



Santa Cruz Civil Grand Jury

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Words Matter

Did Measure G Mislead Voters?

“The problem [with ballot proposals] is that local officials are so vested in the outcome that they are frequently incapable of providing voters the impartial descriptions they deserve.”

—Daniel Borenstein, *The Mercury News*

Summary

In November of 2018, Santa Cruz County residents passed Measure G, a one-half cent sales tax increase on transactions in the unincorporated area of the County for a period of 12 years. After the election, members of the public expressed concern that Santa Cruz County government was not honoring provisions contained in the ballot question.

The Grand Jury investigated whether the public concern was warranted. We found that there was a significant disconnect between how some voters interpreted the ballot question for Measure G and what the Santa Cruz County administration thought it meant.

The Grand Jury concluded that the ballot language was misleading. Specifically, Santa Cruz County staff could not provide consistent explanations as to why the provisions for annual audits and independent citizens oversight were included in the ballot question. Through our interviews, we learned that County staff had no intention of providing special accountability provisions for Measure G. We also determined that the County Counsel’s impartial analysis of Measure G did not address the ballot spending priorities or how the audit and oversight provisions would operate.

For future revenue measures, the Grand Jury encourages the County Board of Supervisors to review this report and consider adopting a policy requiring County staff to provide clearer, more succinct language explaining the nature of each tax and how it may be spent. If provisions are attached to promote accountability or other assurances, the County Counsel should explain to voters in the impartial analysis how they will operate. County voters deserve no less.

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Background

On November 6, 2018, Santa Cruz County voters were asked to approve Measure G, as posed in this ballot question:

To continue funding 9-1-1 emergency response, paramedic, sheriff, fire, emergency preparedness, local street repairs, mental health services, homelessness programs, parks, economic development and other general county services, shall the County of Santa Cruz be authorized to increase by ordinance the sales tax on retail transactions in the unincorporated area of the County by one-half cent for 12 years, providing approximately \$5,750,000 annually, subject to annual audits and independent citizens oversight?

Measure G passed, with just under 66 percent approval.^[1]

Prompted by a citizen's complaint, the 2021–2022 Santa Cruz County Civil Grand Jury investigated the reasons County staff recommended that the County Board of Supervisors place Measure G on the ballot. We reviewed the language of the ballot question, and the promises voters might have thought the Board made with Measure G.^[2]

Santa Cruz County's Structural Deficit

As the Santa Cruz County Administrative Office prepares for each annual budget cycle, the same challenge looms—how to generate sufficient revenue to pay for the ongoing essential services that residents expect, as well as newly identified critical needs. While the County Board of Supervisors is responsible for directing available tax revenue to the County's various programs, the County Administrative Office and other County staff are responsible for carrying out the Board's direction. County staff must let the Board know when County revenues are not sufficient to meet the identified needs. Collectively, we refer to the County Board of Supervisors and County staff as “the **County Government**.” The persistent gap between the County's general revenue and the cost of essential services causes a fundamental imbalance in the County's budget known as a structural deficit.^[3]

Santa Cruz County's persistent structural deficit was created in large part by Proposition 13 (**Prop 13**), a 1978 voter-approved initiative.^[4] Prop 13 rolled back property tax rates and limited their increase to no more than two percent per year. A lesser known effect, which is particularly challenging to Santa Cruz County, is that Prop 13 also froze each California county's share of property taxes.

At the time Prop 13 was enacted, the County's share of property taxes in the unincorporated areas of Santa Cruz County was much lower than in most California counties.^[4] Prop 13 locked in the County's modest share of property taxes. County staff said that after distribution to the State and other local agencies with a share in *ad valorem* property taxes, the County's share of every property tax dollar is very low compared to other California counties.^[4] Because Prop 13 is an amendment to the Constitution of California, this imbalance cannot easily be changed. County Government must look to other revenue tools to address the basic needs of its residents.

Adding to this revenue strain on the County budget, Santa Cruz County has a relatively large percentage of its population living in the unincorporated area.^[4] The County Government must provide these residents with the same or similar municipal services that city residents enjoy such as parks, libraries, and transportation infrastructure. The County Government must also deliver countywide services that all residents expect (mental health, services to the homeless, healthcare, and safety net services).

Ballot Measures As a Way to Address Budget Shortfalls

If a local government's revenues are insufficient to pay for essential government services, let alone newly arising concerns due to a pandemic or bankrupt local hospital, voters may be asked to approve increased revenue through a ballot measure.

The County Government has a limited toolkit for addressing revenue shortages that are not funded by property taxes. First, the County must consider revenue options, either general revenue or special revenue.

Revenue Options

- **General Revenue:** Income from a tax imposed for general governmental purposes. In California, ballot measures seeking general tax revenue must be approved by a majority of voters (50 percent plus one vote).^[5]
- **Special Revenue:** Income from a tax imposed for the limited purpose specified in the ballot. Ballot measures seeking a special purpose tax revenue have a higher threshold for approval—two-thirds of the vote (66.7 percent).^[6]

Then the County Government must consider the type of tax that will meet the identified need. The County's tax options are defined as follows.

Tax Definitions

- **General Tax:** Any tax imposed for general governmental purposes. In California, ballot measures seeking general tax revenue must be approved by a majority of voters (50 percent plus one vote).^[5]
- **Special Purpose Tax:** Any tax imposed for a specific purpose. Ballot measures seeking a special purpose tax revenue have a higher threshold for approval—two-thirds of the vote (66.7 percent).^[6]
- **Sales Tax:** A tax levied on the sale of goods and services.^[7]
- **Transient Occupancy Tax (TOT):** A tax paid on temporary occupancy of hotels, motels, and short-term rentals.^[8]
- **Property Tax:**
 - *Ad valorem tax* (based on a property's assessed value). The largest source of a county's discretionary revenue.^[9]
 - *Parcel tax* is a form of property tax assessed at a rate based on the characteristics of a parcel—or unit of property—rather than a rate based on the assessed value of the property.^[10]

The types of taxes proposed to voters may vary but the ballot measures must be concise, accurate, and unbiased.

California's Elections Code Section 13119 (c) provides that in all local government ballot measures:

The statement of the measure shall be a true and impartial synopsis of the purpose of the proposed measure, and shall be in language that is neither argumentative nor likely to create prejudice for or against the measure.^[11]

While there is a requirement of impartiality, those who prepare ballot measures have a natural bias toward crafting the ballot to ensure the revenue measure will pass.^[12] After all, governments would not propose tax increases if they did not think they were necessary.

With this bias in mind, the Grand Jury examined several aspects of the Measure G ballot language. These topics included whether the wording of the ballot question might have misled some voters in understanding how the funds would be spent, and how the accountability provisions of an annual audit and citizens oversight (**Accountability Provisions**) would operate.

