



REVENUE AND TAXATION POLICY COMMITTEE HIGHLIGHTS

Thursday April 28, 2022

Revenue and Taxation Policy Committee Meeting PowerPoint Presentation

ATTENDANCE

Members: Norma Martinez-Rubin (Chair); Charles Bourbeau (Vice Chair); Paul Akinjo; Miguel Arias; Newell Arnerich; Kevin Bash; Ronald Bates; Russell Betts; Bob Biery; Mike Calderwood; Rolando Charvel; Larry Cusack; Marc Donohue; Marita Dorenbecher; Grace Espindola; Daivd Gassaway; John Gillison; Martha Guerrero; Barbara Halliday; Carla Hansen; Loella Haskew; Mike Hennawy; Brian Johnson; Dawn LaBar; Mina Layba; Russ Melton; Lisa Middleton; Brett Miller; Marisela Nava; Robert Neiuber; Sue Noack; Ian Oglesby; Margie Otto; Laura Parisi; Roberta Raper; Joel Rojas; Crystal Ruiz; Karin Schnaider; Erica Stewart; Kuldip Thusu; Luis Uribe; Hans Ustar; Olivia Valentine; Nicholas Walker; Holly Whatley

League Partners: Robert Braulik; Fran Mancia

Staff: Nick Romo, Legislative Affairs, Lobbyist
Jessica Sankus, Legislative Affairs, Senior Policy and Legislative Affairs Analyst

I. Welcome and Introductions

President Cindy Silva, Mayor Pro Tem, Walnut Creek, welcomed everyone to the second policy committee meeting of the year and thanked members for their service to all California cities. She explained that policy committees are vitally important and directly connected to Cal Cities' core mission of advocating for the common interests of cities.

Chair Norma Martinez-Rubin (Pinole), and Vice Chair Charles Bourbeau (Atascadero) welcomed committee members and provided an introduction.

II. Public Comment

Chair Martinez Rubin asked if there was any public comment. There was no public comment.

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.

The committee was reminded of the Cal Cities 2022 Action Agenda. The Cal Cities 2022 Action Agenda is as follows:

1. Secure funding to increase the supply and affordability of housing and reform state housing laws to retain local authority.

2. Attain investments to strengthen and sustain critical infrastructure.
3. Secure increased funding and resources to prevent homelessness and assist individuals experiencing homelessness.
4. Strengthen disaster preparedness, resiliency, and recovery from climate change impacts through improved collaboration and resources.

IV. State Legislative and Budget Update

Revenue and Taxation Legislative Update

Cal Cities staff Nick Romo provided the committee with an update regarding [pending legislation](#) related to finance administration, taxation reform, revenue needs, and revenue sources.

- AB 1702 (Levine) Sales and Use Tax: COVID-19 Prevention and Response Goods: *Cal Cities Position: Oppose Unless Amended.*
- AB 1951 (Grayson) Sales and Use Tax: Manufacturing Exemptions: *Cal Cities Position: Oppose.*
- AB 2887 (Garcia) Sales and Use Tax: Alternative Manufacturing Exemptions: *Cal Cities Position: Concerns.*
- AB 2622 (Mullin) Sales and Use Tax: Zero Emission Bus Exemption: *Cal Cities Position: Support.*
- SB 843 (Glazer) Renters' Tax Credit: *Cal Cities Position: Support.*
- AB 2792 (Rubio) Excise Tax: *Cal Cities Position: Watch.*
- SB 1074 (McGuire) Excise Tax: *Cal Cities Position: Watch.*
- SB 1281 (Bradford) Excise Tax: *Cal Cities Position: Watch.*
- SB 852 (Dodd) Climate Resilience Districts: *Cal Cities Position: Watch.*
- SB 1449 (Caballero) Unincorporated Areas: *Cal Cities Position: Support.*
- AB 2328 (Flora) Local Ordinances. Home Experience Sharing: *Cal Cities Position: Oppose (author pulled measure from committee).*

Overview of Anticipated 2022-23 May Revision

Cal Cities staff Jessica Sankus presented state budget matters that Cal Cities' anticipated would be major topics of discussion at the release of the May Revision. Overall, there are very strong indicators that state revenue will exceed the forecast included in the Governor's Budget in January 2022. However, staff cautioned that the implications of revenues on this scale are not straightforward, as there are significant constraints on this funding due to the requirements of the State Appropriation Limit, which the state is likely to exceed. Consequently, staff expects that the May Revision will likely include appropriations that are excludable from the state appropriations limit calculation, such as expenditures to pay down additional debt, invest in infrastructure, and provide discretionary funding to local governments.

