



**Revenue and Taxation Policy Committee**  
**Thursday, June 9, 2022**  
**1:00pm – 4:00pm**

**Register for this meeting:**

[https://us06web.zoom.us/meeting/register/tzMpc-uorTgpE9fax\\_a1dGoS1IaXQT01Fucs](https://us06web.zoom.us/meeting/register/tzMpc-uorTgpE9fax_a1dGoS1IaXQT01Fucs)

Immediately after registering, you will receive a link and confirmation email to join the meeting.

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**AGENDA**

**I. Welcome and Introductions**

*Speakers: Chair Norma Martinez-Rubin, Council Member, Pinole  
Vice Chair Charles Bourbequ, Mayor Pro Tem, Atascadero  
Cal Cities President Cindy Silva, Mayor Pro Tem, Walnut Creek  
Cal Cities Executive Director and CEO Carolyn Coleman*

**II. Public Comment**

**III. General Briefing and State Legislative and Budget Update**

*Informational*

- [Cal Cities: May Revision Update for Cities](#)
- [LAO: The 2022-23 Budget: Initial Comments on the Governor's May Revision](#)
- [LAO: Strong Tax Collections Belie California's Challenging Fiscal Outlook](#)

**IV. COVID-19 Recovery for Small Businesses**

*Informational*

*Guest Speaker: Bianca Blomquist, Senior Policy & Engagement Manager, Small Business Majority*

- [Small Business Majority Offers Updated Recommendations For Administering Stimulus Aid](#)

**V. Legislative Agenda (Attachment A)**

*Action*

[California Sports Wagering Regulation and Unlawful Enforcement Act](#)

*Speakers: Proponent: Jacob Mejia, Director of Public Affairs for the Pechanga Band of Indians*

*Opponent: Tino Rossi, Statewide Coalition Director, NO on Eligible Tribal Gaming Measure Campaign*

[California Legalize Sports Betting and Revenue for Homelessness Prevention Fund](#)

*Speakers: Proponent: Greg Campbell, Consultant, Californians for Solutions to Homelessness and Mental Health*

*Opponent: Michael Saragosa, Quintana Saragosa Public Affairs*



**VI. City Managers Sales Tax Working Group Update** (Attachment B)

- May Meeting Highlights and Presentation

**VII. Adjourn**

**Next Meeting:** Staff will notify committee members after July 15 if the policy committee will meet in September. If you have any questions, please contact [Meg Desmond](#), Cal Cities Associate Manager, Legislative Administration.

*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.*



**Revenue and Taxation Policy Committee  
League of California Cities  
June 10, 2022**

**Staff:** Elisa Arcidiacono, Legislative Representative, (916) 720-8025  
Nick Romo, Legislative Representative, (916) 658-8232  
Jessica Sankus, Senior Policy & Legislative Affairs Analyst, (916) 658-8283

1. California Sports Wagering Regulation and Unlawful Enforcement Act #19-0029A1.  
Full text of the initiative is available here: [#19-0029A1](#).

**Official Ballot Measure Title: Authorizes New Types of Gambling. Initiative Constitutional and Statutory Amendment.**

**Summary:**

This measure would allow federally recognized Native American tribes to operate roulette, dice games, and sports wagering on tribal land. Beginning in 2022, the measure would also allow on-site sports wagering at only privately operated horse-racing tracks in four specified counties for persons 21 years or older.

Specifically, this measure would enact the following (in the order in which the initiative is written):

- Authorizes roulette, dice games, and sports wagering on tribal land.
- Authorizes racetrack operators in Alameda, Los Angeles, Orange, and San Diego counties to offer sports wagering (within specified parameters, with exclusions).
- Prohibits wagers on high school sport or athletic events.
- Levies a 10 percent tax on the daily net profits of racetrack operators from sports wagering.
- Requires the California Department of Tax and Fee Administration to administer and collect the tax.
- Establishes the California Sports Wagering Fund within the State Treasury and specifies the annual appropriation of sports wagering tax revenue (see fiscal impact section for more information).
- Prohibits individuals younger than 21 from participating in sports wagering.
- Creates a new civil penalty of up to \$10,000 per violation for any person violating [Penal Code Sections 330 – 337z](#) (Gaming code sections. Excludes sections 335 and 337).
- Authorizes any person or entity that is aware of any person violating Penal Code Sections 330-337z to file a civil action in court against that person (after filing a written request with the Attorney General to take action and the Attorney General does not do so within 90 days).
- Prohibits advertising or marketing sports wagering to individuals younger than 21.
- Requires the Bureau of Gambling Control to investigate and audit all functions and facilities operating sports wagering.

