CSAC EXECUTIVE COMMITTEE

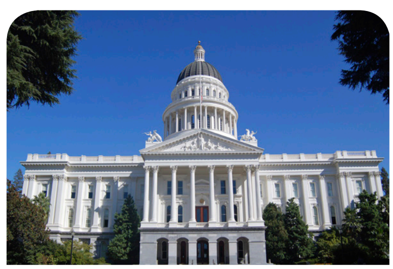
BRIEFING MATERIALS

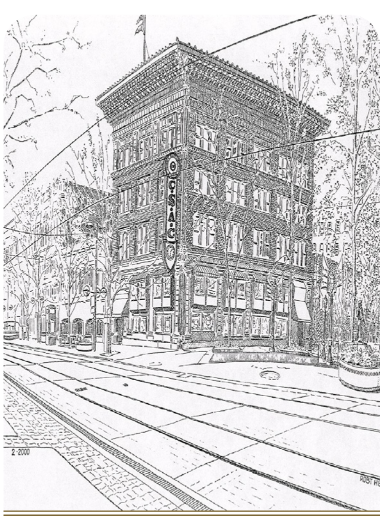
Wednesday, May 2, 2018

9:00 a.m - 10:00 a.m









Conference Call:

1(800) 867-2581 code: 7500508#

California State

Association of Counties

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
Wednesday, May 2, 2018
9:00am – 10:00am
Conference Call – (800) 867-2581 code: 7500508#

A G E N D A

Presiding: Leticia Perez, President

9:00am ***PROCEDURAL ITEMS***

1. Roll Call — Page 1

2. Approval of Minutes of April 5, 2018 — Page 2

9:10am ***ACTION ITEMS***

3. Consideration of June/November 2018 Ballot Initiatives
   - *Darby Kernan & CSAC Advocacy staff*

❖ People's Initiative to Protect Proposition 13 Savings — Page 3

❖ Tax Fairness, Transparency and Accountability Act of 2018 — Page 12
Proponent: Eric Miethke, Capitol Law and Policy Inc.
Opponent: Dan Carrigg and Bismarck Obando, League of California Cities

❖ Proposition 68: Parks, Environment and Water Bond — Page 20
Proponent: Ann Newton, Proposition 68 Coalition
Opponent: David Wolfe, Howard Jarvis Taxpayers Association (invited)

❖ SB 3: Veterans and Affordable Housing Bond Act of 2018 — Page 30
Proponent: David Koenig, California Housing Consortium (invited)
Opponent: David Wolfe, Howard Jarvis Taxpayers Association (invited)

4. Other Items

10:00am ***ADJOURN***

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
2018

President:	Leticia Perez, Kern
1st Vice President:	Virginia Bass, Humboldt
2nd Vice President:	Lisa Bartlett, Orange
Immed. Past President:	Keith Carson, Alameda

<u>Urban Section</u>
Scott Haggerty, Alameda
Buddy Mendes, Fresno
Mark Ridley-Thomas, Los Angeles
James Ramos, San Bernardino
Carole Groom, San Mateo
Kelly Long, Ventura
Chuck Washington, Riverside (alternate)

<u>Suburban Section</u>
Bruce McPherson, Santa Cruz
Leonard Moty, Shasta
Steve Worthley, Tulare
James Gore, Sonoma (alternate)

<u>Rural Section</u>
Ed Scofield, Nevada
Lee Adams, Sierra
vacant (alternate)

<u>Ex Officio Member</u>
Ed Valenzuela, Siskiyou, Treasurer

<u>Advisors</u>
Bruce Goldstein, County Counsels Association President, Sonoma
Larry Lees, California Association of County Executives (CACE) President, Shasta

As of 12/18/17

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
April 5, 2018
Capitol Event Center, Sacramento

M I N U T E S

1. Roll Call

Leticia Perez, President
Virginia Bass, 1st Vice Pres.
Lisa Bartlett, 2nd Vice Pres.
Keith Carson, Immed. Past Pres.
Scott Haggerty, Alameda
Carole Groom, San Mateo
Kelly Long, Ventura
Chuck Washington, Riverside, alternate
Bruce McPherson, Santa Cruz
Leonard Moty, Shasta
Steve Worthley, Tulare
James Gore, Sonoma, alternate
Ed Scofield, Nevada
Lee Adams, Sierra
Bruce Goldstein, Co. Counsel Advisor

2. Approval of Minutes

The minutes of January 18, 2018 were corrected to reflect that Supervisor Moty was reappointed to the CSAC Finance Corporation Board as a *member*, not as *president*.

Motion and second to approve the minutes of January 18, 2018 as corrected. Motion carried unanimously.

3. Consideration of CSAC Budget for FY 2018-19

Staff outlined the proposed CSAC Budget for FY 2018-19, as contained in the briefing materials. Highlights of the proposed budget include: no dues increase; Corporate Partners program revenue of $525,000; salaries and benefits reflect increased retirement contribution rates and modest benefit cost increases; establishes professional development initiatives; funds a new internship program; increases the contribution to the California Counties Foundation; CSAC reserves of $5.1m; and Capital Improvement Fund of $750,000.

Motion and second to approve the CSAC Budget as presented. Motion carried unanimously.

Meeting adjourned to closed session.

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May 2, 2018

To: Members, CSAC Executive Committee

From: Dorothy Johnson, CSAC Legislative Representative
Tracy Sullivan, CSAC Legislative Analyst

Re: 2018 Ballot Initiative: People's Initiative to Protect Proposition 13 Savings – ACTION ITEM

Recommendation. The Government Finance and Administration Policy Committee recommends the Executive Committee forward an "oppose" position to the Board of Directors in light of the fiscal impacts on counties and erosion of local control.

Summary.
The California Association of Realtors (CAR) is the lead proponent on an initiative that seeks to change the current parameters for base year value transfers by expanding the program in several ways. For counties, this could dramatically change residential property reassessments, creating annual revenue losses in the tens of millions for counties alone, with losses growing to exceed $1 billion for local governments statewide.

Background.
Current Law
Under current law, base year transfers allow a homeowner to continue paying property taxes at the amount of their previous home and prevent the reassessment of their newly purchased or constructed home to full market value. They are able to their use their prior home's Proposition 13 (1978) protected assessed value when purchasing a home of equal or lesser value. This privilege is currently granted to homeowners 55 years of age and older and also homeowners with a severe, permanent disability (regardless of age), as long as certain specifications are met related to date of purchase, place of primary residence, and other conditions.

Both properties must be located within the same county unless the county where the homeowner seeks to purchase their new residence has adopted an ordinance allowing intercounty transfers. Currently, 11 counties (Alameda, El Dorado, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne, and Ventura) allow intercounty transfers pursuant to resolutions adopted by the Board of Supervisors in those counties. A homeowner can transfer their assessed value only once in their lifetime.[1]

The program parameters were created through Proposition 60 (1986; established program), Proposition 90 (1988; permitted intercounty transfers with local approval), and Proposition 110 (1990; extended authority to homeowners with a severe, permanent disability).

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[1] The only exception is when a person becomes disabled after receiving the tax relief for age; they may transfer the base year value a second time if disability.

