



Office of the Mayor

CONSENT CALENDAR  
November 12, 2019

To: Honorable Members of the City Council

From: Mayor Jesse Arreguín and Councilmembers Susan Wengraf, Kate Harrison, and Sophie Hahn

Subject: Support of SB 378 – Reducing Deenergization Events

RECOMMENDATION

Adopt a Resolution in support of SB 378 (Wiener), which would place commonsense regulations on deenergization events such as PG&E's Public Safety Power Shutoffs. Send a copy of the Resolution to Governor Gavin Newsom, State Senators Scott Wiener and Nancy Skinner, and Assemblymember Buffy Wicks.

BACKGROUND

A potent combination of worsening climate conditions and aging electrical utility infrastructure led to the two most devastating fires in California's history. In October 2017, the Tubbs Fire ravaged neighborhoods in Santa Rosa, killing 22 people – the biggest of several fires that impacted the North Bay. In November 2018, the Camp Fire wiped Paradise off the map, killing 85 people. In both these cases, Berkeley and the Bay Area were shrouded under thick smoke, sparking health concerns.

In an attempt to prevent similar fires from happening, Pacific Gas & Electricity (PG&E) developed the Public Safety Power Shutoff (PSPS) policy. This gives PG&E the ability to shut down transmission lines in areas of extreme fire danger when red flag conditions arrive, such as high temperatures, low humidity, and high winds. Doing so eliminates power to potentially hundreds of thousands of customers throughout Northern and Central California.

On Monday, October 7, PG&E announced it would conduct a PSPS event beginning on October 9, impacting up to 800,000 customers, the equivalent of 2.1 million people, making it the largest planned power outage in California's history. The power in Alameda County finally went out around 11pm on Wednesday, October 9. This was 23 hours after the original estimate, meaning places which closed in anticipation of the outage did so in vain on the first day. An estimated 3,500 customers lost power in Berkeley during the event. There are approximately 2.4 people per household in Berkeley, meaning around 8,400 people lost power, or 7% of the city's population. The UC Berkeley Campus and Lab also lost power, affecting tens of thousands of students, faculty, and scientists. The City of Berkeley launched its Emergency Operations Center, involving 123 City employees that worked around the clock to ensure the safety and security of our residents. This included additional first responders and providing

assistance to residents with medical needs that would be impacted by a power outage. Power was restored to Berkeley residents within 24 hours of the start of the PSPS.

The PSPS event of October 9-10 was met with fierce criticism. PG&E announced that people can look up if they would be impacted on their website, only for it to crash due to high traffic. In response, they created a new website, which also crashed at its launch. There was conflicting information on who would be impacted, at what time, and for how long. With 48 hours to prepare, jurisdictions across the state had to scramble to provide support and resolve potential issues. For example, Caltrans had to quickly install generators to prevent a closure of the Caldecott Tunnel. The economic toll of the event is still being calculated, but Governor Newsom has already made calls for PG&E to compensate customers impacted by the event. On October 17, the State Senate announced it will be conducting an investigation into the PSPS event.

Having raised concerns about the impacts of a PSPS that ended up being validated in the October shutdown, State Senator Scott Wiener introduced SB 378 in September, which will place regulations on how and when a PSPS can happen, and placing fees to compensate for the disruption. Specifically, it will:

- Require that the California Public Utilities Commission create a process by which businesses, individuals, and local governments can recover costs accrued during a planned blackout (for example, by damaging equipment turned off too quickly) from the utility within two weeks, and require that utility shareholders – not ratepayers – are responsible for these costs.
- Promote better collection of data on utility equipment in order to assess risk level beforehand, as well as require reporting on the consequences of planned blackouts after the fact.
- Level hourly fees on utilities during planned blackouts, and ensure that customers cannot be billed for transmission, distribution, and other costs during a planned blackout, in addition to a stipulation that a utility cannot profit from a planned blackout (through changing electricity prices and the like).
- Prevent utilities from spending ratepayer funds to oppose formation of new municipal utilities, distributed energy resource initiatives, or any other attempt to offer consumers increased energy choice and more reliable options, similar to prohibitions already in place regarding Community Choice Aggregation (CCA) formation.

Instead of having utility companies cut off the utilities they are supposed to provide to California residents, SB 378 disincentivizes future PSPS events, making future events more surgical. This in turn will incentivize upgrades to our aging infrastructure that will reduce the risk of future wildfires.

