



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 1, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Status of County-Sponsored Legislation**
 - **County-sponsored SB 827 (Liu)** - related to the County's Enhanced Homeowner's Notification Program, was signed by the Governor on June 28, 2014.
- **Status of County-Advocacy Legislation**
 - **County-supported AJR 39 (Hernández)** - related to Public, Educational, and Government channel fees, passed the Assembly in concurrence with Senate amendments on June 26, 2014, and now proceeds to the Governor.
- **Status of Legislation of County Interest**
 - **AB 2389 (Fox)** - related to: 1) the temporary modification of the State's current capital investment incentive programs, and 2) a tax credit to qualified taxpayers based on the amount of qualified wages paid to qualified full-time employees.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

- **AB 2419 (Garcia)** - related to agency shop fee agreements in the County and City of Los Angeles, passed the Senate on June 30, 2014, and now proceeds to the Governor.

Status of County-Sponsored Legislation

County-sponsored SB 827 (Liu), which as amended on April 8, 2014, would extend to January 1, 2020, the authorization contained in **County-sponsored SB 62 of 2011**, which allows Los Angeles County to send notifications to occupants of a residential property when a notice of default or of sale has been recorded on that residence and provides for related counseling and assistance, was signed by the Governor on June 28, 2014. This measure is Chapter 65, Statutes of 2014.

As enacted, SB 827 changes the number of days in which the County may notify appropriate parties by mail from 20 days to 14 days. This amendment was requested by the Senate Judiciary Committee as a condition of passing the bill. The Registrar-Recorder/County Clerk (RR/CC) has expressed some concerns about how best to meet this shortened deadline. This office will continue to work with the RR/CC and the Department of Consumer Affairs on this matter.

Status of County-Advocacy Legislation

County-supported AJR 39 (Hernández), which as amended on June 17, 2014, would call on Congress to amend Federal law to allow states and their municipalities to determine the best use of revenues collected through Public, Educational, and Government (PEG) channel fees, passed the Assembly in concurrence with Senate amendments by a vote of 74 to 0 on June 26, 2014. This measure now proceeds to the Governor.

Status of Legislation of County Interest

AB 2389 (Fox), which as amended on June 25, 2014, would: 1) temporarily modify the State's current capital investment incentive programs, which local governments are authorized to establish, by temporarily revising the definition of a capital investment incentive amount as being an amount less than or equal to the amount of ad valorem property tax revenue generated from the taxation on a facility's real and personal property with an assessed value in excess of \$25.0 million, from the current amount of \$150.0 million, for the period of July 1, 2014 through June 30, 2015; and 2) allow a tax

credit, for the period of January 1, 2015 through December 31, 2029, to qualified taxpayers in an amount equal to 17.5 percent of wages paid to qualified full-time employees. As amended, AB 2389 would, among other provisions:

- extend the sunset date for the State's capital incentive investment programs from January 1, 2017 to January 1, 2018;
- transfer responsibility for certifying a proponent's initial investment to the Governor's Office of Business and Economic Development;
- until June 30, 2015, modify the definition of a qualified manufacturing facility to apply to businesses engaged in the manufacturing of electrical equipment/components, except electric lighting equipment, or aerospace products and parts;
- define a qualified manufacturing facility as including businesses that engage in manufacturing activities and/or research and development in biotechnology, or the physical, engineering, and life sciences; and
- limit the total aggregate amount of the capital investment incentive amount (i.e. credit) to: 1) \$25.0 million per calendar year for years one through five; 2) \$28.0 million per calendar year for years six through 10; and 3) \$31.0 million per calendar year for years 11 through 15.

Under the provisions of AB 2389, any taxpayer that is a major first-tier subcontractor awarded a subcontract to manufacture property for use in, or as component of, a new advanced strategic aircraft for the United States Air Force would be deemed a "qualified taxpayer." Additionally, "major first-tier subcontractor," is defined as a subcontractor that has been awarded a subcontract in an amount of at least 35 percent of the amount of the initial contract awarded for the manufacturing of a new advanced strategic aircraft for the United States Air Force.

AB 2389 is an urgency measure and would take effect immediately upon enactment.

Under existing law, the governing body of a city, county, or city and county is authorized to establish a capital investment incentive program for qualified manufacturing facilities through the adoption of an ordinance or resolution. Upon establishment of a capital investment program, local governments are authorized to provide capital investment incentive amounts to the proponents (i.e. constructors, fee owners, and lessees) of the qualified manufacturing facilities for a maximum of 15 consecutive years. A qualified manufacturing facility is currently defined as a proposed manufacturing facility that

meets each of the following criteria: 1) the proponent's initial investment in the facility exceeds \$150.0 million; 2) the facility is located within the jurisdiction of the authorizing local government; 3) the proponent is engaged in commercial production or in the perfection of the manufacturing process or a product intended to be manufactured; and 4) the facility is operated by a business engaged in the recovery of minerals from geothermal resources; and/or the manufacturing of parts or components related to the production of electricity using solar, wind, biomass, hydropower, or geothermal resources.

Existing law defines the "capital investment incentive amount" as an amount up to or equal to the amount of ad valorem property tax revenue generated and collected from the taxation on a facility's real and personal property with an assessed value in excess of \$150.0 million. The annual payment of any capital investment incentive amount to any proponent is contingent on the execution of a community services agreement between the authorizing local government and the proponent and the proponent's payment or remittance of a community service fee to the authorizing local government. The community service fee, which must be remitted to the authorizing local government each fiscal year, must be equal to 25 percent of the capital investment incentive amount calculated for the affected proponent for that particular fiscal year; however, the community service fee must not exceed \$2.0 million in any given fiscal year.

According to the author of AB 2389, this measure will directly create 1,100 aerospace jobs within the State and will indirectly create 4,782 jobs in supporting fields. The author further states that the tax credit established under AB 2389 will help ensure that the men and women serving in the armed forces are supplied with the most high-tech equipment available when they are deployed in active combat zones.

The Office of the Assessor indicates that, if enacted, AB 2389 would grant authority to the Board of Supervisors to approve a modified capital investment incentive program(s) and provide incentive amounts to approved, qualified proponents at the Board's discretion.

County Counsel indicates that AB 2389 temporarily restricts, through June 30, 2015, the list of qualified facilities eligible for the State's capital investment incentive program to facilities operated by the aerospace industry and manufacturers of electrical equipment/components, and that thereafter, the list of eligible facilities expands to include facilities operated by a variety of manufacturing and research and development industries.

AB 2389 is supported by the Los Angeles County Economic Development Corporation. Currently, there is no registered opposition to this measure.

Each Supervisor
July 1, 2014
Page 5

AB 2389 passed the Senate Governance and Finance Committee, with amendments, by a vote of 4 to 2 on July 1, 2014. As amended in the committee, the tax credits offered under AB 2389 would be funded through the State's California Competes Tax Credit Program and thereafter through the State General Fund if necessary. This measure now proceeds to the Senate Appropriations Committee.

There is no existing Board-approved policy related to the State's capital incentive investment programs; therefore, a position on AB 2389 is a matter of Board policy determination.

AB 2419 (Garcia), which as amended on March 12, 2014, would authorize the inclusion of management employees in agency shop arrangements in the County of Los Angeles and the City of Los Angeles, passed the Senate Floor by a vote of 25 to 10 on June 30, 2014. This measure now proceeds to the Governor for his consideration.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants