

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON ELECTIONS AND REDISTRICTING

Marc Berman, Chair

AB 776 (Harper) – As Amended March 21, 2017

**SUBJECT:** School district elections: school bond measures.

**SUMMARY:** Requires the ballot label for a local school bond measure to include specified fiscal information. Specifically, **this bill** requires the ballot label for a school district bond measure that is submitted to the voters of the district to provide an estimate of both of the following:

- 1) The total cost of the bond to taxpayers, including principal and interest; and,
- 2) The increase to taxpayers' annual property taxes, represented as a number of dollars per one hundred thousand dollars (\$100,000), of assessed value.

**EXISTING LAW:**

- 1) Requires the county counsel or district attorney, if a school measure qualifies for the ballot, to prepare an impartial analysis of the measure, showing the effect of the measure on existing law and the operation of the measure, as specified.
- 2) Requires the ballot, if a proposed local initiative imposes a tax or raises the rate of a tax, to include in the statement of the ordinance to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied.
- 3) Requires a local government agency, when submitting for voter approval bond measures that will be secured by an ad valorem tax, to mail a statement to voters with the sample ballot for the bond election. Requires the statement to include all of the following:
  - a) The best estimate from official sources of the tax rate that would be required to be levied to fund that bond issue during the first fiscal year after the first sale of the bonds based on assessed valuations available at the time of the election or a projection based on the experience within the same jurisdiction or other demonstrable factors;
  - b) The best estimate from official sources of the tax rate that would be required to be levied to fund that bond issue during the first fiscal year after the last sale of the bonds if the bonds are proposed to be sold in series, 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 the experience within the same jurisdiction or other demonstrable factors;
  - c) 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 the experience within the same jurisdiction or other demonstrable factors; and,

- d) The best estimate from official sources of the total debt service, including principal and interest, that would be required to be repaid if all bonds are issued and sold. Permits the estimate to include information about the assumptions used to determine the estimate.
- 4) Defines the words "tax rate" to mean tax rate per one hundred dollars (\$100) of assessed valuation on all property to be taxed to fund a bond issue.
- 5) 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.

**FISCAL EFFECT:** Unknown. State-mandated local program; contains reimbursement direction.

**COMMENTS:**

- 1) **Purpose of the Bill:** According to the author:

Assembly Bill (AB) 776 will require that the description of a proposed measure on the voter's ballot include the total cost of the bond including principal and interest, and the annual cost per \$100,000 of the assessed value of a homeowner's property.

When school districts place bond measures on the ballot, they highlight all the good things they will do with the proceeds, but they often neglect to mention how much it will cost voters to pay back the bond, and how the bond will impact homeowners' property tax bills.

"Bond proceeds are often portrayed as an almost free source of funds," said former Assembly Member Joe Canciamilla, who is currently the Contra Costa County Clerk/Recorder-Registrar. "The actual costs to the districts or the taxpayers who will ultimately pay the bills are buried in hard-to-find locations, usually at the very end of long and tedious pages of legalese that make it virtually impossible to decipher."

When voters approve local school construction bonds, they are simultaneously agreeing to pay higher property taxes to retire the debt. Most school districts choose not to mention this in the 75-word summary on the ballot.

In the November 2016 election cycle, dozens of local school bonds were approved, adding hundreds of millions of dollars of new debt onto property tax rolls. However, the ballot label is often the only description of proposed bond measures that voters see on the ballot before voting.

Currently, ballot labels typically include all sorts of information about what projects will be funded, but very little information concerning the financial impact of the bond itself or the impact on voters. Therefore, this bill is needed to increase

transparency in order to help voters make informed and educated decisions about the benefits and costs of proposed bond measures.

Assembly Bill 776 is needed to give voters the transparency they deserve and will ensure that voters know how much it will cost to repay proposed school bond measures.

