City Council Meeting
04-13-26
Item 7.B.

Council Agenda Report

To: Mayor Silverstein and the Honorable Members of the City Council

Prepared by: Gregory Kajszo, Assistant to the City Manager

Reviewed by: Christopher Smith, Assistant City Manager

Approved by: Joseph D. Irvin, City Manager

Date prepared: March 25, 2026 Meeting date: April 13, 2026

Subject: Los Angeles County's Essential Services Restoration Act & AB 1768 Discussion and Direction

---

RECOMMENDED ACTION: 1) Discuss and provide direction on whether the City of Malibu should take a formal position on the Essential Services Restoration Act ballot measure and AB 1768, both of which could increase the local sales tax rate, and 2) Authorize the Mayor to send a letter, in a form approved by the City Manager and City Attorney, to the County of Los Angeles reflecting the Council's position.

FISCAL IMPACT: There is no fiscal impact associated with the recommended action.

STRATEGIC PLAN IMPLEMENTATION: NA.

DISCUSSION:

Components of California Sales Tax Rates

The fully utilized sales tax rate for California agencies is 9.25%. This consists of the State sales tax rate of 7.25% and an authorization from the California Revenue and Taxation Code for counties to levy up to 2% in transactions and use tax (TUT).[1] However, the State has approved bills over time that have authorized local agencies and their voters to pass measures exempt from this 2% TUT cap, resulting in many cities exceeding this 9.25% utilization to various degrees.

[1] California Revenue and Taxation Code Section 7251.1, 2026, https://cdtfa.ca.gov/lawguides/vol1/tutl/7251-1.html

Malibu's Sales Tax Rate

Malibu's sales tax rate is 10.25%.[2] It currently has an unutilized TUT cap space of 0.5% (Figure 1).

Figure 1: Breakdown of Malibu's 10.25% Sales Tax Rate

State General Fund	State	3.9375%
City/County General Fund (Bradley-Burns)	State	1.0000%
County Public Safety (Prop 172)	State	0.5000%
County Realignment (Mental Health/ Welfare/ Public Safety)	State	1.5625%
Countywide Transportation Fund	State	0.2500%
Malibu Prop MC (MTUT)	TUT	0.5000%
Los Angeles County Prop A (LACT)	TUT	0.5000%
Los Angeles County Measure C (LATC)	TUT	0.5000%
Los Angeles County Housing Measure A (HOUS) *	TUT	0.5000%
Los Angeles County Measure R (LAMT) *	TUT	0.5000%
Los Angeles County Measure M (LAMA) *	TUT	0.5000%

*Exempt from the 2% TUT cap

The Essential Services Restoration Act

The Los Angeles County Board of Supervisors has approved placing the Essential Services Restoration Act (ESRA) on the June 2, 2026 ballot (Attachment 1). If approved by voters, the measure would impose a countywide 0.5% general sales tax through October 1, 2031. An estimated $1 billion in annual revenue from the measure would be deposited into the County General Fund and subject to independent audits and oversight by a nine-member citizens oversight committee.

The Board of Supervisors adopted a spending framework expressing intent on how revenues generated by the ESRA measure could be allocated, subject to the County's annual budget process. The framework prioritizes health care, public health, and social services and includes funding for County departments and qualifying nonprofit providers. The ordinance specifies the creation of citizens oversight committee to review revenues and expenditures, obtain the County's annual independent audit, and present an annual report to the Board at a public meeting. The committee would not have decision-making authority over spending priorities.

[2] California Department of Tax and Fee Administration, 2026, https://cdtfa.ca.gov/taxes-and-fees/taxratesbycountyandcity.pdf

AB 1768

Separately, AB 1768 (Bryan) would authorize Los Angeles County to exceed the 2% TUT cap by 0.5% through December 31, 2031 (Attachment 2). If passed, this could effectively exempt the ESRA from the 2% TUT cap limit.

Implications for Malibu

If passed, the ERSA would bring Malibu's sales tax to 10.75%.

The outcome of AB 1768 would determine whether the ESRA would absorb Malibu's available 0.5% TUT cap space or add to the maximum capacity. Adding to the capacity would increase the city's total possible sales tax limit to 11.25% (Figure 2).

Figure 2: Malibu's Total Possible Sales Tax Limits Under Different Legislative Outcomes

Legislative Outcomes	Malibu Sales Tax Limit
Current (neither the ESRA nor AB 1768 pass)	10.25%
ESRA passes without AB 1768	10.75%
ESRA and AB 1768 both pass	11.25%

Local Responses

Several municipalities and organizations have taken formal positions regarding the proposed sales tax increase. The California Contract Cities Association submitted a letter to the Los Angeles County Board of Supervisors expressing opposition to the measure.[3] The cities of Arcadia,[4] La Verne,[5] Pico Rivera,[6] and Vernon[7] have each taken formal action opposing the ESRA.

