
**SENATE COMMITTEE ON
ELECTIONS AND CONSTITUTIONAL AMENDMENTS**
Senator Steven Glazer, Chair
2023 - 2024 Regular

Bill No:	SB 532	Hearing Date:	4/18/23
Author:	Wiener		
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Urgency:	No	Fiscal:	Yes
Consultant:	Scott Matsumoto		

Subject: Ballot measures: local taxes

DIGEST

This bill permits the proponents of a local initiative measure, or a local jurisdiction submitting a local ballot measure, that imposes or increases a tax with more than one rate, or authorizes the issuance of bonds, to choose how specific information will appear on the ballot label.

ANALYSIS

Existing law:

- 1) Defines a ballot label to mean the portion of the ballot containing the names of the candidates or a statement of a measure. Requires the statement of all measures submitted to the voters to be abbreviated on the ballot in a ballot label. Prohibits the ballot label from containing more than 75 words and requires it to be the condensed version of the ballot title and summary including the financial impact summary prepared pursuant to existing law.
- 2) Requires that a ballot for a measure proposed by a local governing body or submitted to the voters, as specified, include the words “Shall the measure (stating the nature thereof) be adopted?” Requires that the statement of the measure printed on the ballot be a true and impartial synopsis of the purpose of the proposed measure and be in language that is neither argumentative nor likely to create prejudice for or against the measure.
- 3) Provides similar procedures and requirements to state law for submitting arguments for or against county, city, and school district ballot measures for inclusion in the local voter information guide, as specified.
- 4) Requires the ballot label for a statewide ballot measure, and permits the ballot label for a local ballot measure, to include the names of specified supporters and opponents of the measure, as specified.
- 5) Requires a local government agency, when submitting bond measures that will be secured by an ad valorem tax for voter approval, to mail a statement to voters with the sample ballot for the bond election. Requires the statement to be filed with the

elections official conducting the election no later than the 88th day before the election, and to include all of the following:

- a) The best estimate from official sources of the average annual tax rate that would be required to be levied to fund that bond issue over the entire duration of the bond debt service based on assessed valuations available at the time of the election or a projection based on experience within the same jurisdiction or other demonstrable factors. Requires the estimate to also identify the final fiscal year in which the tax is anticipated to be collected.
 - b) The best estimate from official sources of the highest tax rate that would be required to be levied to fund that bond issue, and an estimate of the year in which that rate will apply based on assessed valuations available at the time of the election or a projection based on experience within the same jurisdiction or other demonstrable factors.
 - c) The best estimate from official sources of the total debt service, including the principal and interest, that would be required to be repaid if all the bonds are issued and sold. Permits the estimate to include information about the assumptions used to determine the estimate.
- 6) Allows the statement to contain a declaration of policy of the legislative or governing body of the applicable jurisdiction, proposing to use revenues other than ad valorem taxes to fund the bond issue, and the best estimate from official sources of these revenues and the reduction in the tax rate levied to fund the bond issue resulting from the substitution of revenue.
- 7) Defines the term “tax rate” to mean tax rate per \$100 of assessed valuation on all property to be taxed to fund a bond.

This bill:

- 1) Provides that if the proposed measure imposes or increases a tax with more than one rate, or authorizes the issuance of bonds, the jurisdiction submitting the measure to the voters, or in the case of an initiative measure, the proponents, shall, not later than 88 days before the election, inform the elections official conducting the election which of the following shall be included in or immediately following, as applicable, the statement of the measure:
 - a) A statement of the measure to be voted on, an estimate of the amount of money to be raised annually, and the rate and duration of the tax to be levied.
 - b) The words “See voter guide for measure information statement and an explanation of how this measure could impact local property taxes.” Provides that the nineteen words included above do not count against any ballot label word limits.
- 2) Requires for a measure that imposes or increases a tax with more than one rate or authorizes the issuance of bonds, that voters be provided with a statement that

includes specified information relating to the tax that will be imposed or increased as a result of the measure.

