

Date of Hearing: May 6, 2014

ASSEMBLY COMMITTEE ON ELECTIONS AND REDISTRICTING

Paul Fong, Chair

AB 2551 (Wilk) – As Amended: March 28, 2014

SUBJECT: Local ballot measures: bond issues.

SUMMARY: Makes modifications to the bond issue statement mailed to voters with the sample ballot for a local bond election. Specifically, this bill requires each bond issue proposed by a county, city and county, district, or other political subdivision, or any agency, department, or board thereof, to include 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, and permits the estimate to include information about the assumptions used to determine the estimate.

EXISTING LAW:

- 1) Requires all bond issues proposed a county, city and county, district, or other political subdivision, or any agency, department, or board thereof, to be submitted to the voters for approval.
- 2) Requires a statement for each bond issue described above to be mailed to the 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 prior to the election. Requires the statement to include 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 on the election or a projection based on experience within the same jurisdiction of 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 of a projection based on experience within the same jurisdiction or other demonstrable factors; and,
 - 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 experience within the same jurisdiction or other demonstrable factors.
- 3) Permits the statement to contain any declaration of policy of the legislative or governing body of the applicable jurisdiction, proposing to utilize revenues other than ad valorem taxes for purposes of funding 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.

- 4) Defines "tax rate" to mean a tax rate per one hundred dollars (\$100) of assessed valuation on all property to be taxed to fund any bond issue described above.
- 5) Requires the Legislative Analyst to prepare an impartial analysis of each proposed measure describing the measure and including a fiscal analysis of the measure showing the amount of any increase or decrease in revenue or cost to state or local government. Provides that if a proposed measure is estimated to result in increased costs to the state, the estimate of those costs shall be set out in boldface print in the ballot pamphlet.

FISCAL EFFECT: Keyed non-fiscal by Legislative Counsel.

COMMENTS:

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

Since 1997, the non-partisan Legislative Analyst's Office (LAO) has been required to include the "fiscal effect" of any costs related to the approval of a statewide General Obligation Bond in the ballot pamphlet presented to voters. Per existing law (Elections Code 9087) the LAO is required to follow a list of criteria which includes: the amount of the cost to state or local government, and utilizing a uniform method in each analysis to describe the estimated increase or decrease in revenue or cost of a measure.

AB 2551 updates the tax rate statement (over 100 years old) to ensure that voters understand how the estimate of the tax rate was reached and what the costs will be throughout the 30-40 year length of the bond.

The purpose is to establish minimum standard of transparency for the fiscal analysis of local bond measures that is very similar to what the LAO already does for state General Obligation bond measures.

- 2) Background: In 1968, the Legislature passed and the Governor signed SB 838 (Petris), Chapter 813, Statutes of 1968, which required the elections official to mail to voters with the sample ballot a tax rate statement for local bond measures. Aside from a few technical changes that have been made, the information included in this statement has mostly been unchanged since it was signed into law in 1968. This bill adds a new requirement to the information already required to be included in the tax rate statement. Specifically, this bill requires each bond issue proposed by a county, city and county, district, or other political subdivision, or any agency, department of board thereof, to also include the best estimate from official sources, including the principal and interest that would be required to be repaid if all the bonds are issued and sold. According to the author, the tax rate statement needs to be updated to ensure voters understand how the estimate of the tax rate was reached and what the costs will be throughout the 30-40 year period of the bond. In addition the author argues that the Legislative Analyst's Office already includes the "fiscal effect" of any costs related to the approval of a statewide General Obligation Bond in the statewide ballot pamphlet sent to voters. According to the author, this bill adds similar language into the "tax rate" statement

required to be sent with the sample ballot for all local bond measures.

- 3) State vs Local Process: Current law requires all bond issues proposed by a county, city and county, district, or other political subdivision, or any agency, department, or board thereof, to be submitted to the voters for approval. A statement for each bond issue is mailed to the voters with the sample ballot for the bond election and includes the following: 1) the best estimate 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, as specified, 2) the best estimate 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, and 3) the best estimate 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.

However, the process for statewide measures is different. Current law requires the Legislative Analyst to prepare an impartial fiscal analysis of each statewide measure, including a bond measure, which includes the amount of any increase or decrease in revenue or cost to state or local government provided for statewide and, if it is estimated that a measure would result in increased cost to the state, an analysis of the measure's estimated impact on the state, including an estimate of the percentage of the General Fund that would be expended due to the measure, as specified. Existing law requires this information to be included in the statewide ballot pamphlet sent to voters. In addition, at each statewide election at which a state bond measure will be submitted to voters for their approval or rejection, the ballot pamphlet for that election is required to include a discussion, prepared by the Legislative Analyst, of the state's current bonded indebtedness situation. This discussion must include information as to the dollar amount of the state's current authorized and outstanding bonded indebtedness, the approximate percentage of the state's General Fund revenues which are required to service this indebtedness, and the expected impact of the issuance of the bonds to be approved at the election on the items specified.

Furthermore, the Legislature has taken steps recently to improve voter clarity on statewide bond measures and their future fiscal implications. In 2009, the Little Hoover Commission (LHC) released a report entitled, "Bond Spending: Expanding and Enhancing Oversight." In the report, the LHC made several recommendations to the Legislature aimed at increasing the oversight and accountability of bond measures that have already passed, as well as increasing the clarity and transparency for bond measures that will be proposed to voters in the future. One of the recommendations included in the report was for the state to establish fundamental criteria for ballot measures and to have the criteria evaluated and included as a simple and easy-to-understand report card in the voter guide for all bond measures placed on the ballot. In response to those concerns, the Legislature passed and the Governor signed AB 732 (Buchanan), Chapter 453, Statutes of 2011, which requires the summary prepared by the Attorney General for state bond measures that are submitted to the voters for their approval or rejection to include an explanatory table summarizing the Legislative Analyst's estimate of the net state and local government fiscal impact.

This bill makes modifications to the bond issue statement mailed to voters with the sample ballot for a local bond election and requires local bond issues, as specified, to include 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. According to the author, current law is inadequate for local bond measures as it does not include information similar to statewide bond measures that details the "fiscal effect" of the measure. This bill will update the tax rate statement to ensure that voters understand how the estimate of the tax rate was reached and what the costs will be throughout the 30-40 year period of the bond.

4) Arguments in Support: Howard Jarvis Taxpayers Association writes in support:

When voters review local bond measures, all they have to analyze is the tax rate statement, which usually consists of a sentence or two. There is no requirement in current law that the tax rate statement includes some language pertaining to the fiscal effect of the measure. AB 2551 updates the requirements of this statement, over 100 years old, to educate voters on how the estimate of the tax rate was reached and what the costs will be throughout the 30-40 year length of the bond. This simple transparency provision will ensure that taxpayers better understand the implications of long-term debt at the local level.

REGISTERED SUPPORT / OPPOSITION:

Support

California League of Bond Oversight Committees (co-sponsor)

Howard Jarvis Taxpayers Association (co-sponsor)

Opposition

None on file.

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