



**MEETING AGENDA**  
**Monday, January 26, 2015**  
 Mt. San Jacinto College Campus in Room 805

**Presiding: Alex Braicovich, Chair**

**2015 Strategic Initiatives**

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

**Call to Order, Roll Call & Introductions: 12:00 p.m.**

**Chair Report**

**Agenda Items**

1. Approval of October 2014 Meeting Minutes Action
2. Update 2015 SWCLC Strategic Initiatives Action
3. Update 2015 SWCLC Policy Platform Action
4. Update 2015 SWCLC Operating Manual Action
5. Legislative Report #1 Action
  1. [SB 25 \(Roth\) Local government finance: property tax revenue allocation: vehicle license fee adjustments.](#)
  2. [SB 3 \(Leno\) Minimum wage: adjustment.](#)
  3. [SB 32 \(Pavley\) California Global Warming Solutions Act of 2006: emissions limit.](#)
6. Hwy 79 S Update Tom Garcia, Director of Public Works, City of Temecula Information
7. Legislator, Staff and Stakeholder Updates Information

**Federal:** Senators Feinstein & Boxer. Representatives Calvert & Hunter  
**State:** Governor Brown, Senators Stone & Roth, Assemblymembers Melendez, Waldron & Jones  
**Local:** County, Cities, Utilities, EDC, Healthcare, League of Cities
8. Chamber & Council Member Announcements Information
9. Today's lunch sponsored by:  Thank you

Adjourn – Next meeting February 23, 2015.

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**Southwest California Legislative Council  
Menifee Valley Chamber of Commerce  
Murrieta Chamber of Commerce  
Temecula Valley Chamber of Commerce  
Lake Elsinore Chamber of Commerce  
Wildomar Chamber of Commerce  
Meeting Minutes  
October 20, 2014**

Legislative Consultant: Gene Wunderlich

2014 Chair: Dennis Frank, Past Chair

Directors Attendance:

Matt Buck, California Apartment Association  
Pietro Canestrelli, Reid & Hellyer APC  
Vicki Carpenter, Coldwell Banker  
Jason Hope, JD Promotions  
Tony LoPiccolo, LoPiccolo Consultants

Greg Morrison, EVMWD  
Brad Neet, Southwest Healthcare Systems  
Shaura Olsen, Walmart  
Joan Sparkman, SWHS

Directors Absent: Steve Amante, Amante & Associates; Alex Braicovich, CR&R, Inc.; Glen Daigle, Oakgrove Equities; Judy Guglielmana, Town & Country Real Estate; Don Murray, Commerce Bank of Temecula Valley

Council Guests:

Brian Ambrose, City of Murrieta  
Jeff Bott, The Toll Roads  
Ken Chawkins, SCG  
Danielle Coats, EMWD  
Brenda Dennstedt, Congressman Ken Calvert  
John Denver, John Denver Realty  
Michael Garrison, Assemblymember Melissa Melendez  
Melendez  
Kristin Harrison, DIY Divorce  
Linda Hofstatter, Home Smart Legends  
Deni Horne, Assemblymember Melissa Melendez  
John Kelliher, Visit Temecula Valley  
Jared Liu-Klein, SCG  
Betsey Lowrey, City of Temecula  
David Madsen, SCAQMD

Mayra Magos, Assemblymember Marie Waldron  
Tammy Marine, Habitat for Humanity/TVCC  
Richard Marruffo, VOS, Inc.  
Nathan Miller, Riverside Co Building Industry  
Jim McLaughlin, Morrison McNabb  
David Paget, WJ Bradley Mortgage  
Karen Poulson, Business Rescue Specialists  
Adam Ruiz, 1<sup>st</sup> Action Real Estate  
Yvonne Ruiz, Wine Country Notary  
Erin Sasse, League of Cities  
**Rebecca Shear'Ree, Keller Williams**  
Tom Stinson, Assemblymember Marie Waldron  
Baldev S. Vij, Sigma Investments  
Roger Zeimer, RCWD