**Background:**2018 Supreme Court ruling on sports betting

In 2018, the U.S. Supreme Court ruled on *Murphy v. NCAA*, and found that the federal government could not require states to prohibit sports wagering, thereby overturning the federal ban on sports wagering. Following the decision, sports betting is now on the path to be legal in 30 states, including New York, Oregon, Washington, Colorado, and Illinois.

The growing popularity of sports wagering including mobile wagering has fueled a wave of initiatives across the country. In California, home to 19 major professional sports teams (the most in the nation), some with global appeal, voters have shown some support for legalizing sports betting. Distinct and separate from this ballot measure and any related proposal, a [recent Berkely Poll](#) gauged voter opinions on legalizing sports betting in the state and found the spread at: 45% Yes, 33% No, and 22% undecided. The idea was more popular amongst men and most closely correlated to voter's interest level in professional sports. Party preference did not closely correlate.

This ballot measure is sponsored by the Pechanga Band of Indians, Barona Band of Mission Indians, Yocha Dehe Wintun Nation, and the Agua Caliente Band of Cahuilla Indians. The proponents argue that the measure bolsters tribal sovereignty and self-sufficiency and creates jobs and economic growth. Furthermore, proponents contend that the measure establishes strong safeguards against underage and addictive gambling while generating millions of dollars for the state.

Those opposed, including the California Contract Cities Association and a host of veteran organizations, contend that the measure threatens local revenues for services and jobs particularly those associated with cardrooms.

**Fiscal Impact: Substantial.**

This measure would enact the following revenue and tax provisions:

- Imposes a 10 percent tax on profits derived from sports wagering. Tax revenue would be appropriated as follows:
  - 15 percent: California Department of Health
    - i. Of these funds, the department may provide grants to cities and counties for programs to address gambling and addiction.
    - ii. *Note: The text of the initiative refers to the "California Department of Health" however, there is no such state entity. It is possible that the author of the initiative intended to refer to either the California Department of Health Care Services or the California Department of Public Health.*
  - 15 percent: Bureau of Gambling Control for enforcement of sport wagering laws, including age and advertisement to minors restrictions.
  - 70 percent: to the state General Fund for discretionary use.

According to the analysis produced by the [Legislative Analyst's Office in January 2020](#), the measure could result in tens of millions of dollars annually for the state. Estimating the revenue that could be generated to state as a result of this initiative is challenging because of the following factors:

- It is uncertain how the measure would be interpreted and implemented.
- The volume of engagement with in-person sports wagering is unknown.
- The scale of revenues resulting from the new civil penalty are unknown and will likely be inconsistent.

The fiscal impact of this initiative on California's cities will vary along a spectrum from nonexistent to significant depending on the amount of gaming activity within and adjacent to the municipality. The effect of this initiative on local governments will be the net impact of the following factors:

- Potential increased revenues from the economic activity of individuals visiting or traveling through a city with or adjacent to an authorized site to engage in sports wagering (ancillary activities to sports wagering that otherwise would not have occurred if not for the event of sports wagering), particularly for areas host to an authorized racetrack or closely enroute to a tribal casino.
- Potential decreased revenues resulting from cardroom patrons choosing instead to visit a site with authorized sports betting and other newly authorized games.
- Potential decreased revenues resulting from the new civil penalty negatively affecting licensed cardrooms. New provisions would also allow for the Attorney General to close a cardroom for up to 30 days at a time following a prescribed process. This would cause significant fiscal issues for cardrooms and would be reflected in subsequent business license and sales tax revenue remittances.
- Potential increased costs for local law enforcement related to sports wagering activities and related facilities.

