



**REVENUE AND TAXATION POLICY COMMITTEE
HIGHLIGHTS
Thursday, June 9, 2022**

ATTENDANCE

Members: Norma Martinez-Rubin (Chair); Charles Bourbeau (Vice Chair); Paul Akinjo; Tess Albin Smith; Newell Arnerich; Kevin Bash; Ronald Bates; Russell Betts; Bob Biery; Mike Calderwood; Rolando Charvel; Jorgel Chavez; Marc Donohue; Marita Dorenbecher; Grace Espindola; David Gassaway; John Gillison; Barbara Halliday; Carla Hansen; Loella Haskew; Brian Johnson; Paolo Kespradit; Dawn LaBar; Mina Layba; Jesse Lopez; Russ Melton; Dennis Michael; Lisa Middleton; Brett Miller; Marisela Nava; Robert Neiuber; Sue Noack; Scott Ochoa; Ian Oglesby; Laura Parisi; Roberta Raper; Adam Raymond; Joel Rojas; Crystal Ruiz; Erica Stewart; Luis Uribe; Hans Uslar; Olivia Valentine; Nicholas Walker; Jeff Wood

League Partners: Robert Braulik; Fran Mancina

Staff: Nick Romo, Legislative Affairs, Lobbyist, nromo@calcities.org

I. Welcome and Introductions

President Cindy Silva, Mayor Pro Tem, Walnut Creek, welcomed everyone to the third 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. Carolyn Coleman, Cal Cities Executive Director and CEO addressed the committee members and shared that our voice as an organization is strong because of the work that committee members do every day. Ms. Coleman also shared with the committee members that registration is now open for the 2022 Annual Conference in Long Beach. 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 (stalled)*.
- [AB 1951 \(Grayson\)](#) Sales and Use Tax: Manufacturing Exemptions: *Cal Cities Position: Oppose (Pending in Senate)*.
- [AB 2887 \(Garcia\)](#) Sales and Use Tax: Alternative Manufacturing Exemptions: *Cal Cities Position: Oppose (Pending in Senate)*.
- [AB 2622 \(Mullin\)](#) Sales and Use Tax: Zero Emission Bus Exemption: *Cal Cities Position: Support (Pending in Senate)*.
- [SB 843 \(Glazer\)](#) Renters' Tax Credit: *Cal Cities Position: Support (Asm. Revenue and Tax Committee)*
- [SB 1449 \(Caballero\)](#) Unincorporated Areas: *Cal Cities Position: Support (Asm. Local Government Committee)*.

Overview of 2022-23 Budget Negotiations

Cal Cities Senior Policy and Legislative Analyst Jessica Sankus presented the latest developments in the 2022-23 State Budget process. The Administration released their May Revision 2022-23 State Budget on May 13, with an updated budget surplus estimate of \$97.5 billion, of which, nearly \$50 billion is for discretionary purposes. The Governor's May Revision prioritized prudent investments, including \$37.1 billion in budgetary reserves, and plans to prepay billions of dollars in state debts and supplemental deposits into the Rainy Day Fund to reach the constitutional maximum (10% of General Fund revenues).

Legislative leaders announced their 2022-23 joint budget agreement on June 1, which rejected significant portions of the Administration's proposed budget, including rejecting the Administration's proposal to defer increasing fuel excise tax rates and rejected the proposed rebate for vehicle owners. The Legislature did, however, partially adopt the Administration's proposed cannabis tax reform proposal, with amendments.

Most significantly, the Legislature proposed actions to bring their proposed budget's General Fund expenditures below statutory spending requirements (the state appropriations limit or "Gann limit"). Specifically, the Legislature changed the statutory definition of "local subventions" to shift \$10 billion to count under

local appropriation limits instead, and the Legislature communicated their intent to work with the Governor's Administration to draft a Constitutional amendment to modernize the Gann Limit before the 2024 election. The effect of this change primarily impacts counties.