Staff: Wendy Mitchell- Wildomar Chamber of Commerce  
Alice Sullivan – Temecula Valley Chamber of Commerce  
Laura Turnbow – Temecula Valley Chamber of Commerce  
Dorothy Wolons – Menifee Chamber of Commerce

Meeting called to order at: 12:10 by Past Chair Dennis Frank

1. Approval of Minutes Action  
Directors reviewed the minutes from the September 22nd, 2014 meeting. **The motion was made to approve the minutes. The motion was seconded and carried by a unanimous vote.**

2. Riverside Country Building Industry Update Information  
Report by Nathan A. Miller, Government Affairs Director, Riverside Country Building Industry

The building industry is a staple for the economy of Riverside County. The recession hit our county hard. He gave an overall view of how each city was doing with housing development and, in general, and on average in western Riverside County there is development anywhere between 2500 to 3000 homes a year. In comparison at **the bottom of the market in the 90's** when developers were really hurting we were still developing about 5000 to 6000 homes a year. When we reach those numbers again we will start the discussion of being in recovery. People are working and things are starting to stabilize. For example, Eastvale is nearly built out and has the highest median income in western Riverside County and over \$100,000 in commercial development is flocking to them as a result. The three cities closest to us are Temecula, Murrieta and Menifee. Temecula has a high quality of life and they are developing steadily at 300+ homes, Menifee is developing about the same. Murrieta has its challenges with its single family residential, similar market, but not a lot of development happening. In 2014, we are up 3.6% development from 2013. It is on pace technically to do the same this year.

**Issues**

**1) School Fees**

Unified School District Level 1 school fee is a statutory minimum of \$3.36 per sq. ft. Some areas have higher rates at a Level 2 or Level 3. These fees affect the building industry significantly. The building industry is pushing heavily for school bond for facilities, because it not only affects the building industry, but those increases do get passed on and affect the average consumer. Places where the level 1 school fee is in affect is where there is great opportunity for development. A School Bond allow for schools to stop at a Level 2 school fee which is just a slightly raised fee. If no bond is issued and the economy **drops and the state runs out of funds for mitigation then that's when school fees can go to a Level 3** where many will be doubled and that will cause development to cease to exist because it would become **too costly. That's a problem. The State still has money to possibly last into 2016 without the school bond.** The legislature has been heavily in favor of the school bond, but the Governor had concerns that the school bond would hinder the water bond and he has put all of his efforts into the water bond. There is talk of a ballot proposition initiative to try to get the school bond on the ballot. The water bond has 75% support so it will most likely get passed through and then there are hopes that at a later date the Governor will put his support behind the school bond. If development ceases to exist throughout the state of California, particularly in Southern California that will have devastating and drastic consequences. There could always be an administrative fix, which is what the Governor did last time around.

**2) TUMP – Transportation Uniform Mitigation Fee**

A huge fee that the building industry pays on top of the others. At this time, it stands in limbo. There is talk of an increase coming within the next year and we will be keeping an eye on that progress. We are hoping for a mutual agreement which will benefit the county as well as the building industry.

**3) Water Bond**

We are not in dire straits in Southern California, as are places in Northern and Central California. But, for instance, if we did not have any rain in the next 3 years the Metropolitan Water District does have **3 to 4 years' worth of water storage. The industry works hard on water conservation and is very mindful of its impact on growth in the community.**

Lastly, an invitation to their December 10<sup>th</sup>, 2014 Holiday Legislative Affairs Committee Meeting with speaker Senator Mike Morrell.

3. Southern California Gas Company Information  
Report by Ken Chawkins

Two items that are driving the environmental situation for the Gas Company.

**1) Federal Clean Air Act**

Last amended in 1972 under President Nixon when the EPA was founded. They were trying to address SMOG or NOX. California Air Resources Board has a goal of reducing Green House Gases at a certain rate by 2050. Many things are being put into place to bring them down to a safe level. The problem is that at the current rate we are already 20 years behind in meeting those goals. If those goals are not met in time the EPA can come in and heavily increase permitting due and withhold highway funds because we are not meeting the interim goal. SCG has technology that can be put in place in the interim that will help these goals to be met in a timelier manner. America has an abundance of natural gas. 80% of NOX comes from transportation. Replacing large engines (long-haul trucks, maritime, etc.) with natural gas engines can lower the NOX considerably and help to get to our interim goals faster.