How it Works
Generally, a home's value is established when it is purchased, constructed or undergoes a change in ownership under Proposition 13. Proposition 13 also offers that the maximum amount of any *ad valorem* tax on real property may not exceed 1% of the property's full cash value, as adjusted for inflation or 2% per year, whichever is lower. As a result, a homeowner who holds on to his or her home for a long period of time has a much lower property tax bill than someone who just recently purchased or built their home, even if the fair market values of both homes are similar. The base year value transfer allows the homeowner to continue paying property taxes at the amount of the previous residence and not the fair market value of the new residence.

Ballot Initiative Proposal vs. Current Law
The proposed initiative expands base year value transfers for homeowners 55 years and older and/or severely disabled as follows:

	Homeowner Eligibility	**Residential Property Eligibility**	**Frequency**	**County to County Transfer**
Current Law	Restricted to homeowners 55+ or severely disabled	Restricted to replacement properties of equal or lesser value	A once in a lifetime	Only if approved by Board of Supervisors
Proposed Initiative	Same	No value limit on replacement properties	Unlimited Transfer Opportunities	Permitted anywhere in the state, between any counties

Under the proposed initiative, if the new and old homes share the same market value, the assessed value of the new home would be the assessed value of the prior home. If the market value of the new home is <u>higher</u> than the prior home, the assessed value of the prior home would be adjusted upward. This adjusted value would be greater than the prior home's assessed value but less than the new home's market value. Conversely, if the market value of the new home is less than the prior home, the assessed value of the prior home would be adjusted downward. The Legislative Analyst's Office offers the following example to demonstrate the loss of property tax revenue based on adjusted assessments.

> *A couple has lived in their suburban home for 30 years. The home's assessed value is $75,000 and could be sold for $600,000. They are looking at two options:*
>
> *Beach Home. The couple could buy a beach home for $700,000. Under the measure, the assessed value of the beach home would be $175,000: $75,000 (assessed value of their prior home) plus $100,000 ($700,000 [the new home's market value] minus $600,000 [the prior home's market value]).*
>
> *Small Downtown Condo. The couple also could buy a downtown condo for*

$500,000. Under the measure, the assessed value of the condo would be $62,500: $75,000 (assessed value of their prior home) multiplied by 0.8 ($500,000 [the new home's market value] divided by $600,000 [the prior home's market value]).

Fiscal Impact
The Legislative Analyst's Office (LAO) estimates the resulting property tax losses would total hundreds of millions of dollars per year, with schools and other local governments (cities, counties, and special districts) losing $150 million annually statewide. Over time, the losses would grow as established base year values move to additional properties, creating abnormally low tax bills based on prior assessment transfers. The LAO estimates property tax losses would total between $1 billion to a few billion dollars per year (in today's dollars), with schools and other local governments each losing $1 billion or more annually statewide.

CAR contends this estimate is inaccurate because it does not take into account the reassessment of the residence being sold and the uptick in home sales from seniors and those with a disability being able to carry forward their property tax base. The former property would be reassessed under normal practices and could arguably create greater property tax revenue than received under the long-time homeowner (unless it is being purchased by another individual who is eligible to use the base year value transfer program).

Policy Considerations.
The California County Platform, CSAC's adopted statement of the basic policies of concern and interest to California's counties, speaks directly against the changes presented by this initiative.

> "Property Tax Revenue: Counties oppose erosion of the property tax base through unreimbursed exemptions to property taxes. The state should recognize that property tax revenues are a significant source of county discretionary funds. Any subventions to counties that are based upon property tax losses through state action should be adjusted for inflation annually." – Chapter 9, Financing County Services

CSAC has a well-established position to oppose the expansion of base year value transfers due to the fiscal impact on property taxes, an important discretionary revenue base that makes up approximately 20% of county revenue. The CAR legislative advocates have introduced three separate bills and corresponding constitutional amendments (see list below), all which failed, in the last three legislative sessions seeking to expand the program in a variety of ways including intercounty transfer authority statewide outside of Board of Supervisor approval and to homes of greater value, in addition to equal or lesser value.

The proponents argue that homeowners are being trapped in their existing homes because seniors and those with a disability, presumably those on a fixed income, cannot afford a higher property tax bill associated with a new home purchase. At the same time, a large stock of homes suitable for first-time homeowners is unavailable. Allowing homes of greater value to be part of the program and transferring property tax bills across county lines ensure individuals can find a home that better meets their needs.

CSAC's historic opposition is based on the loss of revenue and loss of Board of Supervisors' authority to make decisions impacting their county.

Legislative Attempts to Expand the Base Year Value Program
SB 378 (Beall) & SCA 9 (Beall) – 2015, Held in Senate Appropriations Committee: Would have allowed base year value transfers to properties of greater value than the current home, as well as equal or lesser value for seniors and those with a disability.

> CSAC Position: Oppose Unless Amended to make it optional for counties (similar to Prop 90) and to have the state backfill local government property tax losses. This stance was taken due to the tremendous loss of general purpose revenue for local agencies that would result. Link to the CSAC Letter.

AB 2668 (Mullin) & ACA 12 (Mullin) – 2016, Held in Assembly Appropriations Committee: Would have allowed base year value transfers to properties of equal or greater value for seniors and those with a disability.

> CSAC Position: Oppose Unless Amended to make it optional for counties (similar to Prop 90) and to have the state backfill local government property tax losses. This stance was taken due to the tremendous loss of general purpose revenue for local agencies that would result. Link to the CSAC Letter.

AB 1322 (Bocanegra) & ACA 7 (Bocanegra) – 2017, Held in Assembly Appropriations Committee: Would authorize intercounty base year values, regardless of whether the local board of supervisors has adopted an ordinance to deny or permit such transfers

> CSAC Position: Oppose based on the fact that not only would general purpose revenues take a significant hit, but also because the measure would erode the local decision making process set in place by Prop 90. Link to CSAC Letter.

CSAC Ballot Initiative Review Process. In most instances, CSAC will only take a position on a relevant ballot measures after it qualifies for a scheduled election. However, in the event of an initiative having a direct impact on counties, earlier action may be taken.

Following referral by the CSAC Officers, the GF&A Policy Committee may recommend a position, including "No Position." The recommendation will be forwarded to the CSAC Executive Committee to be acted upon and, if the motion is approved, then it will be forwarded to the CSAC Board of Directors for action before the November 2018 statewide election.

If "No Position" is recommended by the Committee, it will be forwarded to the Executive Committee as an informational item only. This will be subsequently forwarded to the Board of Directors as an informational item, unless the Executive Committee votes to take a "Support" or "Oppose" position.

Staff Contact. Please contact Dorothy Johnson at (916) 327-7500 Ext. 515 or djohnson@counties.org or Tracy Sullivan at (916) 327-7500 Ext 525 or tsullivan@counties.org.

Resource.

1) Full Text of Ballot Initiative

September 8, 2017

Hon. Xavier Becerra
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional and statutory initiative (A.G. File No. 17-0013, Amdt. #1) related to property tax assessment.

