

ALLOWS LOCAL BONDS FOR AFFORDABLE HOUSING AND PUBLIC INFRASTRUCTURE WITH 55% VOTER APPROVAL. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 94 and the Secretary of State's website at voterguide.sos.ca.gov.

- Allows local bonds for affordable housing for low- and middle-income Californians, or for public infrastructure including roads, water, and fire protection to be approved by 55% of voters, rather than current two-thirds approval requirement.
- Bonds must include specified accountability requirements, including citizens oversight committee and annual independent financial and performance audits.
- Allows local governments to assess property taxes above 1% to repay affordable housing and infrastructure

bonds if approved by 55% of voters instead of current two-thirds approval requirement.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased local borrowing to fund affordable housing, supportive housing, and public infrastructure. The amount of increased borrowing would depend on decisions by local governments and voters. Borrowed funds would be repaid with higher property taxes.

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 1 (PROPOSITION 5) (CHAPTER 173, STATUTES OF 2023)

Senate:	Ayes 29	Noes 10
Assembly:	Ayes 55	Noes 12

FINAL VOTES CAST BY THE LEGISLATURE ON ACA 10 (PROPOSITION 5) (CHAPTER 134, STATUTES OF 2024)

Senate:	Ayes 31	Noes 8
Assembly:	Ayes 54	Noes 8

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Housing Is Expensive in California. A typical California home currently costs around twice the national average. Similarly, renters in California typically pay about 50 percent more for housing than renters in other states.

Local Programs Help Pay for Housing. Some programs help low-income Californians afford housing. For example, governments help pay for housing reserved for low-income residents. Other programs provide housing and services to specific groups. Examples of such groups

include people with disabilities or those at risk of chronic homelessness. We refer to affordable and supportive housing programs as "housing assistance."

Local Governments Also Pay for Public Infrastructure. Examples of infrastructure projects paid for by local governments include roads, hospitals, fire stations, libraries, and water treatment facilities.

Local Governments Often Use Bonds to Pay for Housing Assistance Programs and Public

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Infrastructure. Bonds are a way for local governments to borrow money and then repay it plus interest over time. Similar to the way a family pays off a mortgage on their home, bonds allow governments to spread costs over a few decades.

Certain Bonds Require Two-Thirds Approval of Local Voters. For cities, counties, and special districts, bonds paid for by increased property taxes typically require two-thirds of local voters to approve them. These are called general obligation bonds.

PROPOSAL

Proposition 5 changes the rules in the California Constitution for approving certain local government general obligation bonds. It also requires local governments to monitor the use of revenues in specific ways.

Lowers Voter Approval Requirement for Certain Bonds. Proposition 5 lowers the voting requirement needed to approve local general obligation bonds if they would fund housing assistance or public infrastructure. Specifically, Proposition 5 lowers the voter approval requirement from two-thirds to 55 percent.

Requires Specific Oversight Activities. Proposition 5 requires local governments to take specific steps to monitor the use of bond funds supporting housing assistance and public infrastructure. For example, local governments would need to conduct annual independent financial and performance audits. Citizens' oversight committees also would be appointed to help supervise spending.

FISCAL EFFECTS

Certain Local Bonds More Likely to Pass. A lower voter approval requirement would make it easier to pass local general obligation bonds for housing assistance and public infrastructure. Recent local election results suggest that an additional 20 percent to 50 percent of local bond measures would have passed under Proposition 5's lower voter approval requirement. Those measures would have raised a couple billion dollars over many years. A lower voter approval requirement also could mean local governments propose more measures.

Increased Local Funding for Housing Assistance and Public Infrastructure. An increase in the approval of local bonds could increase funding available for housing assistance and public infrastructure. The amount of this increase is not clear. Based on recent trends, it could be at least a couple billion dollars over many years. The amount of the increase would vary across local governments. If local voters approve more bonds, local governments also would have more borrowing costs. These costs would be paid with higher property taxes. Ultimately, any future bond approval would depend on decisions by local governments and voters.

Visit sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2024-ballot-measure-contribution-totals for a list of committees primarily formed to support or oppose this measure.

Visit fppc.ca.gov/transparency/top-contributors.html to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 5 ★

VOTE YES ON PROP. 5

Prop. 5 gives local voters more control over funding for affordable housing and vital infrastructure projects including roads, bridges, local fire protection and water systems. Without raising taxes, Prop. 5 shifts local public policy decisions and spending priorities away from state government, giving local voters and taxpayers more tools, more power, and greater autonomy to address those issues in their own communities.