**2) Climate Change Goals**

This was passed as AB 32 in 2006 and focuses on Global Warming/Greenhouse Gas. There is exciting technology being used in Germany that is available here in the US to put our natural resources to better use by using natural gas to bring down Greenhouse Gases. Keep your eyes open for legislation that will help us reach our goals faster.

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4. SWCLC 2014 Ballot Proposition Positions

Information

- ✓ **Proposition 1: \$7.12 billion water bond. SUPPORT**  
Title: Water Quality, Supply, and Infrastructure Improvement Act of 2014.
- ✓ **Proposition 2: State Budget. Budget Stabilization Account. OPPOSE**  
Title: Rainy Day Budget Stabilization Fund Act.
- ✓ **Proposition 45: Healthcare Insurance. Rate Changes. OPPOSE**  
Title: Public Notice Required for Insurance Company Rates Initiative.
- ✓ **Proposition 46: Medical Malpractice Lawsuits Cap OPPOSE**  
Title: Drug and Alcohol Testing of Doctors. Medical Negligence Lawsuits.
- ✓ **Proposition 47: Reduces Penalties for Some Crimes Initiative OPPOSE**  
Title: Criminal Sentences. Misdemeanor Penalties. Initiative Statute.
- ✓ **Proposition 48: Indian Gaming Compacts – After discussion a motion was made to OPPOSE Proposition 48. The motion was seconded and carried by a unanimous vote.**  
Title: Indian Gaming Compacts. Referendum.
- ✓ **Proposition AA: Mount San Jacinto College Bond Measure SUPPORT**
- ✓ **Proposition BB: Murrieta Valley Unified School District Bond Measure SUPPORT**

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5. SWCLC Bill Tracker

Information

Report and Overview by Gene Wunderlich

In 2014, the SWCLC adopted positions on 63 bills, 5 federal measures and 4 local issues. Of the 63 bills, 20 made it through the entire process. Of those, 13 were bills we supported and 7 were bills we opposed. While

that is just 21% of the supported bills that made it through, it is a 65% win ratio against overall bills we took positions on. Not a bad year, all things considered.

6. SWCLC Letter to Supervisor Jeff Stone RE: Temecula Valley Wine Country Information

Letter included in Agenda for informational review. **After discussion a motion was made to produce a more generic letter stating that any residential development in wine country, other than what it is already zoned for, would be opposed. The motion was seconded and carried by a unanimous vote.**

7. Legislator, Staff and Stakeholder Updates Information

**Congressman Ken Calvert**

Report by Brenda Dennstedt

Congressman Calvert will be speaking at Republican Women's Luncheon on October 21, 2014.

**Assembly Member Melissa Melendez**

Report by Michael Garrison

Assembly Member Melendez is disappointed by the vetoing of the VLF funds to our newly incorporated cities. October 24<sup>th</sup>, 2014 – monthly coffee at J. Carters in Murrieta at 10 am.

**Assembly Member Marie Waldron**

Report by Tom Stinson

The Governor did sign 6 bills from Assembly Member Waldron in the last few days.

**AQMD**

Report by David Madsen

Thanks the Council for having Barry Wallerstein speak this year at the SWCLC Summit for AQMD.

SB 1204 - Accelerates zero emissions for heavy duty diesel trucks and busses throughout California.

SB 1227 – Creates a charge ahead California initiative to put a million clean electric vehicles on the road by 2023 and increase to accelerate vehicles to disadvantaged communities.

**Temecula**

Report by Betsy Lowery

Request letter to housing developer in Wine Country.

December 1<sup>st</sup> – 25<sup>th</sup> Anniversary Celebration at City Hall from 6 pm – 9 pm.