Background

Local Governments Levy Taxes on Property Owners. Local governments—cities, counties, schools, and special districts—in California levy property taxes on property owners based on the value of their property. Property taxes are a major revenue source for local governments, raising nearly $60 billion annually. Although the state receives no property tax revenue, property tax collections affect the state's budget. This is because state law guarantees schools and community colleges (schools) a minimum amount of funding each year through a combination of property taxes and state funds. If property taxes received by schools decrease (increase), state funding generally must increase (decrease).

Property Taxes Are Based on a Home's Purchase Price. Each property owner's annual property tax bill is equal to the taxable value of their property—or assessed value—multiplied by their property tax rate. Property tax rates are capped at 1 percent plus smaller voter-approved rates to finance local infrastructure. A property's assessed value is based on its purchase price. In the year a property is purchased, it is taxed at its purchase price. Each year thereafter, the property's taxable value increases by 2 percent or the rate of inflation, whichever is lower. This process continues until the property is sold and again is taxed at its purchase price.

Movers Often Face Increased Property Tax Bills. An existing homeowner often faces a higher property tax bill when she purchases a new home. Most homeowners who have lived in their homes for a few years or more pay taxes based on assessed values that are less than their homes' market values—what the homes could be sold for. This difference typically widens the longer a home is owned. This is because in most years the market value of most properties grows faster than 2 percent. When an existing homeowner purchases a new home, however, his or her assessed value is set to the market value of the new home. If the new home's market value is similar to or greater than the prior home, the new home's assessed value is likely to exceed the old home's assessed value. Even when the new home's market value is lower, the new home's assessed value can be higher than the prior home's if the prior home had been lived in for many years. A higher assessed value, in turn, leads to higher property tax payments for the home buyer.

Special Rules for Older Homeowners. While most homeowners face higher property taxes when buying a new home, in certain cases special rules apply to homeowners 55 and older. When moving within the same county, a homeowner who is 55 or older can transfer the assessed value of their existing home to a new home if the market value of the new home is equal to or less than their existing home. Further, counties may choose to allow homeowners 55 and older to transfer their assessed values from homes in different counties to new homes in their county. A county board of supervisors can permit such transfers by adopting a local ordinance. Currently, 11 counties (Alameda, El Dorado, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Tuolumne, and Ventura) allow these transfers. Whether within a county or across counties, a homeowner can transfer their assessed value only once in their lifetime.

Potential of Higher Property Taxes May Discourage Some Movers. Some research suggests that potential movers may be discouraged by the possibility of paying more property taxes. For example, homeowners 55 and older appear more likely to move in response to special rules allowing them to transfer their existing assessed value to a new home. California homeowners who were 55 years old were around 20 percent more likely to move in 2014 than 54 year old homeowners. This suggests that some homeowners who were interested in moving delayed doing so to avoid paying higher property taxes.

Other Taxes on Home Purchases. Cities and counties impose taxes on the transfer of homes and other real estate. These transfer taxes are based on the value of the property being transferred. Transfer taxes are equal to $1.10 per $1,000 of property value in most locations, but exceed $20 per $1,000 of property in some cities. Statewide, transfer taxes raise around $1.1 billion for cities and counties.

Counties Administer the Property Tax. County assessors determine the taxable value of property, county tax collectors bill property owners, and county auditors distribute the revenue among local governments. Statewide, county spending for assessors' offices totals around $550 million each year. County costs for property tax collectors and auditors are unknown but much smaller.

Proposal

Expands Special Rules for Older Homeowners. The measure expands the special rules applied to existing homeowners 55 and older who buy a new home. Under the measure, the assessed value of any home purchase by an existing homeowner 55 and older—including those moving across counties or to more expensive homes—would be tied to the assessed value of the buyer's prior home. If the new and old home have the *same* market value, the assessed value of the new home would be the assessed value of the prior home. If the market value of the new home is *higher than* the prior home, the assessed value of the prior home would be adjusted upward. This adjusted value would be greater than the prior home's assessed value but less than the new home's market value. Conversely, if the market value of the new home is *less than* the prior home, the assessed value of the prior home would be adjusted downward. The measure specifies a formula to be used to make these upward and downward adjustments. There also would be no limit on the number of moves by an individual homeowner. These changes would take effect January 1, 2019.

Examples. To see how the measure's formulas work, consider the options of a recently retired couple who is looking to move. The couple has lived in their suburban home for 30 years. The home's assessed value is $75,000 and could be sold for $600,000. They are looking at two options:

- ***Beach Home.*** The couple could buy a beach home for $700,000. Under the measure, the assessed value of the beach home would be $175,000: $75,000 (assessed value of their prior home) plus $100,000 ($700,000 [the new home's market value] minus $600,000 [the prior home's market value]).

- ***Small Downtown Condo.*** The couple also could buy a downtown condo for $500,000. Under the measure, the assessed value of the condo would be $62,500: $75,000 (assessed value of their prior home) multiplied by 0.8 ($500,000 [the new home's market value] divided by $600,000 [the prior home's market value]).

Fiscal Effect

Effects on Real Estate Markets. The measure would have a variety of effects on real estate markets throughout California. Most notably, the measure likely would change the number of homes bought and sold each year and the prices of those homes.

Increase Home Sales. Because the measure further reduces the property tax increases faced by older homeowners who purchase a new home, it likely would encourage more older homeowners to sell their existing homes and buy other homes. In recent years, between 350,000 and 450,000 homes have sold each year in California. Under the measure, home sales could increase by as much as tens of thousands per year.

Unclear Effect on Home Prices. The measure would increase the number of home buyers and sellers, as well as change how much home buyers are willing to pay for a home. The net effect of these changes on home prices is unclear.

Reduced Property Tax Revenues to Local Governments. By further reducing the increase in property taxes that typically accompanies home purchases by older homeowners, the measure would reduce property tax revenues for local governments. Additional property taxes created by an increase in home sales would partially offset these losses, but on net property taxes would decrease. In the first few years, property tax losses would be a few hundred million dollars per year, with schools and other local governments (cities, counties, and special districts) each losing around $150 million annually. Over time these losses would grow, likely reaching between $1 billion to a few billion dollars per year (in today's dollars) in the long term, with schools and other local governments each losing $1 billion or more annually.

More State Spending for Schools. Most schools' property tax losses would be offset by increased state funding. In the short term, annual state costs for schools would increase by around $150 million. In the long term, annual state costs for schools would grow by $1 billion or more (in today's dollars).

Increase in Property Transfer Taxes. As the measure likely would increase home sales, it also would increase property transfer taxes collected by cities and counties. This revenue increase likely would be in the tens of millions of dollars per year.

Higher Administrative Costs for Counties. The measure would require county assessors to make process, staffing, and information technology changes. These changes likely would result in one-time costs in the millions of dollars or more, with somewhat smaller ongoing cost increases.

Summary of Fiscal Effects.

- Annual property tax losses for cities, counties, and special districts of around $150 million in the near term, growing over time to $1 billion or more per year (in today's dollars).
- Annual property tax losses for schools of around $150 million per year in the near term, growing over time to $1 billion or more per year (in today's dollars). Increase in state costs for schools of an equivalent amount in most years.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance

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May 2, 2018

To: Members, CSAC Executive Committee

From: Dorothy Johnson, CSAC Legislative Representative
Tracy Sullivan, CSAC Legislative Analyst

Re: **2018 Ballot Initiative: The Tax Fairness, Transparency and Accountability Act of 2018 – ACTION ITEM**

Recommendation. The Government Finance and Administration Policy Committee recommends the Executive Committee forward an "oppose" position to the Board of Directors in light of the fiscal impacts on counties.

