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## MEMORANDUM

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**To:** **City of Palo Alto**  
Honorable Mayor Stone and Members of the City Council  
Ed Shikada, City Manager

**From:** **Townsend Public Affairs**  
Niccolo De Luca, Vice President  
Carlin Shelby, Senior Associate

**Date:** **October 8, 2024**

**Subject:** **November 2024 Ballot Initiatives**

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### OVERVIEW

On Tuesday, November 5, 2024, millions across the nation will cast their ballot in the General Election. Not only will voters be weighing in on nationwide races such as the Presidential and Congressional elections, but Californians will also be voting on Legislative offices, statewide ballot measures, as well as local offices and measures.

In order for ballot initiatives, referendums, and constitutional amendments to qualify for the November 2024 ballot, measures had to collect sufficient signatures, or receive legislative approval, prior to June 27. Notably, the 2024 General Election ballot featured a number of last-minute changes, including intervention from the California Supreme Court to pull the *Government Transparency and Taxpayer Protection Act* from the ballot entirely, a series of deals with proponents of qualified ballot measures to remove them in exchange for legislative action, and the inclusion of two last-minute statewide bond proposals for climate and school facilities funding.

Following the race to ballot finalization, the official November 2024 ballot will include 10 statewide ballot measures, ranging from statewide bond proposals, local rent control authority, a Proposition 47 referendum, and a statewide minimum wage increase. Below is a summary of statewide voter initiatives, as well as additional information related to those items that may impact local public agencies.

### STATEWIDE VOTER INITIATIVES: ALL INITIATIVES

Below is a comprehensive list of the 10 eligible initiatives that will be on the November 2024 ballot, in numerical order:

Proposition 2: Issues \$10 billion in bonds to fund construction and modernization of public K-14 education facilities.

Proposition 3: Repeals Proposition 8 and establishes a right to marry.



Proposition 4: Issues \$10 billion in bonds to fund state and local parks, environmental protection projects, water infrastructure projects, energy projects, and flood protection projects.

Proposition 5: Lowers the vote threshold from 66.67% to 55% for local bond measures to fund housing projects and public infrastructure.

Proposition 6: Removes involuntary servitude as punishment for a crime from the state constitution.

Proposition 32: Increases minimum wage to \$18.00 an hour.

Proposition 33: Repeals the Costa Hawkins Rental Housing Act.

Proposition 34: Requires health care providers to spend 98% of revenues from federal discount prescription drug program on direct patient care.

Proposition 35: Permanently authorizes a tax on managed care organizations to fund Medi-Cal programs.

Proposition 36: Increases drug crime and theft penalties and allows a new class of crime to be called treatment-mandated felony, which allows the offender the option to participate in drug and mental health treatment.

## STATEWIDE VOTER INITIATIVES WITH LOCAL AGENCY IMPACTS

*The following summaries correspond to initiatives that could have potential impacts on local public agencies. This list is not comprehensive of all measures that will appear on the statewide General Election ballot.*

### **PROPOSITION 2: Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024**

**Origin:** Legislature – [AB 247](#)

**Summary:** If passed, this initiative issues \$10 billion in bonds to fund the construction and modernization of public education facilities, with the following breakdown:

- \$4 billion for the modernization of school facilities, with at least 10% being reserved for small schools and \$115 million for testing/remediation of lead in water
- \$3 billion for new construction of school facilities, with at least 10% being reserved for small school districts
- \$1.5 billion for community college facilities
- \$600 million for charter school facilities
- \$600 million for career technical education programs

If approved, the new construction and modernization of K-12 school facilities will be carried out via the California Department of Education, based on facilities master plans that have been approved by local education agencies. Funding for community college facilities would be carried out through the existing capital outlay process overseen by the Community College Board of Governors and funded through the annual state budget process.



**Potential Local Agency Impacts:** The construction and rehabilitation of public K-12 facilities are funded by a combination of state and local general obligation (GO) bonds, developer's fees and local assessments such as Mello-Roos community facilities districts. If approved by voters, the bond funds could work to lower developer fees and local assessments, thus decreasing the cost of building housing.