#### FINANCIAL IMPLICATIONS

A reduction in deenergization events will reduce costs associated with extended power outages.

Support of SB 378

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ENVIRONMENTAL SUSTAINABILITY

Not applicable.

CONTACT PERSON

Mayor Jesse Arreguín      510-981-7100

Attachments:

- 1: Resolution
- 2: Text of SB 378

RESOLUTION NO. ##,###-N.S.

IN SUPPORT OF SB 378

WHEREAS, a potent combination of worsening climate conditions and aging infrastructure led to the two most devastating fires in California's history in 2017 and 2018, destroying entire neighborhoods and towns; and

WHEREAS, Pacific Gas & Electricity (PG&E) created a Public Safety Power Shutoff (PSPS) policy, enabling them to shut down transmission lines in areas of extreme fire danger when red flag conditions arrive in an attempt to prevent future major wildfires; and

WHEREAS, on October 7, 2019, PG&E announced it will conduct a PSPS on October 9, impacting up to 800,000 customers, or 2.1 million residents, making it the largest planned power outage in California's history; and

WHEREAS, in the buildup to the shutdown, PG&E's website crashed, preventing people from accessing crucial information on how the event would impact them, and their new website to work around that issue also crashed.

WHEREAS, conflicting information on the timing of the event and the number of people that would be impacted added to the confusion and frustration, forcing jurisdictions to scramble to resolve potential issues; and

WHEREAS, in response to the PSPS, the City of Berkeley launched its Emergency Operations Center, with 123 City employees working around the clock to ensure the safety and security of our residents, including additional first responders and providing assistance to residents with medical needs that would be impacted by a power outage.

WHEREAS, 3,500 customers in Berkeley, or about 8,400 residents, ended up being impacted, in addition to UC Berkeley and the Berkeley Labs, affecting tens of thousands of students, faculty, and scientists; and

WHEREAS, to address concerns of the consequences that PSPS events would place on California residents, State Senator Scott Wiener introduced SB 378; and

WHEREAS, SB 378 would do the following:

- require that the California Public Utilities Commission create a process by which businesses, individuals, and local governments can recover costs accrued during a planned blackout (for example, by damaging equipment turned off too quickly) from the utility within two weeks, and require that utility shareholders – not ratepayers – are responsible for these costs;

- promote better collection of data on utility equipment in order to assess risk level beforehand, as well as require reporting on the consequences of planned blackouts after the fact;
- level hourly fees on utilities during planned blackouts, and ensure that customers cannot be billed for transmission, distribution, and other costs during a planned blackout, in addition to a stipulation that a utility cannot profit from a planned blackout (through changing electricity prices and the like);
- prevent utilities from spending ratepayer funds to oppose formation of new municipal utilities, distributed energy resource initiatives, or any other attempt to offer consumers increased energy choice and more reliable options, similar to prohibitions already in place regarding Community Choice Aggregation (CCA) formation; and

WHEREAS, instead of having utility companies cut off the utilities they are supposed to provide to California residents, SB 378 disincentivizes future PSPS events, making future events more surgical; and

WHEREAS, SB 378 will incentivize upgrades to our aging infrastructure that will reduce the risk of future wildfires.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports SB 378.

BE IT FURTHER RESOLVED that copies of this Resolution be sent to Governor Gavin Newsom, State Senators Scott Wiener and Nancy Skinner, and Assemblymember Buffy Wicks.

AMENDED IN SENATE SEPTEMBER 6, 2019

AMENDED IN SENATE MARCH 25, 2019

**SENATE BILL**

**No. 378**

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**Introduced by Senator Wiener**  
(Coauthors: ~~Assembly Members Bonta and Wicks~~)

February 20, 2019

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An act to ~~add Part 8.1 (commencing with Section 15001) to Division 2 of, and to repeal Section 13301 of, the Revenue and Taxation Code, relating to taxation, and calling an election, to take effect immediately. amend Section 707 of, and to add Sections 592, 748, 911.3, and 2111.5 to, the Public Utilities Code, relating to electricity.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 378, as amended, Wiener. ~~Taxation: estate, gift, and generation-skipping transfer taxes. Electrical corporations: deenergization events: procedures: allocation of costs: reports.~~

*Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Every public utility is required by existing law to furnish such reports as the commission may require.*