Scope and Methodology

This investigation focused on:

- Reasons for Santa Cruz County's structural deficit
- Origins of the Measure G ballot language
- Discrepancies between the proposed use of Measure G funds stated in the ballot language and other Santa Cruz County Board of Supervisors (**Board**) funding priorities stated outside the voter materials
- Why the revenue measure is limited to 12 years when the essential services are ongoing
- Implementation of the Accountability Provisions of an annual audit and citizens oversight

We then compared aspects of Measure G with other local government revenue measures to determine whether the Santa Cruz ballot language was unique. We examined:

- Other California tax measures with elements comparable to Measure G, including a similarly worded ballot measure presented to Santa Cruz County voters in 2016
- How other city and county governments implemented similar Accountability Provisions
- How the required impartial analysis in voter materials can help voters understand a local government agency's intentions
- Whether the County Government has the ability to offer voters visibility regarding proposed and actual Measure G expenditures

We interviewed current and retired County officials with responsibility for the County's budget, audit, and legal services. We interviewed people inside and outside County government with experience and expertise in revenue measures. Our research included reviews of:

- Santa Cruz County budget and audit documents
- Contracts with consultants that advised County staff on revenue measures
- Meeting minutes and recordings of Board of Supervisors meetings
- Other California ballot measures
- Articles on local government finance and the business of ballot measures
- The Grand Jury's independent research and analysis of California ballot measures

Investigation

This investigation began with the County staff's reasons for recommending that the Board submit Measure G to voters. The Grand Jury then:

1. Analyzed each provision of Measure G and its potential purpose
2. Compared these provisions to other local and California revenue measures
3. Evaluated the similarities in the wording—and the differences in how they were implemented
4. Considered whether key aspects of Measure G might be implemented
5. Explored the risk the 12-year expiration of the tax increase may pose to the County's future fiscal health

The Genesis of Measure G

In late 2017 and early 2018, the County Administrative Office held meetings to discuss the County's structural deficit and ways the Board could meet the needs of the 2018–2019 budget.^[13] County staff knew that balancing the 2018–2019 budget was going to require increased revenue.^[14] In order to weigh the pros and cons of the different types of revenue, the County retained TBWBH Props and Measures (**TBWBH**), a consulting firm that specializes in revenue measure strategy and communications for California local governments. In February 2018, TBWBH began work on a ballot revenue feasibility assessment, including a survey of voters to test different funding options for the November 2018 ballot.^[15] TBWBH subcontracted the survey work to EMC Research, a public opinion pollster.

The County's consultant polled voters regarding two types of tax revenues for the November ballot:

- A special purpose tax for parks, polled as an annual parcel tax at both a \$16 and \$48 level
- A general revenue sales tax increase

The telephone survey of 502 likely voters in the unincorporated areas of Santa Cruz County was completed in March 2018.^[16] In addition to questions on specific revenue sources, the poll also asked about voter priorities and trust in County revenue and/or expenditure issues.

There are important takeaways from the EMC Research poll results:

- Parks ranked at the bottom of essential services for which potential voters might be willing to tax themselves.
- There was little likelihood that a special purpose tax for parks would secure the required two-thirds voter approval.
- A slight majority of the polled voters did not trust the County Government to properly manage tax revenue.

EMC Research went on to note that 67 percent of likely voters had a favorable opinion of the draft ballot language for a sales tax increase. See excerpts from the EMC Research Draft Telephone Survey in [Appendix A](#).

The EMC Research poll results prompted County staff to recommend that the Board have voters consider a sales tax increase for transactions in the unincorporated area of the County.

The sales tax ballot question that was presented to the survey respondents is shown in Figure 1.^[17]

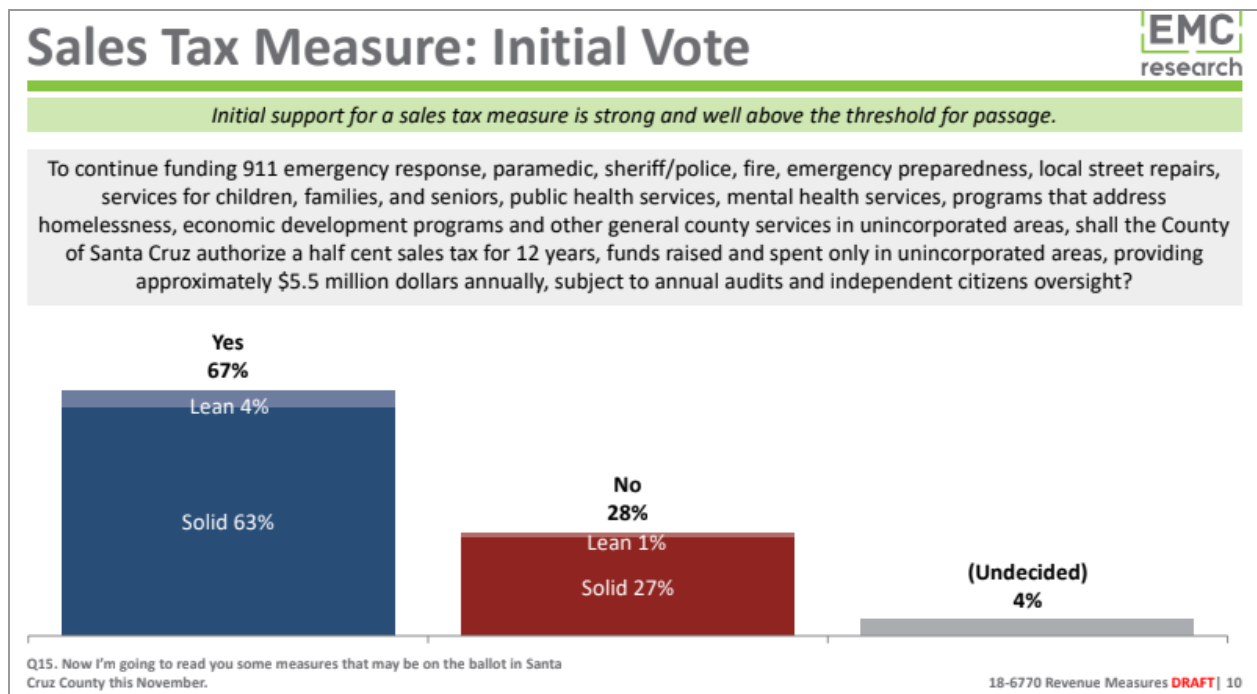


Figure 1. **Sales Tax Measure: Initial Vote (Telephone Survey of Likely November 2018 Voters Unincorporated Santa Cruz County March 2018)**^[18]

Setting the Stage for Board Approval—Placing Measure G on the 2018 Ballot

At its August 7, 2018, meeting, the Board approved the placement of Measure G on the November ballot with Resolution 181-2018.^[19] County staff’s recommended language for the ballot measure was remarkably similar to the ballot question used in the EMC Research poll. There was one notable exception: County Government removed the limitation on expenditure of the funds “only in unincorporated areas,” where the tax was being collected. In a companion action, the Board adopted Resolution 182-2018, which expressly stated the Board’s budget priorities for use of Measure G funds should the ballot question pass, as noted in Table 1.

