



**REVENUE AND TAXATION POLICY COMMITTEE  
HIGHLIGHTS  
January 18, 2024**

**ATTENDANCE**

Members: Kuldip Thusu (Chair); Kevin Bash (Vice Chair); Jack Balch; Rick Bruneau; Renee Contreras-DeLoach; Kendall DeMatteo Levan; Jack Dilles; Jack Ding; Marc Donohue; Felicia Galindo; David Gassaway; John Gillison; Loella Haskew; Matthew Hawkesworth; Launa Jimenez; Jeff Jones; Brian Kalinowski; David Kent; Paolo Kespradit; Rachel Lang; Mina Layba; John Lollis; Christine Marick; Norma Martinez Rubin; Michael McCorriston; Brian McDonough; Russ Melton; Brian Mohan; Marc Mondell; Ed Musgrove; Robert NeiuberNathan Olson; Laura Parisi; Ana Maria Quintana; Daniel Ramos; Dana Reed; Doug Robertson; Joel Rojas; Lydia Romero; Scott Sakakihara; Karin Schnaider; Monica Solorzano; Fred Strong; Luis Uribe; John Uy; Joe Vinatieri; Scott Voigts; Melissa Walker; Nicholas Walker; Sally Wilkinson; David Wilson; Pamela Wu; Yvonne You; Yan Zhao

Cal Cities Partners: Fran Mancia; Ken Nordhoff

Staff: Ben Triffo, Legislative Affairs Lobbyist  
Betsy Montiel, Legislative Affairs Analyst

**I. Welcome and Introductions**

Chair Kuldip Thusu and Vice Chair Kevin Bash welcomed committee members and introduced themselves.

Cal Cities Executive Director, Carolyn Coleman welcomed everyone and underscored the invaluable work of the policy committees. Ms. Coleman emphasized that the policy committee discussions are central to thoughtful consensus around the member-driven priorities of Cal Cities. Ms. Coleman thanked the committee for their good work.

Cal Cities President, Daniel Parra welcomed everyone to the first policy committee meeting of the year and thanked members for their services to all California cities. Mr. Parra explained that policy committees are vitally important and directly connected to Cal Cities' core mission of advocating for the common interests of cities.

Chair Thusu thanked Ms. Coleman and Mr. Parra for their dedicated advocacy and leadership.

**II. Public Comment**

Chair Thusu asked if there was any public comment. None were provided.

### 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 Update Document](#), which includes the latest on legislative and budgetary matters affecting cities.

### IV. **Cal Cities 2024 Advocacy Priorities**

Cal Cities staff provided the committee an overview of Cal Cities 2024 Advocacy Priorities, which are the following:

1. Safeguard local revenues and bolster economic development.
2. Strengthen climate change resiliency and disaster preparedness.
3. Improve public safety in California communities.
4. Expand investments to prevent and reduce homelessness and increase the supply of affordable housing.

### V. **Legislative Agenda**

Cal Cities staff provided a legislative and regulatory update, providing a summary of the current legislative landscape and what emerging policies are being forecasted.

Staff provided an overview of the legislative process for new committee members and updated the committee on two-year bills, including:

- SB 584 (Limón) Labor force housing: Short-Term Rental Tax Law
- AB 321 (Wilson) Sales and Use Tax: exemptions: zero-emission public transportation

More information on Cal Cities [Revenue and Taxation Bills can be found here](#).

### VI. **2024-25 State Legislative and Budget Review**

Cal Cities staff introduced guest speaker, Lourdes Morales, a Principle Fiscal and Policy Analyst with the Legislative Analyst's Office. The LAO is the Legislature's nonpartisan fiscal policy advisory office. Lourdes provided the committee an overview, analysis, and insights regarding the Governor's 2024-25 state budget.

The LAO assessed the Governor's approach to the 2024 budget proposal, describing the governor's revenue projections as optimistic, but plausible. The LAO cautioned that while the Governor's spending-related solutions are warranted, some solutions could pose challenges and will likely be unsustainable in future years. The legislature should work to maintain similar reserve withdrawals and plan for lower revenues in the outyears. Additionally, the LAO recommends the Legislature work to maximize one-time spending reductions and flagged that a high bar be applied for any discretionary proposals.

More information regarding the Legislative Analyst's Office's analysis of the Governor's 2024-25 state budget is [published on their website](#).

## **VII. ACA 1: Voting Thresholds**

Chair Thusu gave a brief bio introduction and welcomed Assembly Majority Leader Cecilia Aguiar-Curry to the committee, who joined the meeting to discuss ACA 1.

The Majority Leader discussed challenges that local government face to raise funds for local communities due to voter requirements. ACA 1 lowers the voter threshold for local governments to a super majority of 55 percent to be able to pass local measures related to infrastructure and affordable housing. The Majority Leader expressed concerns about the Legislature's efforts to support local governments and highlighted that funding should be directed towards underserved communities. She emphasized the importance of local governments being able to have the ability to make fiscal decisions for local projects to improve their communities.

