

# SWCLC

Southwest California  
Legislative Council

*A Coalition of  
The Temecula Valley, Menifee, Murrieta, Lake Elsinore and Wildomar Chambers of Commerce*

MEETING AGENDA  
Monday, January 27, 2014

Realtor House, 26529 Jefferson Avenue, Murrieta CA

Presiding: Alex Braicovich, Chair

2014 Strategic Initiatives

*Budget & Tax Reform / Job Creation and Retention / Healthcare / Infrastructure & The Environment*

## Call to Order, Roll Call & Introductions:

## Chair Report

## Agenda Items

1. Ratification of 2014 Chair Action
2. Approval of November 2013 Meeting Minutes Action
3. Update 2014 SWCLC Strategic Initiatives Action
4. Update 2014 SWCLC Policy Platform Action
5. Update 2014 SWCLC Operating Manual Action
6. Legislative Report #1 Action
  1. [SB 56/69 \(Roth\): Local government finance: property tax revenue allocation: vehicle license fee adjustments.](#)
  2. [SB 641 \(Anderson\) : Corporation taxes: minimum franchise tax: exemptions.](#)
  3. [AB 939 \(Melendez\): Pupil and school personnel health: automatic external defibrillators](#)
  4. [SB 768 \(DeLeon\): Cigarette and tobacco products taxes: California Tobacco Tax Act of 2014](#)
  5. [H.R. 2097 \(Calvert\): REBUILD Act](#)
7. Guest Speaker 3rd District Supervisor Jeff Stone Information
8. Guest Speaker Jennings Immel, U.S. Chamber of Commerce Information
6. Chamber & Council Member Announcements Information
7. Lunch Sponsor Thank You

Adjourn – Next meeting February 24, 2014.

For updates that affect your business everyday - LIKE us on:



## The Southwest California Legislative Council Thanks Our Partners:

Southwest Riverside Country  
Association of Realtors  
Metropolitan Water District of  
Southern California  
EDC of Southwest California  
Elsinore Valley Municipal Water  
District  
The Gas Company

Abbott Vascular  
Commerce Bank of Temecula Valley  
The Murrieta Temecula Group  
Southern California Edison  
Loma Linda University Medical  
Center  
Southwest Healthcare Systems  
Walmart

Temecula Valley Chamber of  
Commerce  
Murrieta Chamber of Commerce  
Lake Elsinore Valley Chamber of  
Commerce  
Wildomar Chamber of Commerce  
Menifee Chamber of Commerce

*Please consider adding your business to the list. The SWCLC is fully funded by sponsorships from various private organizations and businesses.  
The SWCLC exists solely because of the contributions of these proactive organizations and businesses located throughout the region.  
Without their support the actions of the SWCLC would not be possible.*



**Southwest California Legislative Council**

**Murrieta Chamber of Commerce  
Temecula Valley Chamber of Commerce  
Lake Elsinore Chamber of Commerce  
Wildomar Chamber of Commerce**

**Meeting Minutes  
October 21, 2013**

Legislative Consultant: Gene Wunderlich

2013 Chair: Greg Morrison Chaired in Dennis Frank's Absence

Directors Attendance: Tony Amatulli, Amatulli Auto Parts  
Jeff George, Superior Quality Construction  
Judy Guiliemana, Town & Country Real Estate  
Tony LoPiccolo, Carrington Mortgage Services  
Greg Morrison, EVMWD  
Don Murray, Commerce Bank of Temecula Valley  
Joan Sparkman

Directors Absent: Steve Amante, Amante & Associates  
Alex Braicovich, CR & R, Inc  
Glen Daigle – Oakgrove Equities  
Dennis Frank – D. R. Frank & Associates  
Shaura Olsen – Walmart  
Gino Patrizio – Inland Valley Medical Center  
Karie Reuther, The David Reuther Vocal Studio  
Gary Thornhill – Tierra Verde

Council Guests: Andy Abeles, Coldwell Banker  
Patti Arlt – Metropolitan Water District  
Jeff Bott, T.C.A.  
Vicki Carpenter – Coldwell Banker  
Nicole Dailey, City of Lake Elsinore  
Brenda Dennstedt, Congressman Calvert/WMWD  
Jeremy Goldman – Southern California Edison  
Lana Haddad – Western Municipal Water District  
Deni Horne, Assemblywoman Melissa Melendez 67<sup>th</sup> District  
Paul Jones – Eastern Municipal Water District  
Shane Lesovsky – Temecula Valley Communications  
David Madsen - AQMD  
Mike Mason - Mason Real Estate  
Jim McLaughlin, Leadership Southwest County  
Morris Meyers, EDC  
Michele McKinney Underwood, WMWD  
Kimberly Palmer – Mason Real Estate  
Matt Rahn – Rahn Conservation Consulting  
Maggie Sleeper – Senator Joel Anderson

Tom Stinson - Assemblywoman Marie Waldron  
Kelsey Stricker – Elsinore Murrieta Anza RCD  
Jolene Walsh – Eastern Municipal Water District  
Jeff Wyman – City of Menifee  
Roger Ziemer, RCWD

Staff Present: Kim Cousins, Michelle Simon-Lake Elsinore Valley Chamber of Commerce  
Alice Sullivan, Laura Turnbow-Temecula Valley Chamber of Commerce  
Patrick Ellis-Murrieta Chamber of Commerce  
Dorothy Wolons-Menifee Chamber of Commerce  
Richard Tordoff – Wildomar Chamber of Commerce

Staff Absent:

Meeting called to order at: 12:11 P.M. by Chairman Greg Morrison

1. Approval of Minutes Action  
Directors reviewed the Minutes from the September 16, 2013 meeting. **The motion was made to approve the minutes as written. The motion was seconded and carried by a unanimous vote.**

2. Update 241 Toll Road Extension / Jeff Bott Information

Jeff updated the SWCLC Board on the outcome of the project. In June of this year the Regional Board declined the project even though more than enough mitigation had been presented to overcome wetland issues. The next step is for the agency to appeal to the State Water Board or to file a lawsuit. Jeff will keep the SW CA Legislative Council posted on future steps.