Table 1. Board’s Measure G Priorities^[20]

List of Critical Unmet Needs: Resolution 182-2018	
Parks Critical Capital Improvements One-Time Costs	Ongoing Unmet Needs Approximate Annual Costs
<ul style="list-style-type: none"> Chanticleer Park: \$1,125,000 Simpkins Family Swim Center Pool Renovation: \$1,350,000 Heart of Soquel Linear Parkway Phase II: \$530,000 The Farm Park: \$235,000 Felton Nature Park: \$400,000 Aptos Park Facility: \$435,000 	<ul style="list-style-type: none"> Homeless Navigation Center: \$590,000 Improved Parks Operations and Maintenance: \$250,000 Focused Deterrence Initiative: \$1,000,000

Measure G was not a special purpose tax. The Board’s budget priorities were not mentioned in the ballot question, nor were they highlighted in the voter information guide. Instead, voters relied on the language of the Measure G ballot question and the broad array of government services listed in Table 2.

Table 2. Ballot List of Measure G Ballot Priorities

Measure G Ballot Question List of Government Services	
<ul style="list-style-type: none"> 9-1-1 Emergency response Sheriff Fire, paramedic services Emergency preparedness Street repairs 	<ul style="list-style-type: none"> Mental health services Homelessness programs Parks Economic development Other general county services

The sales tax measure—Measure G—was approved by 66 percent of the voters on November 6, 2018.^[1]

The Ballot Measure Language—Getting to “Yes”

The notable similarity between the EMC Research poll question in Figure 1 and the Measure G question that voters considered shows that Measure G was substantially drafted in March 2018. Our analysis of a number of similar ballot questions determined that the County Government incorporated several elements that are commonly used to encourage voter approval:

- Detailing County services and programs that voters like or need
- Assuring that the revenue would be subject to an annual audit
- Assuring that the revenue would be subject to independent citizens oversight
- Providing that the tax increase would expire in 12 years

It is important to include these provisions in a ballot measure if the provisions are promising something beyond what the agency is required to do, as in the case of the audit or citizens oversight. It is also important to express the agency’s intentions regarding the permitted use of the revenue or expiration of the tax.

It is quite another matter when the agency’s intention behind the language is not clear or does not relate to the agency’s need for the revenue. Voters may pull the “yes” lever, only to realize the County Government intended something entirely different.

What Did the Measure G Ballot Language Mean?

The text of Measure G shares a recipe followed by other ballot measures across the State of California. We found the similarities striking. The ballot questions commonly begin with a list of important government services that the tax could fund. If the tax is a general purpose tax, that important fact will be indicated—after the long list of popular government services—by use of such catch-all terms as “and general city services,” “other city services,” or “other essential services.”^{[21] [22]} See [Appendix B](#).

The list of possible uses of the tax revenue serves to remind voters what their government does. Accountability Provisions follow the list of uses to assure voters that these needs will be met. Together, these assurances build voter trust. If there is no follow-through, the agency may lose the voters’ trust. With this assurance in mind, we compared the ballot question for Measure G with that of another Santa Cruz County sales tax measure—Measure D—which voters passed in November of 2016. We have added emphasis to highlight the similarities in expiration dates, oversight committees, and audit provisions.

Table 3. Ballot Comparison: Measure G and Measure D

<p style="text-align: center;">Santa Cruz County Sales Tax Measure G (November 2018)</p>	<p style="text-align: center;">Santa Cruz County Transportation Sales Tax Measure D (November 2016)</p>
<p>To continue funding 9-1-1 emergency response, paramedic, sheriff, fire, emergency preparedness, local street repairs, mental health services, homelessness programs, parks, economic development and other general county services, shall the County of Santa Cruz be authorized to increase by ordinance the sales tax on retail transactions in the unincorporated area of the County by one-half cent for 12 years, providing approximately \$5,750,000 annually, subject to annual audits and independent citizens oversight?</p>	<p>In order to improve children’s safety around schools; repair potholes; repave streets; improve traffic flow on Highway 1; maintain senior/disabled transit; reduce global warming pollution by providing transportation options like sidewalks, buses, bike lanes, trails; preserve rail options; shall Santa Cruz County voters adopt an ordinance establishing a half-cent sales tax for 30 years, raising approximately \$17 million annually, requiring citizens oversight, independent audits, and funds spent locally?</p>

Given the similarities in these two ballot questions—in both wording and structure—one might think that they were both **special purpose taxes** with identical Accountability Provisions of an audit and citizens oversight. This assumption is incorrect.

Measure G is a *general revenue tax* that does not need to be spent on any of the listed purposes. Measure D, on the other hand, is a *special purpose tax* that only funds the listed specific transportation-related needs. The Regional Transportation Commission has established a citizens oversight committee to review Measure D expenditures and provides audit information specific to Measure D revenue readily available for review on its website.^[23] Understanding these differences is critical to informed voting. It is the role of the County Counsel’s impartial analysis to ensure voters have a clear understanding of ballot measures.

The Role of the Impartial Analysis Is to Inform Voters

Every year the County’s Registrar of Voters publishes a Voter Information Guide to aid voters in understanding what and who is on the ballot. (See [Appendix C](#).) A key resource within the guide is the impartial analysis. Following the requirements of California’s Elections Code, the County Board of Supervisors directed the County Counsel to prepare an impartial analysis of Measure G.^[19] According to the code, the analysis should explain “the effect of the measure on the existing law and the operation of the measure.”^[24]

In the case of Measure G and Measure D, the audit and citizens oversight provisions were written with similar phrasing in the ballot questions, but were implemented in very

different ways. Neither impartial analysis offers an explanation as to how the audit or citizens oversight would operate (see Table 5). For the full text of the impartial analyses of Measures G and D, see [Appendix D](#) and [Appendix E](#).

Absent an explanation in the impartial analysis, in the case of the County’s Measures D and G, the voter needed to know:

- The phrase “for general County operations and services” means it is general revenue that can be used for **any** legal purpose—from census outreach to ballot consultants—and not just those listed on the ballot.
- A statement that funds will be “deposited into the general fund” means it is **general fund**, and the Board is not limited by its own stated budget priorities or the ballot’s stated uses.
- The difference in how general and special revenues are audited.
- That the term “independent citizens oversight” may be interpreted quite differently from measure to measure.