*This bill would require an electrical corporation to annually report to the commission, the Office of Emergency Services, the Department of Forestry and Fire Protection, the Independent System Operator, and county governments within its service territory on the age, useful life, and condition of the electrical corporation's equipment, including the date of most recent inspection and maintenance records, with an assessment of the current and future fire and safety risk posed by the equipment, as well as of the economic, environmental, and public safety impacts of deenergization events, as defined.*

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*Existing law requires the commission to institute a rulemaking proceeding by March 1, 2012, for the purpose of considering and adopting a code of conduct, associated rules, and enforcement procedures, as specified, to govern the conduct of an electrical corporation relative to the consideration, formation, and implementation of community choice aggregation programs and to implement the code of conduct, associated rules, and enforcement procedures by January 1, 2013.*

*This bill would require the commission to institute a rulemaking for the purpose of considering and adopting a code of conduct and enforcement procedures, as specified, to govern the conduct of an electrical corporation relative to the consideration, formation, and implementation of community choice aggregation programs, new or expanded local publicly owned electric utilities, microgrid or distributed resource programs and policies, or other efforts to expand electrical service options available to consumers.*

*Existing law requires each electrical corporation to annually prepare and submit a wildfire mitigation plan to the commission for review and approval, as specified. Existing law requires a wildfire mitigation plan of an electrical corporation to include, among other things, protocols for deenergizing portions of the electrical distribution system that consider the associated impacts on public safety, as well as protocols related to mitigating the public safety impacts of those protocols, including impacts on critical first responders and on health and communications infrastructure.*

*This bill would, on or before June 1, 2020, require the commission, in consultation with the Department of Consumer Affairs, to establish a procedure for customers, local governments, and others affected by a deenergization event to recover costs accrued during the deenergization event from an electrical corporation within 2 weeks of the end of the event. The bill would require an electrical corporation to create a fund, of an amount to be determined by the commission, for the recovery of costs accrued by customers, local governments, and others during a deenergization event. The bill would require that money be paid into the fund exclusively by the electrical corporation's shareholders, would prohibit expenses paid by the fund from being recovered either directly or indirectly in rates, and would require those expenses be borne exclusively by the shareholders of the electrical corporation. The bill would prohibit an electrical corporation from billing customers for any nonfixed costs during a deenergization event*

*or from charging customers increased amounts after a deenergization event, in order to offset losses accrued during a deenergization event. The bill would require that any profit accrued by an electrical corporation due to a deenergization event be remitted or credited to ratepayers, while any loss be borne by the electrical corporation's shareholders.*

*Existing law establishes an independent Public Advocate's Office within the commission with the goal to obtain the lowest possible rate for service consistent with reliable and safe service levels. Existing law requires the director of the office to annually appear before the appropriate policy committees of the Assembly and the Senate to report on the activities of the office.*

*This bill would require the office to produce an annual report on the economic, environmental, and public safety impacts of deenergization events, using information provided by electrical corporations as well as independent analysis.*

*Existing law provides for the imposition of fines and civil penalties for the violation of the California Constitution, statutes, or an order, decision, or requirement of the commission by a public utility.*

*This bill would provide that an electrical corporation is subject to an unspecified civil penalty for every hour that a deenergization event is in place.*

*Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime, when a penalty has not otherwise been provided.*

*Because the provisions of this bill would be a part of the act and would require action to be taken by the commission to implement its requirements, and because penalties are not provided for certain of the bill's requirements, the bill would impose a state-mandated local program by creating a new crime.*

*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 no reimbursement is required by this act for a specified reason.*

~~Existing law, as added by an initiative measure that was approved by voters as Proposition 6 at the June 8, 1982, statewide primary election, prohibits the Legislature or a political subdivision of the state from imposing any tax on or by reason of any transfer occurring by reason~~



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of death. Existing law imposes a California estate tax, commonly referred to as the “pick up tax,” equal to a certain portion of the maximum allowable amount of credit for state death taxes allowable under applicable federal estate tax law. The Economic Growth and Tax Relief Reconciliation Act of 2001 phased out the allowance of this credit, and, as of 2005, no longer allows a person to claim a credit of this nature under federal law. Therefore, the “pick up tax” is no longer imposed in California.

This bill would propose to the voters a repeal of the above initiative measure prohibiting the imposition of a tax on or by reason of any transfer occurring by reason of death and would propose the imposition of estate, gift, and generation-skipping transfer taxes, in modified conformity with federal law, on and after January 1, 2021. This bill would propose the creation of the Children’s Wealth and Opportunity Building Fund as a special fund in the State Treasury, the requirement that all taxes, interest, penalties, and other amounts collected and paid to the Franchise Tax Board, less payments of refunds, be deposited in the fund, and the continuous appropriation of all moneys deposited in the fund to programs and services that directly address and alleviate socio-economic inequality and build assets among people that have historically lacked them.

