

Senate Committee on Governance & Finance
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TO: People Interested in Public Finance and Governance Legislation

FROM: Senator Lois Wolk, Committee Chair

SUBJECT: Important Bills During 2011

Earlier this year, the Senate created the Committee on Governance & Finance to replace the former Senate Revenue & Taxation Committee and the former Senate Local Government Committee. More information about this new Committee and its policy jurisdiction appears on our website; just follow the link listed above.

With the regular legislative session ended, I want you to know about some of the more interesting bills that the Senate Governance & Finance Committee worked on during 2011. The Governor has until October 9 to sign or veto bills. The urgency bills took effect on the day they were chaptered; regular bills will take effect on January 1, 2012.

These brief summaries cover a selection of the bills that the Committee has reviewed. If you want to read the Committee's bill analyses or get a copy of a bill, please go to the Legislature's official website www.leginfo.ca.gov. You can also use that website to retrieve other bill analyses, official histories, voting records, and any veto messages.

LAFCOs & Boundary Changes

AB 46 & AB 781 (John A. Pérez) disincorporate the City of Vernon and create a community services district to replace local services. Status: AB 46 is on the Senate Floor and AB 781 is on the Senate Floor inactive file; both are two-year bills.

AB 54 (Solorio) establishes new requirements for organizing and operating mutual water companies. Status: Governor's Desk.

AB 912 (Gordon) expedites the dissolution of special districts. Status: Signed; Chapter 109, Statutes of 2011.

AB 1430 (Assembly Local Government Committee) clarifies the state laws affecting LAFCOs, including specific statutory definitions. Status: Governor's Desk.

Land Use Planning & Development

SB 244 (Wolk) requires counties, cities, and LAFCOs to plan for disadvantaged communities. Status: Governor's Desk.

SB 331 (Padilla) prohibits new tobacco retailers from locating within 600 feet of schools, and changes the State Board of Equalization's tobacco retail license penalty structure. Status: Senate Governance & Finance Committee; two-year bill.

SB 469 (Vargas) requires counties and cities to have economic impact reports on permits for superstores. Status: Governor's Desk.

SB 618 (Wolk) allows landowners and local officials to simultaneously rescind Williamson Act contracts and enter into easements allowing photovoltaic solar facilities on the same land. Status: Governor's Desk.

SB 847 (Correa) prohibits medical marijuana establishments from locating within a 600-foot radius of a residential zone or a residential use. Status: Governor's Desk.

AB 208 (Fuentes) automatically extends outstanding local subdivision approvals for two more years. Status: Signed; Chapter 88, Statutes of 2011 (urgency).

AB 710 (Skinner) limits local parking requirements for development in transit intensive areas. Status: Senate Floor; two-year bill.

AB 1265 (Nielsen) allows counties to increase the assessed values of Williamson Act land and divert the resulting property tax revenues. Status: Signed; Chapter 90, Statutes of 2011 (urgency).

Local Finance & Infrastructure

SB 214 (Wolk) makes it easier for cities and counties to use Infrastructure Financing Districts. Status: Assembly Floor inactive file; two-year bill.

SB 223 (Leno) allows counties to levy vehicle license fees with voter approval. Status: Governor's Desk.

SB 310 (Hancock) allows cities and counties to adapt Infrastructure Financing Districts and other incentives for transit priority projects. Status: Governor's Desk.

SB 555 (Hancock) allows Mello-Roos community facilities districts to finance renewable energy, energy efficiency, and water efficiency improvements on private property. Status: Governor's Desk.

SB 653 (Steinberg) allows counties and school districts to impose income taxes, vehicle license fees, excise taxes, and oil severance taxes with voter approval. Status: Senate Floor inactive file; two-year bill.

SB 907 (Evans) creates a temporary Master Plan for Infrastructure Financing and Development Commission to study infrastructure needs. Status: Assembly Jobs, Economic Development, & the Economy Committee; two-year bill.

SB 911 (de León) expands reporting requirements for local governments that issue voter-approved bonds. Status: Assembly Local Government Committee; two-year bill.

SCA 5 (Simitian) lowers the vote threshold for parcel taxes from 2/3-voter approval to 55% for school districts, community college districts, and county offices of education. Status: Senate Elections & Constitutional Amendments Committee; two-year bill.