Voters in the City of Sacramento had a different experience when they voted for Measure U in 2018, which was a general revenue sales tax worded much the same as Measure G:

Shall the measure to protect and enhance essential public safety services, including 911 response, fire protection, community neighborhood policing, **and other essential services**, including homeless supportive services, affordable housing, libraries, park maintenance, high-wage job promotion, and youth programming, by enacting a one-cent sales tax generating \$95 million annually that is legally required to stay in the City's General Fund, **until ended by voters**, with **independent annual financial audits and citizens oversight**, be adopted?^[25] (Emphasis added.)

Table 5 shows how the Sacramento City Attorney sought to assist voters with more detailed information about the meaning of the ballot’s terms. For the full text, see [Appendix F](#). Note that Measures G and D analyses fell short compared to Measure U.

Table 5. Comparison of Ballots’ Impartial Analyses

	Santa Cruz County Measure G November 2018^[26]	Santa Cruz County Measure D November 2016^[27]	City of Sacramento Measure U November 2012^[25]
Does the impartial analysis specify general or special revenue?	Implied: “Will be deposited into the general fund to pay for county general operations.”	No	Yes , “could be used for any municipal government purpose,” including services referenced in the ballot.
Is the spending plan or budget priorities noted in the analysis?	No	Yes	Not applicable: There are no spending plans or priorities.
Explains citizens oversight?	No	No	Yes , a committee will review revenue and expenditures.
Explains how it will be treated in an audit?	No	No	Yes , to be audited the same as other general revenue.

The impartial analysis is an opportunity and a tool to aid voters in understanding how these Accountability Provisions will operate. Whether there should be such stark differences in the meaning and operation of the ballot Accountability Provisions may be debatable. In the case of Measure G, the County Counsel missed an opportunity to properly inform County voters.

Is It Too Late to Honor the Accountability Provisions of Measure G?

Regardless of the County Government’s reasons for including audit and oversight provisions, the Grand Jury wanted to know whether these Accountability Provisions could or should be implemented beyond what the law requires.

Annual Audit

Government audits are a highly regulated process that are all designed to ensure that taxpayer funds are fully accounted for. This accounting means the auditor verifies all revenue coming in, all revenue paid out, and balances remaining.^[28] The County’s elected Auditor-Controller-Treasurer-Tax Collector (**Auditor**) prepares the County’s audit, which is summarized in the Annual Comprehensive Financial Report (**ACFR**). The ACFR covers all County funds.^[29]

The County’s adopted budget is the County’s spending plan for Fiscal Year 2021–22.^[30] In the world of government finance, budgets are planning documents that project future intentions; audits are an assessment of what actually occurred.

The County’s ACFR does not report specifically on Measure G revenues, expenditures, or balance remaining.^[31] Because Measure G is general revenue, the County staff considers current practice to be fully compliant with the legal requirement to audit its general revenue. The Grand Jury agrees with the County’s assessment, but the fact remains: The assurance of an annual audit had no special meaning with regard to Measure G. Measure G was not a special revenue tax that required an audit. Voters, however, might not have understood that distinction.

Independent Citizens Oversight

The County Government’s promise to provide for independent citizens oversight is another matter. Many California cities and counties have formed citizens oversight committees to ensure that tax revenues were used as voters intended. However, in the opinion of County staff, the Measure G oversight language promised nothing beyond what the law already provides regarding public expenditures. The law requires a public record of planned expenditures adopted or approved at a public meeting, as well as the publicly available audit, also discussed in a public meeting.^[32] ^[33] Beyond this existing obligation, County staff believed that citizens oversight had no special meaning with regard to Measure G.

Other California cities and counties that have passed general revenue tax measures with a provision for citizens oversight have met their obligation to the voters quite differently. The City of Milpitas offers a good example as described below.

City of Milpitas Measure F Citizens Oversight Committee

In 2020, voters in the the City of Milpitas passed Measure F, a general revenue sales tax measure with a provision for a “citizens oversight committee.”^[34] Prior to the election, the Milpitas City Council adopted a resolution to establish the Measure F Oversight Committee subject to voter approval of the measure. The seven-member advisory body serves on the Committee for up to a maximum of three, three-year terms.

Members of the Committee are required to be residents of Milpitas and it is preferred they possess areas of expertise and/or are advocates for:

1. Business and/or residential community
2. Municipal or governmental services operations
3. Municipal finance, taxation, budgeting, and/or accounting

The Committee meets four times per year to review projected revenues, programs, and services funded by the proceeds of Measure F.^[35]

Other examples of citizens oversight committees formed subsequent to the passage of general revenue sales taxes include:

- City of San Leandro Measure HH Citizens Oversight Committee^[36]
- City of Sacramento Measure U Community Advisory Committee^[37]
- City of San Mateo Measure S Oversight Committee^[38]

Can the County Propose and Track Measure G Expenditures to Aid an Oversight Committee?

The ballot language informed voters that the Measure G revenue would fund:

9-1-1 Emergency response, paramedic, sheriff, fire, emergency preparedness, local street repairs, mental health services, homelessness programs, parks, economic development **and other general county services**.^[39] (Emphasis added.)

But as noted above, the Board of Supervisors adopted a resolution that established the **Board's** budget priorities for Measure G that were much more specific.^[20] The County Administrative Office has tracked Measure G expenditures with enough detail to inform the Board that its budget priorities for Measure G are being addressed.^[40] With the 2021–22 fiscal year, the County Administrative Office began including a Financial Summary of Measure G in its proposed budget document (see Figure 2). However, this Measure G Financial Summary lacks the detail required for an annual audit or independent citizens oversight. Figure 2 shows that of the approximately \$8 million of Measure G revenue projected for Fiscal Year 2021–22, \$2 million (25 percent of the revenues) will be spent on the big bucket of “other county essential services.”^[41] The only detail in the Measure G Financial Summary relates to the **Board's** budget priorities for Measure G:

- The Office of Response, Recovery & Resilience, budgeted to receive just over \$1 million
- The Focused Intervention Team (“FIT” in Figure 2) (about \$1 million)
- Housing for Healthy Santa Cruz (about \$3.5 million)

This detail indicates that the Board could direct the County staff to provide a similar breakdown of “other county essential services.” This additional detail would provide citizens with a more complete picture of how Measure G has benefited County residents.