Summary.
The California Business Roundtable (CBR) is the lead proponent of the "Tax Fairness, Transparency and Accountability Act of 2018" initiative that seeks to inhibit the ability of local governments to generate new revenues through taxes and fees. It does so by amending both Proposition 26 and Proposition 218 and requiring supermajority voter approval on any new fee or tax, or the extension of an existing tax, applicable to any tax or fee in place after in January 1, 2018. It also requires two-thirds approval by the local legislative body to place a tax or fee before voters. The stated need is to address recent court decisions that created loopholes in tax and fee approval requirements by local government and their voting bodies.

Background.
Current Law
Proposition 218 (1996) requires local governments to submit to the voters any ordinance to impose taxes or property-related assessments, charges and fees for their approval. It established the vote thresholds for general taxes (majority vote) and for special taxes, i.e. taxes for a specific purpose (two-thirds, or supermajority vote), and requires general tax measures to be placed on regularly scheduled election ballots.

Proposition 26 (2010) amended the California Constitution to define what constitutes a local tax. It provided that "tax" means "any levy, charge, or exaction of any kind imposed by a local government…" This broad definition was accompanied by seven exceptions, also within Prop. 26, that covered most fees or charges that a local agency may want to impose and allows that imposition via unilateral action of the governing body without requiring voter approval.

Changes under Ballot Initiative
The ballot initiative would for local governments (cities, counties, special districts, and school districts):

1) Require two-thirds voter approval for any local tax or fee increase (specific or general) as well as two-thirds approval by the local legislative body to place a tax on the ballot.

2) Require two-thirds voter approval to extend an existing tax to a new territory, new class of pay or expanded base.

3) Expand the definition of a tax to include payments voluntarily made for benefits received (such as local franchise fees).

4) Require any tax placed on the ballot to detail how the revenues will be spent. Any changes to how the revenue is spent requires reapproval or states amount to be used for unrestricted purposes.

5) Require tax measures to be placed on general election ballots.

6) Require any initiative-based tax or fee proposal to be approved with two-thirds vote

7) Clarify a levy or charge payable to a non-governmental entity is a tax if the local government places any restrictions in use of proceeds

8) Require any fee to reflect “actual” instead of “reasonable” costs

9) Increase the legal burden of proof that a fee is not a tax, the amount of the fee is not more than the actual cost of service provided and the revenue from the fee is not being used for other purposes.

10) Apply these restrictions retroactively beginning January 1, 2018.

The ballot initiative would for the State:

1) Require that regulations containing increased taxes or fees would not take effect unless the Legislature passes a law approving the regulation.

2) Require if the regulation contains a tax, the bill allowing the regulation to remain in place must be passed by a two-thirds majority of both houses of the Legislature. (These provisions are not retroactive).

3) Increase the legal burden of proof that a fee is not a tax, the amount of the fee is not more than the actual cost of service provided and the revenue from the fee is not being used for other purposes.

Fiscal Impact
The Legislative Analysts’ Office (LAO) was unable to provide a cost estimate for state or local government revenue impacts. However, they offer that by expanding the definition of taxes and increasing vote thresholds for certain taxes and fees, the measure makes it harder for the State, local governments, and initiative proponents to increase local revenues. The amount of reduced local government revenues would also depend on various factors, including the extent to which local governments would substitute developer fees and other majority-vote revenue sources for the revenue sources subject to a higher vote threshold under the measure. Roughly half of recently enacted sales, business, hotel, and utility general tax measures would have failed if the measure’s

increased vote threshold requirements were in effect, suggesting that the reduction in local tax revenue could be substantial.

Policy Considerations.
Existing CSAC Policy
The California County Platform, CSAC's adopted statement of the basic policies of concern and interest to California's counties, speaks extensively in specific and general terms against the changes presented by this initiative. This includes the following:

> "The three major planks of the Platform are: 1) to allow county government the fiscal resources that enable it to meet its obligations; 2) to permit county government the flexibility to provide services and facilities in a manner that resolves the day-to-day problems communities face; and 3) to grant county government the ability to tailor the levels of local revenues and services to citizens' satisfaction."— Chapter 1, General Provisions

> "Local Authority: Counties should be granted enhanced local revenue-generating authority to respond to unique circumstances in each county to provide needed infrastructure and county services. Any revenue raising actions that require approval by the electorate should require a simple majority vote." – Chapter 9, Financing County Services

> "…counties should have the ability to adjust all fees, assessments, and charges to cover the full costs of the services they support." – Chapter 9, Financing County Services

Retroactive Application
The retroactive application for any tax or fee established after January 1, 2018, would essentially invalidate any local agency or local voter activity this year and require proposed new or changes taxes or fees to receive two-thirds local legislative body and local voter approval.

Impacts on Emerging Industries and Innovation
While many counties have long established transaction and use taxes and transient occupancy taxes, amongst others, the expansion to a new area would require the heightened super-majority approval. This could have implications for emerging local industries, such as cannabis, or innovative service models, such as AirBnbs.

Increased Pressure on Other Revenue Sources Creates Unintended Consequences
Challenges to establishing new or expanded taxes and fees could put pressure on other local revenue generating sources, as noted by the LAO. This includes developer fees, which could thwart community development efforts and limit economic growth or recovery opportunities.

CSAC Ballot Initiative Review Process. In most instances, CSAC will only take a position on a relevant ballot measures after it qualifies for a scheduled election. However, in the event of an initiative having a direct impact on counties, earlier action may be taken.

Following referral by the CSAC Officers, the GF&A Policy Committee may recommend a position, including "No Position." The recommendation will be forwarded to the CSAC Executive Committee to be acted and, if the motion is approved, then it will be forwarded to the CSAC Board of Directors for action before the November 2018 statewide election.

If "No Position" is recommended by the Committee, it will be forwarded to the Executive Committee as an informational item only. This will be subsequently forwarded to the Board of Directors as an informational item, unless the Executive Committee votes to take a "Support" or "Oppose" position.

Staff Contact. Please contact Dorothy Johnson at (916) 327-7500 Ext. 515 or djohnson@counties.org or Tracy Sullivan at (916) 327-7500 Ext 525 or tsullivan@counties.org.

Resource.

1) Full text of Ballot Initiative

January 11, 2018

Hon. Xavier Becerra
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional initiative concerning state and local government taxes and fees (A.G. File No. 17-0050, Amendment No. 1).

BACKGROUND

State Government

Taxes and Fees. The state levies various taxes to fund over 80 percent of the state budget. The remainder of the budget is funded through various fees and other charges. Examples include: (1) charges for a specific government service or product, such as a driver's license; (2) charges relating to regulatory activities; (3) charges for entering state property, such as a state park; and (4) judicial fines, penalties, and other charges.