In addition, the initiative includes a non-supplantation requirement for revenues derived from sports wagering taxes.

According to an [economic impact study](#) prepared for the California Gaming Association in October 2019, the cumulative economic impact (direct and indirect) of the California cardroom industry is \$5.6 billion in total, including \$1.6 billion in wages and more than 32,000 jobs. The study estimates \$100.1 million annually in gaming tax revenue for cities and nearly \$400 million in state and local business taxes. However, the study does not evaluate the effects of this ballot measure on the cardroom industry in California.

There are 72 cardrooms located in dozens of cities across the state. Cities with cardrooms can use the California Gaming Association's [economic impact report interactive tool](#) to see their cities' estimated economic impact from cardrooms.

**Staff Comments:**

Implementation

The ballot measure includes an effective date of January 1, 2022, meaning that if the measure passes in November 2022, it would take effect immediately. There is risk inherent in the immediate authorization of on-site sports wagering in California without sufficient time for the Department of Justice's Bureau of Gambling Control to recruit and train staff to oversee and regulate the new activities and new gaming laws. Furthermore, funding of the Bureau of Gambling Control's activities related to enforcement of new gaming laws is tied to receipt of sports wagering tax revenue.

Moreover, it will take considerable time following November 2022 for the State Department of Tax and Fee Administration to create the financial infrastructure to administer and collect the new tax. At the earliest, an appropriation to the Bureau of Gambling Control for administration, oversight, and enforcement would be included in the 2023 Budget Act, barring an emergency supplemental appropriation in the 2022-23 fiscal year. Given the unknown timing and scope of sports wagering tax revenue receipts, a state appropriation may be difficult to assess (despite the requirement in the initiative that appropriations of sports wagering tax revenue begin in fiscal year 2022-23).

As noted above, the revenue that would be generated from sports wagering taxes is unknown, and therefore it is uncertain whether 15 percent of sports wagering tax revenue would sufficiently cover the cost to the state to oversee, regulate, and enforce the new activities.

Finally, the initiative limits the use of sports wagering tax revenue by the Bureau of Gambling Control, specifying that no more than 5 percent of the total funds appropriated to the Bureau may be used for administrative activities. This restriction is inconsistent with the oversight and enforcement activities that the initiative requires of the Bureau, which are all administrative in nature. It is not clear what the remaining 95 percent of the total funds appropriated to the Bureau would be used for if the Bureau may not spend those funds on oversight and enforcement.

#### City Impacts

Cities with privately owned racetracks within specific counties that may offer on-site sports wagering or are located near tribal casinos could experience significant impacts if these new activities commence, including new direct and indirect revenues and jobs. Concerns and costs may also arise should expanded gambling begin without sufficient oversight, regulation, and enforcement from the Bureau of Gambling Control.

It is noteworthy that one of the authorized expenditures of sports wagering tax revenue from the 15 percent allocation to the Department of Health (see note above regarding the "Department of Health") is grants to counties and cities for local programs to address gambling addiction and mental health. The extent to which cities provide services to support individuals with gambling addiction is unknown but increased funds for those services may be beneficial to increasing the prevalence of these programs and mitigating the negative externalities of sports wagering activity.

Staff notes that the new civil penalty authorized by this initiative applies to all state gaming laws and is not exclusive to sports wagering. The new enforcement mechanism for gaming laws may negatively impact cities with significant gaming activity, such as those host to card rooms or adjacent to tribal casinos and racetracks. Furthermore, the inclusion of additional and expanded enforcement of existing gambling laws for operators not allowed to provide sports wagering does not seem germane to the main question of the ballot measure. In effect, the measure expands the gambling allowances for specific entities (tribes and racetracks) while also limiting the games and wagers others are allowed to provide and strengthening enforcement of existing laws for those who will not enjoy any new benefits. For example, provisions would allow for

the Attorney General to close down an operator (ex. cardroom) for up to 30 days at a time following a prescribed process. This would cause significant fiscal issues for cardrooms and would be reflected in subsequent business license and sales tax revenue remittances.