	Actual 2018-19	Actual 2019-20	Adjusted Budget 2020-21	Actual 2020-21	Adopted 2021-22	Change from Adjusted 2020-21	
Measure G funded programs							
Revenues							
Sales Tax	1,875,003	6,437,641	5,998,254	7,816,443	8,092,293	2,094,039	34.9%
Total Revenues	1,875,003	6,437,641	7,112,851	7,112,851	8,092,293	2,094,039	29.4%
Expenditures							
Salaries & Benefits	719,297	1,538,832	2,848,396	1,598,451	4,534,818	1,686,422	59.2%
Services & Supplies	0	390,038	1,439,047	681,624	1,435,886	(3,161)	-0.2%
Fixed Assets (Park Improvements)	1,000,000	90,000	0	0	0	0	0.0%
Other County Essential Services*	155,706	4,418,771	1,710,811	5,536,368	2,121,589	410,778	24.0%
Total Expenditures	1,875,003	6,437,641	5,998,254	7,816,443	8,092,293	2,094,039	34.9%
Staffing							
Sheriff's Office	4.00	4.00	4.00	4.00	4.00	0	0.0%
Parks Department	2.00	3.00	3.00	3.00	3.00	0	0.0%
Health Services	3.00	3.00	3.00	3.00	3.00	0	0.0%
Housing for Healthy Santa Cruz		2.00	12.00	12.00	16.00	4	0.0%
Office of Response, Recovery, Resilience			4.00	4.00	4.00	0	0.0%
Total Staffing	9.00	12.00	26.00	26.00	30.00	4.00	15.4%
Program Details							
	Actual 2018-19	Actual 2019-20	Adopted 2020-21	Actual 2020- 21	Adopted 2021-22	Change from Adopted 2020-21	
Revenues							
Half Cent Transaction Tax	1,875,003	6,437,641	5,998,254	7,816,443	8,092,293	2,094,039	34.9%
Total Revenues	1,875,003	6,437,641	5,998,254	7,816,443	8,092,293	2,094,039	34.9%
Expenditures							
Sheriff's Office FIT Program	366,372	557,748	732,743	0	573,431	(159,312)	-21.7%
Health Services FIT Program	217,658	435,316	435,316	0	435,316	0	0.0%
Park Improvements & Maintenance Staff	1,135,268	270,536	281,357	281,357	298,238	16,881	6.0%
Housing for Healthy Santa Cruz	0	755,270	1,994,783	1,189,774	3,488,966	1,494,183	74.9%
Office of Response, Recovery, Resilience	0	0	843,244	808,944	1,174,753	331,509	39.3%
Other County Essential Services*	155,706	4,418,771	1,710,811	5,536,368	2,121,589	410,778	24.0%
Total Expenditures	1,875,004	6,437,641	5,998,254	7,816,443	8,092,293	2,094,039	34.9%
* Other County Essential Services are included as part of the General Fund contribution to the Departments also known as the "Net County Cost" or "General Fund contribution". FIT program discontinued during COVID-19. Homeless Services expanded to Housing for Health Santa Cruz in 2020-21 and Emergency Services expanded to Office of Response, Recovery and Resilience. Parks and Cultural Services includes funding for staff and park improvements.							

Figure 2. **County of Santa Cruz 2021–22 Measure G Financial Summary**
(Source: Santa Cruz County Adopted Budget Fiscal Year 2021–22^[41])

To be clear, the Measure G Financial Summary (Figure 2) is not an audit. More detailed financial tracking would also address another Measure G concern: the 12-year expiration of the tax.

The Measure G Twelve-Year Time Limit

The County’s ballot consultant recommended including a fixed time limit on the collection of Measure G revenue to make the tax measure more likely to pass. There are significant ramifications to this decision. The first section of the Measure G Financial Summary, called *Measure G funded programs* (Figure 2), indicates that over 50 percent of Measure G funds (\$4,534,818) are projected to be spent on salaries for “essential county services” staff. Salaries are an ongoing expense. Unless voters permanently extend the sales tax increase, a financial risk looms for Santa Cruz County residents. This risk is best depicted in Figure 3, a County staff presentation to the Board of Supervisors in February 2022 that shows, in orange, the increased revenue from Measure G compared to the County’s share of sales tax without Measure G, shown in blue.

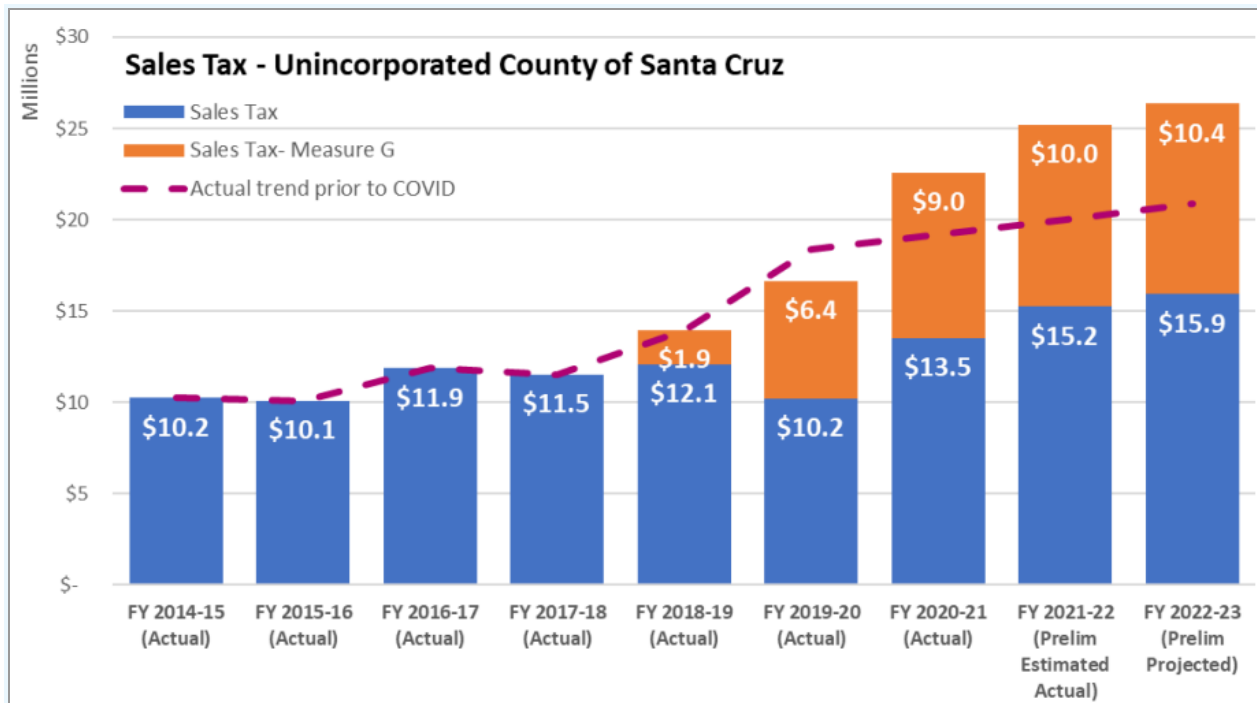


Figure 3. **Sales Trend: Exceeding Pre-Pandemic Levels**
Santa Cruz County 2021–22 Mid-Year Report^[42]

There is no guarantee that future voters will be inclined to renew the tax. Political winds often blow in unexpected directions. Based on our analysis, Santa Cruz County’s structural deficit will persist, and is currently the justification of yet another general revenue measure that was put before the voters in the unincorporated Santa Cruz County in June 2022, Measure B—the TOT Ballot Measure.^[43] The TOT Ballot Measure does not include an audit, citizens oversight, or an expiration date. Estimated revenues from this proposed Transient Occupancy Tax is about 25 percent of the current level of Measure G revenues. Clearly, this tax supplements Measure G. It does not replace Measure G.

