



## Regular Meeting

### Item Number 15 – Open Session

**Subject:** Initiative 21-0042A1: Taxpayer Protection and Government Accountability Act

**Presenter(s):** Cassandra Lichnock

**Item Type:** Information

**Date & Time:** May 2, 2024 – 15 minutes

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**Attachment(s):** Attachment 1 – Initiative text

Attachment 2 – Title and summary

Attachment 3 – LAO analysis

Attachment 4 – Taxpayer Protection and Government Accountability Act – Get the Facts

Attachment 5 – News Release: Educators, Nurses, Firefighters, Local Government and Infrastructure Groups Vow to Protect Voters & Vital Local Services from Deceptive Corporate Ballot Measure

**PowerPoint(s):** None

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#### **Item Purpose**

The board has requested this item to present information regarding Initiative 21-0042A1: Taxpayer Protection and Government Accountability Act in the event the board wishes to take a position on the initiative.

#### **Executive Summary**

According to the LAO analysis, the measure amends the State Constitution to change the rules for how the state and local governments can impose taxes, fees and other charges. More specifically, the measure:

- Expands the definition of “tax” and defines “exempt charge” for state and local governments.
- Requires a majority vote of the statewide electorate for state taxes in addition to the already-required two-thirds approval by each house of the Legislature.
- Applies existing requirements for electorate approval (majority vote for general taxes and

two-thirds vote for special taxes) to a local tax proposed by an elector.

- Requires an exempt charge to be approved by both houses of the Legislature at the state level and to be approved by the governing body of a local government through an ordinance at the local level, which includes fee changes that would have been delegated to administrative entities.
- Requires state and local tax measures to include:
  - The type and amount or rate of the tax.
  - The duration of time the tax will be imposed.
  - The use of the revenue or a statement that the revenue can be spent for general purposes.
- Requires the state and local government to bear the burden of proving that the amount of an exempt charge does not exceed the actual cost of providing the service or product.
- Prohibits a Charter amendment that would allow a local government to impose, extend or increase a tax or exempt charge from being submitted to the electorate.
- Makes changes to property tax provisions.
- Nullifies any state or local tax or exempt charge that was approved between January 1, 2022, and the effective date of this measure unless it fulfills the requirements of this measure.

### **Fiscal Impact**

According to the LAO analysis, the measure would result in lower state and local tax and fee revenue. The actual impact would depend on a number of factors, so the amount cannot be estimated. In addition, there could be increased state and local costs related to workload associated with estimating actual costs in order to change fees.

### **Background**

#### **Risk to CalSTRS**

By potentially eliminating sources of school funding, the initiative would likely have a long-term effect of creating a strain on school employer budgets resulting in payroll challenges and a risk of fewer teachers. Decreasing the number of educators creates a risk to the long-term funding of the plan, as articulated in the 2023 Review of Funding Levels and Risks report.<sup>1</sup>

#### **Membership and payroll growth risk**

The risks associated with the number of active members and the growth of their overall payroll can have an impact on both funding levels and contribution rates. The payroll growth assumption<sup>2</sup> is key in determining contribution rates and whether the funding plan will successfully eliminate the current unfunded actuarial obligation by 2046 since CalSTRS collects contributions as a

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<sup>1</sup> [CalSTRS 2023 Review of Funding Levels and Risks](#).

<sup>2</sup> At the time of the 2023 Review of Funding Levels and Risks report, CalSTRS assumed the Defined Benefit Program payroll would grow by 3.5% annually over the long term. This assumption was recently lowered to 3.25% to reflect the projected K-12 enrollment decline in California and its potential impact on the number of teachers in accordance with the [2024 Experience Analysis](#) presented at the January 2024 Regular Board Meeting as discussed on pages 19-20.

percentage of payroll. If the payroll declines or fails to grow as assumed, CalSTRS’ ability to make progress toward full funding could be at risk.<sup>3</sup>

### **Arguments in Support**

Proponents of the initiative assert that the measure “will give voters the right to vote on all future state taxes and holds politicians accountable for new fees and other increased costs paid by working families and all Californians. The measure increases accountability by requiring politicians to spend new or higher tax revenue on its intended purpose. It will provide much-needed relief to families, farmers, and business owners, helping them to combat the growing cost-of-living crisis facing all Californians. The Act doesn’t cut any current state or local government funding.”<sup>4</sup>

### **Arguments in Opposition**

Opponents of the initiative assert that the measure “would create major new loopholes that allow wealthy corporations to avoid paying their fair share for the impacts they have on our communities, while allowing corporations to evade enforcement when they violate environmental, health, safety, and other state and local laws. It would also significantly restrict the ability of local voters, local governments, and state elected officials to fund critical services like public schools, fire and emergency response, public health, parks, libraries, affordable housing, homeless and mental health services, and public infrastructure.”<sup>5</sup>

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<sup>3</sup> [CalSTRS 2023 Review of Funding Levels and Risks](#).

<sup>4</sup> Californians for Taxpayer Protection and Government Accountability.

<sup>5</sup> The Alliance for a Better California, League of California Cities, California State Association of Counties, California Special Districts Association, California Alliance for Jobs and the Contract Cities Association.