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Honorable Board of Supervisors
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Re: **Consideration of Support Resolutions Regarding Propositions 68, 69, 71 and 72, and an Oppose Resolution Regarding Proposition 70, Appearing on the June 5, 2018 Statewide Ballot**

Dear Supervisors:

RECOMMENDATION: Consider adopting "Support" resolutions relating to Propositions 68, 69, 71 and 72, and an "Oppose" resolution regarding Proposition 70, all appearing on the June 5, 2018 statewide ballot.

BACKGROUND: There are five propositions on the June 5, 2018 statewide ballot. We are bringing forward a high-level overview regarding these measures, with recommended "Support" positions regarding four, and a recommended "Oppose" position regarding one.

Summary background information can be found in Attachment A, a Quick-Reference Guide prepared by the California Secretary of State. The full Official Voter Information Guide (96 pages) is available from the Secretary of State's website at: <http://voterguide.sos.ca.gov/pdf/complete-vig.pdf>. Specific ballot language is also available from the Secretary of State's website at: <http://www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures/>

OVERVIEW AND STAFF RECOMMENDATIONS: Following is a brief overview, analysis and staff recommendation regarding each measure in numerical order:

PROPOSITION 68, regarding bonds for various natural and environmental resources and programs, would require voters to approve the issuance of \$4 billion in general obligation bonds for the creation and rehabilitation of state and local parks; natural resources protection projects; climate adaptation projects; water quality and supply projects; and flood protection projects. An analysis of Proposition indicated that approximately \$350 million of the proposed funding would be allocated to specific projects in the Bay Area, including:

- \$21.25 million for the San Francisco Bay Conservancy Program,
- \$20 million for restoration grants to match Measure AA funds, and
- \$14 million for the Ocean Protection Trust Fund.

Other competitive categories with Bay Area eligibility total nearly \$1.9 billion statewide (not including funding for water-related programs), including:

- \$290 million for local and regional parks (per capita and formulas),
- \$115 million for fishery and riparian restoration projects,

- \$48 million for wildlife corridors and open space, and
- \$20 million for coastal forests.

The California State Association of Counties (CSAC) did not take a position on this measure when it passed the legislature in 2017 as Senate Bill 5. Final determination of CSAC's position on Proposition 68 is expected to occur during their Board of Directors meeting on May 17th.

The Legislative Analyst's Office (LAO) notes that Proposition 68 would allow the state to borrow \$4 billion by selling additional general obligation bonds to investors, who would be repaid with interest using the state's General fund tax revenues. The LAO estimates that, overall, the state and local governments who receive any funding will see a savings that could be significant.

Supporters contend that Proposition 68 protects California's unique resources and helps ensure access to clean, safe drinking water and neighborhood parks. Natural disasters could be prevented with the investments in restoration of natural areas prone to fire and flood. The measure also ensures that funds are efficiently used for intended purposes by requiring annual independent audits and by establishing a citizen advisory committee to review expenditures. Supporters include the California League of Cities, Trust for Public Land, The Nature Conservancy, the Regional Parks Foundation, health advocacy organizations such as the American Heart Association and the American Lung Association, and it is also supported by Marin County Parks.

Opponents argue that only \$1.3 billion of the bond issuance in Proposition 68 is dedicated to improving parks and that residents in inland California and rural areas will not see any projects in their areas. They contend that the measure allocates only a small amount of funding for deferred maintenance, which is currently estimated to cost state parks over \$1 billion per year. Opponents include a few prominent taxpayer associations.

Consistent with prior Board policy and the 2018 Legislative Plan in favor of natural resources improvement and restoration projects, staff recommends a **SUPPORT** position regarding Proposition 68.

PROPOSITION 69, regarding tax and fee revenues related to transportation, requires that revenues generated by Senate Bill 1 – the Road Repair and Accountability Act – be used only for transportation-related purposes, including public streets, highways and public transportation. It generally prohibits the legislature from diverting those funds to other purposes and exempts new revenues generated by SB 1 from state and local spending limits.

SB 1 was enacted in April 2017 and is expected to generate \$5 billion annually by 2020 when all increased diesel sales taxes and transportation improvement fees are in effect. Marin County currently estimates between \$4-\$5 million per year in additional revenues for local streets and roads due to SB 1. While the Legislature has chosen to dedicate all SB 1 revenues to transportation, the State Constitution does not require it. Proposition 69 ensures that SB 1 funding will be constitutionally protected for transportation purposes only. As they were in the same legislative package, repeal of SB 1 (potentially to be considered in November of 2018) would negate this measure.

The LAO has indicated that there will be no direct effect on the amount of state and local revenues or costs with the passage of Proposition 69, but acknowledges that the measure could affect how some monies are spent by ensuring that revenues from recently enacted taxes and fees continue to be spent on transportation purposes.

CSAC is one of the founding members of a recently created broad-based coalition to ensure passage of Proposition 69 and also to defeat any attempt to repeal SB 1. Supporters also include the California Chamber of Commerce, the North Bay Leadership Council, Marin County Council of Mayors and Councilmembers, statewide transportation organizations, dozens of California cities, as well as the California League of Cities and the League of Women Voters, which contends that the measure protects transportation funds by ensuring that they be used only on road and transportation improvement projects. Funding will also support hundreds of thousands of jobs while making vital road safety improvements and investments in public transit.