If the upward trendline of County expenditures continues, County Government will need to propose additional tax measures in the future. Tax fatigue could set in. Failure to renew Measure G in 2030 could create a major shortfall for County finances. This shortfall could result in employee layoffs and impact essential services.

As the Grand Jury was processing this report, County Government introduced its proposed FY 2022–23 Budget^[44] through an online budget tool that the County claimed will provide greater transparency. The Grand Jury examined the tool in light of the issues raised in this report.

We found that the tool offers less transparency for citizens oversight as to how the County Government proposes to spend Measure G revenues. The Measure G Financial Summary shown in Figure 2 is absent. All general fund revenues are grouped together for the purpose of showing expenditures. The tool misstates Measure G as a “one-quarter cent” sales tax, but eventually you can navigate to see Measure G projected revenues. However, the navigation path was convoluted and difficult to repeat. Citizens will be less informed about proposed Measure G revenues and expenditures under this budget tool.

Conclusion

A ballot measure represents a promise to the voters. The County Government did not take the care it should have in crafting Measure G. County Government relied on a tax measure consultant to draft the ballot question and this language was accepted with minimal changes. The result was the inclusion of the accountability provisions “annual audits,” and “independent citizens oversight” that voters found misleading. Even County staff conceded in Grand Jury interviews that they could see how voters could have been confused by what those terms meant in the context of Measure G. The County staff is clear about what it believes these provisions of Measure G called for, but it did not consider what the wording might have meant to voters. If County Government continues to ignore how voters may interpret tax measures, voters may lose confidence and trust in the County.

County staff proposed Measure G for the legitimate purpose of addressing the County’s structural deficit and an extensive list of ongoing critical needs and essential services. The need for these services will remain strong. The Grand Jury understands and values the important leadership role the County should play in addressing critical issues such as homelessness, fire prevention, and drought resilience. This report is written in support of the County and with the intention of highlighting the critical need for County services, and the intelligence of County voters in being able to recognize the need and act accordingly.

That said, the County Government should write future ballot questions and the accompanying voter information carefully so that residents know exactly what they are voting for.

Findings

Ballot Language

- F1. Measure G’s ballot language made the tax appear to be a special tax: the language emphasized multiple services that Measure G could be used for, which overshadowed the final clause, “and other general county services.”
- F2. County staff did not have compelling reasons to include several provisions contained in its consultant’s proposed Measure G ballot language—specifically the annual audit, citizens oversight, and 12-year expiration date—which also made Measure G appear to be a special tax.
- F3. The Santa Cruz County Board of Supervisors approved the Measure G ballot language at its August 7, 2018, meeting without seeking clarification as to how the provisions for an “annual audit” and “independent citizens oversight” would operate.

Impartial Analysis

- F4. The impartial analysis did not plainly state that the Measure G funds would be general revenue that could be used for ***any*** legal government purpose.
- F5. The impartial analysis did not inform voters that the County Board of Supervisors had adopted a resolution setting budget priorities for the use of Measure G revenue that was quite narrow compared to the broad range of proposed uses stated in the ballot.
- F6. The impartial analysis failed to explain how the “annual audit” or the “independent citizens oversight” would be carried out.

Citizens Oversight

- F7. The Measure G Financial Summary, which is included in the County’s Adopted Budget for Fiscal Year 2021–22, can be expanded with detail showing Measure G revenues and expenditures to support the Measure G independent citizens oversight provisions.
- F8. The County Government’s current reliance on over 50 percent of Measure G revenue to support ongoing and recurring expenses for the County’s provision of essential services means the Measure G 12-year expiration date may present a serious risk to the County’s future fiscal health.
- F9. Other California cities and counties have demonstrated that Santa Cruz County can honor its promise for citizens oversight of Measure G expenditures.

Recommendations

- R1.** The County’s ballot language for a revenue measure should clearly state whether the County Government’s use of the funds will be restricted to certain uses (special revenue), or is available for any legal purpose (general revenue). (F1)
- R2.** The County’s ballot language for general revenue measures should only include accountability provisions when the provisions will provide transparency beyond what the law already requires. (F2, F3)
- R3.** The County Counsel’s impartial analysis of a revenue measure should clearly state whether the County Government’s use of the funds will be restricted to certain uses (special revenue), or is available for any legal purpose (general revenue). (F4)
- R4.** The County Counsel’s impartial analysis of a revenue measure should explain how all aspects of the ballot measure will operate, including provisions for an annual audit or independent citizens oversight. (F6)
- R5.** If the Santa Cruz County Board of Supervisors has formally established budget priorities for an upcoming revenue measure, the County Counsel’s impartial analysis should state this fact and note that the Board’s budget priorities are subject to change. (F5)
- R6.** By January 1, 2023, the Santa Cruz County Board of Supervisors should require that the County Administrative Office use its financial and budget tracking tools to provide more detail on the planned and actual use of Measure G funds than is shown in the Measure G Financial Summary of the County’s Adopted Budget for Fiscal Year 2021–22. (F7)
- R7.** By January 1, 2023, the Santa Cruz County Board of Supervisors should appoint a citizens oversight committee to oversee, review, and advise the Board on a more detailed Measure G report, showing Measure G revenues and expenditures as described in Finding 7 on a periodic basis (semiannually or quarterly). (F7, F8, F9)

Commendation

- C1.** The Grand Jury commends the County Administrative Office staff for its work in presenting the challenges of—and possible solutions to—the County’s persistent structural deficit.