In an overview of ACA 1, the Majority Leader informed the committee that the bill would include funding for community infrastructure projects and is a fiscal tool for local governments. Additionally, jurisdictions could use ACA 1 funding for housing assistance programs and to help fund affordable housing projects. She also introduced a proposal for a companion bill, which would exempt vulnerable populations such as seniors and those on SSI or SSDI.

Majority Leader Aguiar-Curry let the committee know that the list of projects that would be covered under the bill are intentionally broad so that local leaders can address the individual needs in their community.

Staff asked for more information on the guardrails and accountability measures contained in ACA 1. Chief of Staff for the Majority leader, John Ferrara addressed the expenditure plans that local governments would provide to inform their communities on how ACA 1 revenues are being used. There will also be a citizen's oversight committee to enhance the effectiveness of the bill. The reason for these provisions are to keep the public involved and informed to help foster trust in local officials and to maintain transparency around how ACA 1 funds are being used.

The Majority Leader thanked the committee for their support. Chair Thusu thanked the Majority Leader and her office for their work.

More information on [ACA 1 can be found here.](#)

## **VIII. Taxpayer Protection and Government Accountability Act: CBRT**

Staff explained the impacts of the CBRT measure on local governments and informed the group that Cal Cities has taken an oppose position to the bill. He highlighted that the bill is a significant threat to local control and decision making. The committee was briefed on the CBRT, which imposes stricter rules for raising taxes and fees that fund local government services. Staff explained to the committee that the measure puts at risk billions of dollars that are dedicated to funding local service delivery.

Staff also discussed how the CBRT measure would change how local taxes operate; including, prohibiting local advisory measures, and requirements for sunset dates, as well as amounts and use specifications on new or increased local taxes. Further details that were explained on the CBRT measure also included the new requirements for voter approval, which extend to existing taxes that are applied to new territory that is annexed and existing taxes being applied to a new service or product.

Regarding the local fees section of the CBRT, staff provided an overview of how the language around “actual cost” and “minimum amount necessary” would restrict the fee authority of local governments.

**IX. ACA 13: Voting Thresholds**

Staff gave an overview of ACA 13, explaining that if approved by voters, the measure would require that constitutional amendments proposed by initiative that increase voter thresholds for future measures, would require approval by the same proportion of votes casted as the measure requires.

It was also explained to the committee that the measure would also preserve the right of cities to place advisory measures on the ballot. Staff informed the committee that ACA 13 would help future-proof measures like the CBRT that seek to reform the constitution and that Cal Cities has taken a support position.

**X. City Managers Sales Tax Working Group**

Staff updated the committee on the latest work of the City Managers Sales Tax Working Group. The working group convenes a diverse and representative group of California city officials dedicated to examining local government sales tax issues to provide recommendations that equitably benefit California cities, further fiscal sustainability, and strengthen the viability of the sales tax.

A goal of the working group is to address Sales Tax Sharing Agreements to reduce competition for situs-based sales tax revenue between cities. One of the working group's recommendations for these agreements suggested that maximum duration for new sales tax sharing agreements should be 20 years. Other recommendations from the working group included enhanced transparency and public review, and changes to county pool allocations.

In January 2023, the Sales Tax Working Group developed an equity statement regarding e-commerce sales tax revenue distribution. The work in this regard is meant to contextualize equity within evolving consumer preferences, technological advances, and the needs of cities.

In 2024, the working group will analyze Bradley-Burns sales and use tax sourcing rules and work to develop a reform proposal, if necessary.

**XI. Adoption of 2024 Work Program**

Cal Cities staff provided the committee an overview of Cal Cities 2024 Advocacy Priorities.

To inform the committee's work program, committee members were asked to respond to an online survey selecting their top priorities for the committee to focus on in the coming year. The committee's 2024 work program priorities are Sales and Use Tax, Infrastructure Funding, and Gas and Electric Vehicles.

Regarding Sales and Use Tax, the committee will receive regular updates from the City Managers Sales Tax Working Group. The committee will also explore ways to provide resources to help cities meet their infrastructure needs. Lastly, the committee will take an active role in addressing declines in gas tax revenues from the adoption of electric vehicles. The adoption of the 2024 Work Program was passed unanimously.

**XII. Existing Policies and Guiding Principles**

Staff provided a summary of the guiding principles and existing policy for Revenue and Taxation. Cal Cities adopted a policy change to reconcile the equity principles regarding sales tax to existing Cal Cities policy. The updated policy excludes language regarding the allocation of internet sales. The adoption of the revised existing policy and guiding principles was passed unanimously.

**XIII. Adjourn**

Chair Kuldip Thusu thanked Cal Cities staff for their work and Vice-Chair Kevin Bash thanked the working group. Chair Thusu provided some closing remarks and thanked the committee, then adjourned the meeting.

**Next Meeting: In Person, Thursday, March 21, 10:00 a.m.-2:00 p.m.**

**Marriott Burbank Airport Hotel, 2500 N. Hollywood Way, Burbank**