

Date of Hearing: April 23, 2025

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Blanca Rubio, Chair

AB 905 (Pacheco) – As Amended March 28, 2025

SUBJECT: State general obligation bonds: disclosure requirements

SUMMARY: This bill would require a bond act for any state general obligation bond (G.O. Bond) measures that is approved by voters on and after January 1, 2026, to include specified information about the objectives of the bond expenditure and related data. The bill would also require the head of the lead state agency administering the bond to post on its internet website a notification that contains, among other information, details about the programs and projects authorized to be funded by the bond, as specified. Specifically, **this bill**:

1) Provides any state bond measure approved by the voters on and after January 1, 2026, 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 head of the lead state agency administering the bond shall post on its internet website a notification that contains specified items as set forth in the bill. 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 state agency shall cooperate in the implementation of this measure.

5) Provides each lead state agency that is subject to this section shall provide a 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 G.O. 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 shall also be posted conspicuously on the state agency's internet website, as specified. The report shall be submitted in compliance with California Government Code § 9795.

7) Makes legislative findings and declarations.

EXISTING LAW:

1) Authorizes, pursuant to Section One of Article XVI of the California Constitution and the State General Obligation Bond Law, the issuance of general obligation bonds. (California Government Code §§ 16720-16727).

2) Authorizes the Legislature to place G.O. Bonds on the ballot for specific purposes with a two-thirds vote of the Assembly and Senate. Voters also can place bonds on the ballot by initiative.

3) Requires any state bond measure approved by the voters on or after January 1, 2004, to be subject to an annual reporting process, with the head of the lead state agency administering the bond proceeds reporting certain information about the projects being funded to the Legislature and the Department of Finance.

4) Provides the annual report shall contain all of the following:

- a) A list of all projects and their geographical location that have been funded or are required or authorized to receive funds.
- b) The amount of funds allocated on each project.
- c) The status of any project required or authorized to be funded.

5) Provides the Controller, the State Treasurer and the committee shall keep full and particular account and record of all their proceedings under the bond act and they shall transmit to the Governor an abstract of all such proceedings thereunder, with an annual report, to be transmitted by the Governor to the Legislature annually. All books and papers pertaining to the matters provided for in the bond act and this chapter shall at all times be open to the inspection of the Governor, the Attorney General, any committee of either branch of the Legislature, or any joint committee of both, any citizen of the State, or any interested party.

6) Requires a state agency to post on its internet website any report required or requested by law, or identified in the Legislative Analyst Office's Supplemental Report of the Budget Act, and requires Legislative Counsel to make available to the public a link to the list of state and local agency reports submitted by state and local agencies to a committee of the Legislature or to the Members of either house of the Legislature generally, as specified.

7) Allows any report required or requested by law to be provided on the agency's internet website or the state's open data portal, as specified.

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

Purpose of the bill. The author's office states, “AB 905 aims to strengthen public trust in government through enhanced accountability. As California increasingly relies on state G.O. Bonds to fund critical infrastructure projects, voters deserve transparency about whether these investments achieve their intended purposes. While existing reporting mechanisms focus on preventing waste, fraud, and abuse, they fail to track bond outcomes. This bill requires future state general obligation bonds to include specific goals and objectives. Following implementation, the issuing agency must provide progress reports measuring outcomes against these established targets. This straightforward oversight mechanism will help our issuing agencies while also demonstrating to voters that their tax dollars are being invested effectively to achieve tangible results.”

What problem does this bill solve? “As the fifth largest economy in the world, and with nearly 40 million in population, California needs to make ongoing investments in its infrastructure. Bond expenditures and related information should be provided to voters to promote greater transparency and trust of the voters who approve bond funding for the purpose of ensuring a vital infrastructure future for California. The public should be assured that bond funds will be used as the voters intended. Bond funds should be spent efficiently, effectively, and in the best interests of Californians. Accountability regarding the expenditure of bond funds begins with establishing criteria for determining whether the intended outcomes are being achieved.”

The author’s office further points out that “ongoing updates and auditing completed projects can help determine that the bond expenditures were consistent with the established criteria and all applicable laws. Accountability consists of ensuring bond expenditures contribute to long-lasting, meaningful improvements to critical infrastructure in this state, as well as providing the public with readily accessible information about how the bonds they approved and are paying for are being spent annually.”

Background.

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 GO bonds are supported by the financial resources and taxing power of the State, provide low cost, long term, fixed rate financing. Pursuant to the State Constitution, G.O. Bonds cannot be used to finance State budget deficits. Some, however, are paid for by other revenue sources, with the General Fund only providing back-up support in the event the revenues fall short. One major example is commercial vehicle weight fee revenue, which is used to pay debt service on transportation 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.

More recently, the Legislature enacted, and voters approved, Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, which authorized \$7.1 billion in new bonds for water quality and supply infrastructure (AB 1471, Rendon, 2014), and Proposition 68 (2018), the \$4 billion California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018, (SB 5, De Leon, 2017).

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.

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 905 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."

Related legislation. AB 939 (Schultz) of 2025. This bill would enact the Safe, Sustainable, Traffic-Reducing Transportation Bond Act of 2026 which, if approved by the voters, would authorize the issuance of bonds in the amount of \$20 billion pursuant to the State General Obligation Bond Law to finance transit and passenger rail improvements, local streets and roads and active transportation projects, zero-emission vehicle investments, transportation freight infrastructure improvements, and grade separations and other critical safety improvements. (Assembly Committee on Transportation)

AB 736 (Wicks) of 2025. This bill would enact the Affordable Housing Bond Act of 2026 to place a \$10 billion housing bond on the March 2, 2026 primary ballot to fund production of affordable housing and supportive housing. (Assembly Committee on Appropriations)

SB 417 (Cabaldon) of 2025. This bill would place a \$10 billion bond on the June 2026 ballot with largely the same expenditures as AB 736 (Wicks) of 2025 except instead of \$200 million for the Energy Efficiency Low-Income Weatherization Program it includes \$200 million for wildfire prevention and mitigation, wildfire displacement assistance, and acceleration of construction of affordable housing in rental markets impacted by wildfires. This bill also includes \$5.25 billion for both MHP and the IIG program, but does not designate how the amount would be split between the two programs. (Senate Committee on Rules)

Prior legislation. SB 867 (Allen) of 2024. Enacted the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, which authorizes a \$10 billion bond to be placed before the state's voters for approval, as provided.

AB 531 (Irwin), Chapter 789, Statutes of 2023. Created the Behavioral Health Infrastructure Bond Act of 2024 to, subject to voter approval, authorize \$6.380 billion in G.O. Bonds to finance permanent supportive housing for veterans and others, as well as, unlocked and locked behavioral health treatment and residential settings for individuals experiencing homelessness or at risk of homelessness with severe behavioral health challenges. Allows for by right streamlined, ministerial review for capital projects funded by the bond.

REGISTERED SUPPORT / OPPOSITION:

Support

Elevate California

Opposition

None on file

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