**EMWD**

Report by Danielle Coats

October 26<sup>th</sup> – Open House from 9 am – 1 pm

**Perris**

October 28<sup>th</sup> - Small Business Boot Camp

October 30<sup>th</sup> - Legislative meet and greet at Mead Valley Community Center

**League of Cities**

Report by Erin Sasse

33 priority bills that made it to the Governor, 15 got signed that were supported, 4 got signed that were opposed and 14 were vetoed that we supported. Disappointed that the VLF bills were vetoed.

AB 1147 – Massage Therapy signed by Governor

AB 1522 – One hour paid sick leave for every 30 hours worked - Opposed

AB 2188 – Solar permits signed by Governor.

**Inland Valley**

Report by Brad Neet

Update on Fallbrook Hospital – voted unanimously to accept the Palomar Tri-City joint operating agreement with the Fallbrook district, so the acute care will close. The Urgent care will stay open. IV will be working with Fallbrook as this transition happens.

8. Chamber & Council Member

Announcements

Information

**Menifee Chamber of Commerce**

Report by Dorothy Wolons  
October 24<sup>th</sup> – Mayor’s Ball

**Wildomar Chamber of Commerce**

Report by Cheri Zamora  
October 21 – Temecula Valley Communications 25<sup>th</sup> Anniversary Ribbon Cutting  
November 3 – Kore Pilates Ribbon Cutting  
December 12 – Tacos Tijuana Ribbon Cutting  
November 1 – Trunk or Treat  
November 5 – Wake Up Wildomar with Jeremy Goldman  
November 8 – Shop for your Cause

**Temecula Valley Chamber of Commerce**

Report by Alice Sullivan  
October 22 – BJ’s Restaurant Morning Mixer  
October 24 – Branding Ceremony at the Entrepreneur’s Center  
November 4 - VOTE

9. Lunch Sponsor

Sizzler of Murrieta

Information

Dennis Frank thanked Sally Myers and Sizzler of Murrieta for sponsoring lunch today.

Motion to Adjourn at 1:32 p.m.

**Southwest California Legislative Council**  
**Strategic Initiatives**  
*2015*

The focus of the SWCLC 2015 Policy platform will be to support these strategic 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

2015

### **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 (*Job Creation & Retention*)**

1. Support a stronger relationship with the Economic Development Corporation (EDC) of Southwest California, Visit Temecula Valley, the Southwest California Manufacturing Council, InSoCalConnect and the Cities of Temecula, Murrieta, Lake Elsinore, Menifee, Wildomar and Perris 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

2015

#### I. Composition

The SWCLC board shall consist of 18 voting members, five representatives appointed by the board of directors from each of the three original founding Chambers of Commerce of the SWCLC and one seat each appointed by the Wildomar Chamber, the Menifee Valley Chamber and the Perris Valley Chamber. The SWCLC voting membership shall be a general representative makeup of the six 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 six chambers excepting Executive sessions as determined by the Council. 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 and other issues that may impact 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 positions approved by SWCLC. A Director from the respective Chamber will provide the update. 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 six 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 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~~ six 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 may lose 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 public 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 six chambers.

**SB 25 (Roth) Local government finance: property tax revenue allocation: vehicle license fee adjustments. (Co-authors Assembly Members Linder & Melendez)**

**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.

This bill would modify these reduction and transfer provisions for a city incorporating after January 1, 2004, and on or before January 1, 2012, for the 2014–2015 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 for certain cities incorporating after a specified date, as provided.

**Purpose of the Bill:**

SB 25 is identical to last year's SB 69 (Roth), also SUPPORTED by the SWCLC. SB 69 passed both chambers with broad bi-partisan support only to be vetoed by the Governor.

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 25 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 incorporations 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 25 has no sunset date on the VLF funding formula, which establishes a permanent financial incentive for city annexations of inhabit-ed 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 25'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:** (2014 session)

- |   |   |
|---|---|
| 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 Governance and Finance.

<b>Legislative Item #2</b>	<b>Action</b>
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**[SB 3 \(Leno\) Minimum wage: adjustment.](#)**

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

**Background**

Existing law requires that, on and after July 1, 2014, the minimum wage for all industries be not less than \$9 per hour. Existing law further increases the minimum wage, on and after January 1, 2016, to not less than \$10 per hour.