**Support and Opposition:** Supporters of Proposition 2 include the California Federation of Teachers, the Californian Labor Federation, the California Republican Party, the Californian Democratic Party, and the State Superintendent of Public Instruction Tony Thurmond, among others. The Yes on Proposition 2 Campaign has raised \$5.7 million in campaign funds. Opponents include the Howard Jarvis Taxpayers Association, with no official campaign PAC funding raised.

#### **PROPOSITION 4: The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024**

**Origin:** Legislature – [SB 867](#)

**Summary:** If passed, this initiative issues \$10 billion in bonds to fund state and local parks, environmental protection projects, water infrastructure projects, energy projects, and flood protection projects. With a general breakdown as follows:

- \$3.8 billion for safe drinking water, drought, flood, and water resilience programs
- \$1.5 billion for wildfire and forest resilience
- \$450 million for extreme heat mitigation
- \$1.2 billion for biodiversity programs
- \$300 million for sustainable, climate-smart farms and working lands programs
- \$1.2 billion for coastal resilience programs
- \$700 million for park creation and outdoor access
- \$850 million for clean air programs
- <\$20 million for administrative costs
- Up to 10% of funds within each funding pot must be allocated to severely disadvantaged communities

If approved, the funding would be distributed by a number of state agencies through various existing grant and funding programs. It is likely that the initial funding would be included as part of the FY 2025-26 state budget.

**Potential Local Agency Impacts:** Proposition 4 includes funding for numerous programs that local agencies are eligible to apply for, including, but not limited to, park and open space, water storage and conveyance, wildfire and forest resilience, and coastal programs. If passed by voters, these funds would supplement the state's budget and provide additional insurance against potential budget deficit issues that could lead to spending reductions across climate-related accounts.

**Support and Opposition:** Supporters of Proposition 4 include SEIU California, the California Democratic Party, California Professional Firefighters, the California Teachers Association, and the California Municipal Utilities Association, with \$1.2 million raised in campaign funds. Opponents include the Howard Jarvis Taxpayers Association, the California Republican Party, and several Republican state legislators, with no campaign funds raised.

## **PROPOSITION 5: Local Government Financing: Affordable Housing and Public Infrastructure: Voter Approval**

**Origin:** Legislature – [ACA 1](#), as Amended by [ACA 10](#)

**Summary:** This initiative reduces voter threshold requirements from 2/3 to 55% for general obligation bonds financing affordable housing, permanent supportive housing, or public infrastructure, and any associated ad valorem taxes needed to pay the interest and redemption charges on bonded indebtedness.

This measure defines public infrastructure to include facilities for the delivery of public services, including education, police, fire protection, parks, recreation, open space, emergency medical, public health, libraries, flood protection, streets or highways, public transit, railroad, airports, and seaports. Additionally, facilities or infrastructure that are energy-related, communications-related, water-related, or wastewater-related also would qualify to be considered at the lower vote threshold. This measure would cap the maximum amount of any ad valorem tax on real property at 1% of the property's value.

**Potential Local Agency Impacts:** By reducing the voter threshold for the passage of local bond measures, Proposition 5 will make it easier for local agencies to raise bond revenues. Investment initiatives often fail to reach the legal requirement of a 2/3 vote, a threshold under which opponents' votes count twice as much as those community members who support infrastructure investments. Current law authorizes school districts to pass bond measures at a 55% vote threshold. Proposition 5 would create voter threshold parity between school districts and cities, counties, and special districts. Notably, the provisions of Proposition 5 impact bond measures on the same ballot. If Proposition 5 receives a majority vote, the 55% threshold could be applied to major revenue measures such as the Bay Area Housing Finance Authority (BAHFA) \$20 billion [affordable housing bond](#), thus increasing its chance of passage.