3. Update Bay Delta Conservation Plan / Patti Arlt , Metropolitan Water District Information

Patti introduced Paul Jones – General Manager for Eastern Municipal Water District to provide the SW CA Legislative Council an update. A detailed presentation/slideshow was provided to the audience along with a printed copy of the PowerPoint for the Council Board and Staff. The comprehensive presentation featured details on the 542 square mile service area for EMWD, sources of water, and the breakdown of how much Bay Delta water is provided to Southern California. The presentation addressed; Critical water supply issues, Ecosystem, key Delta Risks such as Fishery declines, Subsidence, Seismic Risk and Sea level rise, as well as a Bay Delta Conservation Plan Overview. Paul presented the preferred option that utilizes; three intakes/pumping plants, state of the art fish screens, forebay temporary stores, two (2) 26 ft. gravity flow tunnels – 30 miles long – dual conveyance, at an estimated cost of \$12 to \$14 billion with completion projected at 2026.

4. Bill Tracker Update Information

Gene provided the SWCLC Board and attendees an updated list of bills that were reviewed by the council during 2013.

#### **Congressman Ken Calvert**

Report by Brenda Dennstedt

Brenda addressed the recent turmoil in the Capital and reported to the group that agreements had been made to fund the government thru January 2014 and increase the debt ceiling until February 2014. More to come...

#### **Senator Joel Anderson**

Report by Maggie Sleeper

Maggie reported that SB&&% was signed by the Governor that provides protection to Veteran facilities to prevent cities from repurposing of buildings for City use.

#### **Assemblywoman Melissa A. Melendez**

Report by Deni Horne

The Governor has signed the Assemblywoman's third bill into law, which is AB 681. AB 681 will prevent alimony payments to former spouses who physically or sexually abused their children. Assemblywoman Melendez will be having a Holiday Open House sometime in December.

### **City of Lake Elsinore**

Report Nicole Dailey

The City of Lake Elsinore is moving forward with exploring World Capital Markets. The CDBG application process for the City of Lake Elsinore closes on 10/28/13.

### **City of Menifee**

Report by Jeff Wyman

The City of Menifee will be moving its General Plan update to a vote by early December 2013. There are numerous Capital Improvement Projects underway in the City including Scott Road, & I-215 / Holland Road overpass. This will provide much needed traffic relief at some key intersections. The City is approving approximately 200 new single family home building permits per month.

## 5. Chamber & Council Member Announcements Information

### **Lake Elsinore Valley Chamber of Commerce**

Report by Kim Joseph Cousins

The Lake Elsinore Valley Chamber of Commerce will be hosting our EWDC Luncheon on Thursday to introduce Chamber for Good. A free website portal that allows non-profit organizations to list their financial, volunteer and items needed lists along with their calendar of events for free.

### **Murrieta Chamber of Commerce**

Report by Don Murray

The Murrieta Chamber of Commerce will be having their \$5,00 Reverse Drawing will be held on November 2, 2013 at The Diamond Club. An Economic Outlook is being held on December 4<sup>th</sup> at Bear Creek.

### **Wildomar Chamber of Commerce**

Report by Judy Guiliemana

The Wildomar Chamber will be having a mixer at Vision Experience on September 19<sup>th</sup> @ 5:30 P.M. The Wildomar Chamber of Commerce has a new Executive Director starting next week. His name is Rick Tordoff.

### **Temecula Chamber of Commerce**

Report by Alice Sullivan

The Temecula Valley Chamber of Commerce will be having their monthly mixer on November 20<sup>th</sup> at LA Masters. There is a Ribbon Cutting on 10/22.

### **Menifee Chamber of Commerce**

Report by Dorothy Wolons

The Menifee Chamber of Commerce invited everyone to come visit them at their new offices as well as to check out their new website. On November 2<sup>nd</sup> they will be partnering with the Menifee Valley Medical Center during their health expo. A Turkey drive will be held on November 15<sup>th</sup> in Sun City.

### **Wildomar Chamber of Commerce**

Report by Richard Tordoff

A mixer will be held on 11/21 at Rock Fitness Gym along with co-host Sun Pro Solar.

## 6. Lunch Sponsor- Vincenzo's Olive Tree Eat There

Motion to Adjourn at 1:25 P.M.



**Southwest California Legislative Council**  
**Strategic Initiatives**  
*2014*

The focus of the SWCLC 2014 Policy platform will be to support these primary initiatives. However, any policy or legislative initiative that may impact local members will be considered.

- ✓ *Job Creation & Business Retention*
- ✓ *Budget and Tax Reform*
- ✓ *Healthcare*
- ✓ *Infrastructure & The Environment*



## **Southwest California Legislative Council**

### **Policy Platform**

2014

#### **Labor and Employment** (*Job Creation & Retention*)

1. Review and evaluate measures that reform the extraordinary costs of the state's public pension system for the sake of the state's overall fiscal health.
2. Monitor and review alternatives to (1) any proposed state minimum wage increases and (2) any local or state living wage ordinances.
3. Monitor and provide recommendations to the current workers' compensation reform measures to reduce costs to businesses.
4. Consider and review responsible healthcare policy proposals that maximize free market forces, minimize mandates upon insurers and providers, and results in increased availability of healthcare coverage affordable for employers, employees and individuals.
5. Monitor and support measures that reform our state's educational system and encourage local workforce ~~preparation~~ preparedness.
6. Advocate against the unwarranted and frivolous lawsuits on our businesses, consumers, taxpayers, and communities.
7. Monitor proposals that undermine the current process of guaranteeing secret-ballot elections for unionization such as card check.

#### **Pro-business Leadership** (*Job Creation & Retention*)

1. Expand community outreach for the SWCLC by:
  - establishing a speakers bureau to address City Council meetings and other local groups
  - encourage members to participate in Project Leadership and similar efforts to develop future leaders
  - include reference to the SWCLC in self-introductions at all Chamber and business functions
  - drive community, civic and business leaders to SWCLC website and social media updates
  - include appropriate groups in SWCLC Calls-to-Action
2. Review and evaluate local, statewide, and when appropriate, federal legislation as it pertains to the SWCLC's policy priorities and communicate the information to all chambers' membership.
3. Continue to enhance working relationships with local, state and federal representatives and their staffs.
4. Consider and review legislation that promotes standards of corporate governance that guide boards of directors and corporate officers in managing their corporations in a competent, ethical manner.

#### **Taxation and Government Reform** (*Budget & Tax Reform*)

1. Review and evaluate reform measures that solve the state budget's continuing structural deficit that promotes real economic growth and job creation.
2. Encourage cooperation among government agencies, and work to streamline and reduce unnecessary or conflicting requirements of regulatory agencies.