Proposition 6 prohibits amendment of the initiative measure by the Legislature unless the amendment is approved by the voters.

This bill would call a special election to be consolidated with the next statewide general election. It would condition the amendment of the initiative upon voter approval and would require the Secretary of State to submit the provisions of the bill that amend the initiative statute to the voters for their approval at the next consolidated statewide election. The bill would permit its provisions to be amended by a bill passed by a majority vote of the membership of both houses of the Legislature unless otherwise required by the California Constitution.

This bill would declare that it is to take effect immediately as an act calling an election.

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

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

- 1 SECTION 1. Section 592 is added to the Public Utilities Code,
- 2 to read:

1 592. *The commission shall direct an electrical corporation to*  
2 *submit an annual report to the commission, the Office of*  
3 *Emergency Services, the Department of Forestry and Fire*  
4 *Protection, the Independent System Operator, and county*  
5 *governments within its service territory on the age, useful life, and*  
6 *condition of the electrical corporation's equipment, including the*  
7 *date of most recent inspection and maintenance records, with an*  
8 *assessment of the current and future fire and safety risk posed by*  
9 *the equipment, as well as of the economic, environmental, and*  
10 *public safety impacts of deenergization events. For purposes of*  
11 *this section, "deenergization event" has the same meaning as*  
12 *defined in Section 748.*

13 SEC. 2. *Section 707 of the Public Utilities Code is amended*  
14 *to read:*

15 707. (a) ~~Not later than March 1, 2012, the~~ *The commission*  
16 *shall institute a rulemaking proceeding for the purpose of*  
17 *considering and adopting a code of conduct, associated rules, and*  
18 ~~enforcement procedures, procedures~~ *to govern the conduct of the*  
19 *electrical corporations relative to the consideration, formation, and*  
20 *implementation of community choice aggregation—programs*  
21 ~~authorized in Section 366.2.~~ *programs, new or expanded local*  
22 *publicly owned electric utilities, microgrid or distributed resource*  
23 *programs and policies, and other efforts to expand electrical*  
24 *service options available to consumers. The code of conduct,*  
25 *associated rules, and enforcement procedures, shall do all of the*  
26 *following:*

27 (1) *Ensure that an electrical corporation does not market against*  
28 *a community choice aggregation program, a new or expanded*  
29 *local publicly owned electric utility, microgrid or distributed*  
30 *resource program or policies, or other efforts to expand electrical*  
31 *service options available to consumers, except through an*  
32 *independent marketing division that is funded exclusively by the*  
33 *electrical corporation's shareholders and that is functionally and*  
34 *physically separate from the electrical corporation's*  
35 *ratepayer-funded divisions.*

36 (2) *Limit the electrical corporation's independent marketing*  
37 *division's use of support services from the electrical corporation's*  
38 *ratepayer-funded divisions, and ensure that the electrical*  
39 *corporation's independent marketing division is allocated costs of*  
40 *any permissible support services from the electrical corporation's*

1 ratepayer-funded divisions on a fully allocated embedded cost  
2 basis, providing detailed public reports of such use.

3 (3) Ensure that the electrical corporation's independent  
4 marketing division does not have access to competitively sensitive  
5 information.

6 (4) (A) Incorporate rules that the commission finds to be  
7 necessary or convenient in order to facilitate the development of  
8 community choice aggregation programs, *a new or expanded local*  
9 *publicly owned electric utility, microgrid or distributed resource*  
10 *programs or policies, or other efforts to expand electrical service*  
11 *options available to consumers*, to foster fair competition, and to  
12 protect against cross-subsidization paid by ratepayers.

13 (B) It is the intent of the Legislature that the rules include, in  
14 whole or in part, the rules approved by the commission in Decision  
15 97-12-088 and Decision 08-06-016.

16 (C) This paragraph does not limit the authority of the  
17 commission to adopt rules that it determines are necessary or  
18 convenient in addition to those adopted in Decision 97-12-088 and  
19 Decision 08-06-016 or to modify any rule adopted in those  
20 decisions.