Vote Thresholds for Changing State Taxes and Fees. Under the State Constitution, state tax increases require approval by two-thirds of each house of the Legislature. The Legislature needs approval by only a majority of each house in order to levy fees and other charges. Voters, on the other hand, can levy state taxes or fees via initiative by a majority vote of the statewide electorate. The Legislature can reduce or change taxes with a majority vote of each house, provided the change does not increase taxes on any taxpayer. If a bill increases a tax on any taxpayer, the bill requires a two-thirds vote of both houses of the Legislature—even if the bill results in an overall state revenue loss.

Local Governments

Taxes and Fees. The largest local government tax is the property tax, followed by local sales taxes, utility taxes, hotel taxes, and other taxes. In addition to these taxes, local governments levy a variety of fees and other charges. Examples include parking meter fees, building permit fees, regulatory fees, and judicial fines and penalties.

Vote Threshold for Changing Local Taxes and Fees. In order to increase taxes, the State Constitution generally requires that local governments secure a two-thirds vote of their governing body—for example, a city council or county board of supervisors—as well as approval of the electorate in that local jurisdiction. "General taxes"—that is, taxes levied by cities and counties for any purpose—may be approved by a majority vote of the electorate. On the other hand, "special taxes"—that is, any taxes levied by schools or special districts or taxes levied by cities and counties for specified purposes—require a two-thirds vote of the electorate. Citizen initiatives that increase taxes must secure the same vote of the electorate—majority vote for general taxes and two-thirds vote for special taxes—as those placed on the ballot by local governing bodies.

Fee increases, on the other hand, generally may be approved by a majority vote of the local governing body and do not require voter approval. (Exceptions include certain property-related fees which require voter approval.) Citizen initiatives changing fees must be approved by a majority vote of the electorate.

PROPOSAL

This measure amends the State Constitution to change the rules for how the state and local governments can impose taxes, fees, and other charges.

Taxes

Expands Definition of Tax. The measure amends the State Constitution to expand the definition of taxes to include some charges that state and local governments currently treat as nontax levies. As a result, the measure would increase the number of revenue proposals subject to the higher state and local vote requirements for taxes. Specifically, regulatory fees and fees charged for a government service or product would have to more closely approximate the payer's actual costs in order to remain fees. Certain charges retained by or payable to nongovernmental entities would also be considered taxes under the measure. In addition, certain charges imposed for a benefit or privilege granted the payer but not granted to those not charged would no longer be considered fees.

Increases Vote Thresholds for Some Local Taxes. The measure increases the vote thresholds for increasing some local taxes. Specifically, the measure requires that increases in local general taxes be approved by a two-thirds vote of the electorate whether sought by local governments or by citizen initiative. Any local government tax approved between January 1, 2018 and the effective date of this measure would be nullified unless it complies with the measure's new vote threshold and other rules described below.

Allowable Uses of Revenues Must Be Specified in Certain Cases. The measure requires tax measures to include a statement of how the revenues can be spent. If the revenue is to be used for general purposes, the law must state that the revenue can be used for "unrestricted general revenue purposes." These requirements would apply to increases in state and local taxes. In the case of local government taxes, the measure requires that a statement of allowable uses be included in the ballot question presented to voters. Any change to the statement of allowable uses of revenue would have to be passed by (1) a two-thirds majority of both houses of the

Legislature in the case of state taxes, (2) a two-thirds vote of the local governing body and two-thirds vote of the electorate in the case of local government taxes, or (3) a two-thirds vote of the electorate in the case of local citizen initiative taxes.

Local Government Fees

Increases Vote Thresholds for Certain Local Government Fees. The measure requires that increased fees and other charges be approved by either a two-thirds vote of a local governing body in the case of local government fees or a two-thirds vote of the electorate in the case of local citizen initiative fees. The measure also provides that fees and other charges levied by a local governing body may be overturned via referenda. (The measure would not change vote thresholds and rules for developer fees and property assessments imposed on parcels.)

Other Provisions

State Regulations Containing Tax or Charge Must Be Approved by Legislature. Under the measure, state regulations containing increased taxes or fees would not take effect unless the Legislature passes a law approving the regulation. (This requirement would not apply to regulations implementing laws that were already approved by the Legislature.) If the regulation contains a tax, the bill allowing the regulation to remain in place must be passed by a two-thirds majority of both houses of the Legislature. The measure allows emergency regulations to take effect for up to 120 days without approval of the Legislature.

FISCAL EFFECTS

Reduced State Tax Revenue. By increasing the number of revenue measures subject to a two-thirds vote of both houses of the Legislature, the measure makes it harder for the Legislature to increase certain state revenues. The amount of reduced state revenue under the measure would depend on various factors, including future court decisions that could change the number of revenue measures subject to the higher vote requirements. The fiscal effects also would depend on future decisions made by the Legislature. For example, requirements for legislative approval of regulations that increase taxes or fees could result in reduced revenue depending upon future votes of the Legislature. That reduced revenue could be particularly notable for some state programs largely funded by fees. Due to the uncertainty of these factors, we cannot estimate the amount of reduced state revenue but the fiscal effects on state government likely would be minor relative to the size of the state budget.

Reduced Local Government Tax and Fee Revenue. By expanding the definition of taxes and increasing vote thresholds for certain taxes and fees, the measure makes it harder for local governments and initiative proponents to increase local revenues. The amount of reduced local government revenues would also depend on various factors, including the extent to which local governments would substitute developer fees and other majority-vote revenue sources for the revenue sources subject to a higher vote threshold under the measure. Roughly half of recently enacted sales, business, hotel, and utility general tax measures would have failed if the measure's increased vote threshold requirements were in effect, suggesting that the reduction in local tax revenue could be substantial.

Summary of Fiscal Effects

- Likely minor decrease in annual state revenues and potentially substantial decrease in annual local revenues, depending upon future actions of the Legislature, local governing bodies, voters, and the courts.

Sincerely,

Mac Taylor
Legislative Analyst

Michael Cohen
Director of Finance

May 2, 2018

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To: CSAC Executive Committee
From: Cara Martinson, CSAC Senior Legislative Representative & Federal Affairs Manager
Nick Cronenwett, CSAC Legislative Analyst
RE: Proposition 68: Parks, Environment and Water Bond

Recommendation: The Agriculture Environment and Natural Resources Policy Committee took this measure up for action on March 15th, 2018 and **recommended "No Position".** The committee cited lack of adequate funding for counties as a concern. In addition, the Committee compared Prop. 68 to the 2018 Water Supply and Water Quality Bond, an $8 billion bond that is expected to qualify for the November ballot, and generally favored the latter due to a larger allocation of funding for water projects.

Brief: Proposition 68 is a $4 billion parks, environment and water bond that will appear on the June 2018 ballot. The Proposition was put on the ballot by the passage of SB 5 (Chapter 582, 2017). If Proposition 68 is enacted by a majority "yes" vote it would provide significant funding for parks, water and wildlife conservation through the issuance of $4 billion in general obligation bonds. There is significant focus in the proposed allocations of this bond to provide funding to park-poor and disadvantaged communities. The Bond defines "Disadvantaged community" as a community with a median household income less than 80 percent of the statewide average.