3. Review and evaluate cost effective ways to privatize government services and public contracts while maintaining or improving standards.
4. Review and evaluate state and local fee & tax increases and new fee & tax categories affecting the regional business community.
5. Support and promote when appropriate the preparation of cost/benefit analysis ensuring economic impacts are weighed before the imposition of regulatory statutes.
6. Ensure that regulations on business are kept to a minimum and do not put regional businesses at a competitive disadvantage.
7. Encourage the protection of private property rights.
8. Support state programs that secure tax credits for targeted work training programs.
9. Consider and review policies that promote the outsourcing of essential public services by government agencies.
10. Support practical business accounting procedures at the state level when trying to balance the State Budget.
11. Review and evaluate social welfare policies that are expansive and unregulated throughout all levels of government.

### **Healthcare (Healthcare)**

1. Support the attraction and retention of medical technology industry to Southwest California.
2. Monitor and support policies that encourage continued medical discoveries and innovations that improve quality of care.
3. Continue efforts to contain the costs of premiums.
4. Conform to federal law on health savings accounts while supporting measures to allow employers to mitigate the impact of providing healthcare coverage consistent with the Affordable Care Act.
5. Support policies that prevent cost shifting from government-provided programs to the private sector.
6. Work to curb the expansion of litigation in the healthcare system.
7. Support wellness and disease management education programs.
8. Support reform of the state hospital construction review process and the archaic methods used to delay hospital readiness.
9. Work to improve the timeliness of hospital construction and to ensure costs associated with such construction are kept at reasonable rates.

### **Infrastructure Improvements (Infrastructure & The Environment)**

1. Review and evaluate policies that ensure the Southwest California region maintains a reputation as an attractive prosperous location for business; to balance employment and housing needs with natural resource preservation; and to plan and construct the community infrastructure necessary to support current and future business needs.
2. Monitor land use, planning, housing and zoning issues that affect the Southwest California regional business community.
3. Review and evaluate development projects within the Southwest California region.
4. Encourage an adequate supply of appropriate housing to meet the needs of the Southwest California region.
5. Review and evaluate reliable, stable, and competitively priced energy supplies for California's businesses and consumers.
6. Review and evaluate water management and flood control policies that improve water quality as the result of comprehensive approaches that will reduce contaminants from water sources in a cost effective manner.
7. Review and evaluate policies that promote safe, clean, high quality, adequate and reliable water supplies supporting the needs of economic growth and quality of life in the Southwest California region.
8. Review and evaluate policies that promote the Southwest California region as the frontrunner of technological advances in any infrastructure improvements throughout the region.

### **Environment (Infrastructure & The Environment)**

1. Support policies that recognize the importance of balancing environmental issues including green, solar and de-salination programs and their impacts on the public and private sector.
2. Monitor policies that ensure long-term positive impacts on environmental stability and the economic vitality of the Southwest California region.
3. Encourage responsible environmental regulations and the potential impacts on local governments and agencies.
4. Monitor and support efforts to reform the CEQA process that will reduce the regulatory and compliance burden to cities and businesses in Southwest California.

### **Transportation (Infrastructure & The Environment)**

1. Review and evaluate public and private sector transportation improvement plans that impact congestion on freeways, streets and roads, and ensure mobility within the Southwest California region.
2. Review and evaluate legislative and regulatory proposals that impact the automobile, trucking, rail, aviation, and maritime industries.
3. Review and evaluate legislation and regulatory proposals that might place the Southwest California logistics industry at a competitive disadvantage.

### **Tourism and Business Expansion**

1. Support a stronger relationship with the Temecula Valley Convention & Visitors Bureau, the Economic Development Corporation (EDC) of Southwest California, the Southwest California Manufacturing Council, InSoCalConnect and the Cities of Temecula, Murrieta, Lake Elsinore, Menifee and Wildomar in order to promote and enhance the Southwest California region.
2. Support and promote policies to increase travel visits to the wine country and other areas of interest in order to help stimulate the local economy and provide jobs throughout the Southwest California region.
3. Review and evaluate policies that ensure that the Southwest California region maintains a reputation as an attractive and prosperous location for doing business.
4. Promote economic development opportunities in the Southwest California region for business retention, expansion and attraction.

### **Immigration Reform**

1. Support efforts that create a guest worker program that is comprehensive, addressing both future economic needs for workers and the status of undocumented workers already in the United States.
2. Support the creation of an effective employment verification system that is fast and reliable and the impacts on Southwest California businesses while understanding enforcement ramifications at the local, state and federal level.
3. Support policies that ensure all workers enjoy the same labor law protections.
4. Support policies that require all workers striving for citizenship to demonstrate a working knowledge of the English language and American civic requirements.
5. Support policies that expand temporary visa programs for essential workers, creating paths to permanent residence for these workers and providing a way to earn legal status for the millions of undocumented workers already in the United States.





**Southwest California Legislative Council**  
**Operating Procedures**  
*2014*

**I. Composition**

The SWCLC board shall consist of 17 voting members, five representatives appointed by the board of directors from each of the three original founding chambers of commerce of the SWCLC, one seat appointed by the Wildomar Chamber of Commerce and one seat appointed by the Menifee Chamber of Commerce. The SWCLC voting membership shall be a general representative makeup of the total five chambers and a balance of industry representation throughout the region.

The Chair position shall be assigned to one chamber for a two year term rotating thereafter among the three original chambers.

SWCLC board members shall serve a one (1) year term beginning January 1 and ending December 31, with no term limits.

The SWCLC board membership is open to all Chamber members in good standing. SWCLC meetings are open to all members of the five chambers. All elected officials, or their designees, representing the region or individual cities are ex officio, nonvoting members of the SWCLC.

**II. Policy Platform**

Each year, SWCLC shall develop a policy platform consistent with SWCLC's mission statement of local, state, and federal legislative issues for the following year. The Policy Platform shall be used to track local, state and federal legislation that might have an impact on the Southwest California region. The Policy Platform shall be recommended to the Board of Directors of each chamber no later than their January meeting for discussion and approval.

**III. Legislation Position Authority**

Board of Directors

The Board of Directors of each chamber shall be updated each month of any legislative positions approved by SWCLC. The Board of Directors shall have the authority to excuse their chamber from any position of the SWCLC.

SWCLC board members shall have the authority on behalf of the Board of Directors of the five chambers, to approve any legislative positions that align with the approved policy platform consistent with SWCLC's mission statement. Decisions shall be made by a simple majority vote of the SWCLC Board of Directors present.