21 (5) Provide for any other matter that the commission determines  
22 to be necessary or advisable to protect a ratepayer's right to be  
23 free from forced speech or to implement that portion of the federal  
24 Public Utility Regulatory Policies Act of 1978 that establishes the  
25 federal standard that no electric utility may recover from any person  
26 other than the shareholders or other owners of the utility, any direct  
27 or indirect expenditure by the electric utility for promotional or  
28 political advertising (16 U.S.C. Sec. 2623(b)(5)).

29 (b) The commission shall ensure that the code of conduct,  
30 associated rules, and enforcement procedures *to govern the conduct*  
31 *of an electrical corporation relative to new or expanded local*  
32 *publicly owned electric utilities, microgrids, distributed resource*  
33 *programs and policies, and other efforts to expand electrical*  
34 *service options available to consumers* are implemented by no  
35 later than ~~January 1, 2013~~. \_\_\_\_.

36 (c) This section does not limit the authority of the commission  
37 to require that any marketing against a community choice  
38 aggregation ~~plan~~ *plan, a new or expanded local publicly owned*  
39 *electric utility, microgrid or distributed resource programs or*  
40 *policies, or other efforts to expand electrical service options*

1 *available to consumers*, shall be conducted by an affiliate of the  
2 electrical corporation, or to require that marketing against a  
3 community choice aggregator not be conducted by a marketing  
4 division of the electrical corporation, subject to affiliate transaction  
5 rules to be developed by the commission.

6 *SEC. 3. Section 748 is added to the Public Utilities Code, to*  
7 *read:*

8 *748. (a) For purposes of this section, “deenergization event”*  
9 *means an intentional, temporary termination of electrical service*  
10 *to an area for the purpose of reducing or eliminating the risk of*  
11 *wildfires resulting from the operation of the electrical grid or*  
12 *related facilities.*

13 *(b) On or before June 1, 2020, the commission, in consultation*  
14 *with the Department of Consumer Affairs, shall establish a*  
15 *procedure for customers, local governments, and others affected*  
16 *by a deenergization event to recover costs accrued during the*  
17 *deenergization event from an electrical corporation within two*  
18 *weeks of the end of the event.*

19 *(c) On or before June 1, 2020, the commission shall require an*  
20 *electrical corporation to create a fund, of an amount to be*  
21 *determined by the commission, to fund recovery of costs accrued*  
22 *by customers, local governments, and others during a*  
23 *deenergization event. Moneys shall be paid into the fund exclusively*  
24 *by the electrical corporation’s shareholders, and expenses paid*  
25 *by the fund shall not be recoverable either directly or indirectly*  
26 *in rates and shall be borne exclusively by the shareholders of the*  
27 *electrical corporation.*

28 *(d) An electrical corporation shall not bill customers for any*  
29 *nonfixed costs during a deenergization event, and shall not charge*  
30 *customers increased amounts after a deenergization event in order*  
31 *to offset losses accrued during a deenergization event.*

32 *(e) Beginning on or before June 1, 2020, the commission shall*  
33 *require any profit accrued by an electrical corporation due to a*  
34 *deenergization event to be remitted or credited to ratepayers and*  
35 *any loss to be borne by the electrical corporation’s shareholders.*

36 *SEC. 4. Section 911.3 is added to the Public Utilities Code, to*  
37 *read:*

38 *911.3. The Public Advocate’s Office shall produce an annual*  
39 *report on the economic, environmental, and public safety impacts*  
40 *of deenergization events, using information provided by electrical*

1 corporations as well as independent analysis. For purposes of this  
 2 section, “deenergization event” has the same meaning as defined  
 3 in Section 748.

4 SEC. 5. Section 2111.5 is added to the Public Utilities Code,  
 5 to read:

6 2111.5. An electrical corporation is subject to a penalty of not  
 7 less than \_\_\_\_\_ dollars (\$\_\_\_\_\_) for every hour that a deenergization  
 8 event is in place, multiplied by the sum of the number of full sets  
 9 of 50,000 customers affected plus one for any remainder. For  
 10 purposes of this section, “deenergization event” has the same  
 11 meaning as defined in Section 748.

12 SEC. 6. No reimbursement is required by this act pursuant to  
 13 Section 6 of Article XIII B of the California Constitution because  
 14 the only costs that may be incurred by a local agency or school  
 15 district will be incurred because this act creates a new crime or  
 16 infraction, eliminates a crime or infraction, or changes the penalty  
 17 for a crime or infraction, within the meaning of Section 17556 of  
 18 the Government Code, or changes the definition of a crime within  
 19 the meaning of Section 6 of Article XIII B of the California  
 20 Constitution.