**Support and Opposition:** Supporters of Proposition 5 include the California Democratic Party, the California State Building and Construction Trades Council, the AIDS Healthcare Foundation, California YIMBY, and the California Labor Federation, with \$5 million in campaign funds raised. Proposition 5 opponents include the California Chamber of Commerce, the Howard Jarvis Taxpayers Association, the California Republican Party, and Catalysts for Local Control, with \$29.7 million in campaign funds raised.

## **PROPOSITION 32: Raises Minimum Wage**

**Origin:** Citizen-led initiative

**Summary:** This constitutional amendment increases the state minimum wage to \$18.00 per hour by 2026 for all employers, and thereafter adjusts the rate annually by increases to the cost of living.

Existing law requires annual increases to California's minimum wage until it has reached \$15.00 per hour for all businesses on January 1, 2023. This measure extends these annual increases (\$1.00 per year) until minimum wage—currently, \$15.00 per hour for businesses with 26 or more employees, and \$14.00 per hour for smaller businesses—reaches \$18.00 per hour. Thereafter, as existing law requires, the minimum wage will annually adjust for inflation. In periods of decreased economic activity, or General Fund deficit, the Governor may suspend the annual increase up to two times, thereby extending the timeline for reaching \$18.00 per hour.



**Potential Local Agency Impacts:** Unclear change in annual state and local tax revenues, likely between a loss of a couple billion dollars and a gain of a few hundred million dollars. An increase in annual state and local government costs is likely between half a billion dollars and a few billion dollars.

**Support and Opposition:** Supporters of Proposition 32 include the California Labor Federation, the Working Families Party California, the California Democratic Party, and the League of Women Voters of California, with over \$609,000 in campaign funds raised. Opponents of Proposition 32 include the California Chamber of Commerce, the California Grocers Association, the California Republican Party, and the Howard Jarvis Taxpayers Association, with \$65,000 in campaign funds raised.

### **PROPOSITION 33: Expands Local Governments' Authority to Enact Rent Control on Residential Property**

**Origin:** Citizen-led initiative

**Summary:** This constitutional amendment repeals the Costa Hawkins Rental Housing Act.

Current state law (the Costa-Hawkins Rental Housing Act of 1995) generally prevents cities and counties from limiting the initial rental rate that landlords may charge to new tenants in all types of housing, and from limiting rent increases for existing tenants in (1) residential properties that were first occupied after February 1, 1995; (2) single-family homes; and (3) condominiums. This initiative would repeal that state law and would prohibit the state from limiting the right of cities and counties to maintain, enact, or expand residential rent-control ordinances.

The measure repeals the limits on local rent control laws in Costa-Hawkins. Under the measure, cities and counties can regulate rents for any housing. They also can limit how much a landlord may increase rents when a new renter moves in. The measure itself does not make any changes to existing local rent control laws. Generally, cities and counties would have to take separate actions to change their local laws. However, in some cases, existing provisions in local rent control laws that are currently inoperative because they are prohibited by Costa-Hawkins could become operative without further action at the local level. The measure does not affect the requirement that rent control laws must allow landlords to receive a fair rate of return.

Further, the measure specifies that the state may not limit the right of cities and counties to maintain, enact, or expand rent control. However, the state still could set some minimum protections for renters, like the current statewide limit on rent increases.

**Potential Local Agency Impacts:** According to the Legislative Analyst's Office (LAO), the proposed initiative could have economic ramifications for state and local revenues, particularly affecting property taxes, sales taxes, and income taxes.

Regarding property taxes, there is an anticipated decrease over time due to a projected decline in rental property values. This decline would likely lead to reduced property tax payments by landlords. While property tax bills might reset at higher levels following property sales, any revenue gains from these adjustments are expected to be outweighed by overall revenue losses resulting from diminished property values.

Sales tax revenues could potentially increase if renters redirect their savings from reduced rents toward purchasing taxable goods. This change in consumer spending behavior has the potential to bolster sales tax revenues collected by state and local governments.