Executive Committee of SWCLC

The SWCLC Chairman, the immediate Past Chair and the President/CEO of each of the original three chambers, shall have the authority, by a majority vote, to act on behalf of the SWCLC to approve any legislative positions that align with the policy platform consistent with SWCLC's mission statement.

The SWCLC shall be notified of this action within 48 hours. SWCLC Board of Directors shall have

the authority to modify any decision of the SWCLC Executive Committee at its next scheduled meeting.

**IV. Voting Membership Vacancies**

Prospective SWCLC board members may apply for openings by notifying the President/CEO of their respective chamber. The SWCLC Chair, in consultation with the representatives of each of the five chambers, will appoint voting SWCLC board members to fill in vacancies during the year.

**V. Attendance**

SWCLC shall meet the third Monday of each month at noon. If a SWCLC member accumulates more than 3 unexcused absences a year, the member loses their voting privileges.

An unexcused absence will be charged to members if notification to the SWCLC Chair is not made prior to the start of the SWCLC meeting.

**VI. Minutes**

Minutes will be kept at all SWCLC meetings.

**VII. Quorum**

A quorum shall consist of 9 voting members in attendance at any regularly scheduled meeting.

**VIII. Amendments**

The authority to modify and approve the SWCLC Operating Procedures shall be vested in the Board of Directors of each of the five chambers.

**SB 56/69 (Roth): Local government finance: property tax revenue allocation: vehicle license fee adjustments.****Recommended action: SUPPORT****Presentation: Gene Wunderlich****Background:**

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally provides that each jurisdiction shall be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law also requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

Beginning with the 2004–05 fiscal year and for each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to educational entities.

**Purpose of the Bill:**

This bill would modify these reduction and transfer provisions, for the 2013–14 fiscal year and for each fiscal year thereafter, by providing for a vehicle license fee adjustment amount calculated on the basis of changes in assessed valuation. This bill would also modify these reduction and transfer provisions, for the 2013–14 fiscal year and for each fiscal year thereafter, by **providing for a vehicle license fee adjustment amount for certain cities incorporating after a specified date**, as provided.

By imposing additional duties upon local tax officials with respect to the allocation of ad valorem property tax revenues, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

SB 56 establishes ongoing funding for incorporations and inhabited annexations that were not accounted for in the VLF-swap of 2004. The new **VLFAA is not just a targeted relief to communities, specifically the four recently incorporated cities of Wildomar, Menifee, Eastvale, and Jurupa Valley** that were disadvantaged by a sudden change in VLF funding rules. **Rather, the funding formulas would roughly replicate the broad fiscal incentive for city in-corporations that existed before the VLF-property tax swap.**

While **ongoing funding is critical to stabilize new cities and annexations**, VLF revenue is no longer available as a funding source. Through other statutes encouraging the annexation of unincorporated islands, the Legislature has demonstrated a preference for city annexations. SB 56 has no sunset date on the VLF funding formula, which establishes a permanent financial incentive for city annexations of inhabited areas. According to the author, "Cities play a vital role in fulfilling many of the state's policy goals, like smart growth objectives, transportation and infra-structure investments, affordable housing needs, and greenhouse gas reduction goals. **Without a new funding source, it is unlikely there can be any new incorporations or annexations.**" This will have a huge impact on the state's ability to achieve many of its policy objectives."

**Summary:**

Allocating property tax revenues is a zero-sum game; every reallocation creates winners and losers. SB 56’s allocations of VLFAA property tax revenues make winners out of newly incorporated cities and other cities that have annexed territory since 2004. The fiscal loser will be the State General Fund, which must backfill property tax revenues shifted away from schools by the new VLFAA’s formulas. *The Committee may wish to consider whether the state should be subsidizing a city’s growth at the expense of the state General Fund.*

**Supporting:**

- |   |   |
|---|---|
| California Association of Local Agency Formation Commissions  | League of California Cities                             |
| California Police Chiefs Association  | League of California Cities - Riverside County Division |
| California Professional Firefighters  | Orange County Local Agency Formation Commission         |
| California State Association of Counties  | Riverside County Fire Department                        |
| Cities of Corona, Eastvale, Fontana, Jurupa Valley, Menifee, Rancho Cordova, San Jose, and Wildomar | Riverside County Sheriff Stan Sniff                     |
| Corona Regional Medical Center  | Riverside Local Agency Formation Commission             |
| County of Riverside   | Riverside Sheriff’s Association                         |
| Cremation Society of Southern California  | Southwest Riverside County Association of Realtors      |
| Eastvale Chamber of Commerce  | Thomas Miller Mortuary                                  |
| Greater Corona Valley Chamber of Commerce   | Urban Counties Caucus                                   |
| Jurupa Community Services District  | 64 Eastvale Residents                                   |
|   | Southwest California Legislative Council.               |

**Opposing:**

None on record

**Status:** Active - In Committee Process. Senate Appropriations.

<b>Legislative Report Item 2</b>	<b>Action Item</b>
----------------------------------	--------------------

**[SB 641 \(Anderson\) : Corporation taxes: minimum franchise tax: exemptions.](#)**

**Recommended action: SUPPORT**  
**Presentation: Gene Wunderlich**

**Background:**

Corporations with taxable nexus in California must pay either the minimum franchise tax of \$800, or the measured franchise tax of 8.84% of apportioned net income if the tax exceeds \$800. The minimum franchise tax ensures that corporations that do not show a profit in a taxable year bear some of the cost of public services. The tax does not usually apply to most “pass-through entities,” where income and expenses pass through the business entity and are reported on the entity’s owners’ personal income taxes, such as limited partnerships, and limited liability companies not classified as corporations.

The Legislature has exempted corporations, either generally or specifically, from the minimum franchise tax: In 1999, the Legislature exempted every corporation that incorporates or qualifies to do business in the state on or after January 1, 2000 from the minimum franchise tax in its first taxable year (AB 10, Correa, 1998), following up on a partial reduction enacted the previous year (AB 2798, Machado, 1998). The Legislature specifically excluded corporations that form solely to avoid paying the minimum franchise tax from the reduction. The Legislature also exempted from the tax until 2018 corporations owned by a deployed member of the United States Armed Forces with less than \$250,000 in apportioned income in a taxable year when it either ceases operation or operates at a loss (AB 2671, Cook, 2010).