In regard to any potential increased costs to local law enforcement, the measure does not provide offsetting revenues.

#### Expanded Gambling Options and Alternatives

Furthermore, the committee may also wish to consider the direct and indirect impact of expanded gambling permissions within tribal casinos and on racetrack properties. The initiative makes several efforts to protect against negative externalities such as underage gambling, gambling addiction and related mental health issues but the effectiveness of these safeguards are unknown. The committee may consider whether the initiative provides reasonable public health and safety protection that offset the fiscal benefits of expanded wagering.

The committee may also wish to consider whether sports wagering should be legal in the state, and whether in-person sports wagering is a better, neutral, or worse alternative to mobile/remote sports wagering.

#### **Support:** [\(Additional Support\)](#)

Pechanga Indian Reservation  
Barona Band of Mission Indians  
Yocha Dehe Wintun Nation  
Agua Caliente Band of Cahuilla Indians Tribal Council  
California Young Democrats  
California District Attorneys Association  
Deputy Sheriff's Association of San Diego County  
San Diego Police Officers Association  
City of Winters

#### **Oppose:** [\(Additional Opposition\)](#)

California Contract Cities Association  
Gateway Cities Council of Government  
South Bay Cities Council of Government  
City of Bell Gardens  
City of Commerce  
City of Cudahy  
City of Hawaiian Gardens  
Cities for Self-Reliance Joint Powers Authority  
[AMVETS and Additional Veteran Organizations \(Link\)](#)

#### **Committee Recommendation:**

2. California Legalize Sports Betting and Revenue for Homelessness Prevention Fund #21-0017A1. Full text of the initiative is available here: [#21-0017A1](#).

**Official Ballot Measure Title: Allows Online and Mobile Sports Wagering. Initiative Constitutional Amendment and Statute.**

**Summary:**

This measure would authorize online sports wagering in California for individuals 21 years of age or older. However, the measure only allows online sports wagering if conducted in conjunction with a gaming tribe, an online sports betting platform provider with an operating agreement with a tribe, or a qualified gaming entity with a market access agreement with a tribe. The initiative also imposes licensing fees and taxes payable to the state.

Specifically, this measure would enact the following (in the order in which the initiative is written):

- Tribes and online sports betting platforms pay a one-time initial license fee of \$10 million and a license renewal fee of \$1 million every five years.
- Gaming entities will be required to pay a one-time initial license fee of \$100 million and a license renewal fee of \$10 million every five years.
- Imposes a 10 percent tax on entities offering online sports wagering.
- Prohibits other state or local taxes being imposed on sports wagering.
- Excludes online sports wagering tax revenues from the constitutional spending requirements for K-14 education (Proposition 98).
- Imposes a 15 percent tax on the winnings of those who engage in unlawful sports wagering.
- Establishes the California Online Sports Betting Trust Fund in the state treasury.
- Requires 85 percent of online sports wagering tax revenues to be allocated to the Homeless Housing, Assistance, and Prevention Program (HHAPP) for permanent housing, interim housing, and supportive services.
- Requires 15 percent of online sports wagering tax revenues to be allocated to non-gaming tribes.
- Creates the Division of Online Sports Betting Control within the California Department of Justice and includes specific parameters and requirements for the operation and regulation of online sports wagering in the state (protection of minors; consumer protections; advertising; etc.)

**Background:**

2018 Supreme Court ruling on sports betting: In 2018, the U.S. Supreme Court ruled on *Murphy v. NCAA*, and found that the federal government could not require states to prohibit sports wagering, thereby overturning the federal ban on sports wagering. Following the decision, sports betting is now on the path to be legal in 30 states, including New York, Oregon, Washington, Colorado, and Illinois.

The growing popularity of sports wagering including mobile wagering has fueled a wave of initiatives across the country. In California, home to 19 major professional sports teams (the most in the nation), some with global appeal, voters have shown some support for legalizing sports betting. Distinct from this ballot measure and any related



proposal, a [recent Berkely Poll](#) gauged voter opinions on legalizing sports betting in the state and found the spread at: 45% Yes, 33% No, and 22% undecided. The idea was more popular amongst men and most closely correlated to voter's interest level in professional sports. Party preference did not closely correlate.