The 2022-23 Budget Bill is AB/SB 154, which presently reflects the Legislature's joint budget agreement. The Legislature is constitutionally required to pass a balanced budget bill on or by June 15, annually. AB/SB 154 will be signed by Governor Newsom, with the understanding that the Administration and the Legislature will continue to negotiate the State Budget, and the final budget agreement will be included in "Budget Bill Junior" (a Budget Bill signed subsequent to the original Budget Bill that makes amendments to the appropriations).

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.

The Legislature's version of the 2022-23 State Budget included Cal Cities' request for \$180 million for organic waste recycling program grants.

V. Introduction to Small Business Majority: Overview of small business owner research and California policy debrief

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

Bianca Blomquist directs Small Business Majority's policy and legislative operations throughout California. She builds relationships with stakeholders and policymakers throughout the state to enable small business owners to compete equitably, to thrive in their local communities, to start or build their business and provide quality jobs.

Ms. Blomquist provided an overview of Small Business Majority and their role in empowering America's small businesses through advocacy, education, and networking. Small Business Majority also conducts robust research and surveys to monitor the marketplace, business conditions, and the effects of policy. Ms. Blomquist also shared the Small Business Majority's California Policy Agenda, which includes supporting the expansion of the California Rebuilding Fund, supporting the establishment of a Community Development Financial Institution Fund, and ensuring that California's allocation of the federal State Small Business Credit Initiative.

Committee members can view the Small Business Majority's [recommendations for administering American Rescue Plan Act stimulus aid, here.](#)

VI. Ballot Initiative: Sports Wagering Regulation and Unlawful Enforcement Act

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

Cal Cities staff provided a summary of the Sports Wagering Regulation and Unlawful Enforcement Act, which 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. Ahead of the meeting Cal Cities staff provided committee members with an analysis of the measure and arranged for proponents and opponents of the measure to attend the meeting and share their perspectives.

Speakers in support and opposition of the measure were each given five minutes to present their argument. After both presentations, each side was allowed two minutes to provide a rebuttal, with remarks directed to the Chair. This was followed by a question-and-answer session during which committee members could direct questions to the presenters or staff. In conclusion, committee members engaged in a discussion (limited to committee members) regarding the effects of the measure.

The discussion concluded with a motion from a committee member to oppose the measure. An additional Committee member seconded the motion to oppose the measure. Mr. Romo conducted a roll-call vote count of the Committee members regarding the motion to oppose the measure. The vote was approved 33-2, with 4 abstentions.

VII. Ballot Initiative: Legalize Sports Betting and Revenue for Homelessness Prevention Fund

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

Opponent: Michael Saragosa, Quintana Saragosa Public Affairs

Cal Cities staff provided a summary of the Legalize Sports Betting and Revenue for Homelessness Prevention Fund measure, which 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. Ahead of the meeting Cal Cities staff provided committee

members with an analysis of the measure and arranged for proponents and opponents of the measure to attend the meeting and share their perspectives.

Speakers in support and opposition of the measure were each given five minutes to present their argument. After both presentations, each side was allowed two minutes to provide a rebuttal, with remarks directed to the Chair. This was followed by a question-and-answer session during which committee members could direct questions to the presenters or staff. In conclusion, committee members engaged in a discussion (limited to committee members) regarding the effects of the measure.

The discussion concluded with a motion from a committee member to oppose the measure. An additional Committee member seconded the motion to oppose the measure. Mr. Romo conducted a roll-call vote count of the Committee members regarding the motion to oppose the measure. The vote was approved 36-0, with 2 abstentions.

VIII. City Managers Sales Tax Working Group Update

Nick Romo and John Gillison, City Manager of Rancho Cucamonga, provided an overview of the second City Managers Sales Tax Working Group meeting, which was held via Zoom on Thursday, May 26 from 9:30am-12:30pm.

IX. 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: 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.