This bill would increase the minimum wage, on and after January 1, 2016, to not less than \$11 per hour, on and after July 1, 2017, to not less than \$13 per hour. The bill would require the annual automatic adjustment of the minimum wage, commencing January 1, 2019, to maintain employee purchasing power diminished by the rate of inflation during the previous year. The adjustment would be calculated using the California Consumer Price Index, as specified. The bill would prohibit the Industrial Welfare Commission (IWC) from adjusting the minimum wage downward and from adjusting the minimum wage if the average percentage of inflation for the previous year was negative. The bill would require the IWC to publicize the automatically adjusted minimum wage.

The bill would provide that its provisions not be construed to preclude an increase in the minimum wage by the IWC to an amount greater than the formula would provide, to result in a reduction in the minimum wage, or to preclude or supersede an increase of the minimum wage that is greater than the state minimum wage by any local government or tribal government.

The bill would **apply to all industries, including public and private employment.**

Notwithstanding any other provision of this part, on and after July 1, 2014, the minimum wage for all industries shall be not less than nine dollars (\$9) per hour, ~~and on and after January 1, 2016, the minimum wage for all industries shall be not less than ten dollars (\$10) per~~ **eleven dollars (\$11) per hour, and on and after July 1, 2017, the minimum wage for all industries shall be not less than thirteen dollars (\$13) per hour.**

#### **Arguments Against:**

This bill by Senator Leno is identical **last year's SB 935, also OPPOSED by the SWCLC.** Governor Brown just signed AB 10 in 2013 which will increase the minimum wage to \$10 an hour by 2015, a 25% increase to be borne by our employers. **SB 3** seeks to increase it even higher to \$13 an hour by 2017, and thereafter increase it according to inflation. This mandate will simply overwhelm many businesses that are already struggling with the current minimum wage increase and other cumulative costs imposed in California, and will create job loss.

Automatically indexing the minimum wage to inflation, as **SB 3** proposes, has always been troubling to the business community because it fails to take into consideration other economic factors or cumulative costs to which employers may be subjected. **Employers are already facing significant cost increases** over the next several years, including higher taxes under Proposition 30, increased worker's compensation rates, loss of federal unemployment insurance credit, increased energy costs, and increased costs associated with the implementation of the Affordable Healthcare Act. There will undoubtedly be other costs employers are struggling with in 2018 when **SB 3** seeks to tie the minimum wage increase to inflation. These unknown costs coupled with an unknown economy at that time or thereafter, create concern and uncertainty for businesses.

Moreover, **placing the increase in minimum wage on auto-pilot is inappropriate when California has a full-time Legislature available** and responsible for reviewing whether any adjustment in wages is proper given the state of the economy at that point. In fact, when enacting Labor Code section 1178.5, the Legislature determined that the Industrial Welfare Commission should not be allowed to annually index the minimum wage, but rather should review any increase in minimum wage by composing a board of employer and employee representatives to determine whether an increase was appropriate.

Additionally, although California's economy is showing signs of improvement, another increase in the minimum wage, after AB 10 was just signed, will negatively impact any economic recovery by either limiting available jobs, or worse creating further job loss. California employers cannot absorb all of the costs and mandates and be forced to pay such a significant minimum wage, as proposed by **SB 3**. Businesses will have to adjust costs in other areas, such as labor. Notably, in February 2014, the Congressional Budget Office (CBO) issued a report regarding the impact of the proposal to raise the federal minimum wage to \$10.10 an hour. The conclusion was that although some low-wage workers would receive a higher income through the increase, "some jobs for low-wage workers would probably be eliminated, the income of most workers who became jobless would fall substantially, and the share of low-wage workers who were employed, would probably fall slightly." **SB 3** seeks to impose a minimum wage of \$13 an hour, almost three dollars higher than the federal proposal. This increase will undoubtedly create job loss and wage reduction, even more dramatically than anticipated by the CBO.

