



**REVENUE AND TAXATION POLICY COMMITTEE  
HIGHLIGHTS  
Thursday, June 20, 2024**

**ATTENDANCE**

Members: Kuldip Thusu (Chair); Kevin Bash (Vice Chair); Rick Bruneau; Kendall DeMatteo Levan; Jack Dilles; Marc Donohue; Felicia Galindo; John Gillison; Oscar Gutierrez; Loella Haskew; Matthew Hawkesworth; Launa Jimenez; Jeff Jones; David Kent; Paolo Kespradit; Rachel Lang; Mina Layba; Christine Marick; Norma Martinez Rubin; Brian Mohan; Marc Mondell; Ed Musgrove; Marisela Nava; Robert Neiuber; Laura Parisi; Daniel Ramos; Dana Reed; Doug Robertson; Joel Rojas; Lydia Romero; Scott Sakakihara; Karin Schnaider; Monica Solorzano; Fred Strong; Luis Uribe; John Uy; Joe Vinatieri; Melissa Walker; Nicholas Walker; Sally Wilkinson; Pamela Wu; Yvonne You

Cal Cities Partners: Reva Feldman; Ken Nordoff

Staff: Ben Triffo, Legislative Affairs Lobbyist  
Zack Cefalu, Legislative Analyst

**I. Welcome**

Kuldip Thusu and Vice Chair Kevin Bash welcomed the committee members. Cal Cities' Executive Director and CEO, Carolyn Coleman, joined the meeting to commend the committee's work and provide an update on an important case before the California Supreme Court regarding the Taxpayer Deception Act. Ms. Coleman thanked members for their commitment to the committee and underscored that the policy committees drive the work that informs and sets the organization's direction.

**II. Public Comment**

Chair Thusu asked if there was any public comment, none were provided.

**III. General Briefing**

In accordance with the customary practice of convening all policy committee members for a general briefing prior to the start of policy committee meetings, the Cal Cities advocacy team compiled a [General Briefing Document](#), which includes the latest on legislative and budgetary matters affecting cities.

**IV. Legislative Advocacy Update**

Cal Cities Staff Ben Triffo, provided a legislative overview of [hot bills](#) and [priority bills](#) in the Revenue and Taxation portfolio. Bills AB 2564 (Boerner) and SB 1164 (Newman) concerning property taxes, AB 2061 (Wilson) and AB 2854 (Irwin) concerning sales and use taxes, and ACA 1 (Aguiar-Curry) and ACA 10 (Aguiar-Curry) related to bonds and special taxes were given key updates and overviews. Additionally, he provided the committee with an overview of notable bills that have died since March's policy committee and the successful role Cal Cities played in stopping SB 1494 (Glazer).

For a list of all revenue and taxation bills, please visit the [Cal Cities website](#).

Mr. Triffo provided the committee with an update on the work of the City Managers Sale Tax Working Group. The working group was convened to focus on how to preserve the Sales Tax Sharing Agreement while ensuring fair economic competition. The group believed the appropriate method towards achieving these goals was prospective and target limits to sales tax sharing agreements to reduce competition for situs-based sales tax revenue between cities.

The working group had their last meeting on June 14<sup>th</sup>, and Mr. Triffo provided a summary of their recommendations.

During this update, it was brought to the Committee's attention that the Taxpayer Deception Act was officially barred from being listed on the November 2024 ballot as decided by the California State Supreme Court in a unanimous decision.

#### **V. California Budget and Policy Center: Tax Reform in California**

Chair Thusu introduced guest speaker Chris Hoene, the Executive Director of the California Budget & Policy Center. Mr. Hoene's presentation focused on tax reform in California. The presentation included how to ensure the tax system can effectively raise enough revenue to support public services in such a way that does not impede economic growth and can prioritize equity. Members were informed the overall equitability of California's tax structure is a U-shaped graph, with personal income tax being very progressive in the state, and excise tax and sales tax being felt regressively. California typically ranks in the bottom 10 states paid as a share of assessed value.

California needs to identify new revenue to expand funding towards unmet needs of Californians. Lacking other reforms, the state is likely to see increased use of "mansion tax" style real estate transfer taxes on highest valued properties as a way of reducing property related revenues from this growing market.

There are several key options for potential California Tax Policy Reforms, such as the following:

##### Sales Tax Reforms:

- Expand the sales tax to apply to a broad mix of services.
- Reform the distribution of sales tax revenues to better balance origin vs destination.
- Effort to offset regressivity might include income-based tax credits or dedicating revenues for specific uses.

##### Corporation Tax Reforms:

- Increase the overall tax rates.
- Move from a flat tax to a graduated rate structure.
- Levy a surtax on the most profitable corporations.
- Eliminate or limit corporate tax breaks.

Wealth Tax Reforms:

- Income does not equal wealth.
- Reinstate an estate or inheritance tax on wealth transfers.
- Close loopholes allowing gains in asset values to go untaxed.
- Explore the feasibility of implementing a broader tax on the wealth of California residents.

**VI. FY 2024-25 Budget Overview**

Chair Thusu introduced guest speaker Chris Hill, a Principal Program Budget Analyst with the Department of Finance. He provided an overview of the budget timeline in the state and highlighted where we are in the process.

Mr. Hill explained there was a large deficit in this year's budget due to income tax withholding being higher than anticipated. Complications such as the Personal Income Tax filing extension for the 2022 tax year, a drop in capital gain revenue, and business partnerships and non-resident income revenue dropping, all impacted this year's budget situation.

**Governor Administration's January 10 Solution Proposal:**

- Reserves \$13.1 billion
  - Withdraw \$12 billion from Budget Stabilization Account
- Reductions of \$8.5 billion
- Revenue of \$5.7 billion
- Deferrals of \$2.1 billion

In response, the Legislature passed its "Two Party" Budget Bill AB 107. Items of interest to local governments in AB 107 include:

- \$1 billion for Round 6 of the Homeless Housing and Assistance and Prevention Program (HHAP).
- \$100 million reduction to the Encampment Resolution Grants Program.
- \$260 million reduction to HHAP Round 5 supplemental funding.
- \$130.3 million for reimbursement of State Mandates.
- \$73.5 million for Insufficient ERAF backfills for Alpine, Mono and San Mateo Counties, and the cities therein.

**VII. CALED: Innovative Financing Solutions**

Chair, Kuldip Thusu introduced guest speakers, Gurbax Sahota, President and CEO of CALED, Larry Vaupel, Director of Economic Development of the City of Vista, and Jim Simon, President and CEO of RSG Inc. The guest speakers provided an overview of tax increment financing.

Tax Increment Financing looks to reinvest increments taken from localities or regions. Tax revenue grows in a region as a result of this. These tools have only existed for a few years, but California has seen growth of many of these districts as more communities are made aware of these tools and see their successes. These tools do take time to realize the growth of tax revenue. Paired with other tools such as the bonds for new development can greatly assist with the economic development of a city, county, or region.

Some Tax Increment Financing Tools include:

- Enhanced Infrastructure Financing Districts
- Community Revitalization and Investment Authorities
- Annexation of Unincorporated Disadvantaged Communities
- Climate Resilient Districts

See CALED's Tax Increment Financing Districts Primer [here](#) for more details.

#### **VIII. Adjourn**

Chair Thusu thanked the committee members for their participation and adjourned the meeting.

**Next Meeting:** Staff will notify committee members by August 23 if the policy committee will meet **virtually** in October. If you have any questions, please contact [Meg Desmond](#), Cal Cities Associate Manager, Legislative Administration.