Ms. Sankus presented the favorable economic assumptions included in the state's revenue forecast that lead us to believe it is certain that state revenues will exceed previous forecasts:

- No new, disruptive COVID-19 variants and stable case rates
- Decreases in the unemployment rate
- Positive job addition to the labor market

- Cash receipts of the “big three” taxes (personal income tax, sales and use tax, and the corporation tax) in the current fiscal year have significantly outpaced the forecast.

More information is available in the [California Department of Finance's monthly economic update and cash flow report](#). Additional details can be found in the attached PowerPoint slides. An analysis of the proposals included in the proposed 2022-23 Budget by policy area is included on the Cal Cities website.

Cal Cities 2022-23 State Budget Requests

Nick Romo presented to the committee the Cal Cities' proposed appropriations for the 2022-23 State Budget. Cal Cities requests the following one-time appropriations in fiscal year 2022-23 to support local governments:

- \$500 million to establish a Housing and Economic Development Program.
- \$933.5 million for reimbursement to local governments for state-mandated services.
- \$180 million for local governments to implement organic waste recycling programs.

Mr. Romo provided copies of the Cal Cities' state budget request letters to the committee members following adjournment of the meeting.

V. California State and Local Cannabis Tax Policy

Guest speaker: Dustin McDonald, Founder & Partner, Square Root Group

Mr. McDonald, Founder and Partner with the Square Root Group, presented to the committee policy lessons about the California local cannabis industry, including lessons from the state's reform efforts and the many California local governments who have licensed cannabis businesses since 2016. Mr. McDonald's presentation included an overview and analysis of the following:

- Revenue and Tax
- Zoning and Land-Use
- Licensing Approaches
- 2022 Multi-State Policy Outlook
- 2022 Federal Policy Forecast

Mr. McDonald's presentation was focused broadly on California local government experiences. However, he did touch on experiences in other states, as well as federal legislative and regulatory forecasting and perspectives on market and policy trends. Mr. McDonald shared that the intent of this information is to help local governments make informed, data-driven policy decisions that improve outcomes for governments, communities, patients/consumers, and the commercial cannabis and hemp industries.

Mr. Romo provided a copy of the presentation to the committee members following adjournment of the meeting.

VI. City Managers Sales Tax Working Group Update

Nick Romo and John Gillison, City Manager of Rancho Cucamonga, provided an overview of the first City Managers Sales Tax Working Group meeting, which was held via Zoom on Friday, April 22 from 9:30am-12:30pm. No decisions were made during the first meeting, rather, the meeting focused on background information and offered an opportunity for all members to share their goals and interests. Mr. Romo presented the Working Group's guiding principles and goals and the expectation of accountability. Mr. Romo described the presentation he provided to the Working Group members, which was an overview of local sales and use tax allocation in California, including the rules used to determine the place of sale, which tax rates are applied to a given purchase, and which jurisdictions are entitled to the taxes generated from a particular transaction.

Mr. Romo provided a copy of the City Managers Sales Tax Working Group roster to the committee members following adjournment of the meeting.

VII. 2022 Ballot Proposition Update

Mr. Romo reviewed the details of ballot measures that may qualify for the November 2022 general election ballot. The measures discussed include the following:

- The Taxpayer Protection and Government Accountability Act
- California Recycling and Plastic Pollution Reduction
- Tribal Sports Wagering Act
- Solutions to Homelessness and Mental Health Act
- Tribal Online and In-Person Sports Wagering
- Legalize Sports Betting and Revenue for Homelessness, Housing, and Education

VIII. Adjourn

Chair Martinez Rubin thanked the committee for their hard work this year and said some closing remarks. Chair Martinez Rubin then adjourned the meeting.

Next Virtual Meeting: Thursday, June 9 1:00 p.m. – 4:00 p.m.