



PROPOSITION 5

Allows Local Bonds for Affordable Housing and Public Infrastructure With 55% Voter Approval. Legislative Constitutional Amendment.

ANALYSIS OF MEASURE

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 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.

YES/NO STATEMENT

A **YES** vote on this measure means: Certain local bonds and related property taxes could be approved with a 55 percent vote of the local electorate, rather than the current two-thirds approval requirement. These bonds would have to fund affordable housing, supportive housing, or public infrastructure.

A **NO** vote on this measure means: Certain local bonds and related property taxes would continue to need approval by a two-thirds vote of the local electorate.

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.

BALLOT LABEL

Fiscal Impact: Increased local borrowing to fund affordable housing, supportive housing, and public infrastructure. The amount would depend on decisions by local governments and voters. Borrowing would be repaid with higher property taxes.