**Purpose of the Bill:**

Senate Bill 641 exempts from the minimum franchise tax for its first four taxable years a corporation that does either of the following on or after the effective date of the bill:

- Incorporates or becomes qualified to transact intrastate business in California,
- Begins business operations at or after the time of its incorporation,
- Reasonably estimates that its gross receipts reportable in California are less than \$10,000 for each taxable year.

According to the author, “This bill is an effort to show support for small and micro-businesses that are newly formed and struggling financially. These are typically one person enterprises run by people who are passionate about what they do, but are overwhelmed by startup costs and other expenses. SB 641 will allow struggling new corporations to reinvest in the future of their enterprise by exempting them from the minimum franchise tax. This relief only applies if they make less than \$10,000 in annual gross receipts and are within the first four years of taxable income. Nearly 25% of all new businesses fail within the first year and 50% have failed by the fourth year. By providing some relief to the smallest and most disadvantaged new businesses, some of these struggling ventures may survive and provide needed economic activity in the State of California.”

### **State Revenue Impact**

According to the Franchise Tax Board (FTB), the 2/21/13 version of SB 641 results in revenue losses of \$65 million in 2013-14, \$70 million in 2014-15, 2015-16, and 2016-17, and \$65 million in 2017-18. The 4/17/13 version will likely have a lower cost, but the Committee does not have a revised estimate at this time.

### **Summary:**

While reducing taxes on small businesses, SB 641 will result in revenue losses, and will not likely result in any additional economic growth or employment that exceed other potential uses of the same revenue. SB 641 would simply absolve businesses forming or commencing doing business in the state of four years of the \$800 minimum tax, for a maximum benefit of \$3200. Leaving aside the lack of evidence for a connection between a reduction in state taxes and economic or employment growth, will \$800 per year make that much difference for a business?

Individuals starting firms will see a benefit under SB 641, and will have \$800 more in capital to invest in operations, but even the smallest businesses don't live or die because of an \$800 minimum franchise tax bill. Additionally, the minimum tax ensures that all corporations bear some of the cost of the public services necessary for a business to succeed, such as an educated workforce, transportation infrastructure, and public safety, among others. *The Committee may wish to consider* whether the foregone revenue resulting from SB 641's kind gesture to newly forming businesses is worth the tradeoff of cuts in spending or taxes on other activities that it necessitates.

### **Supporting:**

California Chamber of Commerce  
Southwest California Legislative Council

### **Opposing:**

California Tax Reform Association  
SEIU California

**Status:** Active - In Committee Process. Set for hearing.

**AB 939 (Melendez): Pupil and school personnel health: automatic external defibrillators****Recommended action: SUPPORT****Presentation: Gene Wunderlich****Background:**

Existing law authorizes a school district or school to provide a comprehensive program in first aid or cardiopulmonary resuscitation training, or both, to pupils and employees, and requires the program to be developed using specified guidelines.

Existing law requires the principal of a public or private K-12 school with an automatic external defibrillator (AED) to ensure that certain school employees annually receive approved brochures describing the proper use of an AED and that similar information be posted next to every AED, to notify, at least annually, every school employee of the location of all AED units on the campus, and to designate the trained employees who shall be available to respond to an emergency that may involve the use of an AED, as specified.

**Purpose of the Bill:**

AB 939, of an amendment to the current CA Healthy and Safety Codes, would encourage all California public and private K-12 schools to acquire and maintain an automatic external defibrillator (AED) on premises to ensure the best early emergency response to its students, faculty, administration and invitees on its campuses and encourages schools to follow specified procedures for placement and use of that AED.

If a public school decides to acquire and maintain an AED, or continue to use and maintain an existing AED, the bill would authorize and encourage the school to comply with specified requirements. The bill would provide that the school district and employees of the school district are not liable for civil damages resulting from certain uses, attempted uses, or nonuses of an AED, except as provided. The bill would encourage a public or private K-12 school principal to ensure that certain school employees annually receive approved brochures describing the proper use of an AED and that similar information be posted next to every AED. The bill would recast the remaining requirements, identified above, on a public or private K-12 school principal relating to AEDs in the Education Code but instead require that a principal designate only school employees who volunteer to be designated as AED volunteers to respond to an emergency that may involve the use of an AED.

According to the author, the majority of California's children spend around 14,000 hours away from their parents and under the supervision of the state while they receive an education at California's K-12 public schools. While under this supervision, parents should be confident that their children are protected.

According to the American Heart Association, sudden cardiac arrest kills over 300,000 people a year and is the leading cause of death in the United States. Medical experts opine that the key to survival is timely initiation of a "chain of survival", including CPR and the use of an AED. Trained non-medical personnel can use these simplified electronic machines to treat a person in cardiac arrest.

**Summary:**

This bill states the intent of the Legislature, codified in statute, that all public high schools acquire and maintain at least one AED. This provision creates cost pressure for every high school to acquire at least one AED. This bill authorizes high schools to seek nonstate funds to purchase defibrillators, which they can already do without specific statutory authorization, but does not require that only nonstate funds be used for purchase and maintenance of AEDs.

This bill specifies that *if* a public school acquires an AED, or continues to use and maintain an existing AED, the bill would require the school to comply with specified requirements regarding maintenance of the device, and employee training. This places new requirements, and potentially new costs, on schools that already have AEDs. These requirements would also add to the expense of acquiring and maintaining AEDs, should schools currently without AEDs

do so. While these are not direct state costs, **they are costs for schools and school districts**, which are primarily funded by Proposition 98 General Fund.

This bill also states the intent of the Legislature that school employees (who have volunteered to be trained on use of AEDs) not be required to pay the cost of any training that may be required on the proper use of an AED. This provision **creates additional cost pressure for schools** to pay to train employees who have elected to be designated as AED volunteers.

**Supporting:**

California Medical Association  
California State Parent Teachers Association  
Emergency Nurses Association  
CA Joint Powers Authority  
Emergency medical Services Ass'n of CA  
Association of CA School Administrators

**Opposing:**

California School Employees Association

**Status:** Active - In Committee Process.

<b>Legislative Report Item 4</b>	<b>Action Item</b>
----------------------------------	--------------------

**[SB 768 \(DeLeon\): Cigarette and tobacco products taxes: California Tobacco Tax Act of 2014](#)**

**Recommended action: OPPOSE**  
**Presentation: Gene Wunderlich**

**Background:**

Existing federal law imposes a tax of \$1.01 per pack of 20 cigarettes with the majority of the funds being used to fund children's health programs. The federal cigarette tax rose by 62 cents in 2009 to fund the "S-Chip" federal children's health programs. Existing state law imposes a tax on distributors of cigarettes and tobacco products which fund a variety of programs and services including: health education, research, hospital care, fire prevention, environmental conservation, breast cancer research and early detection services, and early childhood development programs. The excise tax on cigarettes is imposed at a total rate of 87 cents per pack of 20 cigarettes, allocated as follows:

- 10 cents to the General Fund.
- 25 cents to the Cigarette and Tobacco Products Surtax Fund (created by Proposition 99 in 1988).
- 2 cents to the Breast Cancer Fund (created by AB 478, Chapter 660 of 1993).
- 50 cents to the California Children and Families Trust Fund (created by Proposition 10 in 1998).

