



April 11, 2023

The Honorable Steve Glazer
 Chair, Senate Elections and Constitutional Amendments Committee
 State Capitol, Room 410
 Sacramento, CA 95814

**SB 532 (Wiener) Enhanced Transparency for Local Tax Measures
 Position: Support (as proposed to be amended)**

Dear Senator Glazer:

On behalf of the undersigned organizations, including housing organizations, labor, counties, schools, special districts, and hospitals, we would like to express our support for SB 532 (Wiener), as proposed to be amended in Senate Governance and Finance Committee. This bill will expand transparency for local bonds and tax measures while addressing problematic ballot label requirements.

The existing law is creating significant voter confusion and threatening the ability of local agencies to meet community needs across California for education, housing, health, flood protection, climate resiliency and more. Local bonds and tax measures are the primary source of funding to address community needs and state policy priorities, such as addressing California’s housing affordability and homelessness crisis and implementing the new transitional kindergarten grade level. Problematic ballot requirements are preventing us from partnering with our local communities to fund and construct the critical infrastructure needed to achieve these vital goals.

Recent Changes to the Elections Code Negatively Impact Local Funding Options

Elections Code Section 13119 was amended in recent years to modify the local ballot label requirements for measures that impose a tax or raise the rate of a tax. The ballot label is the 75-word question that voters see on their ballot.

The Elections Code now requires local tax and bond measures to state on the ballot label:

- The amount of money to be raised annually;
- The rate of the tax to be levied; and
- The duration of the tax to be levied.

While these provisions were enacted with the intention of increasing transparency by showing voters the costs of proposed ballot measures, they actually result in *less* transparency because of voter confusion. The requirements have a detrimental effect on the ability of communities to pass local bonds and other local revenue measures by the required super majorities.

Why the Requirements Confuse and Mislead Voters

These current requirements make sense for flat rate taxes, like standard sales taxes, but are highly problematic for bonds and tiered taxes. The new requirements take up about one-third to nearly all of the available space on the ballot label that would otherwise be used to describe how bond proceeds will be spent in the community.

Local Bonds: Bonds are authorizations to borrow in the future up to a specified total amount, at rates that cannot be guaranteed from year to year or known at the time of the election. Tax rates can fluctuate on an annual basis due to economic conditions, property values, interest rates, and project/program schedules. Public agencies attempting to comply with the law are now forced to insert rates onto their ballot labels that are averages, projections, or statutory maximums, though that rate may not be charged in any given year. Similarly, the duration of a bond program can change over time due to economic conditions, delayed project permitting, changes in local priorities, and pivoting to meet new state mandates, like universal transitional kindergarten or seismic upgrades. Over-simplified ballot label financial statements do not help voters understand why and how the rates will fluctuate, ultimately misleading them.

Tiered Tax Rates: The requirements are very problematic for tiered tax rate structures. Under such a structure, the tax has separate rates applied to different categories, such as the type of land use, the amount of assessed value, or the size of the transaction. This is an equitable approach to taxation that can limit the tax burden on low-income communities and homeowners, and incentivize local policy goals such as enterprise zones or the preservation of agricultural or natural lands. Under the new ballot label requirements, it is extremely difficult, if not impossible, to state all the rates of a tiered tax rate structure on the 75-word ballot label.

Legal Challenges: Placing these rate and duration statements in the ballot label may create legal issues, such as a cap on the rate, duration, and amount raised annually. This could make it difficult for local agencies to access the full amount authorized by voters and could create credit concerns with bond investors.

Negative Effects on Local Revenue Measures

Polling Impacts: When voters receive confusing and misleading information, they ultimately vote “NO.” Many local agencies see a *decrease of 5 to 15 percentage points* in their polling when using the current financial disclosure statements on the ballot label. Election results have been more volatile and show a

reduction in passage or the volume of measures since 2018, when these changes were fully enacted. By November 2022, passage rates were still lower than historical averages, with voters passing 71% of local school bonds, which is below the average passage rate of 84% prior to the new requirements. Additionally, many local agencies have been forced to reduce the size of their bonds or make the difficult choice not to move forward with placing bonds on the ballot.

These outcomes are not a reflection of a change in voters' personal beliefs regarding the use of bonds. Rather, this shows that voters will default to a "NO" position when they do not fully understand what they are being asked to approve.

Regressive Taxation Strategies: For local tiered taxation mechanisms, these new statements may force local agencies, including those that have already passed tiered tax rates, to take a simpler flat rate approach to local taxation. This shifts the tax burden from wealthy and large property owners and those making high cost purchases, to lower income and smaller property owners who can least afford that burden. This is a regressive approach to taxation that unnecessarily limits options in a local community and will ultimately make it nearly impossible to approve any tax mechanism that can't be accurately described in 75 words or less.

Transparency Safeguards in the Measure Information Statement

Transparency and accountability are critical to ensure the success of local bond programs and the implementation of local taxes to support vital public services. It is essential that local agencies educate their communities on what projects will be funded and how tax revenues are ultimately spent. Voters already receive detailed information about the mechanics of a proposed bond measure, including potential costs to taxpayers, in the bond measure information statement in the Voter Information Guide, as required by Elections Code Section 9401. This is the proper location for such information, as it provides space for context and a thorough explanation of cost estimates and other information.

Requiring inaccurate and confusing information on the ballot label is contrary to the goal of transparency, at the expense of explaining the public benefit of a proposed measure. This confuses rather than informs voters, to the detriment of local communities.

SB 532 Fixes the Problem While Enhancing Transparency

SB 532 would allow a local jurisdiction proposing a measure that imposes or increases tiered tax rates or authorizes the issuance of bonds to abide by the current Elections Code ballot label requirements *or* elect to use a second option for financial disclosure. Under the alternative, measures would include in the ballot label the words "See voter guide for measure information statement and an explanation of how this measure could impact local property taxes" and would provide expanded financial disclosures in that statement, including:

- Public Benefits – How tax revenue will be spent to provide public benefits.
- Rates – A list of all the tax rates that are expected to apply.
- Duration – An explanation of when or if the tax expires.
- Annual Revenue – Best estimate of annual tax revenue.
- Factors Changing the Tax Amount – A description of how the tax rate(s) may vary over time.

- Average Tax Rate – If rates vary year to year, and for all bonds, provide an average annual tax rate.
- Highest Tax Rate – For bonds, provide the estimated highest tax rate and the year it would apply.
- Total Debt Service – For bonds, the estimated cost of borrowing if all the bonds are issued and sold.

SB 532 requires a local jurisdiction to include a statement of reasons for using the alternative option in the resolution calling the election. This means that the governing board is accountable for that decision, and must explain to their local community why the alternative makes more sense for providing and explaining important financial information.

SB 532 would also clarify that financial measures stated in the ballot label or in the voter information guide are *estimates*, and *not* caps above which a local jurisdiction would be subject to legal challenge.

SB 532 will protect the ability of local agencies and communities to support housing, schools, roads, hospitals, flood protection, fire protection, and other vital public services, while ensuring accurate, clear cost information is provided to voters.

For these reasons, we urge your “Aye” vote when SB 532 is heard in Senate Elections and Constitutional Amendments Committee.

Sincerely,



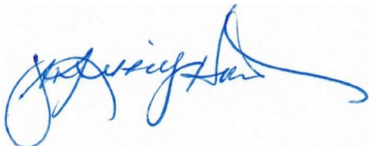
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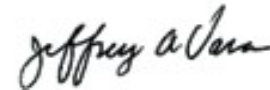
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cc: The Honorable Scott Wiener, California State Senate
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