

ASSEMBLY THIRD READING
AB 1754 (Pacheco)
As Amended May 18, 2026
Majority vote

SUMMARY

This bill enacts the Bond Outcomes and Reporting Act, applicable to a state general obligation (G.O.) bond measure approved by voters on or after January 1, 2027. This bill would require a bond act to include specified information about the objectives of the bond expenditure and related data, as specified.

Major Provisions

1) Provides for any state bond measure approved by the voters on and after January 1, 2027, the bond act shall include all of the following:

- a) Specific goals, purposes, and objectives that the bond expenditure is intended to achieve.
- b) Detailed performance indicators for the public to have when measuring whether the bond expenditure meets the goals, purposes, and objectives established.
- c) Data collection requirements to enable the public to determine whether the bond expenditure is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives.
- d) Specific data and baseline measurements to be collected and remitted annually while the bond is being expended.

2) Provides the criteria established shall evaluate the intended outcomes of the bond both at the issuance of the bond and once the funded projects are completed.

3) Provides the board shall post on its internet website a notification that contains specified items, as described. This notification shall include, but not be limited to, the following information:

- a) An overview of the various programs and projects authorized to be funded by the bond.
- b) A summary of the status of bond use by major program category.
- c) An explanation of the accountability criteria that will govern the use of the bond funds.
- d) Detailed information about bond use by program or individual infrastructure project.
- e) Objectives of the program or project to be funded by the bond.

4) Provides any relevant board shall cooperate in the implementation of this measure.

5) Provides the board shall provide a short, one page, executive summary style written report to the Department of Finance, the Legislative Analyst, the Assembly Committee on Budget, and the Senate Committee on Budget and Fiscal Review that, at a minimum, sets forth the following information regarding the general obligation bond:

- a) Whether the project, grant, or other expenditure of bond proceeds has been done in a timely and efficient manner.
 - b) Whether the project, grant, or other expenditure of bond proceeds has or has not achieved its intended purpose.
 - c) Whether the project, grant, or other expenditure of bond proceeds was done in compliance with all statutory and regulatory requirements.
- 6) Provides the written report required shall also be posted conspicuously on the board's internet website, as specified. Provides the costs of the report and compliance, as required, shall be included in the cost of administering the bond act.
- 7) Makes various legislative findings and declares this act shall be known as the Bond Outcomes and Reporting Act.
- 8) Makes non-substantive and conforming changes to specific cross-references in the law.

COMMENTS

General Obligation Bond. G.O. Bond financing is a form of long-term borrowing that the state uses to raise funds for specific purposes. Historically, the state has relied on bonds to finance significant public infrastructure projects, such as roads, schools, prisons, parks, water projects, and office buildings. State G.O. Bonds are issued under a voter-approved bond act, which must be passed by a majority vote. This act authorizes the issuance of bonds up to a specified amount for outlined purposes, in accordance with the California Constitution, the State General Obligation Bond Law (Government Code Section 16720 et seq.), and a bond resolution. Per the California Constitution, there are two pathways for G.O. Bonds to appear on the ballot: 1) Through an act of the Legislature; and, 2) Via the citizens' initiative process. The State Treasurer determines the timing of bond sales, while the state's financial health impacts G.O. Bond ratings, subsequently affecting borrowing costs.

A main reason for issuing bonds—instead of paying for the project all at once, also known as cash financing—is that the project provides services over many years. Thus, it is reasonable for not only current, but also future, taxpayers to help pay for them. Additionally, the large dollar costs of these projects can be difficult to pay for all at once. One of the major downsides of using bonds is that they are costlier overall than cash financing due to the interest that has to be paid.

State G.O. bonds are backed by the full financial resources and taxing authority of the State, allowing the State to obtain low-cost, long-term, fixed-rate financing. Under the State Constitution, G.O. bonds cannot be used to fund State budget deficits. Although G.O. bonds are generally repaid from the General Fund, some are supported by dedicated revenue streams, with the General Fund serving only as a backstop if those revenues are insufficient. A major example is the use of commercial vehicle weight fee revenues, which are applied to debt service on certain transportation-related bonds.

Overview of State Bond Debt Service. According to a 2024 report by the Legislative Analyst's Office, "California has a total of about \$79 billion in outstanding bond debt—the vast majority of which is from G.O. bonds. In addition, the Legislature and voters have authorized another \$30 billion in bonds that have not yet been issued (sold). As these bonds get issued in future

years, they will increase the state's outstanding debt. Over the last decade, outstanding debt has been paid off at roughly the same rate as new debt has been issued, resulting in a relatively steady level of state debt (not adjusting for inflation).

After adjusting for inflation, state G.O. Bond debt—as well as authorized but unissued debt—has declined over the last decade. This decline followed a period in the mid-2000s when voters authorized several large bonds and, as a result, the state's overall debt level increased significantly.

Most recently, state voters passed Proposition 1 (2024), a \$6.4 billion bond to build more places for mental health care and drug or alcohol treatment and more housing for people with mental health, drug, or alcohol challenges; Proposition 2 (2024), a \$10 billion bond to build new or renovate existing public school and community college facilities; and Proposition 4 (2024), a \$10 billion bond to fund various activities aimed at conserving natural resources, as well as responding to the causes and effects of climate change.

How Much Debt Service Does the State Pay Each Year? Regular payments made to bond investors—including both interest and principal—are known as debt service payments. The state currently pays nearly \$8 billion per year in bond debt service payments—mostly for G.O. Bonds. These payments have decreased slightly over the last decade, after adjusting for inflation.