An increase in minimum wage would not only increase hourly employees' wages, but salaried employees' compensation as well. In order for employees to qualify as "exempt" under any of the six exemptions in California, they must meet the salary-basis test, which is two times the monthly minimum wage. If **SB 3** is implemented as proposed, that amount in January 2017 will rise from the current annual salary of \$33,280 to at least \$49,920, which is an increased cost to employers of over \$15,000 per exempt employee. An increase in minimum wage also drives up workers' compensation costs, uniform/tool reimbursements, overtime, and consumer prices. These additional costs will significantly burden those companies that may not ordinarily pay minimum wage, yet will suffer a negative impact as a result of the proposed increase.

**Status: Pending in Senate Labor & Industrial Relations.**

**SB 32 (Pavley) California Global Warming Solutions Act of 2006: emissions limit.****Recommended action: OPPOSE****Presentation: Gene Wunderlich****Background**

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020 and to adopt rules and regulations in an open public process to achieve the maximum, technologically feasible, and cost-effective greenhouse gas emissions reductions.

This bill would require the state board to approve a statewide greenhouse gas emission limit that is equivalent to 80% below the 1990 level to be achieved by 2050, as specified. The bill would authorize the state board to adopt interim greenhouse gas emissions level targets to be achieved by 2030 and 2040. The bill also would state the intent of the Legislature for the Legislature and appropriate agencies to adopt complementary policies that ensure long-term emissions reductions advance specified criteria.

The statewide greenhouse gas emissions limit shall remain in effect unless otherwise amended or repealed.

(b) It is the intent of the Legislature that the 2050 statewide greenhouse gas emissions limit *established pursuant to Section 38550* continue in existence and be used to maintain and continue reductions in emissions of greenhouse gases beyond ~~2020~~. 2050.

(c) The state board shall make recommendations to the Governor and the Legislature on how to continue reductions of greenhouse gas emissions beyond ~~2020~~. 2050.

(d) *In implementing subdivision (b) of Section 38550, it is the intent of the Legislature for the Legislature and appropriate agencies to adopt complementary policies that ensure long-term emissions reductions adopted pursuant to subdivision (b) of Section 38550 advance all of the following:*

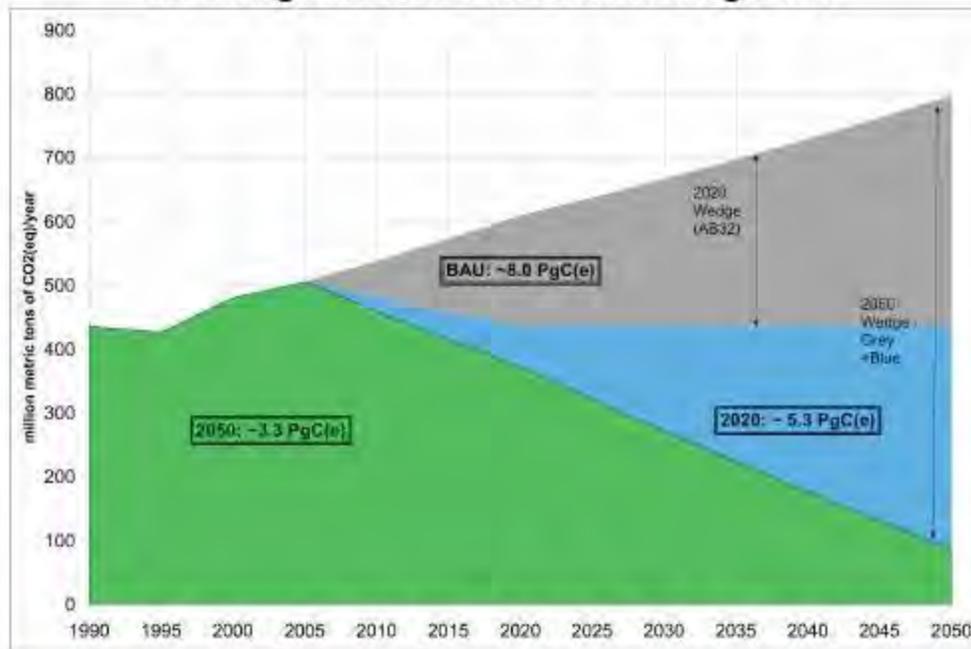
- (1) *Job growth and local economic benefits in California.*
- (2) *Public health benefits for California residents, particularly in disadvantaged communities.*
- (3) *Innovation in technology and energy, water, and resource management practices.*
- (4) *Regional and international collaboration to adopt similar greenhouse gas emissions reduction policies.*