[3] Public Request to Address the Board of Supervisors (page 70), 2026 https://file.lacounty.gov/SDSInter/bos/supdocs/212319.pdf
[4] City of Arcadia March 17 Council Meeting Minutes, 2026, https://www.arcadiaca.gov/Document%20Center/Government/City%20Clerk/Agenda%20and%20Minutes/2026/2026-03-17_CC_Meeting_Agenda.pdf
[5] La Verne Resolution No. 26-10, 2026, https://www.laverneca.gov/DocumentCenter/View/4849/Resolution-Opposing-the-Los-Angeles-County-Healthcare-Funding-Restoration-Act
[6] Public Request to Address the Board of Supervisors (page 74), 2026, https://file.lacounty.gov/SDSInter/bos/supdocs/212319.pdf
[7] Public Request to Address the Board of Supervisors (page 90), 2026, https://file.lacounty.gov/SDSInter/bos/supdocs/212319.pdf

In contrast, Valley Community Healthcare[8] and SHIELDS for Families[9] have expressed support for the measure.

Council Direction

Staff are requesting Council to discuss and provide direction on whether the City of Malibu wants to formally support, oppose, or take no position on Los Angeles County's Essential Services Restoration Act & AB 1768. Staff are also requesting Council to authorize staff to write a letter to the County of Los Angeles reflecting their position, if any.

ATTACHMENTS:

1. Resolution of the Board of Supervisors of the County of Los Angeles Providing for and Giving Notice of an Election on a General Countywide Transactions and Use (Sales) Tax Measure to be Held in the County of Los Angeles on June 2, 2026, and Consolidating the Special Election with the Statewide Primary Election to be Held on June 2, 2026.
2. Assembly Bill 1768: Transactions and use taxes: County of Los Angeles, 2025-2026.

[8] Protecting Medi-Cal for Our Communities, 2026, https://valleycommunityhealthcare.org/vch-in-the-news-protecting-medi-cal-for-our-communities/

[9] Public Request to Address the Board of Supervisors (page 96), 2026, https://file.lacounty.gov/SDSInter/bos/supdocs/212319.pdf

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES PROVIDING FOR AND GIVING NOTICE OF AN ELECTION ON A GENERAL COUNTYWIDE TRANSACTIONS AND USE (SALES) TAX MEASURE TO BE HELD IN THE COUNTY OF LOS ANGELES ON JUNE 2, 2026, AND CONSOLIDATING THE SPECIAL ELECTION WITH THE STATEWIDE PRIMARY ELECTION TO BE HELD ON JUNE 2, 2026

WHEREAS, the County of Los Angeles (County) relies on federal funding to support the delivery of vital services to the public, including health care, food assistance, social services, public health programs, child welfare services, housing, public safety, and other services critical for the health and safety of the public.

WHEREAS, 3.3 million County residents (one in three) rely on Medi-Cal for healthcare coverage and almost 1.5 million County residents rely on the Supplemental Nutrition and Assistance Program (SNAP) (called CalFresh in California) for nutritional needs.

WHEREAS, on July 4, 2025, H.R. 1, also known as the "One Big Beautiful Bill Act," was signed into federal law. This law imposes, among other cuts to public services, extensive reductions in federal support for Medicaid and SNAP and may cause hundreds of thousands of County residents who rely on Medi-Cal to lose coverage and face reduced access to care. It could result in overcrowding of emergency rooms when residents are unable to get any health care until they are experiencing a life-threatening crisis.

WHEREAS, the cumulative fiscal impact of federal laws and policies imposed since January 20, 2025, including H.R. 1, Executive Orders on grant oversight, and new federal terms and conditions restrictions, has led the County's most impacted departments to project revenue losses totaling $2.4 billion over the next three years, which may result in hiring freezes, service reductions, potential layoffs of 5,000 staff, and facility closures in the coming years.

WHEREAS, federal funding cuts could affect public health services like chronic disease prevention, disease tracking, and water safety, as well as the health care provided at the County's four public hospitals, numerous clinics, partner non-profit safety net hospitals and community health centers, and these cuts will disproportionately affect low-income families and target health care and public health providers.

WHEREAS, proposed reductions at both the federal and State levels are expected to significantly affect Medicaid (Medi-Cal), which is a primary revenue source for the Department of Health Services (DHS). In just four months following H.R. 1's signing, the County lost an average of 1,000 people per day from Medi-Cal enrollment — over 120,000 people between July and November 2025. During the same four-month period, more than 27,000 children under 18 lost their Medi-Cal coverage, equating to nearly 200 children per day.

WHEREAS, from July 2025 to November 2025, since H.R. 1's signing, over 70,000 County residents were dropped from CalFresh enrollment — including almost 27,000 children under 18.