Pending Legislative Bond Measures. AB 48 (Alvarez) of the current legislative session authorizes a bond of an unspecified amount to finance the construction and modernization of postsecondary education facilities, if approved by voters. AB 48 is pending referral by the Senate Rules Committee.

AB 736 (Wicks) of the current legislative session authorizes a \$10 billion bond to finance affordable rental housing and home ownership programs, if approved by voters. AB 736 is pending on the Senate floor.

SB 417 (Cabaldon) of the current legislative session authorizes a \$10 billion bond to finance affordable rental housing and home ownership programs, if approved by voters. SB 417 is pending on the Assembly floor.

According to the Author

According to the author, "As California increasingly relies on state [GO bonds] to fund critical infrastructure projects, voters deserve transparency about whether these investments achieve their intended purposes. Currently, existing mechanism focuses on preventing abuse during bond spending but fails to track and report bond spending outcomes. This bill closes that gap, requiring future state [GO] funds to clearly state specific goals and objectives for voters. As the approved bond funding is used, the issuing agency must provide progress reports measuring outcomes against these established targets."

Arguments in Support

Elevate California writes, "One of our core goals is to promote accountability in state spending and public services. This bill will help strengthen public trust in bond-funded initiatives by ensuring voters can clearly see whether bond dollars are achieving their intended outcomes. As California increasingly relies on bonds to support critical infrastructure, education, and environmental initiatives, transparent reporting is essential. By demonstrating how funds are spent—and whether those investments deliver results—AB 1754 gives voters the confidence

they need and the accountability they deserve. Although Government Code Section 16724.4 requires annual bond reporting—either through reports or websites—compliance is inconsistent. A February 2024 CalMatters analysis found that only 30% of required reports (including, but not limited to, bond reports) have been submitted. While agencies like the Natural Resources Agency have demonstrated exemplary transparency, others fall short."

Arguments in Opposition

The California State Association of Counties writes, "As currently written, this bill would have unintended consequences that would lead to barriers to the timely expenditure of these funds for the projects that voters have supported. This bill would have negative impacts on projects intended to address housing, education, climate change, and other areas of urgent need. The need for expeditious investment of bond funds is even more critical in the current environment, given the drastic reductions in federal funding and uncertainty regarding the viability of remaining federal funds."

FISCAL COMMENTS

- 1) According to the Assembly Committee on Appropriations, "Ongoing costs of an unknown amount to the Secretary of State (SOS), to the extent including additional information regarding the goals and related performance indicators of a GO bond measure makes the language of the act required to be printed in the statewide Voter Information Guide (VIG) longer, necessitating the addition of a page to the VIG (General Fund). The SOS estimates an average per-page cost of \$123,000 for printing and mailing the VIG. Actual costs will depend on the number of bond measures at each election and the length of the additional text, if applicable. Existing law generally requires the VIG to only include the text of a proposed law subject to voter approval, so the VIG would not include uncodified sections of a bond act, such as findings and declarations or intent language.
- 2) Costs of an unknown amount, potentially in the low hundreds of thousands of dollars per bond, to state agencies to analyze and report specified bond expenditure information online (bond funds). The magnitude of costs depends on the number of GO bond measures enacted after January 1, 2027, the complexity of each bond's data collection requirements, and the extent to which each bond's lead agency has existing protocols in alignment with this bill's notification and reporting requirements.

For example, the California Natural Resources Agency (NRA), which is currently administering Proposition 4 (2024) expenditures, notes that it already does what is being asked by this bill via NRA's bond accountability protocols and publishing bond-related information on NRA's bond accountability website. However, if this current level of reporting is insufficient to meet the requirements of this bill, NRA may need to make considerable changes to its project data systems and require additional data collection from administering departments and grantees. Although Proposition 4's approval pre-dates the proposed effective date of this bill, NRA estimates cost pressures to comply (or costs to comply, should another future bond measure require NRA to serve as the lead agency) to be approximately \$300,000 annually for system updates and staff resources. As bond measures generally have a statewide costs allowance for bond management and accountability, and this bill requires an agency's reporting costs to be included in the cost of administering the bond act, such increased costs would mean less money overall to implement bond projects.

Similarly, the Department of General Services' Office of Public School Construction (OPSC), which is currently administering Proposition 2 (2024) expenditures, estimates likely one-time cost pressures (or costs, should another future bond measure require OPSC to serve as the lead agency) of approximately \$100,000 for system updates to OPSC's online portal for school districts to reflect the additional data reporting requirements, and one-time costs of approximately \$32,000 to conduct stakeholder meetings to discuss proposed amendments to regulations and changes to forms needed to collect additional project data for school districts; post additional bond program information to OPSC's website; and provide the report (bond funds). OPSC has administered six statewide school bonds since 1998."

VOTES

ASM GOVERNMENTAL ORGANIZATION: 18-0-4

YES: Blanca Rubio, Davies, Berman, Carrillo, Dixon, Fong, Gabriel, Gallagher, Macedo, McKinnor, Nguyen, Pacheco, Michelle Rodriguez, Solache, Soria, Ta, Valencia, Wallis

ABS, ABST OR NV: Alvarez, Bryan, Gipson, Ramos

ASM APPROPRIATIONS: 11-1-3

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Tangipa

ABS, ABST OR NV: Hoover, Dixon, Ta

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