

To: Olin Woods, Chair, and Members of the  
Yolo Local Agency Formation Commission

From: Cindy Tuttle  
Interim Executive Officer

Date: October 24, 2011

Subject: Review and file report on the 2011-12 State Legislative Session

## **Recommended Action**

1. Review and file the report from the Senate Committee on Governance and Finance (Attachment A) and the report on CALAFCo adopted positions on certain State legislation for the 2011-12 session

## **Fiscal Impact**

No direct fiscal impact.

## **Reason for Recommended Action**

State legislation that amends current LAFCo related laws, impacts LAFCo's powers, processes, and/or proposals. Staying informed of these changes is critical in meeting LAFCo's purpose and goals.

---

### **COMMISSIONERS**

*★ Public Member Olin Woods, Chair ★  
★ County Member Matt Rexroad, Vice Chair ★  
★ City Members Stephen Souza, Skip Davies ★ County Member Don Saylor ★*

### **ALTERNATE COMMISSIONERS**

*★ Public Member Robert Ramming ★ City Member Bill Kristoff ★ County Member Jim Provenza ★*

### **STAFF**

*★ Interim Executive Officer Cindy Tuttle ★  
★ Commission Clerk Terri Tuck ★ Commission Counsel Robyn Truitt Drivon ★*

## **Background**

### **Senate Committee on Governance and Finance**

The Senate Governance & Finance Committee's "greatest hits" memo for 2011 lists the more interesting and important bills that the committee worked on this year. This updated memo reflects Governor Brown's recent signature and veto decisions. Issues that fall under the Committee's jurisdiction include revenue & taxation, land use, public finance, and governance topics. The attachment is also posted in the "Legislation" section of the Governance and Finance Committee's website: <http://sgf.senate.ca.gov/legislation>

### **CALAFCo Legislation**

An update on legislation that CALAFCo monitored for the 2011-12 legislative session is below. All-in-all the Governor signed all six bills CALAFCo sponsored or supported this session.

### **SUPPORT**

**AB 54 (Solorio) - Mutual Water Companies.** Among other things, this bill would require mutual water companies to comply with LAFCo requests for Municipal Service Review (MSR) information, to provide LAFCo with a map of service area, and to allow LAFCo to include compliance with drinking water standards in MSRs. **Signed by the Governor.** According to the PUC Yolo County does not currently have any mutual water companies.

**AB 912 (Gordon) - Dissolution of Special Districts.** Provides authority to LAFCo to dissolve a special district - under specific circumstances - without a vote unless there is a majority protest. **Signed by the Governor.**

**AB 1265 (Nielsen) - Williamson Act.** Creates an interim solution to the loss of state subventions for Williamson Act lands by giving counties and alternative landowner-funding approach. This approach was developed by a broad consortium of local government, agricultural and environmental interests. CALAFCO and Yolo County participated in the consortium. **Signed by the Governor.**

**AB 1430 (Assembly Local Government Committee) - Cortese-Knox-Hertzberg Omnibus Bill.** Sponsored by CALAFCO this bill makes technical changes to C-K-H. In addition to a number of minor technical changes, the 2011 bill makes a major update to CKH definitions. While not making any substantive changes to the definitions, the bill would greatly increase clarity to the definitions. **Signed by Governor.**

**ABX1 41 (Solorio) - VLF for Incorporations and Annexations.** Would restore the "VLF" cuts to inhabited annexations and incorporations since 2006. Reverses the actions of SB 89 by raising the temporary VLF rates. **Bill died.**

**SB 436 (Kehoe) - Acquisition of Mitigation Lands.** Would allow a local agency to provide funds to a non profit to acquire land or easements to satisfy an agency's mitigation requirements. May be an important tool for LAFCo in agricultural and open space preservation. **Signed by the Governor.**

---

## OPPOSE

**SB 46 (Correa) - Compensation Disclosure.** Would require all local agency officials - including LAFCo - who file a Form 700 to also file an annual and extensive compensation and reimbursement disclosure report. Would require all local agencies to annually post the forms on their web site. **Two year bill.**

**SB 89 (Committee on the Budget) - City VLF.** This budget-related bill shifts much of city VLF to statewide public safety programs. It will impact every city receiving VLF, however because of the 2004-05 VLF/property tax flip it has a major impact on cities incorporated after 2006 and inhabited annexations after 2006. In addition, by removing VLF as a funding source it will result in most future incorporations and inhabited annexations being financially impossible. The bill was amended at the last minute and voted on before most legislators had read it and none of the stakeholder groups had seen the language. **Signed by the Governor.**

---

## WATCH

**AB 46 (Perez) - Disincorporation.** Would provide that every city with a population of less than 150 people as of January 1, 2010, would be disincorporated into that city's respective county unless a county board of supervisors determines that continuing such a city within that county's boundaries would serve a public purpose. The bill would also require LAFCo to oversee the terms and conditions of the disincorporation. **Died on floor.**

**AB 781 (Perez) - Creation of CSD.** This bill would create a CSD in a community disincorporated by AB 46. It contains a number of imposed terms on the CSD for CSD-generated power, special assessments and taxes, and other aspects of the disincorporated city. Requires LAFCo to impose terms and conditions on the CSD. Double joined with AB 46 so both must pass to become law. **Two year bill.**

---

## OBJECTIONS REMOVED

**SB 244 (Wolk) - Disadvantaged Unincorporated Communities.** Would require LAFCo review of disadvantaged unincorporated communities. It adds a definition, requires LAFCo to review water, sewer and fire services to the communities in the next SOI update, places more emphasis on LAFCo recommendations on reorganizations for efficient services, requires LAFCo to identify service deficiencies to these communities in MSR, and allows LAFCo to assess alternatives for efficient and affordable infrastructure and services. Requires LAFCo to look at communities "in or contiguous to the sphere of influence." Also adds significant requirements to city and county General Plans. CALAFCO was successful in adding several amendments which address our concerns. While there continues to be an

October 24, 2011

unfunded mandate, the amended bill provides discretion and flexibility to LAFCo on much of the implementation. **Signed by the Governor.**

**Attachments:**

Senate Committee on Governance and Finance

**Senate Committee on Governance & Finance**  
**Senator Lois Wolk, Committee Chair**  
**State Capitol, Room 408**  
**Sacramento, California 95814**  
(916) 651-4119

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

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](http://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>