21 SECTION 1. ~~The Legislature finds and declares the following:~~

22 ~~(a) The most significant predictor of the future financial success~~  
 23 ~~of a child is the wealth level of the child’s parents with at least 20~~  
 24 ~~percent, and up to 80 percent, of a person’s wealth being the result~~  
 25 ~~of an intergenerational transfer.~~

26 ~~(b) Throughout history, federal and state governments have~~  
 27 ~~provided “wealth starter kits” for some Americans, giving gifts of~~  
 28 ~~land, education, government-backed mortgages and farm loans, a~~  
 29 ~~social safety net, and business subsidies sometimes exclusively~~  
 30 ~~and usually disproportionately, to White families.~~

31 ~~(c) According to economist Darrick Hamilton, for communities~~  
 32 ~~of color, especially Blacks and Latinos, it has never been easy to~~  
 33 ~~build assets of any type because of low levels of intergenerational~~  
 34 ~~wealth transfers.~~

35 ~~(d) The typical Black or Latino family essentially has no~~  
 36 ~~economic cushion. According to the California Family Economic~~  
 37 ~~Self-Sufficiency Standard, a measure that quantifies the minimum~~  
 38 ~~income necessary to cover all basic expenses, about one-half of~~  
 39 ~~Black and Latino households are barely scraping by and unable to~~

1 meet their most basic financial needs without family or public  
2 support.

3 (e) ~~Given the roles of intergenerational wealth transfer, and past  
4 and present barriers that have kept marginalized families from  
5 building wealth, private action and market forces alone cannot be  
6 expected to address wide-scale racial wealth inequality, and public  
7 sector intervention is needed.~~

8 SEC. 2. ~~It is the intent of the Legislature to address the racial  
9 wealth gap by enacting legislation that would create California  
10 Social Inheritance Accounts to counterbalance the uneven effects  
11 of intergenerational wealth transfer and reverse our state's record  
12 level of inequality.~~

13 SEC. 3. ~~Section 13301 of the Revenue and Taxation Code is  
14 repealed.~~

15 SEC. 4. ~~Part 8.1 (commencing with Section 15001) is added  
16 to Division 2 of the Revenue and Taxation Code, to read:~~

17

18 ~~PART 8.1. ESTATE, GIFT, AND GENERATION-SKIPPING  
19 TRANSFER TAX~~

20

21 15001. (a) ~~For estates of decedents dying on and after January  
22 1, 2021, a tax is hereby imposed on the transfer of the taxable  
23 estate of every decedent who was a citizen or resident of the United  
24 States and a resident of the State of California.~~

25 (b) ~~The tax imposed by this section shall be an amount equal  
26 to the tax imposed by Chapter 11 of Subtitle B of the Internal  
27 Revenue Code of 1986, as amended, with the following  
28 modifications:~~

29 (1) ~~The basic exclusion amount shall be three million five  
30 hundred thousand dollars (\$3,500,000), which shall not be adjusted  
31 for inflation.~~

32 (2) ~~The taxpayer shall be granted a credit for all taxes paid to  
33 the United States under Chapter 11 of Subtitle B of the Internal  
34 Revenue Code.~~

35 (c) ~~The tax imposed by this section shall be paid by the executor,  
36 and shall be due nine months after the date of death of the decedent.~~

37 15002. (a) ~~For transfers of property by gifts made on and after  
38 January 1, 2021, a tax is hereby imposed for each calendar year  
39 on the transfer of property by gift during the calendar year by any~~

1 citizen or resident of the United States who is also a resident of  
2 the State of California.

3 (b) The tax imposed by this section shall be an amount equal  
4 to the tax imposed by Chapter 12 of Subtitle B of the Internal  
5 Revenue Code of 1986, as amended, with the following  
6 modifications:

7 (1) The lifetime exclusion amount shall be three million five  
8 hundred thousand dollars (\$3,500,000), which shall not be adjusted  
9 for inflation.

10 (2) The taxpayer shall be granted a credit for all taxes paid to  
11 the United States under Chapter 12 of Subtitle B of the Internal  
12 Revenue Code.

13 (c) The tax imposed by this section shall be paid by the donor,  
14 and shall be due by the deadline to submit state income tax returns  
15 for the year in which the transfer of property by gift was made.