***AB1X 23 (Blumenfield)** allows counties and school districts to impose income taxes, vehicle license fees, excise taxes, and oil severance taxes with voter approval. Status: Died at the Assembly Desk.

AB 184 (Swanson) adds seismic strengthening improvements to the types of improvements to private property that can be financed with voluntary contractual assessments. Status: Signed; Chapter 28, Statutes of 2011.

AB 485 (Ma) makes it easier for cities and counties to use Infrastructure Financing Districts for transit-oriented development projects. Status: Senate Floor inactive file; two-year bill.

AB 664 (Ammiano) allows San Francisco to form special waterfront Infrastructure Financing Districts for the Port America's Cup and Treasure Island areas. Status: Governor's Desk.

AB 696 (Hueso) requires the Infrastructure Bank to improve its analysis of benefits when selecting projects. Status: Governor's Desk.

AB 700 (Blumenfield) makes the Infrastructure Bank independent under the Governor. Status: Governor's Desk.

AB 741 (Huffman) allows local service providers, at a property owner's request, to construct sewer improvements on private property and charge the property owner for the costs. Status: Signed; Chapter 106, Statutes of 2011.

AB 893 (V. Manuel Pérez) requires the Infrastructure Bank to offer technical support to small and rural communities. Status: Senate Appropriations Committee; two-year bill.

AB 910 (Torres) adds affordable housing, economic development, and transit villages to the list of projects that Infrastructure Financing Districts can finance. Status: Senate Governance & Finance Committee; two-year bill.

AB 1045 (Norby) prohibits firms that provided bond campaign services from providing bond services. Status: Senate Governance & Finance Committee; two-year bill.

AB 1094 (V. Manuel Pérez) adds two non-voting legislative members to the Infrastructure Bank's board of directors. Status: Senate Rules Committee; two-year bill.

AB 1292 (Roger Hernández) allows the Infrastructure Bank to sell bonds for the State Department of Public Health. Status: Governor's Desk.

AB 1350 (Lara) requires county auditors to verify local governments' extraordinary property tax rates for pension programs. Status: Governor's Desk.

Local Powers & Governance

SB 46 (Correa) requires state and local officials to annually disclose their compensation. Status: Assembly Desk; two-year bill.

SB 186 (Kehoe) expands the State Controller's authority to audit or investigate counties, cities, special districts, joint powers agencies, and redevelopment agencies. Status: Assembly Local Government Committee; two-year bill.

SB 191, SB 192, and SB 193 (Senate Governance & Finance Committee) are the annual Validating Act. Status: SB 191 and SB 192 are on the Senate Floor inactive file; two-year bills; SB 193 is on the Governor's Desk.

SB 194 (Senate Governance & Finance Committee) is the annual Local Government Omnibus Act, making 22 relatively minor and noncontroversial changes to the state laws affecting local agencies' powers and duties. Status: Governor's Desk.

SB 288 (Negrete McLeod) expands independent special districts' authority to establish revolving funds. Status: Signed; Chapter 66, Statutes of 2011.

SB 449 (Pavley) allows the State Controller to review and audit local governments' finances and assist with financial problems. Status: Assembly Local Government Committee; two-year bill.

AB 23 (Smyth) requires local officials to announce their compensation before meetings. Status: Signed; Chapter 91, Statutes of 2011.

AB 253 (Smyth) requires the State Controller to prescribe uniform accounting procedures for cities. Status: Senate Governance & Finance Committee; two-year bill.

AB 307 (Nestande) allows federally recognized tribes to enter joint powers agreements. Status: Signed; Chapter 266, Statutes of 2011.

AB 438 (Williams) imposes requirements on a city or library district that intends to withdraw from a county free library system and operate libraries with a private contractor. Status: Governor's Desk.

AB 506 (Wieckowski) authorizes a local government to petition for bankruptcy protection if it either participates in a neutral evaluation process or declares a fiscal emergency. Status: Governor's Desk.

AB 720 (Hall) revises the county road commissioner exemption in the Uniform Construction Cost Accounting Act and increases the Act's informal bid limits. Status: Governor's Desk.

AB 798 (Chesbro) allows the Smith River Rancheria Tribal Council to enter a joint powers agreement. Status: Signed; Chapter 85, Statutes of 2011.

