

Date of Hearing: May 1, 2019

ASSEMBLY COMMITTEE ON ELECTIONS AND REDISTRICTING

Marc Berman, Chair

AB 610 (Oberholte) – As Introduced February 14, 2019

SUBJECT: Elections: local bond measures: tax rate statement.

SUMMARY: Requires the tax rate statement that is required to be included in the sample ballot for local bond measures to include a tax rate per \$100,000 of assessed valuation on all property to be taxed to fund a bond issue, instead of a tax rate per \$100 of assessed valuation on all property to be taxed to fund the bond.

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 elections official conducting the election not 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, in addition, 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.

FISCAL EFFECT: None. This bill is keyed non-fiscal by the Legislative Counsel.

COMMENTS:

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

In order to improve the transparency of bond measures, AB 610 would require that estimates of the tax rate required to fund a bond measure provided to voters be expressed as the rate per \$100,000 of assessed property valuation. Expressing these rates per \$100 of assessed property valuation makes it more difficult for voters to understand the details behind the measure they are voting on. According to Zillow.com the median home value in California is over \$500,000. A voter who owns an average home is therefore required to multiply the tax rate on the ballot by 5,000 to calculate how much tax they would owe if the bond were approved. If the rate were instead expressed per \$100,000, the voter would only have to multiply by 5 to compute the tax.

2) **Arguments in Opposition:** In opposition, the California's Coalition for Adequate School Housing writes:

Assembly Member Obernole's intention of providing additional transparency and clarity on such measures is a laudable goal. However, we believe that this change could actually increase rather than reduce confusion regarding the cost of local bond measures to individual taxpayers. Voters receive a tax rate statement in their Voter Information Guide which provides detailed information about the estimated average annual tax rate, the estimated highest tax rate, the final fiscal year in which the tax is anticipated to be collected, and an estimate of the total debt service to repay the bonds. This is important information that helps voters understand the costs associated with the use of bond debt financing for schools and other critical local infrastructure projects.

[California's Coalition for Adequate School Housing] opposes AB 610 because we believe the change is unnecessary and could actually increase voter confusion. Currently, the estimated tax rate is expressed per one hundred dollars of assessed valuation. We do not see a strong policy reason to modify this requirement in the tax rate statement at this time and question what problem AB 610 proposes to solve. By expressing the tax rate per one hundred thousand dollars, voters would be more likely to guess their tax rate increase than to calculate a more precise tax rate.

For example, for a home with an assessed valuation of \$375,000, a voter would see the following:

- Current law: 5 cents per \$100 assessed valuation
- AB 610 proposal: \$50 per \$100,000 assessed valuation

We anticipate that under the AB 610 proposal, homeowner would be more inclined to guesstimate their tax rate between the round numbers of \$300,000 and \$400,000, which would be between \$150 and \$200. However, under current law

they are prompted to do basic math to determine the more precise estimated tax rate increase for their specific property, calculated as \$187.50 in this example.

- 3) **Previous Legislation:** AB 2848 (Oberholte) of 2018, would have required that the tax statement included on the ballot for a bond measure to include the total amount of bonds to be issued, the duration of the bond debt service, and the best estimate from official sources of the average annual tax rate that would be required to be levied on property for ad valorem taxes to fund the bond issue, as specified, and required the tax rates to be listed per \$100,000 of assessed valuation. AB 2848 was never heard in this committee.

AB 6 (Oberholte) of 2017, would have required that the tax statement included on the ballot for a bond measure include the best estimate from official sources of the average annual tax rate that would be required to be levied to fund the bond issue over the entire duration of the bond debt service, as specified, and required the tax rates to be listed per \$100,000 of assessed valuation. AB 6 was never heard in the Senate Elections & Constitutional Amendments Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

California's Coalition for Adequate School Housing

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