- 3) Reiterates the requirement that elections officials ensure that each polling place has voter information guides as specified by existing law.
- 4) Declares its intent that elections officials prepare ballot materials for the March 5, 2024, primary election in compliance with bill's provisions.
- 5) Makes minor and technical changes.

BACKGROUND

Historical Context. Prior to 1978, local agencies could enact taxes by ordinance. Proposition 13 (1978) amended the Constitution to require a 2/3 vote of the electorate to enact a local special tax. Proposition 62 (1986) prohibited local agencies from imposing general taxes without majority approval of local voters, and clarified the 2/3 vote necessary to impose special taxes. Proposition 218 (1996) extended those vote thresholds to charter cities and required local agencies' to obtain voter approval to levy new assessments, fees, and taxes, which was subsequently limited by Proposition 26 (2010).

Proposition 13 also added Article XIII of the California Constitution, which provides that all property is taxable at the same percentage of fair market value unless explicitly exempted by the Constitution or federal law. The Constitution limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, and directs assessors to only reappraise property when newly constructed, or ownership changes. Proposition 13 additionally limited any inflationary growth of the full cash value base to 2% per year.

Local Ballot Requirements. Existing law requires certain information to be included for local measures. Each measure submitted to voters must include a statement for the ballot label that includes no more than more than 75 words and requires it to be the condensed version of the ballot title and summary including the financial impact summary prepared pursuant to existing law. The ballot statement must be a true and impartial synopsis of the purpose of the proposed measure, and presented in language that is neither argumentative nor likely to create prejudice for or against the measure.

In 2022, the Legislature passed and Governor Newsom signed AB 1416 (Santiago), Chapter 751, Statutes of 2022. AB 1416 requires the ballot label for a statewide ballot measure, and permits the ballot label for a local ballot measure, to include the names of specified supporters and opponents of the measure. As it relates to local measures, AB 1416 permitted the ballot label or similar description of a county, city, district, or school measure on a county ballot to include a listing of the names of the signers of the ballot arguments printed in the voter information guide in support of and in opposition to the measure. AB 1416 also permitted a county board of supervisors, at least 30 days before the deadline for submitting arguments for or against county measures, to elect not to list supporters and opponents for county, city, district, and school measures on the county ballot and future county ballots.

Local Bond Measures. Local agencies can place bond measures on the ballot secured by increased property taxes which can be in excess of the Proposition 13 limitations. When public agencies issue bonds they essentially borrow money from investors who provide cash in exchange for the agencies' commitment to repay the principal amount of the bond plus interest in the future. Article XIII A, Section 1 of the California Constitution requires counties, cities, and school districts to get voter approval for long-term debt. Counties, cities, school districts, community college districts, and some special districts can issue general obligation (GO) bonds, secured by *ad valorem*, or according to value, property tax revenues with 2/3-voter approval. Proposition 39 (2000) allows school districts and school facility improvement districts to issue GO bonds to build, rehabilitate, or replace schools with 55% voter approval subject to certain conditions, including tax limits.

When a local agency qualifies a bond measure for the ballot, it has to mail a statement to voters with the sample ballot no later than the 88th day before the election. This statement must include the best available estimates of the:

- 1) Average annual tax rate to be levied to fund that bond issue over the entire duration of the bond debt service, based on assessed property values within the jurisdiction.
- 2) Highest tax rate to be levied to fund that bond issue, and an estimate of when that rate would apply.
- 3) Total debt service, including principal and interest, required to be repaid if all the bonds are issued and sold.

The local agency submitting the measure to voters can also declare its intent to use revenues other than ad valorem property taxes to fund the bond issue and include its best estimate of this replacement revenue and the reduction in the tax rate resulting from the substitution of revenues.

Current law defines the term "tax rate" to mean the tax rate per \$100 of assessed property value. When local agencies prepare official election materials in addition to the sample ballot, including voter information guides, state law requires them to express the tax rate in this specific way. The local agency must include this tax rate information on all official materials directed at or including a bond issue proposal.