This bond includes several allocations that will be of interest to counties including $18 million for improvements to county fairgrounds and $30 million for counties and regional park districts to make park improvements. It also allocates $200 million for a per capita park improvements grant program with 40% of the $200 million made available to counties, regional parks and open space districts. In addition, there is significant funding for water infrastructure improvement projects; providing up to $100 million for stormwater flood protection and $100 million for multi-benefit flood control projects.

Background: SB 5passed both houses of the Legislature on the final day of the legislative session and was signed by Governor Brown on October 15th, 2017. The passage of SB 5 was a top legislative priority of Senate Leader Kevin DeLeon. SB 5 was DeLeon's second bond to come before the voters. Senator DeLeon also authored the last parks and water bond to appear before the voters, Proposition 84 on the 2006 ballot. Proposition 84 passed by 53.9% and authorized $5.4 billion in general obligation bonds to improve parks, protect natural resources, and improve water supply, quality and safety. Despite this investment, the need continues to grow. The California Park & Recreation Society conducted a survey of local and regional park districts to assess unmet need. 45 out of 500 agencies responded and estimated a total unmet need of $1.8 B for local parks. In addition, the Department of Parks and Recreation estimates that there is over $1.2 billion in deferred maintenance cost throughout California's state park system.

Proposition Summary: Proposition 68 includes allocations in four major categories:

- Park improvement –$1.2 billion in proposed allocations
- Flood protection – $550 million in proposed allocations
- Drinking water and groundwater improvements – $1 billion in proposed allocations

- Funding for climate resiliency and state conservancies –$1.3 billion in allocations

Proposition 68 also focuses on park deficient communities. The measure would require that between 15 and 20 percent of the bond's funds, depending on the type of project, be dedicated to projects in communities with median household incomes less than 60 percent of the statewide average.

The monies allocated for flood protection are focused mainly in the Central Valley and Delta, but also include $100 million for storm water flood prevention projects and $100 million for multi-benefit flood projects across the state. The allocations for water projects include funding for drinking water improvements and groundwater protection in the San Joaquin Valley, San Gabriel, Orange County, and San Fernando Valley. Finally, the allocations for conservancies and resiliency programs provide funds to all the state conservancies and fund forest adaptation, fire resiliency, and other various fish and wildlife projects. A chart with more detailed information about the allocations and the text of the measure are included in these materials.

Impact on Local Government: In addition to $18 million for county fairground improvement, $30 million for counties and regional parks, $100 million for storm water flood protection, and $100 million for multi-benefit flood protection projects there are several other allocations in this bond that will be of interest to counties and local governments.

These allocations include:

- $200 million to local governments on a per captia basis for local park rehabilitation, creation, and improvement grants.
- $725 million for rehabilitation and creation of safe local parks in park-poor communities.
- $40 million to local agencies that have approved local park revenue measures.
- $50 million for forest restoration & fire protection including hazardous fuel reduction and management for wildfire and climate change, with 30% for urban forestry projects.
- $162 million for projects which are eligible for funding under the California River Parkways Act.
- $60 million for competitive grants to local agencies to restore natural, cultural, ethnic, and community resources, create visitor centers, and convert fossil fuel plants to green space.
- $25 million for rural communities to create new recreation and tourism projects.
- $30 million for parks and park facilities grants, including trails and regional sports complexes.
- $80 million for treatment and remediation activities that prevent contamination of groundwater serving as a source of drinking water to enhance local water supply reliability.

Support: Proposition 68 is supported by a broad coalition of public-interest groups, conservation non-profits, and businesses. Supporters include The California State Parks Foundation, The Trust for Public Land, Sempervirens Fund, California Park and

Recreation Society, Los Angeles Neighborhood Land Trust, Rails-to-Trails, Sierra Business Council, East Bay Regional Park District, Bay Area Open Space Council, California Trout, California Council of Land Trusts, Endangered Habitats League in addition to many others. These groups argue that the need for new parks is urgent and cite an 8:1 ratio of grant application requests to available grant dollars awarded under Proposition 84 from 2006.

Opposition: Proposition 68 is opposed by the Howard Jarvis Taxpayers Association who are argue against increasing the state debt. Howard Jarvis also raise questions about whether parks and other resource investments are sufficiently long-term in duration for the purposes of a general obligation bond. SB 5 was opposed in the Legislature by the Coalition for a Sustainable Delta and the Valley Industry and Commerce Association.

Staff Contact: Please contact Cara Martinson, CSAC Senior Legislative Representative at 916-327-7500, ext. 504, or Cmartinson@counties.org, or Nick Cronenwett, CSAC Legislative Analyst, at 916-327-7500, ext. 531 or ncronenwett@counties.org for questions or additional information.

Resource.
1) Full Text of Ballot Initiative

California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018

Bond Chapter Name	Description	Amount *millions*
Investments in Environmental and Social Equity, Enhancing California's Disadvantaged Communities	Funding to expand and create safe neighborhood parks in park poor areas.	**$725**
Investments in Protecting, Enhancing, and Accessing California's Local and Regional Outdoor space	• $30 million in available grant funding for counties and Regional Park and Open Space Districts. • Per capita grants for local governments for local park rehabilitation and improvements. • Grants to cities and districts with populations fewer than 200,000 urbanized counties. • Grants to local jurisdictions that passed local measures improving local or regional park infrastructure.	**$295**
Restoring California's Natural, Historic, and Cultural Legacy	Funds for restoring and preserving California's state park facilities, including $18 million for county fairground improvements. This chapter puts emphasis on using funds to clear maintenance backlogs.	**$218**
Trails and Greenway Investments	Grant funding for trails and greenways.	**$30**
Rural Recreation, Tourism, and Economic Enrichment Investment	Competitive grants for rural areas of less than or equal to 500,000 people and low population densities.	**$25**
California River Recreation, Creek, and Waterway Improvements Program	Grant funding for: • California River Parkways Act (minimum $10 million) • Urban Stream Restoration (minimum $10 million) • Water related projects in specified conservancies	**$162**
State Conservancy, Wildlife Conservation Board, and Authority Funding	Funding for state conservancies, Wildlife Conservation Board, and the Salton Sea Authority.	**$767**
Ocean, Bay, and Coastal Protection	Funding for ocean, bay and coastal protection with funding going to the Ocean Protection Trust Fund, Coastal Conservancy, and SF Bay Area Conservancy Program.	**$175**
Climate Preparedness, Habitat Resiliency, Resource Enhancement, and Innovation	Funds for direct expenditures or grants for wildlife conservation.	**$443**
Clean Drinking Water and Drought Preparedness	Funds to help meet the goals of the Water Quality, Supply, and Infrastructure Improvement Act of 2014.	**$250**
Groundwater Sustainability	Grants for projects that prevent or reduce contamination of groundwater that serves a source of drinking water.	**$80**

Proposition 68

SB 5 (Chapter 852, Statutes of 2017), De León. California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018.

Yes/No Statement

A **YES** vote on this measure means: The state could sell $4.1 billion in general obligation bonds to fund various natural resources-related programs such as for habitat conservation, parks, and water-related projects.

A **NO** vote on this measure means: The state could not sell $4.1 billion in general obligation bonds to fund various natural resources-related programs.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact

- Increased state bond repayment costs averaging about $200 million annually over the next 40 years.
- Savings to local governments, likely averaging several tens of millions of dollars annually over the next few decades.

