

Date of Hearing: June 7, 2023

ASSEMBLY COMMITTEE ON ELECTIONS
Isaac G. Bryan, Chair
SB 798 (Glazer) – As Introduced February 17, 2023

SENATE VOTE: 37-0

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. (Elections Code §9401(a))
- 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. (Elections Code §9401(b))
- 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. (Elections Code §9401(c))

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

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

Given the increase in the median value of housing in California over the past 50 years, using \$100 increments has become a less understood point of reference for voters with homes now valued in the hundreds of thousands of dollars. By requiring the estimated tax rate on a voter's ballot statement be expressed as the rate per \$100,000 of assessed value on all property to be taxed to fund a bond measure, it will provide a more relatable dollar amount for voters when deciding to approve or reject a bond measure. SB 798 seeks to modernize a ballot's tax rate statement so that voters could more easily understand what they are voting on.

2) **Local Bond Measures:** Local government agencies may place bond measures on the ballot secured by increased property taxes. When public agencies issue bonds, they essentially borrow money from investors, who provide cash in exchange for the agencies' commitment to repay the principal amount of the bond plus interest in the future. Article XIII A, Section 1 of the California Constitution requires counties, cities, and school districts to get voter approval for long-term debt. Counties, cities, school districts, community college districts, and some special districts may issue general obligation (GO) bonds, secured by *ad valorem*, or according to value, property tax revenues with 2/3 voter approval. Existing law allows school districts and school facility improvement districts to issue GO bonds to build, rehabilitate, or replace schools with 55% voter approval subject to certain conditions, including tax limits.

When a local government agency qualifies a bond measure for the ballot, existing law requires the agency to mail a statement to voters with the sample ballot that includes the best available estimates of the following:

- Average annual tax rate to be levied to fund that bond issue over the entire duration of the bond debt service, based on assessed property values within the jurisdiction;
- Highest tax rate to be levied to fund that bond issue, and an estimate of when that rate would apply; and,
- Total debt service, including principal and interest, required to be repaid if all the bonds are issued and sold.

Current law defines the term "tax rate" to mean the tax rate per \$100 of assessed property value. When local agencies prepare official election materials in addition to the sample ballot, including voter information guides, state law requires them to include this tax rate information.

This bill changes the definition of tax rate to mean the tax rate per \$100,000 of assessed value, instead of per \$100 of assessed value.

3) **Tax Rates:** According to the Senate Governance and Finance Committee analysis, when existing law defines tax rates it appears in per \$100 of assessed value. Examples include state

and local appropriations limits pursuant to the state Constitution, and Revenue and Taxation state laws concerning general provisions related to property tax and maximum property tax rates for harbor districts.

According to the Senate analysis, if this bill is signed into law, local bond measures would be the only tax rates expressed as per \$100,000 of assessed property value.

4) **Arguments in Support:** In support of this bill, the California Taxpayers Association writes:

Existing law requires that when a city, county, school district, or special district places a bond on the ballot, a statement is mailed to voters that contains the best estimate for the average annual tax rate that would be levied to repay the bond debt expressed as the tax rate per \$100 of property value.

For example, the Little Lake City School District proposed a bond to voters in 2022 using the following question: “To repair aging classrooms/leaking roofs to ensure student health/safety/achievement, upgrade plumbing, electrical, gas lines, heating/ventilation, security systems, classroom technology, remove asbestos, lead paint, mold, provide safe drinking water, repair, construct/acquire classrooms, sites/equipment, shall Little Lake City School District’s measure authorizing \$36,000,000 in bonds at legal rates, levying 3¢/\$100 assessed value (\$2,000,000 annually) while bonds are outstanding, be adopted, with audits/oversight, all funds for local schools?”

Many taxpayers are unable to easily determine their potential tax burden when the tax rate is expressed in this fashion. Expressing the tax as a rate per \$100,000 of assessed value will improve transparency, as values often are discussed in terms of hundreds of thousands of dollars, and property owners will have an easier time calculating their potential tax.

5) **Related Legislation:** SB 532 (Wiener) exempts fiscal disclosure requirements from counting towards the 75-word ballot label limit if a proposed local ballot measure imposes or increases a tax with more than one rate or authorizes the issuance of bonds, as specified. SB 532 is pending in the Assembly.

6) **Previous Legislation:** AB 610 (Obernolte) of 2019, would have required the tax rate statement included in the sample ballot for local bond measures to express the tax rate per \$1,000 of assessed property value, instead of per \$100 of assessed value. AB 610 was approved by the Assembly Elections & Redistricting Committee (the predecessor of this committee) and on the Assembly Floor, but failed passage in the Senate Governance and Finance Committee by a 2-4 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Chamber of Commerce
California Taxpayers Association

Opposition

None on file.