

Background on AB 195 – Ballot label requirements

AB 195 (Obernolte), signed in 2017, requires any local ballot measure that imposes or raises the rate of a tax (including local bonds) to include information on the ballot label about the amount of money to be raised annually, the rate of the tax to be levied and the duration of the tax. However, AB 195 has created more confusion than clarity for voters, and will drastically affect the chances for local bonds to pass.

AB 195 may work for local school parcel taxes and other local government taxes, but it does not work for local school bond measures.

July 2018 update (SB 863):

Prior to adjourning for its July recess, the Legislature did not take up **Senate Bill 863**, a bill that would have provided a temporary two-year suspension for local bond measures from the ballot labeling requirements of AB 195. **As a result, local bond measures in consideration for the November general election ballot are likely to be subject to the requirements of AB 195.** While a temporary solution to this issue can still be reached during the current legislative session, the Legislature does not reconvene until August 6 – as such, there will be little time for SB 863 to be heard, sent to the Governor and signed in order for the delay to apply to local bond measures being placed on the upcoming November ballot.

What AB 195 does:

AB 195 requires a local ballot measure that imposes a tax or raises the rate of a tax – including local bonds – to include on the ballot label:

- » **The amount of money to be raised annually.**
- » **The rate of the tax to be levied.**
- » **The duration of the tax to be levied.**

The ballot label is the 75-word question that voters see on their ballot.

The problem:

The ballot label statements created by AB 195 are confusing and misleading to voters. The rate for a bond fluctuates on an annual basis to pay principal and interest costs. Public agencies attempting to comply with the law are now forced to insert rates into their ballot labels that are averages, projections, or statutory maximums.

Similarly, the duration of a bond program can change over time due to economic conditions, changes in local priorities, and new state mandates. These statements do not make sense in the context of bonds and ultimately mislead voters.

These newly-required statements take up approximately **one-third** of the space that would otherwise be used for a description of how bond proceeds will be spent in the community. Additionally, placing these statements in the ballot label may create legal issues, such as a cap on the rate, duration, and amount raised annually, making it difficult for public agencies to access the full amount authorized by voters and creating credit concerns with bond investors.

When voters are confused, they ultimately vote “NO.” Polling for the June and November 2018 elections shows a decrease in support when AB 195 statements are placed in the ballot label, pushing many bonds below the threshold for passage. **This outcome is not a reflection of a change in voters’ beliefs regarding the use of bonds. Rather, it shows that voters will default to a “NO” position when they do not fully understand what they are being asked to approve.**

Case studies and impacts of AB 195:

Fairbank, Maslin, Maullin, Metz & Associates (FM3) has surmised that there is a significant negative impact of **10-plus percentage points** on support for local bond measures when AB 195 language is used. **Case studies conducted by FM3 include the following:**

	Poll results:		
	Pre-AB 195	AB 195 Compliant	Difference
Elementary School District Repair/ Student Safety bond <i>(Pre-tested April 2016, re-tested Feb. 2018)</i>	67% YES	56% YES	-11%
Unified School District STEM Classroom bond <i>(Pre-tested July 2016, re-tested Jan. 2018)</i>	66% YES	55% YES	-11%
Community College Education, Repair and Student Safety bond	76% YES	62% YES	-14%
Fire Protection District Emergency Medical Response and Disaster Protection bond <i>(Tested May 2018)</i>	74% YES	61% YES	-13%
Community College District Facilities bond <i>(Tested Sept. 2017; defeated on June 5 ballot)</i>	71% YES	48% YES <i>(failed June 5 primary ballot)</i>	-23%

*Source: Fairbank, Maslin, Maullin, Metz & Associates (FM3)

Role of the tax rate statement:

Transparency and accountability are critical for successful bond programs. That is why voters already receive detailed information about the mechanics of a proposed bond measure and the potential costs to taxpayers in the tax rate statement, which is included in the voter information guide. This is the proper location for such information, as it provides space for context and a thorough explanation.

Requiring inaccurate information on the ballot label is misleading and confusing to voters, ultimately causing many to oppose a measure they may have otherwise supported.

Questions:

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