

AMENDED IN SENATE APRIL 9, 2012

**SENATE BILL**

**No. 1252**

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**Introduced by Senator Rubio**

February 23, 2012

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An act to ~~amend Sections 32100 and 32150 of the Public Resources~~ *add Division 4 (commencing with Section 64200) to Title 6.7 of the Government Code, relating to ~~urban waterfront restoration state infrastructure.~~*

LEGISLATIVE COUNSEL'S DIGEST

SB 1252, as amended, Rubio. ~~Urban Waterfront Area Restoration Financing Authority Act. State Infrastructure Projects Fund.~~

*The Personal Income Tax Law and the Corporation Tax Law impose taxes upon income, including income generated from any gain from the sale or exchange of a capital asset.*

*Existing law requires state and local governments to carry out specific duties related to the infrastructure of the state, including, but not limited to, transportation and rail projects.*

*This bill would require the Department of Finance, in consultation with the Franchise Tax Board and the Employment Development Department, on specified dates, to estimate the amount of revenues derived from income taxes imposed on income generated as a result of capital gains related to the Facebook, Inc. initial public offering, as provided, and would direct the Controller to transfer an amount equal to the total estimated amount from the General Fund to the State Infrastructure Projects Fund, a fund that would be created by the bill. This bill would allocate the moneys in the State Infrastructure Projects Fund, upon appropriation by the Legislature, for various infrastructure projects, as provided.*

~~The Urban Waterfront Area Restoration Financing Act Authority creates in state government the California Urban Waterfront Area Restoration Financing Authority, consisting of specified members, and prescribes the functions and duties of the authority with regard to the implementation of an economically feasible method of financing urban waterfront restoration. The act provides for the issuance of bonds to finance the activities of the authority relating to urban waterfront restoration, but prohibits the total amount of bonds that may be outstanding at any one time under the act from exceeding \$650,000,000. The act further specifies that the authority is not required to pay any property taxes or assessments upon, or with respect to, an urban waterfront restoration project or any property acquired by or for the authority under the act or upon the income from those bonds, so long as the authority holds title to the project, or to the property or facilities comprised in the project.~~

~~This bill would make technical, nonsubstantive changes these provisions:~~

~~Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.~~

*The people of the State of California do enact as follows:*

- 1     *SECTION 1. The Legislature finds and declares the following:*
- 2     *(a) California's reliance on volatile capital gains income has*
- 3     *been a substantial reason why the state has found it so difficult to*
- 4     *budget properly in recent years.*
- 5     *(b) Capital gains taxes cause unanticipated boom-and-bust*
- 6     *cycles that contribute to California's budget volatility and have*
- 7     *negative impacts on the state's credit rating.*
- 8     *(c) According to Department of Finance figures, capital gains*
- 9     *tax revenue as a percentage of the state's General Fund plummeted*
- 10    *from 12 percent to just 3 percent between 2007 and 2009 as*
- 11    *investors pulled away from the stock market.*
- 12    *(d) When Google went public in August 2004, and 19.6 million*
- 13    *shares were sold for \$1.67 billion, capital gains earnings in the*
- 14    *state jumped 49 percent the year after that offering.*
- 15    *(e) The year after Google went public, tax revenue in California*
- 16    *unexpectedly grew by \$7 billion.*

1 (f) According to Department of Finance figures, within two  
2 years, taxes on those earnings accounted for 11 percent of the  
3 budget, up from 8 percent initially.

4 (g) Facebook’s potential offering, which is often called the  
5 “Facebook effect,” would value the company at about \$100 billion,  
6 making it unique in terms of its impact on revenue forecasts.

7 (h) The Legislative Analyst’s Office estimates that California  
8 will receive an additional \$2 billion through June 2013 in  
9 Facebook IPO-related income tax payments.

10 (i) The potential one-time revenue generated by the Facebook  
11 effect will not last and should therefore be set aside for one-time  
12 infrastructure projects.