The Homeless Housing, Assistance, and Prevention Program (HHAPP): A state program administered by the Homelessness Coordinating and Financing Council (HCFC) which supports regional coordination to address homelessness challenges. Funding provided to continuums of care, counties, and cities. 80 percent of the funding goes to cities and counties based upon their proportionate share of the homeless population in the state; 2 percent to tribes; and 18 percent to the HCFC for discretionary bonuses to recipients who meet homelessness goals they have set for themselves. The HHAPP received \$1 billion in 2021-22 fiscal year; and will receive \$1 billion in the 2022-23 fiscal year.

This ballot measure is supported by a coalition of large city mayors, homelessness advocates and large entertainment companies. The proponents argue that the measure guarantees hundreds of million of dollars each year to fight homelessness and fund mental health treatment while tightly regulating online sports betting.

Those opposed, including native tribes, housing advocates, chambers of commerce and teachers, contend that the measure authorizes a massive explosion of online gambling—turning virtually every cell phone, tablet and laptop in California into a gambling device. Opponents are also critical of the extent to which revenue derived from this measure would serve as a solution for addressing homelessness.

### **Fiscal Impact:**

According to the analysis produced by the [Legislative Analyst's Office in October 2021](#), state revenues could potentially reach the mid-hundreds of millions of dollars annually from online sports wagering taxes, licensing fees, and penalties. Estimating the revenue that could be generated to state as a result of this initiative is challenging because of the following factors:

- It is uncertain how the measure would be interpreted and implemented.
- Consumer behavior and participation in online sports wagering is difficult to predict.
- Could result in net shifting of revenues between the state and local government rather than overall revenue increases. Consumers may choose to spend disposable income on online sports wagering (tax revenue exclusively to the state) instead of shopping for other taxable goods (sales tax allocated to the state and local governments).

The effect of this initiative on local governments is ultimately unknown. However, it is likely that the net impact will be a result of the following factors:

- Potential increased revenues from the economic activity of individuals visiting a city from out of state to engage in online sports wagering (ancillary activities to sports wagering that otherwise would not have occurred if not for the event of sports wagering).

- Potential increased costs for local governments to provide assistance to individuals who develop gambling addictions (community services, law enforcement, etc.)

**Staff Comments:**

Implementation

The initiative includes language that confirms that if this measure and #19-0029A1 (sports wagering on tribal lands and at privately operating horse-racing tracks) are approved by the voter, they both take effect and are not in conflict.

This initiative establishes, within the Department of Justice, a new Division of Online Sports Betting Control and grants this new entity exclusive power to implement and enforce online sports betting in California, usurping the existing authority of the Bureau of Gambling Control. Should measure 19-0029-A1 also pass in November 2022, on-site sports wagering, and online sports wagering would be subject to oversight by separate state enforcement entities and would be subject to separate, independent regulations. The committee may wish to consider how this will affect consistent and thorough oversight and enforcement of the industry.

The committee may also wish to consider the makeup of the newly established Online Sports Betting Independent Advisory Committee, which would advise and make recommendations to the Division of Online Sports Betting Control regarding regulations and oversight of the industry. Representatives from the online gambling industry have considerable representation and authority within the advisory committee.

City Impacts

Given the high tax and fee threshold for a company to legally provide mobile and online betting in the state, the initiative will likely restrict access to a small number of entities. Such high barriers will likely concentrate the direct and induced positive impacts of the initiative some of which have presence out-of-state; relatedly the concentration of licenses and growing popularity of online betting may result in reduced activity at tribal casinos and cardrooms not able to buy into the legal mobile and online betting structure. Reduced activity would be reflected in subsequent business license and sales tax revenue remittances.

Expanded Gambling Options and Alternatives

The committee may wish to consider the direct and indirect impact of expanded mobile and online gambling permissions and whether the initiative provides reasonable public health and safety protections that offset the fiscal benefits.

The committee may also wish to consider whether sports wagering should be legal in the state, and whether online wagering is a better, neutral, or worse alternative to in-person wagering.