State Bond Cost Estimates	
Authorized new borrowing	$4.0 billion
Average annual cost to pay off bonds	$200 million
Likely repayment period	40 years
Source of repayment	General tax revenues

Ballot Label

Fiscal Impact: Increased state bond repayment costs averaging $200 million annually over 40 years. Local government savings for natural resources-related projects, likely averaging several tens of millions of dollars annually over the next few decades.

BACKGROUND

State Spending on Natural Resources Programs. The state operates various programs to protect the environment, conserve natural resources, provide flood protection, improve water quality, and offer recreational opportunities for the public. The state also provides grants and loans to local governments, nonprofits, and other organizations for similar purposes. In recent years, the state has spent about $5 billion annually to support these types of programs. The state primarily relies on a combination of general obligation (GO) bonds, fee revenue, and the state's General Fund to support these programs. (The General Fund is the state's main operating account, which pays for education, prisons, health care, and other services.)

State and local natural resources programs support a variety of purposes, including:

- ***Natural Resource Conservation.*** The state provides funds to purchase, protect, and improve natural areas—including wilderness and open-space areas; forests; wildlife habitats; rivers, lakes, and streams; and coastal habitats. State conservation programs often are administered by state conservancies and other departments. These programs often provide grants to local governments or other organizations that carry out projects.

- ***State and Local Parks.*** The state operates the state park system, which includes 280 parks. Additionally, the state provides funds to local governments to purchase and maintain local and regional parks, trails, and other recreation areas.

- ***Flood Protection.*** The state funds the construction and repair of flood protection projects as part of the state's Central Valley flood management system. This includes the repair and strengthening of levees and projects designed to divert water away from populated areas during large storms. The state also provides funds to local governments to complete similar types of projects throughout the state.

- ***Safe Drinking Water.*** The state makes loans and grants for local projects designed to improve access to clean drinking water. This includes projects to install equipment that remove unhealthy pollutants from local water supplies.
- ***Other Water-Related Projects.*** The state provides funds for various other projects throughout the state that improve water quality or the reliability of water supplies. For example, the state provides loans and grants to local agencies to construct water recycling and reuse projects, store more water underground (referred to as "groundwater recharge"), and clean up polluted groundwater.

Past Bond Funding for Natural Resources Programs. Since 2000, voters have authorized about $27 billion in GO bonds in statewide elections to fund various natural resources projects. Of this amount, approximately $9 billion remained available for new projects as of June 2017. (Most of the bond funds still available are for water-related purposes authorized by Proposition 1, which was approved in 2014.) The state repays GO bonds over time, with interest, using the state's General Fund. (For more information on how bonds work and how this proposed bond would impact the state's budget, see "Overview of State Bond Debt" later in this guide.)

PROPOSAL

$4.1 Billion GO Bond for Natural Resources Programs. This proposition allows the state to sell a total of $4.1 billion in GO bonds for various natural resources-related programs. This total includes $4 billion in new bonds. It also includes a redirection of $100 million in unsold bonds that voters previously approved for specific natural resources uses.

Bond Funds Specific Purposes. This proposition provides funding for various state departments and local governments to use for specific natural resources-related purposes, which are summarized in Figure 1. This includes $1.5 billion for a variety of programs generally intended to conserve natural habitats; improve coastal, river, and other ecosystems; and increase the resiliency of the environment to withstand the effects of climate change (such as sea level rise and more frequent droughts and forest fires). The bond also provides $1.3 billion for parks and recreation projects, most of which would be used to build or improve local parks. Lastly, the bond provides $1.3 billion for various water-related projects, including to increase flood protection, recharge and clean up groundwater, and provide safe drinking water.

Administrative Provisions. This proposition includes a number of provisions designed to control how the bond funds are administered and overseen by state agencies. The proposition requires regular public reporting of how the bond funds have been spent, as well as authorizes financial audits by state oversight agencies. In addition, for several of the programs funded by this bond, recipients—mostly local governments—would only be eligible to receive the funding if they provide some funding to support the projects. This local cost-share requirement, where it applies, is at least

Figure 1

Uses of Proposition 68 Bond Funds

(In Millions)

Natural Resource Conservation and Resiliency	**$1,547**
State conservancies and wildlife conservation	767
Climate preparedness and habitat resiliency	443
Ocean and coastal protection	175
River and waterway improvements	162
Parks and Recreation	**$1,283**
Parks in neighborhoods with few parks	725
Local and regional parks	285
State park restoration, preservation, and protection	218
Trails, greenways, and rural recreation	55
Water	**$1,270**
Flood protection	550
Groundwater recharge and cleanup	370
Safe drinking water	250
Water recycling	100
Total	**$4,100**

20 percent of the bond funding awarded. As an example, a city receiving a $100,000 grant to build a new park trail would need to provide at least $20,000 towards the project.

The proposition also includes several provisions designed to assist "disadvantaged communities" and very disadvantaged communities (generally, communities with lower average incomes). For example, the local cost-share requirement would not apply to most of the grants provided to these communities. In addition, the proposition requires that for each use specified in the bond, at least 15 percent of the funds benefit very disadvantaged communities.

FISCAL EFFECTS

State Bond Costs. This proposition would allow the state to borrow $4 billion by selling additional GO bonds to investors, who would be repaid with interest using the state's General Fund tax revenues. The cost to the state of repaying these new bonds would depend on various factors—such as the interest rates in effect at the time they are sold, the timing of bond sales, and the time period over which they are repaid. We estimate that the cost to taxpayers to repay this bond would total $7.8 billion to pay off both principal ($4.0 billion) and interest ($3.8 billion). This would result in average repayment costs of **about $200 million annually over the next 40 years**. This amount is about one-fifth of a percent of the state's current General Fund budget.

Local Costs and Savings to Complete Projects. Much of the bond funding would be used for local government projects. Providing state bond funds for local projects would affect how much local funding is spent on these projects. In many cases, the availability of state bonds could reduce local spending. For example, this would occur in cases where the state bond funds replaced monies that local governments would have spent on projects anyway.

In some cases, however, state bond funds could increase total spending on projects by local governments. For example, the availability of bond funds might encourage some local governments to build additional or substantially larger projects than they would otherwise. For some of these projects—such as when the bond requires a local cost share—local governments would bear some of the additional costs.

On balance, we estimate that this proposition would result in savings to local governments to complete the projects funded by this bond. These savings could average several tens of millions of dollars annually over the next few decades. The exact amount would vary depending on the specific projects undertaken by local governments, how much local cost sharing is required by state agencies, and the amount of additional funding local governments provide to support the projects.

Other State and Local Fiscal Effects. There could be other state and local fiscal effects under this bond. For example, costs could increase to operate and maintain newly built parks. On the other hand, some projects could reduce future costs, such as by making levee repairs that reduce future flooding damage. The amount of these possible fiscal effects is unknown but could be significant.