13 SEC. 2. Division 4 (commencing with Section 64200) is added  
14 to Title 6.7 of the Government Code, to read:

15  
16 **DIVISION 4. STATE INFRASTRUCTURE PROJECTS FUND**

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18 64200. (a) (1) On or before February 1, 2013, the Department  
19 of Finance, in consultation with the Franchise Tax Board and the  
20 Employment Development Department, shall estimate and report  
21 to the Controller the amount of revenues derived from taxes  
22 imposed on income generated as a result of capital gains in the  
23 2012 calendar year from the initial public offering by Facebook,  
24 Inc.

25 (2) On or before March 1, 2013, the Controller shall transfer  
26 from the General Fund to the State Infrastructure Projects Fund  
27 an amount equal to the estimate provided by the Department of  
28 Finance pursuant to paragraph (1).

29 (b) (1) On or before December 31, 2013, the Department of  
30 Finance, in consultation with the Franchise Tax Board and the  
31 Employment Development Department, shall reconcile and report  
32 to the Controller the final increase in revenues derived from the  
33 taxes imposed on income generated as a result of the capital gain  
34 in the 2012 calendar year from the initial public offering by  
35 Facebook, Inc.

36 (2) On or before January 31, 2014, the Controller shall transfer  
37 from the General Fund to the State Infrastructure Projects Fund  
38 an amount equal to the difference between the estimated increase  
39 in revenues determined pursuant to paragraph (1) of subdivision

1 (a) and the final increase in revenues determined pursuant to  
2 paragraph (1).

3 64201. There is hereby established in the State Treasury the  
4 State Infrastructure Projects Fund. All moneys in the State  
5 Infrastructure Projects Fund, upon appropriation by the  
6 Legislature, shall be allocated for the following purposes:

7 (a) Transportation projects within the state.

8 (b) The erection, construction, alteration, repair, or  
9 improvement of dams within the state.

10 (c) The erection, construction, alteration, repair, or  
11 improvement of levees within the state.

12 (d) The erection, construction, alteration, repair, or  
13 improvement of buildings or structures of rail lines, rail beds,  
14 stations, platforms, switches, yards, terminals, parking lots, and  
15 any and all other facilities and equipment necessary or convenient  
16 for the conduct of rail transit service within the state.

17 (e) The erection, construction, alteration, repair, or  
18 improvement of facilities consisting of the means and equipment  
19 necessary for the movement of passengers or goods via public  
20 transit within the state.

21 (f) The erection, construction, alteration, repair, or improvement  
22 of water treatment facilities within the state.

23 ~~SECTION 1. Section 32100 of the Public Resources Code is~~  
24 ~~amended to read:~~

25 ~~32100. The total amount of bonds that may be outstanding at~~  
26 ~~any time under this division shall not exceed six hundred fifty~~  
27 ~~million dollars (\$650,000,000). Bonds for which moneys or~~  
28 ~~securities in amounts necessary to pay or redeem the principal,~~  
29 ~~interest, and any redemption premium thereon have been deposited~~  
30 ~~in trust shall not be deemed outstanding for purposes of this section.~~

31 ~~SEC. 2. Section 32150 of the Public Resources Code is~~  
32 ~~amended to read:~~

33 ~~32150. The authority is not required to pay any property taxes~~  
34 ~~or assessments upon, or with respect to, an urban waterfront~~  
35 ~~restoration project or any property acquired by or for the authority~~  
36 ~~under this division or upon the income therefrom, so long as the~~  
37 ~~authority holds title to the project, property, or facilities comprised~~  
38 ~~in the project.~~

39 ~~The exemption of the authority from taxation of any project~~  
40 ~~ceases when title to the property is transferred from the authority~~

1 ~~to any normally taxable participating party. This section does not~~  
2 ~~exempt any normally taxable participating party from taxation,~~  
3 ~~including, but not limited to, taxation upon a possessory interest,~~  
4 ~~with respect to any project, or the property or facilities comprised~~  
5 ~~in any project, which may otherwise be applicable to the~~  
6 ~~participating party.~~

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