



**REVENUE AND TAXATION POLICY COMMITTEE
HIGHLIGHTS
Thursday, March 21, 2024**

ATTENDANCE

Members: Kuldip Thusu (Chair); Kevin Bash (Vice Chair); Al Austin; Rick Bruneau; Kendall DeMatteo Levan; Jack Dilles; Jack Ding; Marc Donohue; Felicia Galindo; David Gassaway; John Gillison; Carla Hansen; Loella Haskew; Matthew Hawkesworth; Launa Jimenez; Jeff Jones; Brian Kalinowski; David Kent; Paolo Kespradit; Rachel Lang; Mina Layba; Rich Losano; Christine Marick; Norma Martinez Rubin; Michael McCorrison; Russ Melton; Brian Mohan; Ed Musgrove; Robert Neuber; Ana Maria Quintana; Daniel Ramos; Dana Reed; Doug Robertson; Joel Rojas; Lydia Romero; Karin Schnaider; Fred Strong; Melissa Walker; Nicholas Walker; Sally Wilkinson; David Wilson; Pamela Wu; Yvonne You; Yan Zhao

Cal Cities Partners: Reva Feldman; Ken Nordoff

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

I. 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 provided a [General Briefing Update](#), which includes the latest on legislative and budgetary matters affecting cities.

II. Welcome and Introductions

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

III. Public Comment

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

IV. State Budget Update and Discussion

Cal Cities staff, Ben Triffo gave an update on the Governor's proposed 2024 budget. Overall, the proposed budget of \$291.5 billion does not include redirection of city funds to address state budget shortfalls. According to the Governor, the state is facing a \$38 billion budget deficit, which draws upon \$13.1 billion in reserves. However, The Legislative Analysts forecasts a \$73 billion budget deficit.

More information was provided regarding the Senate's "Shrink the Shortfall" Plan.

V. Legislative Agenda and Discussion

Cal Cities staff, Ben Triffo, gave a legislative update. Committee members were briefed on SB 1196 (Newman), which would exempt newly constructed accessory dwelling units from property tax exemption for 15 years, if a "good faith effort" is made to use the unit for residential purposes. Ben also addressed SB 1494 (Glazer), which would restrict a local government's ability to enter into a sales tax rebate agreement for e-commerce transactions, starting January 1, 2024, and would, on



January 1, 2030, make all existing agreements void and unenforceable. Cal Cities is opposed to the measure.

Additionally, the committee was briefed on AB 2854 (Irwin), which would require a local agency to annually provide information related to any sales tax rebate agreement the agency has entered. Cal Cities staff, Ben Triffo, discussed his analysis of the bill, and addressed recommended amendments. The Committee discussed and provided recommendations. The Committee unanimously voted to support AB 2854 if it is amended.

For a list of all revenue and taxation bills, please visit the [Cal Cities website](#).

VI. Department of Transportation: IIJA Federal Grant Update

Chair, Kuldip Thusu introduced guest speaker, Ryan Greenway, Assistant Federal Liaison with Caltrans. Ryan gave an overview of President Biden's Infrastructure Investment and Jobs Act (IIJA), which provided \$1.2 trillion in investments across core infrastructure projects throughout the U.S. between 2022-2026. \$41.9 billion of those funds are dedicated to California. Members were informed of funding opportunities, implementation information, and other technical assistance tools related to the program.

Caltrans has commenced a working group, and both small and rural cities are being encouraged to submit information about local infrastructure needs to the Federal Government.

The speaker thanked the committee and welcomed questions.

VII. Department of Transportation: Road Usage Charge

Chair Thusu, introduced guest speaker Laura Prehoda, Road Charge Program Manager with Caltrans. Laura's presentation focused on dwindling gas tax revenues due to the adoption of zero emission vehicles and efforts that are being made offset the gas tax losses. Specifically, the state is studying a road usage charge program and has begun the rollout of a pilot program.

Laura encourages the committee to consider exemptions for transit buses and opportunities for tolling agencies.

The speaker thanked the committee and welcomed questions.

VIII. City Managers Sales Tax Working Group Update

Cal Cities staff, Ben Triffo, gave an update on the City Managers Sales Tax Working Group. The group is focused recommending changes to sales tax sourcing rules for e-commerce transactions. The committee was provided an overview of recent recommendations from the working group on sales tax rebate agreements, including:

- All policy changes to sales tax rebate agreements should be prospective in nature.



- Institute a maximum duration of 20 years for new sales tax rebate agreements.
- A rebate cap of 50% of the sales tax generated by the private business.
- Require the state to create and maintain a database and dashboard of all Economic Development Subsidy Reports on a website.
- Exclude from the county pool calculation the Bradley-burns sales tax gained from a sales tax rebate agreement.

The working group will continue to meet over the next few months to discuss an equitable split of the Bradley-Burns sales tax that is generated from e-commerce transactions. The committee will receive updates as the working group moves forward with developing policy in this space.

City Manager, John Gilson from Rancho Cucamonga thanked Cal Cities staff for their work with the working group and commended the working group's focus in developing reform to address sales tax revenue distribution for online transactions.

IX. Closing Remarks Adjourn

Chair Thusu provided some closing remarks and thanked the committee. The meeting was adjourned.

Next Virtual Meeting: Thursday, June 20, 9:30 a.m.-12:30 p.m.