force California to conform to the Agreement, or amendments to federal legislation that would directly undermine California’s utility user tax structure.
- Work with the State Board of Equalization and other parties on alternative efforts to increase the collection of use taxes within California. Share the League’s analysis of the SSUTA with interested parties, exchange information on use tax collection issues with municipal Leagues in other states, including those states with tax structures similar to California.
ACA 5
June 2018 Statewide General Election

In April, 2017, the Legislature adopted SB 1 - The Road Repair and Accountability Act of 2017 and Assembly Constitutional Amendment 5. Among its many provisions, SB 1 increases the sales and use tax on diesel fuel and imposes a new transportation improvement fee. ACA 5 is a ballot measure that would amend the Constitution to protect revenues from the increased tax and new fee for transportation purposes only. Other revenue increases found in SB 1 are already protected for transportation purposes by Article XIX of the California Constitution.

The Public Transportation Account: This is a trust account in the State Transportation Fund currently protected by the State Constitution. Funds in the Public Transportation Account may only be used for transportation planning and mass transportation purposes. Funds cannot be loaned or transferred to the State General Fund or any other fund or account in the State Treasury. The state sales tax on motor vehicle fuel is deposited into the Public Transportation Account.

New Revenues from SB 1: SB 1 – the Road Repair and Accountability Act of 2017 increased the state sales tax on diesel fuel by 4%; and the state use tax on diesel fuel by 1.75%.

SB 1 also imposed a transportation improvement fee payable with an automobile registration. The fee ranges from $25 for an automobile with a market value of $4,999 to $175 for an automobile with a market value of $60,000. The fee is $100 for an automobile with a market value between $25,000 and $34,999.

Protecting New Revenues from SB 1: ACA 5 is a measure on the June 2018 statewide ballot to amend the California Constitution. Majority voter approval is required to amend the Constitution. The amendment makes two changes to the Constitution:

- New diesel fuel sales and use tax must be deposited into the Public Transportation Account where their use is restricted for public transit services and capital improvements.

- New transportation improvement fee must be deposited into the Public Transportation Account where they can be used only for research, planning, construction, improvement, maintenance and operation of public streets and highways and public transportation systems.

The proposed constitutional amendment will ensure that the revenues from the increase in the diesel fuel sales and use tax and from the new transportation improvement fee will be deposited into the Public Transportation Account. The
Legislature cannot change how these funds are used once they are protected by the Constitution.

Frequently Asked Questions

Q1. When did the increase in sales tax on diesel fuel go into effect?
A1. November 1, 2017

Q2. When did the new transportation improvement fee go into effect?
A2. January 1, 2018

Q3. Does SB 1 require that the sales tax increase on diesel fuel be used for certain purposes?
A3. Yes. The Road Repair and Accountability Act of 2017 requires that:
   - All but 0.5% of the total sales and use tax paid on diesel fuel be allocated to the State Transit Assistance Program for use by transportation planning agencies, county transportation commissions and the San Diego Metropolitan transit Development Board; and
   - The remaining tax revenues (generated from 0.5%) be allocated for intercity rail and commuter rail for the state's three intercity rail corridors and for commuter rail services.

Q4. Does SB 1 require that the new transportation improvement fee be used for certain purposes?
A4. Yes. SB 1 - The Road Repair and Accountability Act of 2017 allocated these revenues for the following programs:
   - State Transit Assistance Program
   - Congested Corridor Program
   - Road Maintenance and Rehabilitation Account for local street and road maintenance

Q5. Why was ACA 5 adopted by the Legislature when it passed SB 1?
A5. To ask the voters to amend the Constitution to ensure that the revenues from the diesel tax and the transportation improvement fee would be used for transportation planning, public transit, and transportation capital improvements.

Q6. What happens if ACA 5 does not pass on the June 2018 ballot?
A6. The Legislature can decide to use revenues from the sales tax increase on diesel fuel and the new transportation improvement fee for purposes other than research, planning, construction, improvement, maintenance, and operation of public streets and highways and public transportation systems.
SB 5 (de Leon) California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018
Chapter 852, Statutes of 2017 (Urgency)

SB 5 (De Leon) places a $4 billion bond on the June 2018 statewide ballot for parks, water, and climate and environmental programs. If the voters approve SB 5, local governments will receive funding for local park improvements and will be eligible for numerous grants to fund water, local parks, coastal and climate resiliency projects. The following is breakdown of funding in bond:

Parks Funding (Total $1.283 billion)

- $725 million for competitive grants for safe neighborhood parks
- $200 million for per capita grants to cities, counties, and parks districts for local park improvement and rehabilitation
- $15 million for competitive grants to urbanized counties
- $30 million for competitive grants for state park facilities in regional parks districts
- $40 million for per capita grants to local agencies that obtained voter approval for revenue measures between November 1, 2012 and November 30, 2016
- $218 million for restoration of existing state park facilities, including $5 million for urgent needs of local agencies that operate a unit of the state park system
- $30 million for competitive grants for non-motorized infrastructure development
- $25 million for competitive grants through the Roberti-Z’Berg-Harris (RZH) Urban Open Space and Recreation Program

