

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON ELECTIONS AND REDISTRICTING

Marc Berman, Chair

AB 1194 (Dababneh) – As Amended April 19, 2017

SUBJECT: Elections: local government measures: ballot text.

SUMMARY: Requires certain fiscal information to be included in the sample ballot for local bond measures, as specified. Specifically, **this bill:**

- 1) Requires the fiscal statement that a local government agency is required to include in the sample ballot for local bond measures that will be secured by an ad valorem tax to also include a table that shows examples of the estimated tax liability property owners could incur if the local bond measure is approved by the voters. Specifically, this bill requires a table with two columns containing all of the following:
 - a) In the first column, both of the following:
 - i) A heading that reads: "For property with an enrolled value of:"
 - ii) 5 rows, each containing a dollar figure in increasing increments of \$100,000, beginning with \$300,000 and ending with \$700,000.
 - b) In the second column, both of the following:
 - i) A heading that reads "Your tax increase could be."
 - ii) 5 rows, each containing a dollar figure derived from multiplying the property value in the adjoining row under the first column by the tax rate of the best estimate of the highest tax rate that would be required to be levied to fund the bond issue, as specified.
- 2) Requires the ballot statement for *all* local ballot measures that impose a tax or raise the rate of a tax, including measures authorizing the issuance of bonds or the incurrence of debt, to include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied, instead of making such a requirement applicable only to local initiative measures (i.e., measures that are placed on the ballot through a petition signed by voters of the local jurisdiction).
- 3) Requires the ballot, if a proposed measure authorizes the issuance of bonds to be funded by an ad valorem tax, to include in the statement of the measure the following sentence: "For an example of your potential tax liability under this ordinance, please refer to the Tax Rate Statement in the Voter Information Guide."
- 4) Defines "local governing body," for the purposes of this bill, to mean the governing body of a city, county, city and county, including a charter city or charter county, or district, including a school district.

EXISTING LAW:

- 1) Requires ballots used when voting upon a proposed county, city, or district ordinance submitted to voters as an initiative measure to have printed on them a specified statement describing the proposed ordinance.
- 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:

This measure will increase transparency for voters regarding the effects that local bond measures may have on their residential property taxes.

- 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. For bond measures, current law requires the sample ballot to contain a statement that includes estimates of tax rates and debt service in connection with the measure. Specifically, current law requires the statement 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. This bill adds more requirements to the sample ballot and requires the statement to also include a table that shows examples of the estimated tax liability property owners could incur if the local bond measure is approved by the voters. Specifically, the bill requires the table to only show examples of how much a property owner's tax might increase calculated by multiplying the property's enrolled value by the highest tax rate. The bill does not provide examples of other estimated tax rates required to be included in the statement under current law. Below is a rudimentary example of what the chart could look like:

For property with an enrolled value of:	Your tax increase could be:
\$300,000	(x highest tax rate) =
\$400,000	(x highest tax rate) =
\$500,000	(x highest tax rate) =
\$600,000	(x highest tax rate) =
\$700,000	(x highest tax rate) =

The bill does not provide a local government agency with the flexibility to make changes to the table required to be provided in the sample ballot. Local jurisdictions may have property values that are lower or higher than those provided on the table.

- 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. This bill requires the ballot label for any proposed measure authorizing the issuance of bonds to include the following statement: "For an example of your potential tax liability under this ordinance, please refer to the Tax Rate Statement in the Voter Information Guide." Because this bill requires a statement to be included in the ballot label, it will be counted towards the 75 word limit in current law, thereby reducing the number of words available to describe the substantive provisions of the measure.

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

Local agencies already conduct a fiscal estimate of the tax impact associated with a bond, as is necessary to determine if the bond can be issued and repaid. AB 1194 simply makes this information accessible to the voters by requiring any measure submitted by a local governing body to include language that directs voters to the Tax Rate Statement in the voter information guide.

Often, voters do not realize that local general obligation bonds are repaid by higher property taxes, and are unaware of the Tax Rate Statement in the voter guide.

AB 1194 improves transparency and provides property owners with the necessary information to understand and plan for their future property tax liabilities in an upfront and transparent fashion.

5) **Arguments in Opposition:** In opposition, the California School Boards Association writes:

This bill requires the ballot label to refer to the tax statement that is also in the ballot pamphlet. Since state law caps the ballot label at 75 words, AB 1194 would further limit the ability of local educational agencies to inform voters about the benefits of the proposed tax measure. This lack of information could result in fewer votes for these measures and therefore decreased resources for public schools.

Additionally, this bill's creation of a table with examples of the tax increase for property owners of five specified values is more misleading and less useful to taxpayers than the existing wording of the tax statement, which presents tax rates per \$100,000 assessed valuation. The current presentation makes it easier for voters to quickly determine the potential increase in the particular taxes.

6) **Related Legislation:** AB 776 (Harper), which is also being heard in this committee today, requires the ballot label for local school bond measures to include specified fiscal information.

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.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of County Treasurers and Tax Collectors (prior version)

California Taxpayers Association

Howard Jarvis Taxpayers Association

Opposition

California Federation of Teachers (prior version)

California School Boards Association

Coalition for Adequate School Housing (prior version)

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