**Support:** *(Additional Support)*

Jerry Dyer, Mayor, Fresno

Robert Garcia, Mayor, Long Beach

Libby Schaaf, Mayor, Oakland

Darrell Steinberg, Mayor, Sacramento

**Opposition:** *(Additional Opposition)*

Agua Caliente Band of Cahuilla Indians

Barona Band of Mission Indians

Rincon Band of Luiseño Indians

San Manuel Band of Mission Indians

Yocha Dehe Wintun Nation

California Teachers Association

American Indian Chamber of Commerce of California

California Asian Pacific Chamber of Commerce

California Black Chamber of Commerce

California Hispanic Chambers of Commerce

Central Valley Latino Mayors & Elected Officials Coalition

**Committee Recommendation:**



**City Managers Sales Tax Working Group**  
**City Managers Department**  
Thursday, May 26, 2022

**Post-Meeting Highlights**

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**Questions and Comments:** [salestax@calcities.org](mailto:salestax@calcities.org)  
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**ATTENDANCE**

Members: Leyne Milstein (Co-Chair), Clara Miramontes (Co-Chair), Harry Black, Karin Schnaider, Rachelle Rickard, Drew Powers, Richard A. Daniels, Frank J. Luckino, Dustin Claussen, Valerie Barone, Marcela Piedra, Konrad Bolowich, Dominic Lazzaretto, Thaddeus McCormack, Brett Miller, Jamie Goldstein, Dan Schwarz, Scott Stiles, Conal McNamara, Kent Steffens, Kevin Ingram, Karen Diemer, Clara Miramontes, Aaron Adams, Roberta Raper, Pete Carr, Brad Raulston, Laura Rocha, Alma Torres, Charles Duggan, Nat Rojanasathira, Dave Warren, Raymond R. Cruz, Scott Hurlbert, Dan Buckshi, Jacob Ellis, Jim Shannon.

Ex-Officio Members: Norma Martinez-Rubin, Charles Bourbeau, John Gillison.

League Partners: Andy Nickerson, Jared DeVos, Ken Nordhoff, Fran Mancina, Reva Feldman.

Staff: Caroline Cirrincione, Legislative Affairs, Lobbyist, Jessica Sankus, Senior Policy and Legislative Affairs Analyst.

**I. Welcome and Introductions**

Working Group Co-Chair Leyne Milstein, Assistant City Manager, Sacramento, welcomed everyone to the first City Managers Sales Tax Working Group meeting and thanked members for their service to all California cities. The Working Group members not present at the April 2022 meeting introduced themselves.

**II. Sales and Use Tax Fundamentals and Trends**

Co-Chair Miramontes introduced Jared Devos, a Financial Analyst with HdL Companies, who presented an in-depth sales and use tax primer to help the group better understand the factors guiding the distribution of local tax allocations with a focus on online transactions. Mr. Devos also presented data regarding the trends for direct and indirect allocations, trends for countywide pools, and trends for online versus brick-and-mortar growth.



Mr. Devos highlighted the following three main points for the group: 1) Participation by the retailer's in-state place of business is important to sustain a direct allocation of local tax, 2) Indirect allocations (county pools) are accounting for a higher percentage of local tax distributions, and, 3) Growth in the pools has largely been concentrated in General Consumer Goods categories, most closely associated with online sales.

Working Group members discussed the data presented by HdL, including the growth in indirect allocations (from county pools) over the last decade (an increase of 159 percent). However, it is important to note that there has also been growth in direct allocations in the past three years (42 percent). Data from HdL and the trends presented represented gross totals and did not take into account tax sharing agreements, such as tax sharing agreements in which a city provides a rebate to a private business.

