

**Senate Committee on Governance & Finance**  
**Senator Robert M. Hertzberg, Committee Chair**  
**State Capitol, Room 408**  
**Sacramento, California 95814**  
(916) 651-4119

<http://sgf.senate.ca.gov>

TO: People Interested in Public Finance and Governance Legislation  
FROM: Senator Robert M. Hertzberg, Committee Chair  
DATE: September 9, 2016  
SUBJECT: **Summary of significant legislation heard in 2016**

Now that the Legislature has adjourned its regular session, I want you to know about some of the more interesting bills that the Senate Governance & Finance Committee reviewed during 2016. The following summary identifies and briefly describes the significant bills that the Committee has worked on this year. At the end of each description, the bill's status is indicated in *italics*. This year, the Governor has until September 30 to sign or veto bills. A final version of this summary, reflecting the Governor's signature and veto decisions, will be available in early October.

If you want to read the Committee's bill analyses or get a copy of a bill listed below, please go to the Legislature's official website [leginfo.legislature.ca.gov](http://leginfo.legislature.ca.gov). You can also use that website to retrieve other bill analyses, official histories, voting records, and any veto messages.

## **Excise Taxes**

[SB 133 \(McGuire\)](#)\* creates an alternative method for collecting transient occupancy taxes on some rental transactions for residential units that are offered for short-term rental through an online platform. *Assembly Local Government Committee.*

[SB 987 \(McGuire\)](#) establishes the Marijuana User Fee Act, which imposes a 10% excise tax on medical marijuana. *Assembly Revenue and Taxation Committee.*

[SB 1102 \(McGuire\)](#) creates an alternative method for collecting transient occupancy taxes on some rental transactions for residential units that are offered for short-term rental through an online platform. *Senate Appropriations Committee.*

[AB 2127 \(O'Donnell\)](#) increases the allowable percentage of gasoline that may be included into ethanol fuel, from 15% to 18%. *Governor's Desk.*

[AB 2243 \(Wood\)](#) enacts the Medical Cannabis Tax Law, and imposes, for the privilege of distributing medical cannabis, an excise tax upon all licensed distributors. *Senate Appropriations Committee.*

## **Income Tax Form**

[SB 1416 \(Stone\)](#) adds the Revive the Salton Sea Fund as a voluntary contribution fund on the personal income tax return. *Signed - Chapter 219, Statutes of 2016.*

[SB 1476 \(Committee on Governance and Finance\)](#) establishes general requirements for all new or extended voluntary tax contribution funds. *Governor's Desk.*

[AB 1399 \(Baker\)](#) adds the California Domestic Violence Victims Fund as a voluntary contribution fund on the personal income tax return. *Governor's Desk.*

[AB 1789 \(Santiago\)](#) extends the sunset date for the School Supplies for Homeless Children Fund as a voluntary contribution fund on the personal income tax return. *Governor's Desk.*

[AB 2371 \(Frazier\)](#) adds the Special Olympics Fund as a voluntary contribution fund on the personal income tax return. *Governor's Desk.*

[AB 2430 \(Gaines\)](#) adds the Type 1 Diabetes Research Fund as a voluntary contribution fund on the personal income tax return. *Governor's Desk.*

[AB 2497 \(Wagner\)](#) adds the California Senior Citizen Advocacy Fund as a voluntary contribution fund on the personal income tax return. *Senate Appropriations Committee.*

## **LAFCOs & Boundary Changes**

[SB 1266 \(McGuire\)](#) requires joint powers agencies and joint powers authorities that provide municipal services to file copies of specified documents with local agency formation commissions. *Signed – Chapter 173, Statutes of 2016.*

[SB 1318 \(Wolk\)](#) requires local agency formation commissions to identify disadvantaged unincorporated communities that are within or adjacent to the sphere of influence of a city or special district, assess their needs for water and wastewater infrastructure, and adopt and implement a plan to address any water and wastewater service deficiencies. *Assembly Local Government Committee.*

[AB 2414 \(Eduardo Garcia\)](#) establishes an annexation process to expand the Desert Healthcare District's boundaries that is exempt from some statutes that generally govern district annexations. *Governor's Desk.*

[AB 2470 \(Gonzalez\)](#) requires one of two water districts in San Diego County to provide water outside of the district's boundaries to the Sycuan Tribe upon request of the tribe. *Governor's Desk*.