AB 1344 (Feuer) restricts local compensation practices and specifies procedures for adopting city charters. Status: Governor's Desk.

Property Taxes

SB 507 (DeSaulnier) increases the penalties for failing to file, and extends deadlines for new owners to submit change in ownership statements. Status: Governor's Desk.

SB 947 & SB 948 (Senate Governance & Finance Committee) are the Committee's annual bills that make minor changes to the property tax collection laws. Status: Both bills are on the Governor's Desk.

AB1X 15 (Hill) states legislative intent that the solar energy property tax exclusion applies to specified financial transactions. Status: Signed; Chapter 3, Statutes of the 2011-12 First Extraordinary Session (urgency).

AB 703 (Gordon) extends the property tax exemption for natural resource and open space lands. Status: Governor's Desk.

AB 711 (Lara) limits the burden of proof exception on the county assessor only for principal place of residences. Status: Signed; Chapter 220, Statutes of 2011.

AB 1090 (Blumenfield) enacts the county deferred property tax program for senior and disabled citizens. Status: Governor's Desk.

Redevelopment

AB1X 8 (Senate Budget Committee) is the clean-up bill to AB 1X 26 and AB 1X 27, the bills that ended redevelopment but allow some programs to continue (see below) Status: Governor's Desk.

SB 286 (Wright) limits redevelopment officials' powers over property tax increment revenues, creation and expansion of project areas, subsidizing specific types of development, and the "blight" designation, and expands redevelopment officials' reporting and auditing duties. Status: Senate Governance & Finance Committee; two-year bill.

AB 936 (Hueso) requires redevelopment agencies and other public bodies to report debt forgiveness. Status: Signed; Chapter 226, Statutes of 2011.

***AB1X 26 (Blumenfield)** disestablishes redevelopment agencies on October 1, 2011, and requires successor agencies to wrap up their operations under the direction of oversight boards. Status: Signed; Chapter 5, Statutes of the 2011-12 First Extraordinary Session (urgency).

***AB1X 27 (Blumenfield)** gives cities and counties until October 1, 2011, to decide if they want to continue their redevelopment agencies if they make payments to two special funds. Status: Signed; Chapter 6, Statutes of the 2011-12 First Extraordinary Session (urgency).

AB 1275 (Torres) allows new challenges to redevelopment agencies' contracts. Status: Senate Floor inactive file; two-year bill.

AB 1338 (Roger Hernández) requires redevelopment agencies to get appraisals before acquiring real property. Status: Governor's Desk.

Sales & Use Taxes

SB 234 (Hancock) extends the "long-arm" nexus to determine if retailers must collect the use tax. Status: Assembly Revenue & Taxation Committee; two-year bill.

SB 395 (Dutton) provides a sales and use tax exemption for manufacturing and research and development. Status: Senate Appropriations Committee; two-year bill.

SB 686 (Padilla) provides a sales and use tax exemption for purchasing property for biotechnology manufacturing and research and development activities. Status: Senate Appropriations Committee; two-year bill.

***ABX1 28 (Blumenfield)** expands the definition of a "retailer engaged in business" in this state that must collect the use tax. Status: Signed; Chapter 7, Statutes of the 2011-12 First Extraordinary Session.

AB 153 (Skinner) expands the definition of a "retailer engaged in business" in this state that must collect the use tax. Status: Senate Governance & Finance Committee; two-year bill.

AB 155 (Charles Calderon) reverts the definition of "retailer engaged in business in the state" to its state before AB x1 28's enactment, then reenacts ABx1 28's additions on one of two future dates, contingent on Congressional action. Status: Governor's Desk.

AB 686 (Huffman) allows jurisdictions to propose transactions and use taxes in 0.125% instead of 0.25% increments. Status: Signed; Chapter 176, Statutes of 2011.

AB 780 (Charles Calderon) alters contractor payments when the sales and use tax rate changes. Status: Senate Appropriations Committee; two-year bill.

AB 1307 (Skinner) gives the State Board of Equalization greater enforcement tools. Status: Governor's Desk.

State Bonds

AB 894 (V. Manuel Pérez) enacts the California Manufacturing Competitiveness Act, and allows the California Industrial Development Financing Advisory Commission to make loans and grants. Status: Governor's Desk.