Water Funding (Total $1.19 billion)

- $250 million for competitive grants for clean drinking water programs
- $550 million for flood protection and repair, including $100 million for stormwater, mudslide and flash-flood-related protections and $100 million for multibenefit flood management projects and storm water capture in urbanized areas
- $290 million for competitive grants and loans for drought and groundwater regional sustainability
- $100 million for grants or loans for water recycling programs

Climate and Environmental Programs Funding (Total $1.547 billion)

- $443 million for competitive grants for climate adaptation and resiliency programs
- $162 million for the California River Parkways Program for grants to enhance urban creeks
- $567 million for state conservancies and the Wildlife Conservation Board
- $200 million for Salton Sea restoration activities and habitat
- $175 million for coastal and ocean protection resources, including $30 million for grants for lower cost coastal accommodations
SB 3 (Beall) Veterans and Affordable Housing Bond Act of 2018.  
Chapter 365, Statutes of 2017  

This measure places a $4 billion general obligation bond on the November 2018 ballot to fund affordable housing programs and the veterans homeownership program (CalVet). If approved by voters, SB 3 would fund the following existing programs:

- Multifamily Housing Program: $1.5 billion, administered by HCD, to assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower-income households through loans to local public entities and nonprofit and for-profit developers;
- Transit-Oriented Development Implementation Program: $150 million, administered by HCD, to provide low-interest loans for higher-density rental housing developments close to transit stations that include affordable units and as mortgage assistance for homeownership. Grants are also available to cities, counties and transit agencies for infrastructure improvements necessary for the development;
- Infill Incentive Grant Program: $300 million, administered by HCD, to promote infill housing developments by providing financial assistance for infill infrastructure that serves new construction and rehabilitates existing infrastructure to support greater housing density;
- Joe Serna, Jr. Farmworker Housing Grant Fund: $300 million, administered by HCD, to help finance the new construction, rehabilitation and acquisition of owner-occupied and rental housing units for agricultural workers;
- Local Housing Trust Fund Matching Grant Program: $300 million, administered by HCD, to help finance affordable housing by providing matching grants, dollar for dollar, to local housing trusts;
- CalHome Program: $300 million, administered by HCD, to help low- and very low-income households become or remain homeowners by providing grants to local public agencies and nonprofit developers to assist individual first-time homebuyers. It also provides direct loan forgiveness for development projects that include multiple ownership units and provides loans for property acquisition for mutual housing and cooperative developments;
- Self-Help Housing Fund: $150 million – Administered by HCD, this program assist low and moderate income families with grants to build their homes with their own labor; and
- CalVet Home Loan Program: $1 billion, administered by the California Department of Veterans Affairs, provides loans to eligible veterans at below-market interest rates with few or no down payment requirements.
Nicolas Maduros, Director, CDTFA

Nicolas Maduros, 46, of Bethesda, Maryland, has been appointed director at the California Department of Tax and Fee Administration. Maduros served as chief of staff at the U.S. Small Business Administration from 2014 to 2017. He was president of the Delta Policy Group from 2010 to 2014, partner and director at Quinn Gillespie & Associates from 2000 to 2010 and an associate at Arnold and Porter from 1998 to 1999. Maduros was counsel to the chairman at ETC Inc. from 1997 to 1998 and an associate at Verner, Liipfert, Bernhard, McPherson & Hand from 1996 to 1997. He earned a Juris Doctor degree from Harvard Law School. This position requires Senate confirmation and the compensation is $190,296. Maduros is a Democrat.
COMMITTEE ON REVENUE AND TAXATION
2018 Work Program – DRAFT PROPOSAL

LEAGUE 2018 STRATEGIC GOALS

In addition to its normal workload, the committee will focus on supporting the 2018 goals adopted by the League Board of Directors. The 2018 strategic goals include:

- Address Public Safety Concerns of California Cities.
- Ensure Sustainability of Public Pension and Retirement Health Benefits.
- Protect Existing Transportation Funding for Local Priorities.
- Improve Housing Affordability and Support Additional Resources to Address the Homelessness Crisis.

In addition, the committee will focus on and monitor the issues below, which may or may not directly relate to the 2018 Goals:

- Review potential ballot measures for the 2018 ballot with impacts on city finances.
- Remain informed on legislation, court actions and administrative activity at CalPERS affecting pensions and other post-employment benefits.
- Review impacts of federal legislation affecting tax reform. Remain on alert for other proposals that could undermine local revenue, affect funding for infrastructure, or shift federal costs and responsibilities.
- Monitor state budget developments, including proposals that may affect local government or provide funding opportunities.
- Continue to monitor and protect vital local revenues including the transient occupancy tax, and utility user’s tax.
- Engage in tax reform discussions that may develop at the state level, using recently refined League policies as guidelines.
- VLF and New Incorporations/Annexations: Sponsor legislation to address the fiscal viability of new incorporations and annexations of inhabited areas.
- Remain informed and take action, where necessary, to prohibit additional state mandates funded or unfunded.
- Monitor issues associated with the recently created California Department of Tax and Fees Administration.