[AB 2471 \(Quirk\)](#) requires, notwithstanding the statutes that generally govern district dissolutions, that the Alameda County Local Agency Formation Commission must order the Eden Township Healthcare District's dissolution if the District meets specified criteria. *Senate Floor*.

[AB 2910 \(Committee on Local Government\)](#) is the annual local agency formation commission omnibus bill, which contains several non-controversial changes to state laws affecting local government organization and reorganization. *Signed – Chapter 165, Statutes of 2016*.

## Land Use Planning & Development

[SB 1000 \(Leyva\)](#) requires each city and county to incorporate an environmental justice element, or goal, policies, and objectives for environmental justice contained in other elements, into its general plan. *Governor's Desk*.

[SB 1069 \(Wiekowski\)](#) repeals the ability of local governments to prohibit the construction of "second units," requires the ministerial approval of some second unit development applications, and limits the conditions that local governments may impose on the development of second units, such as lowering the maximum amount of parking that local governments may require. *Governor's Desk*.

[SB 1262 \(Pavley\)](#) requires a water supply assessment for new development to include additional information on groundwater resources if the development relies on groundwater and requires identification of water systems where the service area contains or is adjacent to the development site, if those systems may serve as a potential supplier to the project. *Governor's Desk*.

[SB 1317 \(Wolk\)](#) generally requires a city or county overlying certain groundwater basins to establish a process for permitting new wells that (1) requires the permit applicant to demonstrate that the well will not contribute to or create an undesirable result for the basin, until January 31, 2022 or the basin is governed by an approved groundwater sustainability plan; and (2) prohibits new wells in probationary or overdrafted basins. *Assembly Water, Parks, and Wildlife Committee*.

[AB 2180 \(Ting\)](#) shortens deadlines for approval or disapproval of certain residential and mixed use developments under the Permit Streamlining Act. *Governor's Desk*.

[AB 2299 \(Bloom\)](#) requires every city and county, including charter cities, to adopt an ordinance that provides for the creation of second units; repeals the ability of local governments to enact ordinances banning second units; and limits the requirements that cities and counties may impose on second units. *Governor's Desk*.

## Local Finance & Infrastructure

[SB 817 \(Roth\)](#) changes the formulas for calculating annual vehicle license fee adjustment amounts for four cities that incorporated after 2004. *Governor's Desk.*

[SB 975 \(Senate Governance & Finance Committee\)](#) prohibits property tax increment financing districts from diverting property tax revenues that are derived from a voter-approved override property tax rate. *Signed – Chapter 49, Statutes of 2016.*

[SB 1029 \(Hertzberg\)](#) requires state and local government debt issuers to report to the California Debt and Investment Advisory Commission (CDIAC) specified information about some proposed and outstanding debt. *Governor's Desk.*

[AB 1666 \(Brough\)](#) requires specified information about community facilities districts' activities and finances to be made available on a local agency's Internet web site. *Signed – Chapter 93, Statutes of 2016.*

[AB 2031 \(Bonta\)](#) allows a city or county to reject allocations of specified revenues resulting from redevelopment agencies' dissolution to make those revenues available to develop affordable housing. *Governor's Desk.*

[AB 2618 \(Nazarian\)](#) authorizes Mello-Roos community facilities districts to finance improvements to bring real property into compliance with seismic safety standards or regulations. *Governor's Desk.*

[AB 2693 \(Dababneh\)](#) amends statutes governing Property Assessed Clean Energy (PACE) financing to add consumer notice requirements and tighten financing standards for PACE loans for residential properties. *Governor's Desk.*

## Local Powers & Governance

[SB 957 \(Hueso\)](#) allows specified health care districts' boards of directors to use design-build contracting for the construction of hospital or health facility buildings. *Signed – Chapter 212, Statutes of 2016.*

[SB 974 \(Senate Governance & Finance Committee\)](#) enacts the "Local Government Omnibus Act of 2016," which contains several non-controversial changes to state laws governing local governments' powers and duties. *Governor's Desk.*

[SB 994 \(Hill\)](#) allows the boards of directors of the Beach Cities Health Care District and the Peninsula Health Care District to use design-build contracting for the construction of buildings in those districts. *Senate Appropriations Committee.*

