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

Bill No: SB 798 **Hearing Date:** 4/18/23
Author: Glazer
Version: 2/17/23
Urgency: No **Fiscal:** No
Consultant: Scott Matsumoto

Subject: Elections: local bond measures: tax rate statement

DIGEST

This bill requires 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.

ANALYSIS

Existing law:

- 1) 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 election 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.
- 2) 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.

- 3) 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) This bill requires 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.

BACKGROUND

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:

- the amount of money the tax will raise annually;
- the duration of the tax; and
- 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.

COMMENTS

1) According to the Author: Given the increase in the median value of housing in California over the past 50 years, using \$100 increments has become a less understood point of reference for voters with homes now valued in the hundreds of thousands of dollars. By requiring the estimated tax rate on a voter's ballot statement be expressed as the rate per \$100,000 of assessed value on all property to be taxed to fund a bond measure, it will provide a more relatable dollar amount for voters when deciding to approve or reject a bond measure. SB 798 seeks to modernize a ballot's tax rate statement so that voters better understand what they are voting on.

2) Argument in Support. In a letter supporting SB 798, the California Chamber of Commerce stated, in part, the following:

SB 798 will help to clearly state when local governments place a bond on the ballot what estimated tax rate would be for each parcel of property. Having this information expressed as the rate per \$100,000 as opposed to per \$100 will give a more accurate picture of the true impact on constituents. As voter guides have expanded to well over 100 pages in some instances, having this information clearly stated will help to inform voters of the true impact of these bond proposals.

3) Double Referral. Before being heard by this committee, SB 798 was considered and passed by the Committee on Governance and Finance with an 8-0 vote.

RELATED/PRIOR LEGISLATION

SB 532 (Wiener) of 2023, which 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. The bill is currently pending in the Senate Committee on Governance & Finance.

AB 610 (Oberholte) of 2019 required the tax rate statement included in the ballot materials for local bond measures to express the tax rate per \$1,000 of assessed property value, different from this measure's requirement to express the tax per

\$100,000 of assessed value. The bill failed passage in the Senate Committee on Governance and Finance.

SB 858 (Petris), Chapter 813, Statutes of 1968, required 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 and defined the term "tax rate" to mean tax rate per \$100 of assessed valuation on all property to be taxed to fund a bond.

POSITIONS

Sponsor: Author

Support: California Chamber of Commerce
California Taxpayers Association

Oppose: None received

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