

June 4, 2013

Local Economic Development Tools

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Budget Conference Committee





General Government Agenda Page 40

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Local Government Financing

June 4, 2013
Page 1

- For Most of California's History, Local Governments Could Raise a Tax by a Vote of the Governing Board.***

- Support for Voter-Approval Requirements.*** Beginning in 1978, voters approved a series of constitutional amendments that established voter-approval requirements for new local taxes.
 - ***Proposition 13 (1978).*** Greatly constrained local government ability to raise property tax rates and required all new local government "special taxes" to be approved by two-thirds of voters.
 - ***Proposition 62 (1986) and Proposition 218 (1996).*** Required new "general taxes" to be approved by majority of voters. Extended voter-approval requirements to other property-related levies not covered by Proposition 13.
 - ***Proposition 26 (2010).*** Broadened the definition of "tax" to include some levies previously considered fees or charges, resulting in a wider application of voter-approval requirements.

- Two Measures Relaxed Restrictions for New Taxes.*** Following the passage of Proposition 13, two measures relaxed restrictions on property tax increases to repay local infrastructure bonds.
 - ***Proposition 46 (1986).*** Allowed property tax rates to be increased above the 1 percent rate to finance infrastructure bond debt with approval of two-thirds of voters.
 - ***Proposition 39 (2000).*** Lowered voter-approval threshold for most school facilities bond debt to 55 percent.

June 4, 2013
Page 2

Measure	Governing Body		Voters
State			
Tax	2/3		—
Fee	Majority		—
General obligation bond	2/3	+	Majority
Lease-revenue bond	Majority		—
Initiative proposing revenue or debt	—		Majority
Constitutional amendment (Legislative)	2/3	+	Majority
Local			
Tax:			
Funds used for general purposes	2/3 ^a	+	Majority
Funds used for specific purposes	Majority ^a	+	2/3
Property assessment	Majority	+	Majority ^b
Fee	Majority ^c		—
General obligation bond:			
K-14 districts	2/3	+	55%
Cities, counties, and special districts	2/3	+	2/3
Other debt	Majority		—
^a For most local agencies.			
^b Votes weighted by assessment liability of affected property owners.			
^c Fees on property (excluding water, sewer, refuse collection, gas, and electric fees) require voter approval.			



Voter-Approval Requirements Vary. California's current system of voter-approval requirements varies considerably based on the:

- Type of local government raising the revenue.
- Choice of revenue mechanism—such as a property tax, other tax, fee, or assessment.
- Use of the revenues and authority of the local government to change that use.