Income tax payments by landlords are also expected to fluctuate. Some landlords may experience decreases in their income tax payments due to reduced rental income from lower rents. Conversely, landlords could see potential increases in income tax payments over time as they benefit from reduced expenses related to property acquisition, such as mortgage interest and property taxes. However, the net effect on state income tax revenues remains uncertain and will depend on various factors.

Overall, the measure is likely to result in a reduction in state and local revenues, with property taxes expected to be the most significantly affected. The extent of these revenue losses will depend on how communities respond to the measure, particularly in terms of expanding or implementing rent control laws. Additionally, local governments may face increased costs associated with administering new or expanded rent control policies, potentially funded through fees imposed on owners of rental housing.

**Support and Opposition:** Supporters of Proposition 33 include the AIDS Healthcare Foundation, the California Democratic Party, the California Nurses Association, UNITE HERE Local 11, and Consumer Watchdog, with \$43.8 million in campaign funds raised. Proposition 33 opponents include the California Small Business Association, the California Council of Carpenters, California YIMBY, the California Chamber of Commerce, the California Republican Party, and several Democratic state legislators, with over \$119 million in campaign funds raised.

#### **PROPOSITION 36: Allows Felony Charges and Increases Sentences for Certain Drug and Theft Crimes**

**Origin:** Citizen-led Initiative

**Summary:** If approved by voters, this constitutional amendment would increase penalties for certain drug crimes by increasing sentence lengths and level of crime. The proposition would add fentanyl to the list of drugs that would warrant a felony charge if an individual possesses one of the listed drugs and a loaded firearm. The punishment for this crime is up to four years in prison, whereas currently possessing fentanyl and a loaded firearm is punishable by up to one year in jail. This initiative would increase sentences based on the quantity of certain drugs sold illegally. The measure would also require individuals who receive increased sentences because of this to serve their entire sentence in state prison, regardless of their criminal history.

The proposition would increase penalties for certain theft crimes. For crimes where money or property worth \$950 or less is stolen, the initiative would make the crime punishable as a felony for individuals who have two or more prior theft-related convictions. The initiative would make the punishment up to three years in jail or prison, depending on the individual's criminal history, an increase from the current six months. The initiative would also increase sentences based on the amount of property stolen.

**Potential Local Agency Impacts:** According to the LAO, the proposed measure is expected to have significant implications for county jail populations and community supervision. It includes provisions that would shift certain sentences from county jails to state prisons, reducing local jail populations. Conversely, it introduces changes that could extend jail time for lower-level theft crimes, potentially increasing the number of people under county supervision.

Moreover, the measure is anticipated to increase the number of individuals sentenced to prison, subsequently increasing the population under Post-Release Community Supervision (PRCS) upon their release. Overall, this could lead to a net annual increase of thousands in the county



correctional population. Financially, the growth in county correctional populations is projected to incur additional costs, albeit partially offset by reduced expenses as individuals are shifted to state prisons. This net increase in county correctional costs is estimated to be potentially tens of millions of dollars annually.

Additionally, the measure is expected to escalate local court-related workloads. This includes higher felony filings, which would increase demands on local prosecutors, public defenders, and other county departments involved in mandated treatment processes for felonies. The resulting rise in local court-related costs could also amount to tens of millions annually, depending on implementation specifics and the actual impact on case volumes.

The measure's impact on state savings derived from Proposition 47 could reduce funding available for mental health services, substance use programs, truancy prevention, and victim services. The full extent of these fiscal effects will depend on how the measure alters the estimated savings attributed to Proposition 47 and other potential effects on crime rates and criminal justice expenditures.

**Support and Opposition:** Supporters of Proposition 36 include Walmart, Target, Home Depot, the California District Attorneys Association, the California Correctional Peace Officers Association, the California Chamber of Commerce, and the California Republican Party, with \$14.7 million in campaign funds raised. Proposition 36 opponents include Governor Gavin Newsom, Assembly Speaker Robert Rivas, Senate President Pro Tem Mike McGuire, ACLU of Northern California, and the California Democratic Party, with \$3.7 million in campaign funds raised.