- 2) **Ballot Form:** Current law requires a ballot to comply with a variety of laws that dictate its content. For example, a ballot must contain the title of each office, the names of all qualified candidates, as specified, ballot designations, as specified, titles and summaries of measures submitted to voters, and instructions to voters, among other things. Moreover, current law requires a ballot to be printed in a certain form, as specified. Once all of these requirements are met, there is limited space left on the ballot to accommodate further requirements. Consequently, it is common practice to include other important election information in the sample ballot or ballot pamphlet that is sent to all registered voters. This bill adds more information to the ballot label for school bond measures. Specifically, this bill requires the school bond measure ballot label to include the total cost of the bond to taxpayers, including principal and interest, and the increase to taxpayers' annual property taxes, as specified. This information, however, is already provided to the voter in the sample ballot. Specifically, existing law requires a statement in the sample ballot to include estimates of the tax rate increase for the first and last issuance of the bond, an estimate of the highest tax rate over the life of the bond, as well as an estimate of the total debt service, including principal and interest, as specified.
- 3) **75 Word Ballot Label Restriction:** Current law requires the statement of all measures submitted to the voters to be abbreviated on the ballot in a ballot label. Additionally existing law 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. Because this bill requires certain fiscal information to be included on the ballot label for a school bond measure, that information will count toward the 75 word limit in current law.
- 4) **Arguments in Support:** In support, the California Taxpayers Association writes:

In 2016 alone, voters decided the fate of more than 175 school bonds. While many ballot questions contain the total value of bonds being issued, very few contain critical information like principal and interest details and the timeline for repayment.

For example, consider the following ballot question submitted to voters by Albany Unified School District:

“To relieve Albany Middle School overcrowding, construct classrooms, science labs, and flexible learning spaces that meet seismic safety and accessibility codes, replace old portables with modern classrooms, and acquire technology and equipment at all schools to support science, engineering, math, and the humanities; shall Albany Unified School District issue \$25

Million of bonds at legal rates, with independent oversight, no money for administrators' salaries, and all funds benefitting Albany schools?"

The ballot question omits critical information regarding bonds such as tax rate, length of time bonds will be sold and interest rates. Instead, this information is often buried in the voter's guide in independent statements.

AB 776 will bring the most critical information directly to the voter's ballot. Voters have the right to know every piece of critical information before deciding whether to raise their taxes.

- 5) **Arguments in Opposition:** The Association of California School Administrators, the California School Boards Association, and the California Association of School Business Officials, write in opposition:

Our organizations oppose this bill for two reasons. First, Elections Code 9401 already requires a tax rate statement to be provided to voters in the sample ballot. This statement includes tax rate per assessed valuation at various points in time, and 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. It would be a disservice to voters to take up space on the ballot label—which is limited to 75 words—to convey information that is already provided elsewhere in the ballot pamphlet. This would also unfairly limit the ability of the local educational agency to describe the benefits of the proposed tax.

Second, placing the tax rate increase and total cost of the bond into the ballot label could increase the cost of borrowing or adversely impact the ability to local educational agencies to sell the authorized bonds. This is because bond counsels could interpret the tax rate statement in the ballot label as a “not to exceed” amount, establishing an annual cap. Such a limitation would cause concern among investors regarding repayment, and would increase the cost of financing. Similarly, including the total cost of the bond in the ballot label could leave the [local educational agency] unable to use all of its bond authority if interest rates rise beyond what was anticipated at the time of the election.

- 6) **Related Legislation:** AB 195 (Oberholte) requires 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 195 passed out of the Assembly Elections & Redistricting Committee on a 7-0 vote.

AB 1194 (Dababneh), which is also being heard in this committee today, requires certain fiscal information to be included in the sample ballot for bond measures, as specified.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Taxpayers Association  
Election Integrity Project, California Inc.

**Opposition**

Association of California School Administrators  
California Association of School Business Officials  
California School Boards Association  
Coalition for Adequate School Housing

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