AJR 3 (Dickinson) urges Congress to extend the alternative minimum tax holiday for private activity bonds. Status: Signed; Resolution Chapter 71, Statute of 2011.

State Budget Reform & Realignment

SB 14 (Wolk) requires the State Department of Finance to use performance-based budgeting practices when preparing the Governor's budget. Status: Governor's Desk.

SB 15 (DeSaulnier) requires the State Department of Finance to prepare revenue and expenditure projections for the budget year and three subsequent years. Status: Governor's Desk.

SB 17 (Blakeslee) requires 72-hour posting of the budget bill or implementing legislation before a vote to pass the budget. Status: Senate Rules Committee; two-year bill.

SB 662 (DeSaulnier) allows the State Department of Finance to contract with counties to permit the integration of services, consistent with the Governor's realignment proposal. Status: Assembly Human Services Committee; two-year bill.

SB 893 (Wolk) creates a review and outcome reporting system for health and human service programs. Status: Senate Governance & Finance Committee; two-year bill.

State Excise Taxes

SB 331 (Padilla) changes the State Board of Equalization's tobacco retail license penalty structure, and prohibits new tobacco retailers from locating within 600 feet of schools. Status: Senate Governance & Finance Committee; two-year bill.

SB 530 (Wright) imposes a state excise tax on direct broadcast satellite television service providers at the rate of 6% of gross revenues. Status: Senate Appropriations Committee; two-year bill.

AB 723 (Bradford) extends the state's public benefit charge on utility bills until 2020, and revises energy efficiency programs. Status: Senate Floor; two-year bill.

AB 1301 (Hill) deletes the youth purchase survey requirement, and changes the State Board of Equalization's tobacco retail license penalty structure. Status: Senate Governance & Finance Committee; two-year bill.

State Personal & Corporate Income Taxes

SB1X 3 (LaMalfa) adds the Help Our State check-off to the personal income tax form. Status: Died at Assembly Desk.

SB 116 (de León) makes six changes to personal income, corporation and sales and use tax law, including: amending the apportionment formula and creating a new manufacturing and sales tax exemption. Status: Senate Floor; two-year bill.

SB 156 (Emmerson) extends the Jobs Tax Credit to corporate income tax and personal income taxpayers who employ 50 or fewer employees. Status: Senate Rules Committee.

SB 157 (Anderson) conforms state personal income tax law to the federal income tax treatment for the Bernie Madoff Ponzi scheme losses. Status: Senate Governance & Finance Committee; two-year bill.

SB 342 (Wolk) prohibits contingency fees in tax matters and limits the computation of attorney's fees to the Revenue & Taxation Code. Status: Senate Judiciary Committee; two-year bill.

SB 364 (Yee) imposes penalties on corporate income tax payers who claim tax credits, but fail specified performance measures. Status: Governor's Desk.

SB 508 (Wolk) requires bills that create personal income tax and corporate income tax preferences to include specified information and ten-year sunsets. Status: Governor's Desk.

SB 640 (Runner) enacts a corporate income tax credit equal to \$500 for each unemployed person that a taxpayer hires. Status: Senate Appropriations Committee; two-year bill.

SB 830 (Wright) creates a trade infrastructure investment tax credit for personal income taxes and corporate income taxes. Status: Senate Governance & Finance Committee; two-year bill.

AB 36 (Perea) conforms state law to the federal law to allow an income exclusion from gross income for health insurance benefits to children under 27 years old. Status: Signed; Chapter 17, Statutes of 2011 (urgency).

AB 40X1 (Fuentes) makes six changes to personal income, corporation and sales and use tax law, including: amending the apportionment formula and creating a new manufacturing and sales tax exemption. Status: Died in Senate Rules Committee.

AB 50 (Hill) provides personal income tax benefits to taxpayers affected by the San Bruno natural gas pipeline explosion. Status: Signed; Chapter 18, Statutes of 2011 (urgency).

AB 152 (Fuentes) creates personal income tax and corporate income tax credits for donations to food banks. Status: Governor's Desk.

AB 624 (John A. Pérez) extends the community development financial institutions tax credit to January 1, 2017. Status: Governor's Desk.

AB 1069 (Fuentes) extends the California Motion Picture Tax Credit to July 1, 2015. Status: Governor's Desk.