PROP. 5: AFFORDABLE HOUSING FOR LOW- AND MIDDLE-INCOME CALIFORNIANS

We have a massive shortage of affordable housing for low- and middle-income Californians. The high cost of housing consumes too much of our paychecks, and many middle-class families are being pushed out of the communities where they work and where their children go to school.

Prop. 5 gives local communities more tools to make housing more affordable, including: • Providing first-time homebuyers' programs; • Building new housing, including affordable for-sale ownership and rental housing, for low- and middle-income Californians, seniors, veterans, and homeless families; and • Renovating and repairing existing affordable housing.

PROP. 5: LOCAL PROJECTS SUPPORTING NEW HOUSING AND SAFE COMMUNITIES

In addition to affordable housing, Prop. 5 makes it easier for local voters who choose to invest in safety repairs and improvements to bridges, roads, public transportation, water systems, and other critical public infrastructure as they see fit. Local voters can also approve bonds for emergency preparedness, including local fire stations and engines, ambulances, and early-warning systems for natural disasters. Prop. 5 trusts local voters to prioritize what's most important in their communities.

PROP. 5: LOCAL CONTROL. INCREASED ACCOUNTABILITY

Prop. 5 does not raise taxes. It simply gives voters more

power to address the unique needs of their communities without relying on the state, which has not met the challenges facing most California families.

But with increased control, comes increased accountability, transparency, and oversight to ensure that these programs truly deliver results. To increase protection of local tax dollars, qualifying bond measures have strict accountability requirements including: • A clear list of the specific types of projects to be funded. • All funding must be spent to benefit the jurisdiction that approves the bonds, ensuring that local taxpayers benefit. • Caps on administrative costs so resources are used for the projects local taxpayers voted for. • Independent performance and financial audits of spending must be posted publicly and reviewed by the State Auditor. • Strict conflict of interest checks for local officials. • Oversight by an independent citizens committee.

For years, local voters have known what challenges their communities face, and how best to address those issues. Voting Yes on Prop. 5 empowers local voters to make decisions about what their communities need, and makes it easier to solve those local problems, with less reliance on state government which has proven to be too slow and unable to address the critical needs of our individual communities.

Prop. 5 trusts local voters to know what's best for their own communities when faced with affordable housing shortages and other infrastructure challenges, and gives them the tools to invest in their own local solutions.

Vote Yes on Prop. 5.

Brian K. Rice, President
California Professional Firefighters

Christopher Carson, President
League of Women Voters of California

Leah Miller, Chairperson
Habitat for Humanity California

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 5 ★

NO ON PROP. 5: MORE GOVERNMENT DEBT AND HIGHER PROPERTY TAXES

Politicians claim they need Prop. 5 to make it easier to pass bonds, but they don't tell you bonds are not free. Bonds are debt. A \$20 billion bond costs \$30 billion to repay—and it's paid off with *higher property taxes*.

NO ON PROP. 5: A TRICK TO USE TAXPAYERS AS A CREDIT CARD

The politicians in Sacramento turned a \$100 billion surplus into a \$73 billion deficit in just two years. Now, they want to use local taxpayers as a credit card to keep spending. They want you to pay for affordable housing and other "infrastructure" projects with higher property taxes.

NO ON PROP. 5: LOOPHOLES THAT GO BEYOND "INFRASTRUCTURE"

Politicians say Prop. 5 will build "infrastructure," but the fine print defines "infrastructure" so broadly that it can include just about anything they want to fund on the backs of local taxpayers.

NO ON PROP. 5: MORE WASTEFUL SPENDING

Politicians say Prop. 5 is needed to build "affordable" housing, but they don't tell you their version of affordable housing costs as much as \$1 million per unit and comes with expensive state mandates.

NO ON PROP. 5: HIGHER TAXES, HIGHER RENTS, HIGHER PRICES

Since 1879, California has required a 2/3 majority approval to approve most bonds. Prop. 5 reduces that threshold—meaning more debt and higher property taxes for homeowners, higher rents for renters, higher costs to farmers, and higher prices for everything we buy and use. Don't trust the politicians. Vote NO on Prop. 5.