[SB 1011 \(Mendoza\)](#) includes in the "remote interest" of a public officer the financial interests of the officer's child, parent, sibling, or spouses of those individuals, if the financial interest is known to the officer. *Assembly Appropriations Committee.*

[SB 1108 \(Allen\)](#) permits a county or city to establish a redistricting commission, composed of residents of the county or city, that has the authority to adjust the boundaries of the supervisorial or city council districts. *Governor's Desk.*

[SB 1170 \(Wiekowski\)](#) prohibits public agencies from delegating the development of storm water pollution prevention plans associated with public works projects and from requiring a contractor on a public works contract to assume responsibility for the completeness and accuracy of those plans. *Assembly Appropriations Committee.*

[SB 1233 \(McGuire\)](#) enacts the Water Bill Savings Act, which allows joint powers authorities to finance water conservation improvements to private property paid for by charges collected through water bills. *Assembly Appropriations Committee.*

[SB 1315 \(Bates\)](#) allows a county that fulfills specified requirements to adopt a final budget without first voting on a recommended budget. *Signed – Chapter 56, Statutes of 2016.*

[AB 21 \(Wood\)](#) revised the Medical Marijuana Regulation and Safety Act to repeal provisions that granted the California Department of Food and Agriculture the sole authority to regulate marijuana cultivation in jurisdictions that do not act by March 31, 2016 and to clarify that the act does not affect local governments' ability to regulate certain users and growers using the police power. *Signed—Chapter 1, Statutes of 2016.*

[AB 241 \(Gordon\)](#) requires a local public entity to provide contact information for each of its retirement plan beneficiaries to an organization representing the local public entity's retired employees in certain situations related to the public entity's efforts to seek municipal bankruptcy protection. *Signed – Chapter 252, Statutes of 2016.*

[AB 278 \(Roger Hernandez\)](#) allows any city that elects its city council at-large to enact an ordinance switching its election method to by-district without obtaining voter approval. *Governor's Desk.*

[AB 366 \(Bonta\)](#) allows the City of Alameda to adopt an ordinance proposing the imposition of a transactions and use tax that exceeds the 2% statutory limitation. *Governor's Desk.*

[AB 779 \(Cristina Garcia\)](#) requires cities, counties, and special districts to post a link to the total compensation of its elected officials, broken down by type of compensation, on the homepage of its website. *Governor's Desk.*

[AB 1575 \(Bonta\)](#) makes numerous changes to the Medical Marijuana Regulation and Safety Act to improve the clarity and consistency of the act. *Senate Appropriations Committee.*

[AB 1661 \(McCarty\)](#) requires local agency officials, as defined, to receive sexual harassment prevention training and education if the local agency provides any type of compensation, salary, or stipend to those officials. *Governor's Desk.*

[AB 1665 \(Bonilla\)](#) shifts authority currently granted to Alameda County and Contra Costa County to impose an additional transaction and use tax to the Contra Costa Transportation Authority. *Signed - Chapter 45, Statutes of 2016.*

[AB 2143 \(Irwin\)](#) expands, until January 1, 2027, the scope of the state law that allows for the digitized electronic delivery, recording, and return of some types of recordable instruments. *Governor's Desk.*

[AB 2220 \(Cooper\)](#) allows any city that elects its city council at-large to enact an ordinance switching its election method to by-district without obtaining voter approval. *Governor's Desk.*

[AB 2257 \(Maienschein\)](#) requires, on or after January 1, 2019, a local agency that has a website to post a link on its Internet homepage to a current agenda for a meeting of that agency's governing body. *Signed – Chapter 265, Statutes of 2016.*

[AB 2389 \(Ridley-Thomas\)](#) allows a special district's governing board, without having to seek voter approval, to change from an at-large to a by-district method of electing the district's governing board members. *Governor's Desk.*

[AB 2551 \(Gallagher\)](#) authorizes local agencies to use alternative procurement methods, such as design-build, for developing reservoirs funded by Proposition 1 (2014) bond funds. *Governor's Desk.*

[AB 2613 \(Achadjian\)](#) allows certain small special districts, until January 1, 2027 to replace a required annual audit with an annual financial compilation or an agreed-upon procedures engagement. *Signed – Chapter 164, Statutes of 2016.*