AB 1195 (Allen) expands the 2009 jobs credit. Status: Senate Appropriations Committee; two-year bill.

AB 1423 (Perea) conforms state law to the federal Regulated Investment Company Modernization Act of 2010. Status: Governor's Desk.

AB 1424 (Perea) changes the State Franchise Tax Boards' administrative and enforcement functions. Status: Governor's Desk.

AB 1428 (Chesbro) applies excess disaster losses for taxpayers who were tsunami victims in Mendocino County. Status: Signed; Chapter 283, Statutes of 2011 (urgency).

** This bill did not come to the Senate Governance & Finance Committee.*

To read and retrieve copies of the Senate Governance & Finance Committee's detailed reference materials and other publications --- including citizen's guides to joint powers agreements, special districts, and LAFCOs --- please go to the Committee's website:
<http://sgf.senate.ca.gov>

Governor's Actions Week of September 19th

Bills of Interest

AB 261

Dickinson D (Dist. 9)

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 288, Statutes of 2011

Location: ASSEMBLY CHAPTERED

Property tax: tax-defaulted property. This legislation clarifies that prescriptive easements run with the tax-defaulted property sold in a tax sale and requires any person wishing to commence a proceeding in court based on alleged invalidity or irregularity of sale of tax-defaulted property to first petition the local board of supervisors, as specified, to have the tax sale rescinded.

AB 667

Mitchell D (Dist. 47)

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 294, Statutes of 2011

Location: ASSEMBLY CHAPTERED

Medi-Cal: subacute care program. This legislation defines "pediatric subacute services" in the Medi-Cal Program as the health care services needed by a person under 21 years of age who uses medical technology that compensates for the loss of vital bodily functions, establishes medical necessity standards and deletes the requirement that subacute care be defined by the Department of Health Care Services based on a study established in 1980 and makes other technical and clarifying changes.

AB 1338

Hernández, Roger D (Dist. 57)

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 299, Statutes of 2011

Location: ASSEMBLY CHAPTERED

Redevelopment. This legislation requires, on or after January 1, 2012, a redevelopment agency (RDA) to obtain an appraisal from a qualified independent appraiser to determine the fair market value of property before the RDA acquires or purchases property.

AB 1430

Committee on Local Government

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 300, Statutes of 2011

Location: ASSEMBLY CHAPTERED

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 omnibus bill. This legislation makes several minor, non-controversial changes to the laws affecting local government organization and reorganization.

ABX17

Loque R (Dist. 3)

Status: 9/12/2011 - Died at Desk.

Location: ASSEMBLY DEAD

General Fund: fines. Would require, notwithstanding any other law, that any fine or penalty imposed by the Department of Pesticide Regulation, the Department of Toxic Substances Control, the State Air Resources Board, or the State Water Resources Control Board for a violation of a regulation adopted by that state agency be deposited into the General Fund. The bill would also make a statement of findings. This bill contains other related

provisions and other current laws.

SB 495

Fuller R (Dist. 18)

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 305, Statutes of 2011

Location: SENATE CHAPTERED

Unclaimed property. This legislation extends the Controller's holding period for property that has no apparent commercial value from not less than 18 months to not less than seven years.

SB 619

Fuller R (Dist. 18)

Status: 9/21/2011 - Chaptered by the Secretary of State, Chapter Number 309, Statutes of 2011

Location: SENATE CHAPTERED

California Private Postsecondary Education Act of 2009: exemptions. This legislation exempts, from state regulation under the California Private Postsecondary Act of 2009, flight instruction providers or programs providing instruction pursuant to FAA regulations and that 1) Do not require students to enter into written or oral contracts of indebtedness, and 2) do not require prepayment in excess of \$2,500 for instruction-related costs.

SB 847

Correa D (Dist. 34)

Status: 9/21/2011 - Vetoed by the Governor

Location: SENATE VETOED

Medical Marijuana Program: zoning restrictions: residential use. This legislation would prohibit a medical marijuana cooperative, collective, dispensary, operator, establishment or provider that operates through a storefront or mobile retail outlet from being located within a 600-foot radius of a school unless the local governing entity enacts an ordinance regulating the residential location of such medical marijuana entities.

Total Measures: 8

Total Tracking Forms: 2