Jon Coupal, President
Howard Jarvis Taxpayers Association

Rev. Dwight E. Williams, Chairman
California Senior Alliance

Greg Van Dyke, President
California Consumer Advocates for Affordability and Safety

★ ARGUMENT AGAINST PROPOSITION 5 ★

NO ON PROP. 5: WRITTEN BY POLITICIANS TO INCREASE DEBT AND RAISE TAXES

Prop. 5 changes the constitutional requirements that have existed for 145 years by reducing the voter approval requirements to pass bonds. Prop. 5 makes it easier for cities, counties, and special districts to increase property taxes to pay for our already massive debt levels in California. Increased debt, combined with skyrocketing interest rates, means HIGHER PROPERTY TAXES ultimately paid for by every Californian.

NO ON PROP. 5: EVEN MORE UNSUSTAINABLE DEBT

California already has more debt than any other state, with more than \$500 billion in state and local debt. When this debt is added to the state's total unfunded liabilities, it totals a staggering \$1.6 TRILLION. Prop. 5 puts taxpayers on the hook for even more—saddling future generations with the bill!

NO ON PROP. 5: HIGHER TAXES, HIGHER RENTS, HIGHER PRICES

Bonds are not free money. Like a loan, mortgage, or credit card debt, bonds have to be paid back—with interest. Interest charges turn a \$20 billion bond into a \$30 billion tax after principal and interest—and TAXPAYERS PAY those costs through higher property taxes.

Higher property taxes mean higher house payments for homeowners, higher rents for renters, higher costs to farmers, and higher prices for everything we buy since local businesses will have to pass their higher property taxes on to consumers.

NO ON PROP. 5: SHIFTS STATE BURDEN TO LOCAL TAXPAYERS

The politicians in Sacramento have made a mess with their financial mismanagement and wasteful spending, turning a \$100 billion surplus into a \$73 billion deficit with unsustainable spending. Prop. 5 allows politicians to cover up their mess by shifting the costs for state programs to local

taxpayers. And Prop. 5 was written to define “infrastructure” so broadly that it can include just about anything the politicians and special interests want to fund on the backs of taxpayers.

PROP. 5: BEWARE THE FINE PRINT

The politicians who wrote Prop. 5 even snuck in a provision buried in the fine print that would make it RETROACTIVE—meaning that any bond passed this November would only need a lower vote total to pass. Normally, when voters approve a measure on the ballot, it doesn't go into law until after the election results are certified. By making Prop. 5 retroactive, they hope to saddle taxpayers with billions in new taxes and debt immediately. That means taxpayers could see their property taxes skyrocket right away.

NO ON PROP. 5: IT WILL MAKE EVERYTHING MORE EXPENSIVE

Californians already struggle with the highest cost of living in the nation. We already pay the highest income, sales, and gas taxes in the country, and Prop. 5 will lead to even higher property taxes and higher costs for everyone. Homeowners will be hit with higher taxes, renters with higher rent, and consumers with higher prices on everything from food to gas and utilities to services.

PROP. 5 will make everything more expensive when Californians can least afford it.

NO on PROP. 5.

Robert Gutierrez, President
California Taxpayers Association

Julian Canete, President
California Hispanic Chambers of Commerce

Kendra Moss, Advisory Member
Women Veterans Alliance

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★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 5 ★

YES ON PROP. 5 DOES NOT RAISE TAXES: Prop. 5 simply shifts local public policy decisions and spending priorities away from state government, giving local voters and taxpayers more tools and greater autonomy to address issues in their own communities. Unlike statewide bond measures, Prop. 5 requires that projects funded by local taxpayers must benefit local taxpayers, and gives more power to those communities that choose to use Prop. 5 to solve real problems.

PROP. 5 IS NOT A BOND OR A TAX: Prop. 5 finally gives local communities the choice to address critical infrastructure needs if supported by a super-majority of local voters.

Whether it's making it easier for first-time homebuyers, seniors, veterans, and working families to afford housing, or fixing the local roads and bridges that families depend upon for safe travel to and from work and school, Prop. 5 empowers local voters to solve local problems.

PROP. 5 REQUIRES INCREASED ACCOUNTABILITY: For those communities that choose to utilize Prop. 5, strict

taxpayer protections will be mandatory, including: • A list of projects to be funded. • Caps on administrative costs and strict conflict of interest rules. • Independent audits made public, and a trained local citizens oversight committee.

VOTE YES ON PROP. 5: Voters have always known what challenges their communities face and how best to address important issues including housing affordability, water systems, road repair, fire stations, and other critical infrastructure needs. Prop. 5 will empower local voters with the choice and the tools to solve those challenges.

Daniel Parra, President
League of California Cities

John Valencia, President
Middle Class Taxpayers Association

Michelle Gutierrez Vo, President
California Nurses Association