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May 2, 2018

To: CSAC Executive Committee
From: Chris Lee, Associate Legislative Representative
Kiana Valentine, Senior Legislative Representative
RE: Senate Bill 3 (Beall, 2017) Housing Bond Ballot Measure

Recommendation: The Housing, Land Use and Transportation Policy Committee took this measure up on March 28, 2018 and **recommended a "Support" position**. The bond will support programs that directly address the housing affordability crisis and counties are eligible to apply for the majority of funding to address local housing needs.

Brief: CSAC supported Senate Bill 3 (Beall, 2017), which would provide $3 billion to fund affordable housing programs via a statewide general obligation bond and an additional $1 billion in bond funding to recapitalize California's veterans home ownership loan program. SB 3 was approved by a two-thirds vote in both houses of the Legislature and signed by Governor Brown on September 29, 2017. The bond measure will appear on the November 2018 statewide election ballot.

Background: As highlighted in CSAC's recent Homelessness Taskforce Report with the League of California Cities, California's housing affordability crisis has reached new heights, with an estimated 2.2 million households competing for only 664,000 affordable rental units. The SB 3 bond measure will provide funding to build new affordable rental units, support infill infrastructure, build farmworker housing, provide home ownership opportunities for both Veterans and the general population, and allocate matching funds to local governments that generate funding to address local housing challenges. Counties can access funding from the majority of the funded programs either directly or in partnership with developers.

The HLT Policy Committee recommends approving a support position given the importance of this funding in addressing California's housing affordability crisis as well as to demonstrate CSAC's commitment to promoting housing affordability.

Proposition Summary: The SB 3 housing bond would authorize the issuance of $4 billion in general obligation bonds to support the following housing affordability programs:

- **$1.5 billion to the Multifamily Housing Program**. This program provides funding for the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers. Funds are for affordable homes for households with incomes up to 60% of area median income. Counties are eligible applicants.

- **$1 billion to the CalVet Home Loan Program.** This program assists veterans in purchasing homes and farms with low-interest loans. The program is fully self-supporting and does not impose any cost to the General Fund, as the bonds backing the program are repaid by through the payment of principal and interest by CalVet loan holders. Individual veterans are eligible to apply.

- **$300 million to the CalHome Program.** This program provides grants to local public agencies and nonprofit developers to assist individual households through deferred-payment loans. The funds would provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. This money would also be available to self-help mortgage assistance programs and manufactured homes. Counties are eligible applicants. Assistance is provided through applicants to participating families.

- **$300 million to the Joe Serna, Jr. Farmworker Housing Program.** This program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. Counties are eligible applicants.

- **$300 million to the Local Housing Trust Fund Matching Grant Program.** This program provides matching grants to local governments and non-profits that raise money for affordable housing. Counties are eligible applicants.

- **$300 million to the Infill Infrastructure Financing Program.** This program assists in the new construction and rehabilitation of infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill, such as water and sewer extensions. Counties are eligible applicants. Counties are eligible applicants.

- **$150 million to the Transit-Oriented Development Implementation Program.** This program provides low-interest loans are as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Grants to cities, counties, and transit agencies are for the provision of the infrastructure necessary for the development of higher density uses within close proximity to a transit station and loans for the planning and development of affordable housing within one-quarter mile of a transit station. Counties are eligible applicants.

- **$150 million to the Self-Help Housing down payment assistance program.** Provides down payment assistance for first-time low- and moderate-income homebuyers where project affordability has been improved through regulatory incentives. Counties are eligible applicants. Assistance is provided through applicants to participating families.

Support: SB 3 was supported by local governments, non-profit and for-profit housing developers, business groups, environmental advocacy organizations, veterans groups, labor unions, and advocates for people experiencing disabilities and poverty.

Opposition: SB 3 was opposed by the Howard Jarvis Taxpayers Association and two business groups.

Staff Contact: Chris Lee, Associate Legislative Representative, clee@counties.org or (916) 327-7500.

Resource.
1) Full Text of Ballot Initiative

2018 CSAC Calendar of Events
Executive Committee

January

3 Urban Counties of California (UCC) Board Conference Call
11 California Association of County Executives (CACE) Business Meeting, Sacramento
17 CSAC Executive Committee Orientation Dinner, Sacramento
6:30pm Reception, 7:15pm Dinner, Esquire Grill, 13th & K Streets, Sacramento
17 Rural County Representatives of California (RCRC) Board Meeting & Installation of Officers Reception, Sacramento
18 CSAC Executive Committee Meeting, Sacramento
10:00am – 1:30pm, Hyatt Regency, 1209 L Street, Sacramento
29 Urban Counties of California (UCC) Board Conference Call
31-Feb. 2 CSAC Premier Corporate Partner Forum, San Diego County

February

15 CSAC Board of Directors Meeting, Sacramento
10:00am – 1:30pm, Capitol Event Center, 1020 11th Street, 2nd Floor, Sacramento
26 Urban Counties of California (UCC) Board Conference Call

March

3-7 NACo Legislative Conference, Washington, D.C.
14 Rural County Representatives of California (RCRC) Board Meeting, Sacramento
26 Urban Counties of California (UCC) Board Conference Call

April

5 CSAC Executive Committee Meeting, Sacramento
10:00am – 5:30pm, Capitol Event Center, 1020 11th Street, 2nd Floor, Sacramento
23 Urban Counties of California (UCC) Board Conference Call
25-26 Rural County Representatives of California (RCRC) Board Meeting, Humboldt County

May

16 Urban Counties of California (UCC) Board Meeting, Sacramento
16-17 CSAC Legislative Conference, Sacramento
17 CSAC Board of Directors Meeting, Sacramento
12:30pm – 4:00pm, Sacramento Convention Center, 1400 J St, Sacramento
23-25 NACo Western Interstate Region Conference, Blaine County/Sun Valley, Idaho

June

20 Rural County Representatives of California (RCRC) Board Meeting, Sacramento

July

13-16 NACo Annual Conference, Gaylord Opryland, Davidson County/Nashville, Tennessee
23 Urban Counties of California (UCC) Board Conference Call

August

2 CSAC Executive Committee Meeting, Sacramento
10:00am – 1:30pm, Capitol Event Center, 1020 11th Street, 2nd Floor, Sacramento
15 Rural County Representatives of California (RCRC) Board Meeting, Sacramento
27 Urban Counties of California (UCC) Board Conference Call

September

6 CSAC Board of Directors Meeting, Sacramento
10:00am – 1:30pm, Capitol Event Center, 1020 11th Street, 2nd Floor, Sacramento
19-21 Rural County Representatives of California (RCRC) Annual Meeting, Napa County
25 Urban Counties of California (UCC) Board Conference Call

October

3-5 CSAC Executive Committee Retreat, Location TBD

22 Urban Counties of California (UCC) Board Conference Call

24-26 California Association of County Executives (CACE) Annual Meeting, Monterey County

November

27-30 CSAC 124th Annual Meeting, San Diego County

28 Urban Counties of California (UCC) Board Meeting, San Diego County

29 CSAC Board of Directors Meeting, San Diego County

2:00pm – 4:00pm, Marriott Marquis San Diego, 333 West Harbor Drive, San Diego

December

5 Rural County Representatives of California (RCRC) Board Meeting, Sacramento

12-14 CSAC Officers' Retreat, Napa County

as of 3/20/18