California tax-paid cigarette distributions have decreased dramatically over the past 30 years, both before and after passage of Proposition 10. Consequently, revenues for all funds supported by cigarette taxes have declined as well. Based on outcomes from similar tax increases, there is strong evidence that the Proposition 10 tax increase results in greater declines in annual cigarette and tobacco sales than would have been the case had the Proposition not passed. Current law, as added by Proposition 10, requires BOE to determine the effect of Proposition 10 on the consumption of cigarettes and tobacco products and directs that a transfer of funds to Proposition 99 and Breast Cancer programs be made to backfill for revenue losses to those programs resulting from consumption changes triggered by Proposition 10. The intent of the backfill is to keep the funding levels of certain Proposition 99 and breast cancer programs from declining any more than they would have decreased without the Proposition 10 tax increase. These determinations do not affect the amount of taxes paid by taxpayers. The Proposition 10 backfill determination is strictly an issue of the magnitude of funds allocation from one set of funds to another.

### **Purpose of the Bill:**

SB 768 would impose an additional excise tax of \$2.00 per package of 20 cigarettes, and indirectly increase the tax on other tobacco products. The bill would also impose a one-time “floor stock tax” on the cigarettes held or stored by dealers and wholesalers. Except for payment of refunds, the bill would require BOE to deposit all revenues into the Tobacco Tax Fund, which this bill would create. The bill would require the Tobacco Tax Fund monies to be transferred in unspecified percentages to the:

- **Tobacco Prevention and Education Account** for transfer to the State Department of Public Health (DPH), State Department of Education, and the University of California.
- **Tobacco Disease Related Health Care Account** for transfer to the State Department of Health Care Services to improve quality and access to specified health care programs.
- **Tobacco Law Enforcement Account** for transfer to the BOE, Department of Justice, and the Department of Public Health for the purpose of “supplementing funding for the enforcement of laws that regulate the distribution and sale of cigarettes and other tobacco products, including, but not limited to, laws that prohibit cigarette smuggling, counterfeiting, selling untaxed tobacco, selling tobacco without a proper license and selling tobacco to minors, and enforcing tobacco-related laws, court judgments, and settlements.”

### **Arguments in favor:**

According to the 2012 Surgeon General’s Report, nearly 90 percent of smokers in the United States started smoking by the age of 18, and 99 percent started by age 26. In California, 64 percent of smokers start by the age of 18 and 96 percent start by age 26. Research highlights that the burdens of smoking do not fall evenly across the state. According to the American Lung Association (ALA), African-American men and women have the highest smoking usage rate at 21.3 percent and 17.1 percent respectively, followed by white men at 17.2 percent and Latino men at 16 percent. The ALA reports that Korean men have an unusually high tobacco usage rate at 27.9 percent as do Lesbian, Gay, Bisexual and Transgender women who smoke at almost triple the rate of women in general.

California’s tobacco tax rate ranks 33rd when compared to the rates of other states. The national mean cigarette excise tax is \$1.48 per pack. The highest tobacco tax rate is in New York at \$4.35 per pack and the lowest is Virginia at \$0.30 per pack. Some local governments, such as New York City (\$5.85 per pack total tax rate) and Chicago (\$5.66 per pack total tax rate), have their own tax in addition to the state tax. California has not raised its cigarette excise tax since 1998. According to the Campaign for Tobacco-Free Kids, the average price for a pack of cigarettes in California is \$5.44 with all taxes included.

DPH maintains that higher taxes are particularly effective in reducing smoking among vulnerable populations, such as youth, pregnant women, and low-income smokers. Increases in tobacco prices affect the behavior of the young and low-income, who tend to be more responsive to price changes, than older and wealthier individuals. Higher tobacco taxes could encourage more low-income smokers to quit. According to the Federal Trade Commission Cigarette Report, since three out of every four smokers expected to quit because of cigarette tax increase are estimated to be low-income, the public health benefits of reduced tobacco-related illnesses from smoking will also be borne by lower-income households.

### **Argument against:**

However, if individuals considered to be low-income do not quit, the tobacco tax increase could be considered a regressive tax because these populations would be spending more of their income on the product. Higher cigarette prices through tax or fee increases can also exacerbate tax evasion and foster illegal cigarette sales. These illegal activities include increased smuggling of cigarettes and tobacco products into California and the sale of counterfeit cigarette stamps and products. According to the BOE, cigarette tax evasion is highly correlated with cigarette prices and excise tax rates.

"We probably lose almost \$300 million a year when it comes to the issue of black market tobacco products," said George Runner, a member of the state Board of Equalization.

That money is supposed to pay for childhood development programs, fire prevention, hospital care, even cancer research. But smuggling robs those services of the money they are entitled to – and that includes taxes from cigarettes, which are supposed to have a tax stamp.



## SWCLC Member Survey results

Thru 1/20

"The tobacco tax is about 30 percent of the wholesale cost, so if you can avoid that on a pack of cigarettes, it's 87 cents a pack. That's in state taxes," said Randy Silva, the BOE's investigations chief. "It's \$1.01 in federal taxes, so almost \$2 a pack (in taxes)."

Nearly one out of every five cigarettes sold in California is smuggled in illegally, according to a recent study by the California Foundation for Commerce and Education.

Read more: <http://www.kcra.com/news/ca-contraband-roads-cancer-research-with-links-to-terrorism/-/11797728/22820670/-/10to6m4/-/index.html#ixzz2qhxMcpdi>

### **From CalChamber:**

Imposing an additional excise tax, floor stock tax, and cigarette stamp tax on cigarettes will only accelerate this decline, which will simultaneously decrease the revenues the various programs set forth above receive. This decrease in revenue will place more pressure on the General Fund to support these existing programs. Notably, SB 768 will intensify this pressure even further, by creating a new fund in which to transfer the revenue received from the proposed taxes.