Required Response

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Board of Supervisors	F1, F2, F3, F7, F8, F9	R1, R5, R6, R7	90 Days September 19, 2022

Invited Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Counsel	F4, F5, F6	R2, R3, R4	90 Days September 19, 2022
Santa Cruz County Administrative Officer	F1, F2, F3, F7, F8, F9	R1, R5, R6, R7	90 Days September 19, 2022

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Appendix A—Excerpts from the EMC Research Draft Telephone Survey of Likely November 2018 Voters

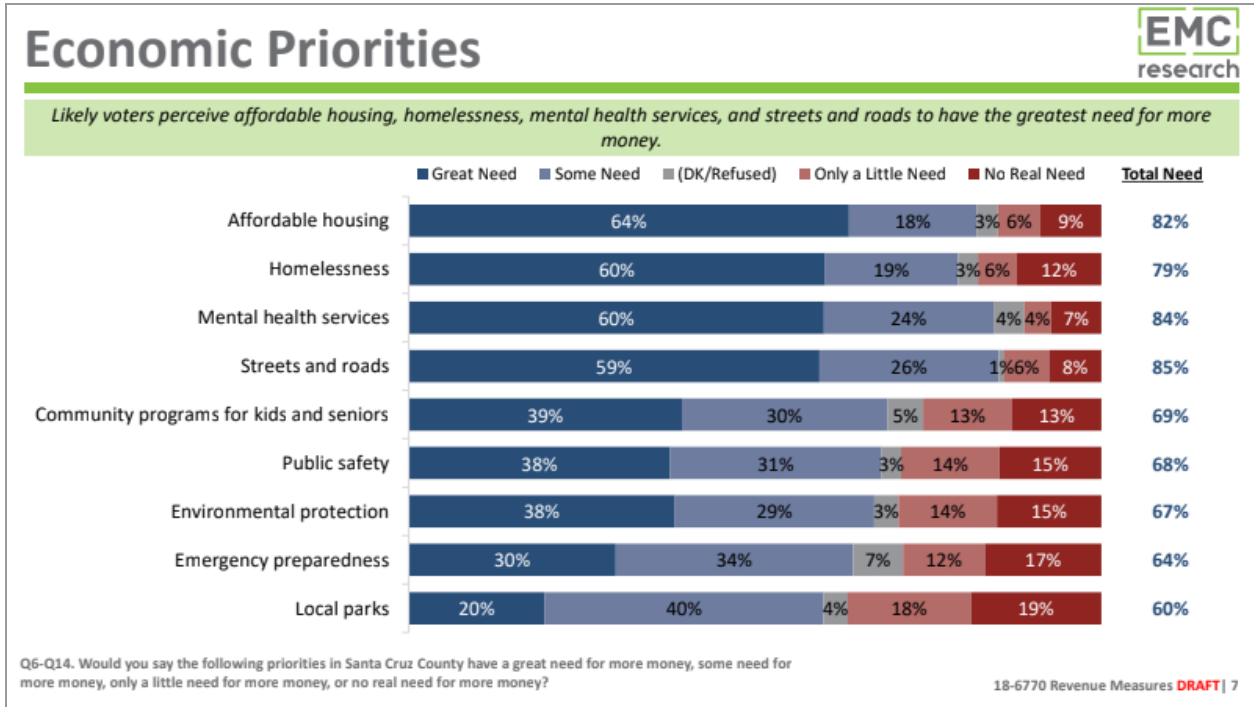


Figure 4. Economic Priorities^[45]

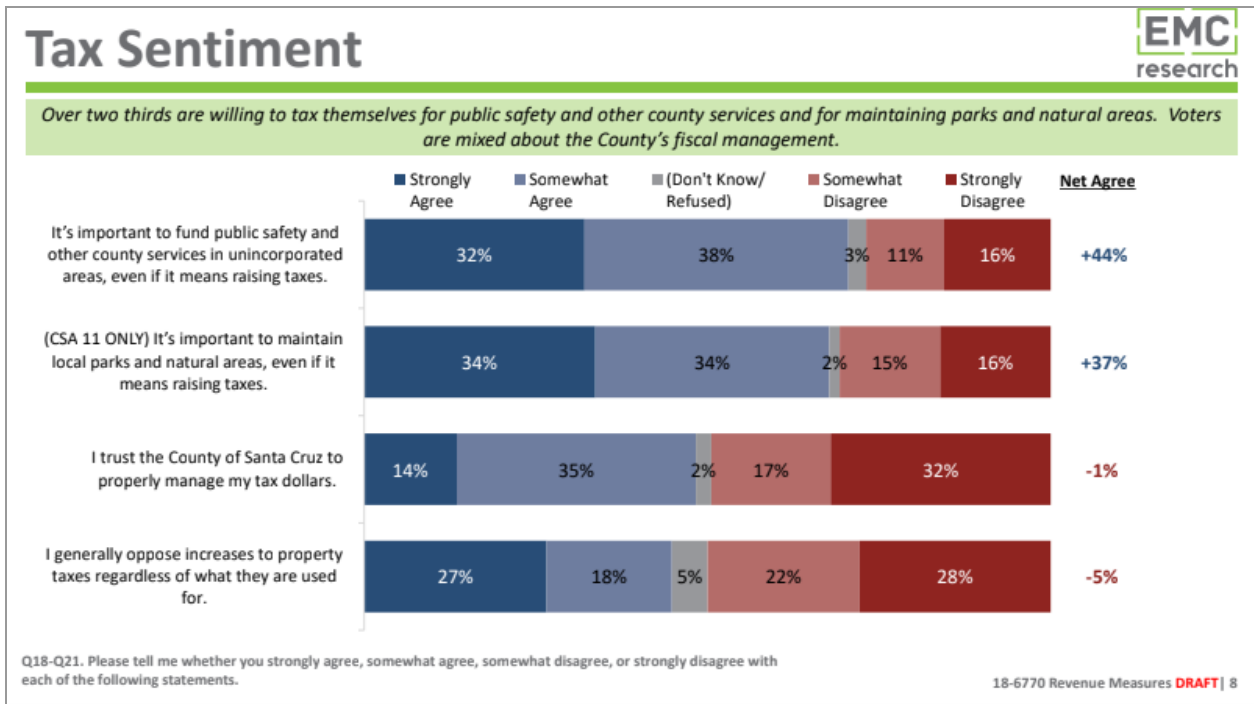


Figure 5. Tax Sentiment^[46]