16 15003. (a) For generation-skipping transfers occurring on and  
17 after January 1, 2021, a tax is hereby imposed on every  
18 generation-skipping transfer within the meaning of Chapter 13 of  
19 Subtitle B of the Internal Revenue Code of 1986, as amended.

20 (b) The tax imposed by this section shall be an amount equal  
21 to the tax imposed by Chapter 13 of Subtitle B of the Internal  
22 Revenue Code of 1986, as amended, with the following  
23 modifications:

24 (1) The basic exclusion amount shall be three million five  
25 hundred thousand dollars (\$3,500,000), which shall not be adjusted  
26 for inflation.

27 (2) The taxpayer shall be granted a credit for all taxes paid to  
28 the United States under Chapter 13 of Subtitle B of the Internal  
29 Revenue Code.

30 (c) The tax imposed by this section shall be paid in accordance  
31 with Section 15002 for a transfer of property by gift and in  
32 accordance with Section 15001 for a transfer of the taxable estate  
33 of a decedent.

34 15004. (a) A taxpayer may elect to extend the time to pay the  
35 tax imposed by this part for any reason and in the same manner  
36 permitted to a similarly situated United States taxpayer under the  
37 Internal Revenue Code of 1986, as amended, but in no case shall  
38 the time extended to pay the tax exceed 14 years from the date the  
39 tax is due.

1 ~~(b) On or before July 1, 2021, the Franchise Tax Board shall~~  
2 ~~develop returns for payment of the taxes imposed under this part.~~

3 ~~(e) Notwithstanding any other provision of law, the penalties~~  
4 ~~set forth in Part 10 (commencing with Section 17001), including~~  
5 ~~any amendments thereto, apply to this part as follows:~~

6 ~~(1) Penalties for failing to file a timely return also apply for~~  
7 ~~failing to file a timely return for the taxes imposed under this part.~~

8 ~~(2) Penalties for failing to timely pay the tax also apply for~~  
9 ~~failing to timely pay the taxes imposed under this part.~~

10 ~~(3) Penalties for filing a false or misleading return apply to filing~~  
11 ~~a false or misleading return for taxes imposed under this part.~~

12 ~~(d) The Franchise Tax Board may promulgate regulations to~~  
13 ~~implement this part.~~

14 ~~15005. (a) The Children's Wealth and Opportunity Building~~  
15 ~~Fund is hereby created as a special fund in the State Treasury. All~~  
16 ~~taxes, interest, penalties, and other amounts collected and paid to~~  
17 ~~the Franchise Tax Board pursuant to this part, less payments of~~  
18 ~~refunds, shall be deposited in the fund.~~

19 ~~(b) Notwithstanding Section 13340 of the Government Code,~~  
20 ~~moneys deposited in the Children's Wealth and Opportunity~~  
21 ~~Building Fund are hereby continuously appropriated, without~~  
22 ~~regard to fiscal years, to programs and services that directly address~~  
23 ~~and alleviate socio-economic inequality and that build assets among~~  
24 ~~people that have historically lacked them.~~

25 ~~15006. This part shall become operative on January 1, 2021.~~

26 ~~SEC. 5. This act may be amended by a bill passed by a majority~~  
27 ~~vote of the membership of both houses of the Legislature, unless~~  
28 ~~otherwise required by the California Constitution.~~

29 ~~SEC. 6. (a) As an amendment of an initiative statute, Sections~~  
30 ~~3 to 5, inclusive, of this act shall become effective only upon~~  
31 ~~approval by the voters at a statewide election.~~

32 ~~(b) A special election is hereby called, to be held throughout~~  
33 ~~the state on the date of the next statewide election, for approval~~  
34 ~~by the voters of Sections 3 to 5, inclusive, of this act. The special~~  
35 ~~election shall be consolidated with the statewide election to be~~  
36 ~~held. The consolidated elections shall be held and conducted in~~  
37 ~~all aspects as if there were only one election, and only one form~~  
38 ~~of ballot shall be used.~~

39 ~~(e) Notwithstanding Section 9040 of the Elections Code, or any~~  
40 ~~other law, the Secretary of State shall, pursuant to subdivision (c)~~



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1 of Section 10 of Article II of the California Constitution, submit  
2 Sections 3 to 6, inclusive, of this act to the voters for their approval  
3 at the consolidated statewide election.

4 SEC. 7. This act calls an election within the meaning of Article  
5 IV of the California Constitution and shall go into immediate effect.

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