Opponents argue that Proposition 69 fails to protect all transportation dollars and that funding of over \$1 billion annually from other vehicle weight fees will remain unchecked.

Consistent with CSAC and with Board policy supporting transportation infrastructure funding, as well as the County's strong support of SB 1 in 2017, staff recommends a **SUPPORT** position regarding Proposition 69.

PROPOSITION 70, regarding the requirement of a one-time vote to use revenue from the cap-and-trade program, would require a two-thirds "super-majority" vote in each chamber of the state legislature on or after January 1, 2024 to authorize use of revenue from the auctioning or sale of greenhouse gas emissions allowances under the program.

California has several programs created to reduce the amount of greenhouse gases that are emitted. Under the cap-and-trade program, which started in 2012, the state issues a limited number of required permits to emit greenhouse gases. Certain industries are given permits for free and others are sold at auctions. Revenues collected from the program are deposited into a state fund. Currently, the state can spend money from this fund with a bill passed with majority votes in both houses of the legislature. Proposition 70 would require that, beginning in 2024, these revenues be placed in a special reserve fund and remain unused unless there is a two-thirds majority vote in both houses.

In addition, Proposition 70 would eliminate sales tax exemptions for certain manufacturers. Currently authorized through 2030, businesses who buy certain equipment for use in manufacturing and research and development are exempt from retail sales tax. If passed, the state would receive an additional \$250 million in revenue annually during the same period when the auction revenue is deposited into the special fund. CSAC has not taken a position regarding Proposition 70.

The fiscal impacts of Proposition 70 per the LAO include a potential temporary increase in sales tax revenue beginning in 2024. The amount of additional revenue would depend on when the legislature approves spending money from the reserve fund with the required two-thirds vote.

Supporters contend that Proposition 70 will encourage bipartisan support for an expenditure plan and allow for a process to negotiate expenditures that further the goals of the legislature and ensures that funding for priority programs is not diverted by politicians for pet projects. Supporters include Governor Brown and the California Chamber of Commerce.

Opponents assert that Proposition 70 allows a small group of politicians to derail successful state clean air strategies and the progress that has been made on pollution reduction. They contend that the measure was fast-tracked in the legislature without hearing or the opportunity for public comment. Opponents are also concerned that the required two-thirds vote in the measure is a recipe for legislative gridlock. Opponents include the Coalition for Clean Air, the California Democratic Party, and the California League of Women Voters. The League of Women Voters states that, "... At a time that we need efficient and effective investments in climate change solutions, this requirement could lead to deadlocks, inefficiency, and poor decisions."

Consistent with Board policy and the Legislative Plan in supporting efforts to reduce greenhouse gases, staff recommends an **OPPOSE** position regarding Proposition 70.

PROPOSITION 71, regarding the effective date of ballot measures, would allow state propositions to become effective on the fifth day after the Secretary of State certifies election results. Ballot measures that have been approved by voter majority will no longer be effective the day after the elections, but instead would take effect about six weeks after Election Day. This would allow counties to finish counting all ballots.

CSAC has not taken a position on Proposition 71 and the LAO estimates that passage of the measure will have little to no impacts on state and local finances.

Supporters of Proposition 71, which include the State Assembly and League of Women Voters, contend that the measure is a commonsense update to the state's election laws, a non-controversial constitutional fix with bipartisan support. The measure will enhance the accuracy of statewide election results given the rise of mail-in ballots.

Opponents assert that Proposition 71 is unnecessary and could be disadvantageous in some situations.

As this measure is generally consistent with Board policy to increase voter turnout by using vote-by-mail ballots, and may broadly be viewed as a "good government" measure to ensure accuracy in election results, staff recommends a **SUPPORT** position regarding Proposition 71.

PROPOSITION 72, regarding property tax exclusion for rainwater collection systems, would allow the State Legislature to exclude rain-capture systems added to properties after January 1, 2019 from counting as new construction, thereby not increasing the taxable value of the property. Proposition 72 would exclude future rainwater capture systems from triggering reassessment, in line with other improvements such as solar panels, fire sprinklers and certain earthquake safety upgrades. CSAC has not taken a position on Proposition 72.

The LAO estimates that the impact to state and local government finances would be minimal with passage, resulting in a minor reduction in annual property tax revenues, totaling no more than a few million dollars statewide. This is due to properties with new systems contributing a very small share of all property tax payments in the coming years. As an example, a \$400,000 property with a 1.1 percent tax rate for a \$5,000 system would mean \$55 less in annual taxes if the measure is passed.

Supporters contend that Proposition 72 will not trigger more taxes for homeowners who are capturing rainwater from their roofs to conserve drinking water throughout the state, thus acting to cure any potential disincentive for such improvements. Because storing and reusing water benefits everyone, it would be unfair and unwise to increase taxes for those with such systems. Supporters include the California League of Cities, Save the Bay and the Planning and Conservation League.

There have been no arguments submitted against Proposition 72.

Consistent with Board policy and the Legislative Plan in supporting efforts to achieve water reuse and minimize the impacts of drought, as well as its negligible local fiscal impacts, staff recommends a **SUPPORT** position regarding Proposition 72.

Please feel free to contact us should you have any questions or concerns regarding any of the above ballot measures.

Submitted by:



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Reviewed by:



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Attachment A: Quick-Reference Guide, California Secretary of State