### **III. A National Perspective: The Past, Present, and Future of Sales and Use Tax**

Co-Chair Milstein introduced Fran Mancica, Vice President of Government Relations with Avenu Insights and Analytics, and Reva Feldman, Strategic Advisor with Avenu Insights and Analytics. Per the recommendation from Working Group members during the first City Managers Sales Tax Working Group, Mr. Mancica provided examples of how other states have addressed the changing dynamics of sales tax revenue sources and allocation. Examples included: Texas passed seven new laws related to the 2018 Supreme Court's *Wayfair* decision and Louisiana's sales tax allocations are completely destination-based. Mr. Mancica further presented how California's tax base and revenue grew dramatically since the 2018 *Wayfair* decision ruled on by the Supreme Court and subsequent legislation passed in California ([AB 147, 2019](#)). More information about the *Wayfair* decision is available on the [California Department of Tax and Fee Administration website](#).

Additionally, Working Group members were presented with an overview of overall economic factors that should be taken into consideration while evaluating any changes in California law, including economic pressures resulting from record rates of inflation, continued global supply chain disruptions, labor force declines, and the war in Ukraine. Key recommendations from Avenu Insights and Analytics are as follows: 1) Be mindful of ongoing changes, 2) May take multiple corrections to mirror global uncertainties, 3) Avoid sweeping changes, 4) Statewide ballot measures may be costly and lengthy, and, 5) Continue to work as a cohesive group to find solutions.

### **IV. Review Member Survey Results**

Per the recommendation of Working Group members during the guided discussion section of the April Working Group meeting, Cal Cities staff developed and distributed to Working Group members a survey to determine a basic framework and gauge consensus on key issues. Cal Cities staff explained that



the survey questions were not designed to be the mechanism by which the group makes decisions or recommendations. Rather, it is a tool to determine whether the group has any common ground, or conversely, where there is the most variation in perspectives and needs. Ideally, the survey results will also guide future conversations by assessing what information the groups needs in order make informed decisions.

Cal Cities staff provided the Working Group members with an overview of the survey responses, by question, and offered opportunities for the working group members to offer their remarks. Working Group members expressed confusion regarding the inclusion of question 3: Should we shift from the county pools and require more direct allocations of use tax revenues related to construction to project locations by reducing the existing threshold from \$5 million to \$100,000? This question was included because this action was one of the recommendations offered by the 2017-18 Sales Tax Working Group. According to the California Department of Tax and Fee Administration's [Guide for Construction and Building Contractors](#), "A construction contractor who enters into a construction contract equal to or greater than \$5,000,000 may elect to obtain a sub-permit for the jobsite of the qualifying contract, enabling the contractor to make a direct allocation of tax to the jurisdiction in which the jobsite is located rather than an indirect allocation through the countywide pool. The qualifying contract price applies to each contract or subcontract for work performed at the jobsite, not the total value of the prime contract."

Cal Cities staff invited a few cities to share their responses to the question "Please share examples of challenges or constraints to cultivating sales tax revenue from either brick-and-mortar sales or in-state online sales. (For example, geographic constraints)." Cities that shared their response are as follows:

Roberta Raper, Director of Finance, West Sacramento  
Kent Steffens, City Manager, Sunnyvale  
Thaddeus McCormack, City Manager, Lakewood

## V. Guided Discussion: Next Steps

Co-Chairs Leyne Milstein and Clara Miramontes opened the floor to discussion amongst the Working Group members to address the following questions:

- *What can we agree upon?*
- *What additional information is needed to reach consensus?*
- *Were there any survey responses that you found surprising?*
- *If you selected "unsure" for any of the questions, would you like to share your explanation with the group?*

During the guided discussion section, the Working Group members emphasized the need to continue the meetings with dialogues guided by data. Specifically, there is a need for information, data, and modeling regarding the impact, statewide, of any potential change.



Additionally, the Working Group members raised the following questions that will be addressed in future meetings:

- What is our threshold for group consensus?
- If Working Group members retook the survey following the information learned in today's meeting, would their response change?
- What phrases/terms/concepts do we need to establish uniform, static definitions for?
- What is the exact charter of the Working Group, as understood by the City Managers Department, Cal Cities Board and the Revenue and Taxation Policy Committee?

## **VI. Adjourn**

Co-Chairs Leyne Milstein and Clara Miramontes thanked the Working Group members for their hard work and then adjourned the meeting.

**Next Virtual Meeting:** Friday, June 17, 9:30am – 12:30pm