Since local bond measures impose a tax or raise the rate of a tax, the ballot must also include:

- 1) The amount of money the tax will raise annually;
- 2) The duration of the tax; and
- 3) The tax rate.

The ballot statement must be a true and impartial synopsis of the purpose of the proposed measure, and presented in language that is neither argumentative nor likely to create prejudice for or against the measure.

Local Ballot Measure Ballot Statements and Previous Legislation. In 2015, the Legislature passed and the Governor signed AB 809 (Obernoite), Chapter 337, Statutes of 2015, which required the ballot, if a proposed local initiative imposed a tax or raised

the rate of a tax, to include in the statement of the ordinance the amount of money to be raised annually and the rate and duration of the tax to be levied. AB 809 took effect in January 2016.

A 2017 Los Angeles County Superior Court ruling regarding the ballot label for a local tax measure placed on the ballot by a government agency subsequently prompted the introduction of AB 195 (Obernolte), Chapter 105, Statutes of 2017. According to previous analyses, the superior court ruled that Elections Code Section 13119 (b) applied only to initiative measures that qualify for the ballot through a petition signed by voters of the local jurisdiction and did not apply to a ballot measure placed on the ballot by a local government agency. Moreover, the intent of AB 195 was to clarify current law to better reflect the intent of AB 809 and to ensure the ballot label for all local tax measures placed on the ballot, not only initiative tax measures, are required to include the rate of the proposed tax increase, its duration, and an estimate of the amount of revenue to be raised. AB 195 was signed into law by Governor Brown.

COMMENTS

- 1) According to the author: SB 532 expands transparency for local tax measures by providing the option to include key financial measures in the voter information guide, while amending ballot label requirements that have proven problematic or even impossible for tiered tax rates and bond issuances. The improved financial disclosures created by SB 532 will help voters better understand the potential financial impacts of a proposed bond or tiered tax measure.

Past changes to the Elections Code 13119 by AB 809 (Obernolte) and AB 195 (Obernolte) have required bond measures and measures that impose or increase a tax to include the tax rate, duration of the measure, and amount of money to be raised annually in the 75-word ballot label. These requirements reduce — sometimes in the extreme — the amount of space on the ballot label available to describe what the revenues raised by the measure would be used for.

Further, these ballot label requirements are confusing and misleading to voters. The tax rate for bonds issued in multiple series under one voter approval may fluctuate significantly over time. Attempting to comply with the law, local agencies are forced to insert rates into their ballot label language that are averages, projections, or statutory maximums that may not be charged in any given year. The ballot label requirements also run the risk of forcing regressive, flat taxation by making it impossible to include multiple rate categories in the ballot label. These requirements have led to lower passage rates and jurisdictions deciding not to go to the ballot at all.

SB 532 addresses a serious problem in current law that inhibits local tax mechanisms that cannot be accurately explained in the 75-word ballot label. SB 532 is smart, good government policy that enhances transparency while ensuring local jurisdictions can continue to work in partnership with their local communities in support of vital infrastructure.

- 2) Do Voters Read the Guide? Space on a ballot is a valuable tool used to relay information about a candidate or a ballot measure. The ballot is typically the final

time a voter sees and consumes information before voting. The committee should consider whether moving important language from the ballot to the voter information guide would cause voters to skip the question, guess, or actually go to their guide to find a relevant information concerning the measure.

- 3) Bonds. SB 532 permits the proponents of a local initiative measure, or a local jurisdiction submitting a local ballot measure, that imposes or increases a tax with more than one rate, or authorizes the issuance of bonds, to choose how specific information will appear on the ballot label. While there is an emphasis on measures relating to tiered tax rates, this bill also affects *all local* bond measures.
- 4) Parcel Taxes. A parcel tax is a tax on parcels of real property collected as part of a property tax bill. According to the Public Policy Institute of California, unlike the property tax, the parcel tax cannot be based on property value; it is a tax that does not vary with the size or characteristics of a parcel. To impose a parcel tax, governments must win support from two-thirds of voters. From 2002 to 2012, California cities, school districts, and special districts placed almost 700 parcel tax proposals on the ballot, of which more than half passed. If a parcel tax imposes a more than one rate, then it would be subject to the requirements of this bill.
- 5) Argument in Support. In a letter supporting SB 532, the California Housing Partnership stated, in part, the following:

The statements required by current law for tiered tax rate measures, bond measures, or measures combining a tax and bonds consume most of the 75 words of the ballot label language, leaving few, if any, words to describe how taxes or bond proceeds will be spent in the community to support critical infrastructure projects. Moreover, the tax rate for bonds issued in multiple series under one ballot measure may fluctuate significantly over time. Attempting to comply with the law, local agencies for both bonds and tiered tax rates are forced to insert rates into their ballot label language that are averages, projections, or statutory maximums that may not be charged in any given year. These oversimplified statements do not make sense and ultimately mislead and confuse voters, which unfairly affects voter choice.

- 6) Argument in Opposition. In a letter opposing SB 532, the California Taxpayers Association (CalTax) stated, in part, the following:

In the November 2022 election, 206 of the 297 local tax and bond measures placed on the ballot were approved by voters while complying with current rate disclosure information – a 69 percent passage rate. Passage rates for local tax and bond measures have consistently remained high, including when taxpayers are provided detailed, accurate tax rate statements at the ballot box.

SB 532 would reduce voter transparency when making critical decisions on local funding. For the foregoing reasons, CalTax must oppose SB 532.

- 7) Double Referral. Before being considered by this committee, SB 532 was passed by the Senate Committee on Governance and Finance by a vote of 5-1.

RELATED/PRIOR LEGISLATION

SB 798 (Glazer) of 2023 would require the tax rate statement included in the ballot materials for local bond measures to express the tax rate per \$100,000 instead of per \$100 of assessed value. SB 798 is pending before this committee and is set to heard on the same date as SB 532.

AB 1416 (Santiago), Chapter 751, Statutes of 2022, requires the ballot label for a statewide ballot measure, and permits the ballot label for a local ballot measure, to include the names of specified supporters and opponents of the measure, as specified.

SB 268 (Wiener) 2019, similar to SB 532, would have permitted the proponents of a local initiative measure, or a local jurisdiction submitting a local ballot measure, that imposes or increases a tax with more than one rate, or authorizes the issuance of bonds, to choose how specific information will appear on the ballot label, as specified. SB 268 was vetoed by Governor Newsom who stated, in part, "I am concerned that this bill as crafted will reduce transparency for local tax and bond measures."

AB 195 (Oberholte), Chapter 105, Statutes of 2017, required the ballot statement for all local ballot measures that impose a tax or raise the rate of a tax to include specified information about the tax, instead of making such a requirement applicable only to local initiative measures.

AB 809 (Oberholte), Chapter 337, Statutes of 2015, required the ballot, if a proposed local initiative imposed a tax or raised the rate of a tax, to include in the statement of the ordinance the amount of money to be raised annually and the rate and duration of the tax to be levied.

POSITIONS

Sponsor: Coalition for Adequate School Housing
Nonprofit Housing Association of Northern California

Support: Mayor London Breed, City and County of San Francisco
Mayor Todd Gloria, City of San Diego
Mayor Matt Mahan, Mayor of San José
Mayor Sheng Thao, City of Oakland
American Federation of State, County, and Municipal Employees, AFL-CIO
Association of California Construction Managers
Association of California Healthcare Districts
Association of California School Administrators
California Association of School Business Officials
California Federation of Teachers
California Housing Partnership
California Special Districts Association
California State Association of Counties
Clovis Unified School District
Corona Norco Unified School District

Office of the Riverside County Superintendent of Schools
Riverside Community College District
San Diego Housing Federation
San Diego Unified School District
Santa Clara Valley Water District
School Energy Coalition
Small School Districts' Association
SV@Home Action Fund
Urban Counties of California

Oppose: California Association of Realtors
California Taxpayers Association
Howard Jarvis Taxpayers Association
Livable California
Mission Street Neighbors
Orange County Realtors

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