**Purpose of Bill:**

The IPCC (The **Intergovernmental Panel on Climate Change (IPCC)** is a scientific intergovernmental body under the auspices of the United Nations) has indicated that to achieve a low value of global warming, the greenhouse gas emissions have to be reduced by around 80% from 1990 levels, to stabilize the greenhouse gases. European countries are striving for a 60% to 80% reduction by 2050. California's Governor Arnold Schwarzenegger has issued Executive Order S-3-05, presented publicly on June 1, 2005, to reduce greenhouse gases by 80% below 1990 levels by 2050.

The following graph shows how the reductions could occur to reach that goal, from a talk by Steven Schiller, an advisor to the California Institute for Energy and the Environment, University of California, Office of the President.

# California GHG Wedges to Meet 2020 and 2050 Goals assuming moderate GHG emissions growth



If we consider that the lifetimes of power plants are around 40 years, and that the lifetime of houses and commercial buildings are around 40 years, anything that we build now and in the future will be around in the year 2050. Thus, each of them has to be chosen or designed, starting now, to operate at only 20% of the emissions that is currently allowed. Automobiles have more of a 20 year U.S. ownership, but the large SUVs and light trucks that are being built and initially bought in this country will be very useful for the rough roads and busing or construction transport in the developing countries following their US lifetimes. They may indeed be on the road for 30 to 40 years. Thus we need to institute, as soon as possible, 20% emission restrictions on the new mix of energy generation power plants, houses, buildings, and transport vehicles. Retrofits of existing structures and power plants will not qualify to meet the 2050 goal, since they will probably not be around then. The retrofitting is desired to further lower greenhouse gas emissions however. So to reduce greenhouse gas emissions by 80% in the next 40 years, we have to average a 2% reduction per year.

Further research and development in the energy area will lead to new efficient processes, but much is already known about how to be energy efficient. Changes in attitudes and behaviors can also go a long way to reduce energy use and increase efficiency.

**However, as stated in a recent report on energy production and consumption in Europe**, Securing the funding to meet the region's future energy needs is clearly a key priority. However, the countries of the region also need to ensure that in developing their energy strategies and in implementing their investment programs they act in an environmentally responsible fashion. Relative to GDP, carbon emissions in the region are among the highest in the world. In 2010, Russia was the third largest carbon dioxide emitter in the world after the United States and China. Other countries in the region, however, also have significant emission levels. These high emission rates reflect the region's reliance on abundant domestic coal, low energy efficiency and outdated technology. If emissions are to be held down, focused efforts will be required to reduce emissions associated with the use of fossil fuels--in particular coal.

From the Western States Petroleum Association: All six of the WSPA states have developed rules and laws aimed at mitigating climate change, but California's global warming policies are the most ambitious by far.

In 2006, the California State Legislature passed and Governor Schwarzenegger signed **AB 32**, the Global Warming Solutions Act. This law requires that greenhouse gas emissions in California be reduced to **1990 levels by the year 2020** and designated the California Air Resources Board (CARB) to develop a plan to meet this goal.

CARB prepared a blueprint, known as the AB 32 Scoping Plan, laying out various measures necessary to achieve the required reductions. The resulting regulations and market mechanisms have been adopted. The rules went into effect in January of 2012, and the implementation phase has begun.

**While the costs of compliance with AB 32 will ultimately be borne by all Californians, the immediate burden falls on energy producers and energy-intensive industries such as electric utilities, oil producers and refiners, agriculture, and manufacturers.**

Here are descriptions of the key regulations and how their implementation could impact energy supplies and consumer costs in California.