California's economy is just starting to show signs of improvement, which will hopefully transfer into additional revenue for the General Fund to alleviate pressure for budget cuts. The passage of Proposition 30 by the voters in 2012 has certainly helped the State's financial situation. However, creating new funds to be supported by a proven, declining revenue source such as cigarette sales, will add to the pressure on the General Fund, not help it.

Moreover, we are also concerned that with the proposed tax increases under SB 768, it will increase the sale of such products on the black market. This unintended consequence will also impact any expected revenue and create a higher cost for law enforcement.

Finally, the business community has consistently maintained that if a tax is necessary, it should only be temporary and broad based so that the impact is minimized as it is shared by all instead of an individual business or industry. Targeting one industry to bear the burden of revenue for various funds and programs, will negatively impact that industry, including the employees who work for those companies. This bill is likely to cause both a decrease in actual consumption and an increase in tax evasion.

### **Supporting:**

American Cancer Society Cancer Action Network (co-sponsor)  
American Heart Association (co-sponsor)  
American Lung Association in California (co-sponsor)  
Health Access California (co-sponsor)  
SEIU California (co-sponsor)  
African American Tobacco Control Leadership Council  
Association of Northern California Oncologists  
California Black Health Network  
California Primary Care Association  
California Public Health Association-North  
ChangeLab Solutions  
Coalition for a Tobacco-Free San Bernardino County  
Coalition for a Tobacco-Free Sonoma County

Communities Against Substance Abuse  
ConsumersUnion  
Health and Social Policy Institute – HAPSI  
March of Dimes California Chapter  
Medical Oncology Association of Southern California, Inc.  
Operation Samahan  
Pasadena Tobacco Prevention Coalition  
Petaluma Coalition to Prevent Alcohol, Tobacco and Other Drug Problems  
San Diego Regional Asthma Coalition  
San Luis Obispo County Tobacco Control Coalition  
Smoking & Tobacco Outreach/Prevention Program  
SUNSET Russian Tobacco Education Project

### **Opposing:**

California Chamber of Commerce  
Reynolds American, Inc.

**Status:** Active - In Committee Process.

**H.R. 2097 (Calvert): REBUILD Act**

**Recommended action: SUPPORT**

**Presentation: Gene Wunderlich**

**Background:**

This Act may be cited as the **Reducing Environmental Barriers to Unified Infrastructure and Land Development Act of 2013** Act or the REBUILD Act. Its purpose is to amend the National Environmental Policy Act of 1969 to authorize assignment to States of Federal agency environmental review responsibilities, and for other purposes.

"Building needed infrastructure creates jobs and leaves our communities with lasting improvements that are the foundation of economic growth," said Rep. Calvert. "If there are steps we can take to build infrastructure projects quicker and cheaper without sacrificing safety and environmental protections we should take them immediately. The REBUILD Act would dramatically reduce the amount of time and the cost of building infrastructure in California and around the country. There's no reason a project should have go through expensive, duplicative environmental review procedures that fail to enhance the project."

**Purpose of the Bill:**

The REBUILD Act (H.R. 2097) allows any state to enter into a Memorandum of Understanding with a designated federal agency, who has environmental review responsibilities under NEPA, and assume the review responsibilities of that agency. Under the REBUILD Act, states would still be required to uphold the same NEPA standards or greater, by assuming these responsibilities states could integrate NEPA compliance into their own state approval process thereby streamlining construction timelines and eliminating the need for redundant reviews at the federal level.

The streamlined process is modeled after a pilot program created in SAFETEA-LU (Section 327 -Title 23 USC) that allowed a limited number of states to take on the task of ensuring National Environmental Policy Act (NEPA) compliance for highway projects under the Federal Highway Administration (FHWA). In those states that chose to assume this responsibility, the length of time to complete a project review was reduced by an average of 17 months while also ensuring the goals of the NEPA process were not compromised.

Regular audits of state NEPA programs required by this legislation would ensure states are upholding NEPA standards. Should a state be found in noncompliance, a mechanism is provided to initiate corrective action and, if necessary, revoke the state's NEPA responsibilities.

**JURISDICTION**

The United States district courts shall have exclusive jurisdiction over any civil action against a State for failure to carry out any responsibility of the State under this section.

**LEGAL STANDARDS AND REQUIREMENTS**

A civil action under *paragraph (1)* shall be governed by the legal standards and requirements that would apply in such a civil action against the responsible Federal official had the responsible Federal official taken the actions in question.

**INTERVENTION**

The responsible Federal official shall have the right to intervene in any action described in *paragraph 1*.



The **SWCLC** will be writing another letter to **LAWA** supporting returning control of the Ontario Airport to local authority. Additionally, **SWCLC** has joined a coalition at [Set Ontario Free](#) and encourage you to do the same.

## Money Woes Continue at Ontario Airport in the New Year

LOS ANGELES (1/4/14) - The group that is suing Los Angeles for control of Ontario International Airport says airlines are pulling out of the Inland Empire at an alarming rate, it was reported Saturday.

The number of seats offered from the inland air terminal will drop nearly a quarter in the next three months, the [Riverside-Press-Enterprise](#) reported.

Flights are no longer offered from ONT to major destinations like Atlanta or JFK in New York, and fares are becoming noncompetitive to transfer hubs like Denver, Dallas, Houston or Salt Lake City, according to a study by the Ontario International Airport Authority, as reported today in the [Riverside Press-Enterprise](#).

The agency has been formed by Inland Empire cities to wrest control of the airport from the City of Los Angeles. Negotiations between the city's Los Angeles World Airports and the new inland agency are continuing this month over the fate of the airport.

Airlines have announced they will slash the number of available seats from Ontario by a total of about 24.5 percent over the next three months, according to a study from the Ontario International Airport Authority.

The [Riverside newspaper](#) quoted one passenger who diverted to Palm Springs for a \$658 flight to Corpus Christi, Texas, rather than pay \$1,548 to fly out of Ontario.

Los Angeles has owned and operated Ontario for decades, as part of a plan to divert travelers from Los Angeles international Airport. LAWA has built a new terminal at Ontario, but its marketing efforts have been faulted by inland cities desperate not to lose their air service.

Aggravating the problem has been an industry trend to concentrate service at main gateway airports instead of suburban airports, and the increased frequency of air service at the Palm Springs airport as more resort-goers and locals patronize it.