## **Parcel Taxes**

[AB 1891 \(Dababneh\)](#) provides that once a taxpayer is exempted from a parcel tax, he or she remains exempt until becoming ineligible. *Governor's Desk.*

[AB 2476 \(Daly\)](#) requires local agencies imposing parcel taxes to send a notice with specified contents to nonresident taxpayers. *Signed – Chapter 269, Statutes of 2016.*

## **Property Taxes**

[SB 996 \(Hill\)](#) increases the amount of the welfare exemption from property tax for charities who own affordable housing. *Governor's Desk.*

[SB 1104 \(Stone\)](#) eliminates the inflation adjustment on the base year value of a property used as a principal place of residence by veteran taxpayers over the age of 65, and expands to a full exemption the current partial disabled veterans' property tax exemption. *Senate Appropriations Committee*

[SB 1126 \(Stone\)](#) eliminates the inflation adjustment on the base year value of a property used as a principal place of residence by an income-eligible taxpayer over the age of 65. *Senate Appropriations Committee.*

[SB 1183 \(Bates\)](#) expands to a full exemption the current partial disabled veterans' property tax exemption, and modifies eligibility criteria for the exemption. *Senate Appropriations Committee.*

[SB 1304 \(Huff\)](#) expands eligibility for disaster reassessment, allows assessors to consider environmental contamination when revaluing the property during a disaster reassessment, and applies its changes retroactively to Porter Ranch. *Governor's Desk.*

[SB 1329 \(Hertzberg\)](#) extends the current lead assessor methodology for valuing certificated aircraft for one year. *Assembly Floor.*

[SB 1458 \(Bates\)](#) allows the disabled veterans' property tax exemption to individuals discharged from military service other than honorably, so long as the individual is eligible for federal veterans' benefits. *Governor's Desk.*

[AB 2622 \(Nazarian\)](#) extends the current lead assessor methodology for valuing certificated aircraft for three years, and changes the current representative period used to apportion aircraft fleet value. *Senate Floor.*

[AB 2691 \(Holden\)](#) allows counties to enact ordinances or resolutions allowing taxpayers to pay property taxes in monthly installments. *Governor's Desk.*

[AB 2818 \(Chiu\)](#) requires assessors when valuing property to consider contracts recorded with community land trusts with affordability restrictions. *Governor's Desk.*

## **Redevelopment & Economic Development**

[AB 806 \(Dodd\)](#) allows all counties and cities to acquire, sell, or lease county-owned or city-owned real property to promote economic development, subject to specified requirements. *Governor's Desk.*

[AB 2492 \(Alejo\)](#) makes several changes to the statutes that allow local governments to form and administer Community Revitalization and Reinvestment Authorities to finance local economic development. *Governor's Desk.*

## **Sales & Use Taxes**

[SB 898 \(Nguyen\)](#) establishes a sales and use tax exemption for animal whole blood, plasma, blood products, and blood derivatives, sold by a nonprofit animal blood banking business for use in the cure, mitigation, treatment, or prevention of injury or disease in animals. *Governor's Desk.*

[SB 1210 \(Gaines\)](#) provides an annual two day partial “sales and use tax holiday” for back to school supplies. *Senate Appropriations Committee.*

[AB 567 \(Gipson\)](#) requires the Board of Equalization, and the Employment Development Department to develop and administer a tax penalty amnesty for qualified medical cannabis-related businesses. *Governor’s Desk.*

[AB 717 \(Gonzalez\)](#) provides a temporary sales and use tax exemption for diapers designed, manufactured, processed, fabricated, or packaged for use by infants and toddlers, designated size 3 or under. *Governor’s Desk.*

[AB 724 \(Dodds\)](#) provides a sales and use tax exemption for the purchase of museum display items and sprung instant structures purchased by the Jimmy Doolittle Air and Space Museum Education Foundation. *Governor’s Desk.*

[AB 821 \(Gipson\)](#) allows a medical marijuana dispensary to remit taxes due in a method other than an electronic funds transfer. *Governor’s Desk.*

[AB 1561 \(Cristina Garcia\)](#) establishes a temporary sales and use tax exemption for tampons, sanitary napkins, menstrual cups, and menstrual sponges. *Governor’s Desk.*

[AB 2365 \(Gipson\)](#) establishes a temporary sales and use tax exemption to customers who buy back their property from a pawnbroker after defaulting on a loan. *Vetoed.*

