



May 2, 2023

The Honorable Anthony Portantino
Chair, Senate Appropriations Committee
State Capitol, Room 412
Sacramento, CA 95814

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

Dear Senator Portantino:

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 amended on April 25, 2023. This bill will address recent ballot label requirements that are problematic for local bonds and multiple rate tax measures.

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 California’s housing affordability and homelessness crisis and 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 (AB 809 in 2015 and AB 195 in 2017). 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 provide a fiscal disclosure with the following information 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 significant 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. This is having a chilling effect on the adoption of new tiered tax measures, and is impeding the ability to extend previously-authorized tiered taxes, forcing local agencies to pursue more regressive taxation options.

Legal Challenges: Placing these rate and duration statements on 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.

SB 532 Counter-Balances Voter Confusion and Clarifies Ballot Label Requirements

SB 532 exempts the fiscal disclosure requirements in Elections Code 13119 from the 75-word cap on the ballot label. This will provide additional space on the ballot label to explain how a proposed measure would impact the local community, such as what projects and improvements would be funded by the proceeds, as well as additional space to explain the fiscal disclosures, if needed.

We believe this additional space will enhance transparency, counter-balancing the confusion that is created by the recent Elections Code requirements. It is essential that local agencies educate their communities on what projects will be funded and how tax revenues are ultimately spent. Voters will continue to 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.

SB 532 would also clarify that financial measures stated on 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.

Fiscal Impacts of SB 532

Absent the ability to raise local revenue, local jurisdictions will rely more heavily on the state to meet critical infrastructure needs. This will increase pressure on state funding programs and place much of the burden on the state to address issues such as affordable housing, homelessness, disaster response, seismic upgrades, school construction and repair, and more. Such needs are in the billions of dollars across multiple sectors. It is difficult to imagine how the state could meet the bulk of local infrastructure needs while maintaining its current level of service for existing state programs. Therefore, we believe that SB 532 helps relieve a looming state fiscal burden.

We do not believe there would be a significant increase in costs associated with printing ballots. The fiscal disclosures for most local bond measures are typically under 25 words, which would be the approximate increase in words associated with SB 532 for most measures. A 25-word increase would be unlikely to increase the number of pages on the ballot and therefore unlikely to increase printing costs.

SB 532 takes a step in the right direction to help protect the ability of local agencies and communities to support housing, schools, roads, hospitals, flood protection, fire protection, and other vital public services.

For these reasons, we urge your "Aye" vote when SB 532 is heard in Senate Appropriations Committee.

Sincerely,



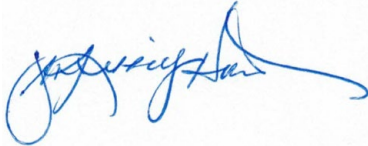
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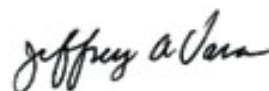
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