WHEREAS, this funding and coverage loss will cause a serious threat to the long-term sustainability of critical safety net services relied upon by County residents. DHS, for example, needs to absorb a projected federal revenue loss exceeding $700 million per year.

WHEREAS, the Department of Public Health (DPH) is projecting a $200-300 million loss in federal and State funds. DPH is forecasting a minimum $42 million deficit in fiscal year 2025-26, requiring various clinic closures, service reductions, personnel reassignments, and possible terminations. This deficit will likely worsen given cuts to federal revenue.

WHEREAS, Medicaid is the single largest source of revenue for Los Angeles County's health departments, including the 23 health centers and four acute care hospitals run by the County and many non-profit safety-net facilities that provide irreplaceable life-saving services for residents of Los Angeles County.

WHEREAS, many key provisions of H.R. 1 took effect immediately, including the prohibition on new provider taxes, which effectively negates Proposition 35 that voters approved in November 2024 and that would have extended the State's managed care organization (MCO) tax and provided needed support to the Medi-Cal program while also providing dedicated funding to public hospitals which was assumed in the current State and County budgets for the current fiscal year.

WHEREAS, H.R. 1 immediately freezes supplemental Medicaid funding and prevents the Los Angeles County health departments from being able to draw down expected and needed supplemental Medicaid payments causing a significant negative impact on the County budget immediately and escalating over time.

WHEREAS, the County will be required to provide certain health care and human services funded with revenue from the County's General Fund which will directly impact the County's ability to provide other vital services to County residents, including, but not limited to, social services, supportive services for unhoused residents, and public safety.

WHEREAS, pursuant to Parts 1.6 and 1.7 of Division 2 of the Revenue and Taxation Code, the County is authorized to impose a retail transactions and use (sales) tax in the incorporated and unincorporated territory of the County for general purposes, including health care and human services, at a rate of one-half percent (0.5%).

WHEREAS, section 2 of article XIIIC of the California Constitution, sections 53721-53724 of the California Government Code, and Part 1.6 of Division 2 of the California Revenue and Taxation Code authorize the County of Los Angeles to levy,

increase, or extend a general sales tax upon two-thirds vote of the Board of Supervisors and a majority vote of the electorate.

WHEREAS, the Board of Supervisors desires to levy a general sales tax at the rate of one-half percent (0.5 %), effective as of October 1, 2026, to continue for a period of five years.

WHEREAS, pursuant to article XIII C, section 2(b) of the Constitution and California Government Code section 53724(c), an election for the approval of a temporary general sales tax must be consolidated with a regularly scheduled general election for members of the governing body of the local government.

WHEREAS, the County's regularly scheduled elections are held on the same day as the statewide primary election in each even-numbered year, and the next regularly scheduled election for members of the Board of Supervisors and the next statewide primary election will be held on Tuesday, June 2, 2026.

WHEREAS, the Board of Supervisors deems it necessary, essential, and in the public interest to submit the sales tax measure to the qualified voters within the County at an election to be held on June 2, 2026, and to consolidate such election with the other elections to be held on that date.

WHEREAS, the tax revenues from this general sales tax levy would partly offset reductions in federal support imposed by H.R. 1 and help the County to continue to provide vital services, including health care and human services to the public.

WHEREAS, voter approval of this ordinance will not affect the County's existing sales taxes, which will continue to be levied.

WHEREAS, to promote accountability and transparency, this ordinance provides for the creation of a citizens' oversight committee that will review the receipt and expenditures of the revenues from the general sales tax and provide annual reporting of the committee's review at a public meeting.

NOW, THEREFORE BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that:

Section 1. Call of the Election and Purpose. An election shall be held and the same is hereby called and ordered to be held in the County on the 2nd day of June 2026, for the purpose of submitting to the voters: (1) the ordinance attached hereto as Exhibit A and incorporated herein (Ordinance) by this reference, which was approved by two-thirds vote of the Board of Supervisors. The Ordinance shall become effective if a majority of the qualified voters of the County of Los Angeles voting on the Ordinance measure set forth in Section 2, below, vote in favor of the measure.

Section 2. Ballot Measure. Pursuant to Elections Code section 10403, the measure shall appear on the ballot substantially as follows:

Essential Services Restoration Act for Los Angeles County General Sales Tax Measure	
Shall the measure to help our community address severe federal cuts enacted by the President and Congress; reduce the loss of essential services, including healthcare for County residents; reduce the risk of closing the County's four public hospitals and numerous clinics, and significant healthcare provider layoffs and other service cuts by enacting a 1/2 percent (0.5%) general sales tax for 5 years, generating approximately $1 billion annually, with independent audits, be adopted?	Yes
	No

Section 3. Proclamation. Pursuant to section 12001 of the Elections Code, the Board of Supervisors of the County of Los Angeles hereby PROCLAIMS that an election shall be held in the County on Tuesday, June 2, 2026, to vote upon the measure.

