

**Senate Committee on Governance & Finance
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October 12, 2011

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.

Now that the Governor has finished acting on the bills that the Legislature passed in 2011, I want you to know about some of the more interesting bills that the Senate Governance & Finance Committee worked on this year. The urgency bills take 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) disincorporates the City of Vernon and creates a community services district to replace local services. Status: AB 46 died on the Senate Floor. AB 781 is on the Senate Floor inactive file.

AB 54 (Solorio) establishes new requirements for organizing and operating mutual water companies. Status: Signed; Chapter 512, Statutes of 2011.

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: Signed; Chapter 300, Statutes of 2011.

Land Use Planning & Development

SB 244 (Wolk) requires counties, cities, and LAFCOs to plan for disadvantaged communities. Status: Signed; Chapter 513, Statutes of 2011.

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: Vetoed.

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: Signed; Chapter 596, Statutes of 2011.

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

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: Died on the Senate Floor.

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: Vetoed.

SB 310 (Hancock) allows cities and counties to adapt Infrastructure Financing Districts and other incentives for transit priority projects. Status: Signed; Chapter 446, Statutes of 2011.

SB 555 (Hancock) allows Mello-Roos community facilities districts to finance renewable energy, energy efficiency, and water efficiency improvements on private property. Status: Signed; Chapter 493, Statutes of 2011.

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.

***ABX1 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: Signed; Chapter 314, Statutes of 2011.

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

AB 700 (Blumenfield) makes the Infrastructure Bank independent under the Governor. Status: Vetoed.

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 1292 (Roger Hernández) allows the Infrastructure Bank to sell bonds for the State Department of Public Health. Status: Signed; Chapter 518, Statutes of 2011.

AB 1350 (Lara) requires county auditors to verify local governments' extraordinary property tax rates for pension programs. Status: Signed; Chapter 428, Statutes of 2011.

Local Powers & Governance

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

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 was signed; Chapter 303, Statutes of 2011.

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: Signed; Chapter 382, Statutes of 2011.

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: Signed; Chapter 611, Statutes of 2011.

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: Signed; Chapter 675, Statutes of 2011.

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: Signed; Chapter 683, Statutes of 2011.

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: Signed; Chapter 692, Statutes of 2011.

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: Signed; Chapter 708, Statutes of 2011.

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: Signed; Chapter 351 and Chapter 352, Statutes of 2011.

ABX1 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: Signed; Chapter 575, Statutes of 2011.

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: Signed; Chapter 369, Statutes of 2011.

Redevelopment

SBX1 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: Vetoed.

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.

***ABX1 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).

***ABX1 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: Signed; Chapter 299, Statutes of 2011.

Sales & Use Taxes

SB 234 (Hancock) extends the "long-arm" nexus to determine if retailers must collect the use tax. Contents amended into AB 155 (Calderon). 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. Contents amended into AB 155 (Calderon). Status: Senate Governance & Finance Committee; two-year bill.

AB 155 (Charles Calderon) combines the contents of SB 234 (Hancock), AB 153 (Skinner), and 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: Signed; Chapter 313, Statutes of 2011.

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: Signed; Chapter 734, Statutes of 2011.

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: Vetoed.

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: Vetoed.

SB 15 (DeSaulnier) requires the State Department of Finance to prepare revenue and expenditure projections for the budget year and three subsequent years. Status: Signed; Chapter 737, Statutes of 2011.

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 724 (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

SBX1 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: Died on the Senate Floor.

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: Vetoed.

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

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).

ABX1 40 (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: Signed; Chapter 503, Statutes of 2011.

AB 624 (John A. Pérez) extends the community development financial institutions tax credit to January 1, 2017. Status: Signed; Chapter 436, Statutes of 2011.

AB 1069 (Fuentes) extends the California Motion Picture Tax Credit to July 1, 2015. Status: Signed; Chapter 731, Statutes of 2011.

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: Signed; Chapter 490, Statutes of 2011.

AB 1424 (Perea) changes the State Franchise Tax Boards' administrative and enforcement functions. Status: Signed; Chapter 455, Statutes of 2011.

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>