Appendix B—Examples of Sales Tax Measure Ballot Questions

City of Milpitas Public Services Measure, 2020 ^[34]	City of San Mateo Measure S, 2016 ^[22]	City of Sacramento Measure U, 2018 ^[25]
<p>To provide funding to maintain the City's finances and services, including: police and fire protection, 9-1-1 emergency response, and natural disaster preparation; youth, senior, and recreation services; repairing park equipment and maintaining parks and recreation centers; and attracting and retaining location businesses; shall the measure, establishing a 1/4¢ sales tax, providing approximately \$6,500,000 annually for 8 years, requiring independent audits, citizens oversight committee, all funds spent locally, be adopted?</p>	<p>To continue locally controlled funding to maintain services and improve infrastructure, including: police patrols and gang prevention; street, sidewalk, and pothole repair; 9-1-1 response times and emergency medical services, fire prevention; senior, teen, and children's programs; parks, paths and playfields, library hours; and other city services; shall San Mateo extend the existing voter-approved quarter-cent sales tax for 30 years without increasing current tax rates with citizens oversight of how proceeds are spent?</p>	<p>Shall the measure to protect and enhance essential public safety services, including 9-1-1 response, fire protection, community neighborhood policing, and other essential services, including homeless supportive services, affordable housing, libraries, park maintenance, high-wage job promotion, and youth programming, by enacting a one-cent sales tax generating \$95 million annually that is legally required to stay in the City's General Fund, until ended by voters, with independent annual financial audits and citizen oversight, be adopted?</p>

Appendix C—Summary of the Contents of the Voter Information Guide for Measure B, June 2022 Ballot^[47]

Ballot Question

Measure B—County Transient Occupancy Tax

SANTA CRUZ COUNTY UNINCORPORATED AREA VACATION RENTAL / OVERNIGHT LODGING TAX - To fund Santa Cruz County essential public services including wildfire prevention, emergency response/recovery, street repair, public/mental health services, homelessness programs, and affordable housing, shall Santa Cruz County increase its existing Transient Occupancy Tax, paid by tourists and others staying overnight at lodging facilities in unincorporated areas, from 11% to 12% for hotels/motels/inns, and to 14% for vacation rental properties, providing approximately \$2,300,000 annually, until ended by voters?

Argument for Measure B: Citizen arguments in favor of a “yes” vote for the Measure. The citizens endorsing the Measure are listed below the argument.

Rebuttal to Argument for Measure B: Citizen arguments against the Measure. The citizens opposing the Measure are listed below the argument.

Impartial Analysis of Measure B: The County Counsel’s explanation of the changes in existing law if the Measure is approved, and how the Measure will operate.

Fiscal Impact Statement for Measure B: The Auditor-Controller/Treasurer-Tax Collector’s analysis of how much revenue will be generated from the increased tax.

Full text of Measure B: If a majority vote “yes” to Measure B, this is a draft of how the Measure would be incorporated into the County’s Code of Ordinances.

County Transient Occupancy Tax Resolution: Board of Supervisors Resolution calling for the Ballot question to be put before voters in the June 2022 election.

Appendix D—Impartial Analysis of Measure G

The following impartial analysis of the measure was prepared by the office of the Santa Cruz County Counsel.^[26]

If this measure is approved by a majority of those voting on it, the Board of Supervisors of the County of Santa Cruz will be authorized to adopt an ordinance enacting a temporary increase to the retail transactions and use tax (“sales tax”) on retail transactions in the unincorporated area of the County. The sales tax increase would be imposed for a period of 12 years at the rate of one-half of one percent on retail transactions in the unincorporated area only. The current sales tax rate in the County of Santa Cruz is eight and one-half percent. Accordingly, if this measure is approved, the sales tax rate would increase to nine percent for 12 years. If approved, this measure is expected to take effect in or around April of 2019.

The revenue generated by this measure would be deposited in the County’s general fund and used by the County to pay for general County operations and services including emergency response, sheriff, fire, parks, street maintenance, mental health services, affordable housing, homelessness programs, youth and senior programs and economic development.

This measure was placed on the ballot by the Board of Supervisors of the County of Santa Cruz.

A “yes” vote on Measure G is a vote to approve the increase in the sales tax.

A “no” vote on Measure G is a vote against the increase in the sales tax.

Appendix E—Impartial Analysis of Measure D

The following impartial analysis of the measure was prepared by the office of the Santa Cruz County Counsel.^[27]

If this measure is approved by at least two-thirds of those voting on it, it will enact ordinance no. 2016-01 of the Santa Cruz County Regional Transportation Commission. The ordinance will cause the retail transactions and use tax rates (“sales tax”) imposed within Santa Cruz County to increase by half of one percent for a thirty-year period in order to pay for the transportation projects described in the ordinance and its expenditure plan which are printed in the ballot pamphlet. If approved, it is expected to take effect in or around April 2017.

The ordinance sets out accountability requirements, as well as exemptions and exclusions from the new tax. It also establishes that the constitutional appropriations limit will include the taxes which are collected. The sales tax increment proposed by this measure would apply within the cities as well as the unincorporated areas of the County. Those jurisdictions have differing sales tax rates for the transactions within their boundaries. Currently and prior to this proposed increase, the sales tax rates are: 8.75% within the cities of Capitola, Santa Cruz, and Scotts Valley; 9.0% within the City of Watsonville; and 8.25% in the unincorporated areas of the County. Following this election, the rates would be subject to further change as might be permitted or required by State law.

This election was requested by the Santa Cruz County Regional Transportation Commission, and was called by the Santa Cruz County Board of Supervisors as requested by the Commission.

A “yes” vote is to adopt the ordinance and approve the increase in the sales tax.

A “no” vote is against the increase in the sales tax.

Appendix F—City of Sacramento’s 2012 Impartial Analysis of Measure U

The following impartial analysis of the measure was prepared by the Sacramento City Attorney.^[25]

Measure U, if approved by a majority of the voters, would enact an ordinance that provides for a ½-cent tax on each dollar of taxable sales of goods within the City of Sacramento, and on the taxable storage, use, or consumption in the city of goods purchased from a retailer. This is commonly referred to as a “sales tax” and technically referred to as a “transactions and use tax.” As a general tax, the revenues would be deposited into the city’s general fund and could be used for any municipal government purpose, including police and fire services, 911 response, park maintenance, gang and youth violence prevention, youth services, senior services, libraries, and other programs.

The ½-cent tax would be in addition to the existing sales tax, and would be collected at the same time and in the same manner as the existing sales tax. Currently, the combined state and local sales tax rate in the City of Sacramento is 7.75%. If this measure is approved by the voters, the combined rate would be 8.25%.

If approved, the ½-cent tax would go into effect on April 1, 2013, and expire on March 31, 2019. After that time, the ½-cent tax authorized by this measure would no longer be imposed.

The revenues resulting from this tax would be subject to the same independent annual audit as other general fund revenue. Additionally, the ordinance requires the establishment of a citizens oversight committee to review the revenue and expenditure of funds from the tax.

State law authorizes the city to levy this ½-cent tax following approval of the ordinance by two-thirds of the city council and a majority of the voters voting on the issue. The Sacramento City Council approved the ordinance on July 24, 2012.

A “yes” vote is in favor of approving the ordinance establishing the tax. A “no” vote is against approving the ordinance establishing the tax.