[AB 2678 \(Gray\)](#) requires retailers selling property at state-designated fairs to segregate revenues from sales at fairs from other revenues, then directs BOE to allocate 20% of those sales to the Secretary for Agriculture to fund capital and other fair-related projects. *Senate Appropriations Committee.*

## **State Bonds & Indebtedness**

[SB 879 \(Beall\)](#) enacts the Affordable Housing Bond Act of 2016, which places a \$3 billion bond to fund affordable housing projects and programs on the November, 2016, general election ballot. *Assembly Floor.*

[AB 2444 \(Garcia\)](#) enacts the California Parks, Water, Climate, and Coastal Protection and Outdoor Access for All Act of 2016, to fund parks and park programs, which places a \$3.12 billion bond on the November, 2016, general election ballot. *Senate Rules Committee.*

## **State Personal & Corporate Income Taxes**

[SB 891 \(Gaines\)](#) increases by 25% the amount of the standard deduction used to compute taxable income. *Senate Governance and Finance Committee.*

[SB 907 \(Galgiani\)](#) excludes from income for California tax purposes mortgage debt forgiven on a taxpayer's principal place of residence in modified conformity with federal law. *Governor's Desk*.

[SB 1103 \(Cannella\)](#) increases the "renters' credit" from \$60 to \$100 for single filers, and from \$120 to \$200 for joint filers. *Senate Appropriations Committee*.

[SB 1148 \(Stone\)](#) allows an "above-the-line" deduction of up to \$10,000 for qualified tuition and related expenses for higher education. *Senate Appropriations Committee*.

[SB 1149 \(Stone\)](#) enacts a personal income tax credit of up to \$10,000 for first-time homebuyers. *Senate Appropriations Committee*.

[SB 1216 \(Hueso\)](#) establishes a personal income and corporation tax credit for employers that hire certain young individuals who are ex-offenders convicted of a felony. *Assembly Rules Committee*.

[SB 1272 \(Runner\)](#) enacts a personal income and corporation tax credit for employers contributing to employee savings match plans. *Senate Appropriations Committee*.

[SB 1338 \(Lara\)](#) provides a partial sales and use tax exemption for zero and near zero-emission port equipment. *Assembly Revenue and Taxation Committee*.

[SB 1449 \(Nguyen\)](#) modifies California's credit for taxes paid to other states to require taxpayers to use California rules when calculating the credit, so long as the credit amount is not reduced. *Senate Appropriations Committee*.

[AB 1847 \(Stone\)](#) expands the current employee notification requirement relating to the federal Earned Income Tax Credit to include a reference to the California Earned Income Tax Credit. *Governor's Desk*.

[AB 1944 \(Jones\)](#) excludes from income the value of any prize or award won in the Olympic Games or Paralympic Games. *Senate Appropriations Committee*.

[AB 2728 \(Atkins\)](#) extends the Community Development Financial Institution tax credit until the 2021 taxable year. *Governor's Desk*.

[AB 2817 \(Chiu\)](#) increases annual authorization amounts for low-income housing tax credits, and increases the value of the credits for specified projects. *Senate Appropriations Committee*.

## **State Tax Administration**

[SB 816 \(Hill\)](#) reduces the threshold from \$250 to \$100 to trigger the Kopp Act, which precludes Board of Equalization members from acting on cases in which the party bringing the case made a campaign contribution to the member. *Assembly Appropriations Committee*.

[SB 1394 \(Hall\)](#) alters the apportionment method for the Private Railroad Car Tax from days spent in the state to mileage in the state. *Senate Appropriations Committee.*

[AB 1559 \(Dodd\)](#) extends return filing deadlines from one month to three months for taxpayers affected by natural disasters. *Signed – Chapter 257, Statutes of 2016.*

[AB 1775 \(Obernolte\)](#) conforms return filing deadlines for business entities with recent changes in federal law. *Senate Floor.*

[AB 2149 \(Bonilla\)](#) authorizes the Board of Equalization and counties to collect cash payments from medical cannabis-related businesses for state agencies. *Senate Appropriations Committee.*

\* = Bill was never heard in Senate Governance & Finance Committee

To read and retrieve copies of the Senate Governance & Finance Committee's detailed reference materials and other publications, please go to the Committee's website:  
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