### **Cap & Trade**

WSPA supports market based programs like properly designed cap and trade programs as the most cost effective way to reduce carbon emissions. The California cap-and-trade auction program as currently designed -- the first in the nation -- requires some companies to purchase allowances to cover the carbon dioxide they emit. Companies receive allowances for their emissions, but those allowances will decrease over the years. Cap-and-trade auctions are expected to raise the cost of doing business for companies with carbon emissions and could create volatility in the fuel market:

WSPA and other industry representatives believe the California cap-and-trade program as currently designed creates severe competitive disadvantages for some businesses, including refiners. CARB also exceeded the authority granted it by AB 32 legislation by withholding allowances as a means of generating billions of dollars in new revenue for the State.

According to a comprehensive study commissioned by WSPA, the highly regarded Boston Consulting Group concluded:

- California's cap-and-trade auction program, as currently written and being implemented, will increase the cost of making gasoline and diesel 14 cents per gallon to 69 cents per gallon, depending on the cost of carbon allowances.
- The cost of compliance could be significantly higher if the cost of carbon rises above CARB's projected auction prices.
- Carbon costs could be extremely volatile initially, creating the potential for market disruptions.

### **Low Carbon Fuel Standard**

The **Low Carbon Fuel Standard (LCFS)** is a regulation developed by the California Air Resources Board as part of the implementation of AB 32. It requires fuel providers to reduce the carbon intensity of gasoline and diesel fuel 10 percent by 2020. Though simple sounding, the regulation creates major problems for the state's refiners. According to the Boston Consulting Group, **the LCFS will have a profound impact on the cost of providing fuels, and will result in major job losses and declines in tax revenue.** According to BCG:

- The LCFS, as currently being implemented, is infeasible. Inadequate supplies of low carbon intensity (CI) biofuels and LCFS credits leave refiners no viable compliance options.
- Even if it were feasible, the LCFS would produce a steep decline in demand for refined products, particularly gasoline, in California, resulting in the loss of **20 percent to 30 percent of the state's refining capacity by 2017 and 25 percent to 35 percent by 2020.**
- Between **five and seven of California's 14 fuel refineries could cease production by 2020**, potentially compromising California's security of fuel supply.
- The cost of compliance would be between 33 cents per gallon and \$1.06 per gallon by 2020 using current sugar cane price forecasts. The actual cost could be much higher if California's or other states' significant incremental demand increases the price of low CI biofuels.

From the San Diego UT 1/20/2015:

California's sales tax on gasoline has long provoked grumbling from consumers and watchdog groups.

Sales tax is calculated from the full retail price of gas, a figure that includes state and federal excise taxes. That makes the sales levy, at least in part, a tax on taxes.

The state's new "cap-and-trade" fee, which is designed to combat global warming, is no different.

Retailers pay the fee when distributors load tanker trucks, then the state requires gas station owners to collect sales taxes based on the full pump price.

"They are not calling it a tax, and these guys (wholesalers) are adding it to the cost of the fuel, so you are paying a tax on a tax," said Max Castillo, owner of Aten Express, a convenience store and gas station in Imperial. "California is the leader of the nation in paying taxes."

The new fee took effect on New Year's Day, adding about 10 cents per gallon to the wholesale cost of gasoline and 12 cents for diesel.

Most consumers didn't notice, because crude oil costs have been falling, taking pump prices with them. My local Costco was charging \$2.36 a gallon for regular a day before and after the new fee took effect.

But the fee was certainly passed along to retailers, many of whom must refill their station tanks every day or two, Castillo said.

In California, the average pump price includes 76.87 cents per gallon in fees and taxes, according to the American Petroleum Institute, which tracks such costs nationwide.

Excise taxes, which are supposed to support roads and public transit systems, cost consumers 36 cents per gallon for the state and 18.3 cents for the federal government.

An underground storage tank fee adds 2 cents a gallon. The global warming fee, which is variable and could soar in the future, added about a dime this week.

Then the state adds 2.25 percent of the full retail price — including those other fees and taxes — while city and county sales taxes add more (0.5 percent in most of San Diego County).

**Status: Pending in Senate Environmental Quality**