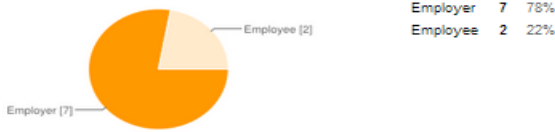
Read more: <http://www.myfoxla.com/story/24364095/money-owes-continue-at-ontario-airport-in-the-new-year#ixzz2qxySviFY>

SWCLC Member Survey results  
Thru 1/20

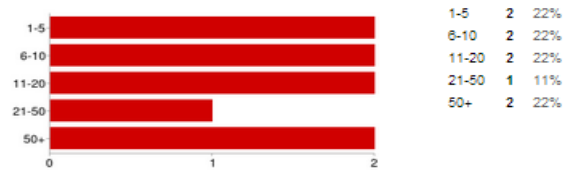
Are you familiar with your Chamber's advocacy organization, The Southwest California Legislative Council



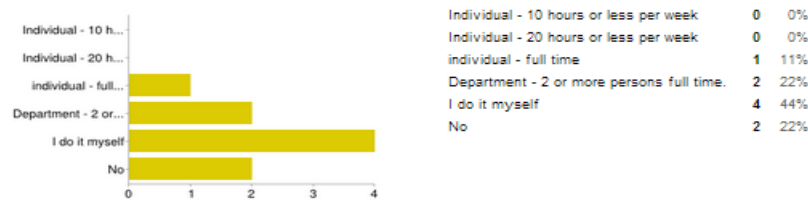
Are you an employer or an employee of a local company?



Approximately how many people are employed at your location?



Does your company have an individual or department dedicated to regulatory compliance?



If answer to previous was 'I do it myself', approximately how many hours per month are spent on regulatory paperwork?



Based on your experience in California with regulatory compliance paperwork, do you feel you spend:



Have you ever owned or managed a business in another state?



Which state?

Nevada

SWCLC Member Survey results  
Thru 1/20

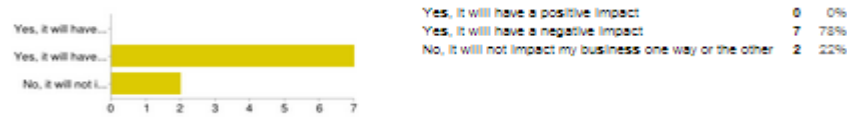
If yes, do you feel California's regulatory compliance takes:



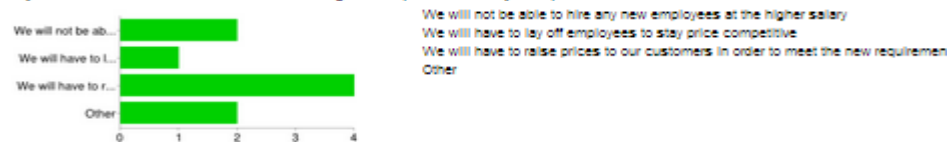
What legislative/regulatory issues impact your business the most?



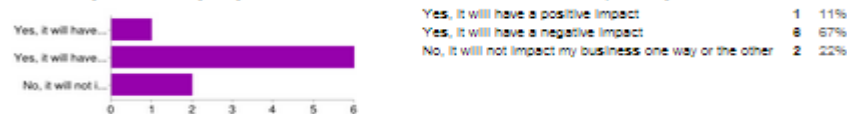
In 2013 the legislature passed AB 10 (Alejo), a bill that will raise the minimum wage in California by 25% over the next 2 years. Will



If you answered that the bill would have a negative impact, what do you expect that will be?



With what you know today, do you believe the Affordable Care Act will have an impact on your business?



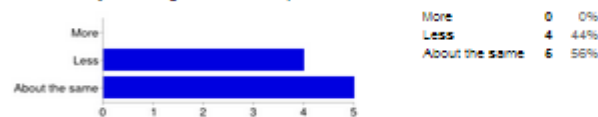
If you answered positive or negative to the previous question, please tell us what you expect the impact will be.

Health care cost are unsustainable. Our business is a hospital. There are more federal requirements imposed upon us by the Affordable Care Act.

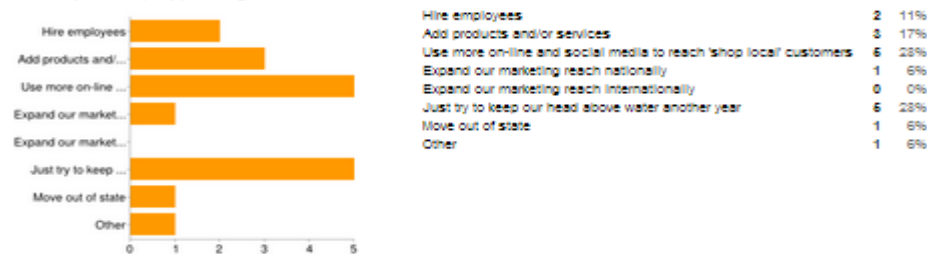
Any other legislative issues you would like to bring to our attention?

Vote the Democrats out of office and vote in a Conservative Republican if you want small businesses to survive these economic times. Trans

Overall, are you feeling more or less optimistic about the business climate in California?



What is your company planning for 2014?



SWCLC Member Survey results

Thru 1/20

**If you answered positive or negative to the previous question, (Afoordable Care Act)please tell us what you expect the impact will be.**

Heath care cost are unsustainable

Our business is a hospital. There are more federal requirements imposed upon us by the Affordable Care Act.

I guess if you want to live in a Socialist country and don't want to work for a living then you're living in the right state.

**Any other legislative issues you would like to bring to our attention?**

Vote the Democrats out of office and vote in a Conservative Republican if you want small businesses to survive theses economic times.

Transportation fees and the aqmd and there over regulations on emissions on trucks and the negative effects it's had on costs.

**Can you give an example of a California or federal law that has had a positive impact on your business in the past two years?**

None

Doing business in the State of California is just about impossible for a small business owner.

**Can you give an example of a California or federal law that has had a negative impact on your business in the past two years?**

Yes, the American Disabilities Act. We were sued for not having the correct parking for handicapp even though we have a dirt parking lot and we give car service to our handicapp customers. We were not given any warning or no time to try to fix the problem and he wasn't even a real customer.

Changes to the meal period and rest period regulations via the Brinker Case of 2012 has been beneficial to employees and the employer. All of them!

The California workers hour laws are to strict on the employer, too many rules and regulations.