Section 4. Election Procedure. All qualified voters residing within the County shall be permitted to vote in the election and in all particulars not recited in this Resolution, the elections shall be held as nearly as practicable in conformity with the Elections Code of the State of California. The votes cast for and against the measure shall be separately counted, and if the measure receives a majority of the votes cast by the qualified electors voting on the measure, the general sales tax in the amount stated in the Ordinance shall be effective and ratified. Should another proposed measure with conflicting provisions appear on the same ballot, and each proposed measure receives a majority of votes, the proposed measure with the highest number of affirmative votes shall prevail, in conformity with section 9123 of the Elections Code.

Section 5. Sample Ballot. The Registrar-Recorder/County Clerk is instructed to print the entire proposed Ordinance in the sample ballot.

Section 6. Consolidation. The election called by this Resolution shall be consolidated with the other elections conducted by the Registrar-Recorder/County Clerk to be held in the County of Los Angeles on June 2, 2026, and the measure shall be placed on the same ballot in the order set forth in this Resolution. The precincts, polling places, vote centers, precinct board members, election workers, and facilities shall be the same as provided for the June 2, 2026, statewide primary election.

Section 7. Authority. This Resolution is adopted pursuant to sections 10403 and 12001 of the Elections Code and section 25201 of the Government Code. The Executive Officer-Clerk of the Board of Supervisors is ordered to file a copy of this Resolution with the Registrar-Recorder/County Clerk at least eighty-eight (88) days prior to the day of the election. The Registrar-Recorder/County Clerk is authorized,

instructed, and directed to prepare any documents and take any additional actions that may be necessary in order to properly and lawfully conduct the election.

Section 8. California Environment Quality Act. Based upon all of the facts before it on this matter, the Board of Supervisors finds that the submission of the measure to the voters is not subject to, or is exempt from, the California Environmental Quality Act (CEQA). Submission of the measure is not a project as defined by California Code of Regulations, title 14, section 15378(b)(4) because it relates to the creation of government funding mechanisms, which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

BE IT FURTHER RESOLVED:

The foregoing resolution was on the ___ day of _____ 2026, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which said Board so acts.

EDWARD YEN
Executive Officer
Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

DAWYN R. HARRISON
County Counsel

By: _____
EVA CHU
Senior Deputy County Counsel

AB-1768 Transactions and use taxes: County of Los Angeles. (2025-2026)

SHARE THIS:

Date Published: 02/09/2026 09:00 PM

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL NO. 1768

Introduced by Assembly Member Bryan

February 09, 2026

An act to add and repeal Chapter 3.85 (commencing with Section 7294.7) of Part 1.7 of Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1768, as introduced, Bryan. Transactions and use taxes: County of Los Angeles.

Existing law authorizes various local governmental entities, subject to certain limitations and approval requirements, to levy a transactions and use tax for general or specific purposes, in accordance with the procedures and requirements set forth in the Transactions and Use Tax Law, including a requirement that the combined rate of all taxes that may be imposed in accordance with that law in any county not exceed 2%.

This bill would authorize, until December 31, 2031, the County of Los Angeles, by an ordinance adopted by the county, to levy a tax pursuant to the Transactions and Use Tax Law at a rate not to exceed 0.5% for general and special purposes, subject to voter approval, as specified. The bill would authorize those taxes to exceed the 2% limit described above.

This bill would make legislative findings and declarations as to the necessity of a special statute for the County of Los Angeles.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 3.85 (commencing with Section 7294.7) is added to Part 1.7 of Division 2 of the Revenue and Taxation Code, to read:

CHAPTER 3.85. County of Los Angeles Transactions and Use Tax

7294.7. (a) Notwithstanding any other law, the County of Los Angeles may impose a transactions and use tax for general or specific purposes to support countywide programs at a rate of no more than 0.5 percent that would, in combination with all taxes imposed in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), exceed the limit established in Section 7251.1, if all of the following requirements are met:

(1) The county adopts an ordinance proposing the transactions and use tax by any applicable voting approval requirement.

(2) The ordinance proposing the transactions and use tax is submitted to the electorate and is approved by the voters voting on the ordinance by the applicable voting approval requirement in accordance with Article XIII C of the California Constitution.

(3) The transactions and use tax conforms to the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), other than Section 7251.1.

(b) Notwithstanding Section 7251.1, a transactions and use tax rate imposed pursuant to subdivision (a) shall not be considered for purposes of the combined rate limitation established by Section 7251.1.

(c) If, as of December 31, 2031, an ordinance proposing a transactions and use tax has not been approved in the County of Los Angeles as authorized by subdivision (a), this chapter shall be repealed.

SEC. 2. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique fiscal pressures being experienced in the County of Los Angeles in providing essential programs that have been caused, at least in part, by federal funding cuts.