

California State University

November 2004 Ballot Measures: **Information and Reference Guide**

The California State University serves as the largest comprehensive university in the country providing opportunities to students from all walks of life, diverse ethnicities and cultures, and serves as a critical contributor to the state's knowledge-based economy, providing over a majority of California's graduates in education, business, agriculture, criminal justice, social work, public administration, and aerospace.

The November election gives the people of the state an opportunity to weigh in on the future of California, and higher education opportunities at the CSU and other public institutions given the numerous initiatives dealing with budgetary and revenue issues. This analysis provides an overview of each initiative on the ballot, references for additional information and questions to consider.

Proposition 1A (Protection of Local Government Revenues)

Proposition 1A and a related measure, Proposition 65, seek to limit state authority over local government finances. This measure is the product of a "deal" between Governor Schwarzenegger and local governments reached during 2004/05 budget negotiations and amends the state Constitution to significantly reduce the state's authority over major local government revenue sources. Specifically, the measure:

- Prohibits the state from reducing the local sales tax rate or changing the allocation of local sales tax revenues.
- Prohibits the state from shifting property tax revenues away from local governments in any fiscal year without a two-thirds vote in both houses of the Legislature and prohibits the state from reducing property tax revenues to replace the local sales tax revenues redirected to the state and pledged to pay debt service on state deficit-related bonds approved by voters in March 2004.
- Requires the state to provide local governments with equal replacement revenues if the vehicle license fee (VLF) is ever reduced. The measure also requires the state to allocate VLF revenues to county health and social services programs and local governments.

Fiscal: The magnitude of increased local revenues is unknown and would depend on future actions by the state. However, given past actions on local taxes, local government revenues will increase by billions of dollars annually. Conversely, the measure will decrease resources available for state budgets by similar amounts and reduce funds available for other purposes, including higher education.

Support: Governor Arnold Schwarzenegger, League of California Cities, California State Association of Counties, California Business Roundtable, and others.

Opposition: Unknown. Potentially the K-12 community, including the California Teachers Association.

Questions:

How does Prop 1A impact future funding for the CSU and other programs and services that do not have Constitutional protection, particularly if the nondiscretionary portion of the state's General Fund is reduced?

Should the State Constitution earmark revenues for specific purposes, in this case local government, and limit the legislature and Governor's ability to consider the needs of all programs and services in the annual budget process?

References:

Legislative Analyst Office (www.lao.ca.gov)
California Budget Project (www.cbp.org)
Institute of Government Studies (www.igs.berkeley.edu)
California City Finance (www.CaliforniaCityFinance.org)

Proposition 59 (Access to Government Information)

This measure, placed on the ballot with the passage of SCA 1 (Burton), adds to the State Constitution a requirement that meetings of public bodies and writings of public officials and agencies be open to public scrutiny. It does not directly require any specific information to be made available to the public; however it does create a constitutional right for the public to access government information. As a result, government entities (including CSU) would have a higher threshold to maintain the privacy of confidential information.

Fiscal: Government entities incur some costs in complying with the public's request for documents (e.g. staff time, photocopying, supplies).

Support: League of Women Voters, Common Cause, AFSCME, California Green Party, San Francisco Board of Supervisors, Los Angeles Press Club, Radio-TV News Directors Association of Northern California, Faculty Association of California Community Colleges, California First Amendment Coalition, others.

Opposition: Orange County Taxpayers' Association.

Questions:

Will Proposition 59 actually improve the public's access to relevant information?

Would CSU face new costs to respond to public information requests not only from the public but also journalists and others?

How does an increased cost requirement and burden on the CSU budget measure up to up to the public need to have access to more information?

Would Proposition 59 expose sensitive information used in Collective Bargaining?

References:

Institute of Government Studies (www.igs.berkeley.edu)

League of Women Voters (www.lwv.org)

Proposition 60 (Primary Elections)

This measure places into the State Constitution a requirement that all parties that participate in a primary election be able to advance their top vote-getting candidate to the general election. This measure was placed on the ballot by the Legislature as an alternative to Proposition 62, known as the open primary initiative.

Fiscal: The measure's provisions would have no fiscal effect on state and local governments.

Support: Democrat and Republican parties.

Opposition: Californians for an Open Primary, California Business Roundtable.

Questions:

Does the current closed primary disenfranchise voters who are not registered Democrat or Republican? Does it impact participation in elections and representative democracy?

Would Proposition 60 actually have the impact of changing the way elections are conducted in California?

Does the current election process coupled with reapportioned districts and campaign funding strategies produce policy makers that are prepared to address the challenges facing the state and its people?

References:

Californians for an Open Primary (www.openprimary.org)

League of Women Voters (www.lwv.org)

Californians for Election Accountability (www.stopelectionfraud.com)

California Republican Party (www.cagop.org)

California Democrat Party (www.cadem.org)

Proposition 60A (Surplus State Property)

In March of this year voters approved Proposition 57, which authorizes the issuance of up to \$15 billion in bonds to finance past budget deficits. The debt service (principal and interest payments) on these bonds is to be repaid over a 9- to 14-year period from designated General

Fund revenues. This measure requires that proceeds from the sale of surplus state property that occur on or after the passage of this measure be used to pay the principal and interest on Proposition 57 bonds. Originally, these provisions were included in Proposition 60 (above) to help sell the total proposal to the voters. Opponents challenged the inclusion of these provisions under the single subject rule for ballot initiatives and were successful in the courts.

Fiscal: Proceeds from the sale of surplus property, which fluctuate significantly from year to year, are not a major source of General Fund revenue (while surplus property sales have averaged \$30 million a year over the past decade, total General Fund revenues in 2003-04 were roughly \$75 billion). By dedicating these surplus property proceeds to the debt service on Proposition 57 bonds, this measure would accelerate the bonds' repayment probably by a few months.

Support: Unknown.

Opposition: Unknown.

Questions:

Should the state dedicate revenues from surplus property sales to a specific purpose rather than make them available for expenditures through the annual budget process?

Does Proposition 60A save the state money by paying off deficit bonds sooner? If so do these savings offset the lack of flexibility in the use of these new revenues for other things such as deferred maintenance, infrastructure investments and other one-time purposes?

References:

California Budget Project (www.cbp.org)
Legislative Analyst's Office (www.lao.ca.gov)
League of Women Voters (www.lwv.org)

Proposition 61 (Children's Hospital Projects Grant Program Bond Act)

This measure authorizes the state to sell \$750 million in general obligation bonds for capital improvement projects at children's hospitals, including University of California facilities.

Fiscal: The cost of these bonds to the state would depend on the interest rates obtained when they were sold and the time period over which this debt would be repaid. The bond would also reduce the state's debt capacity for other needs, including education, depending on the state's fiscal picture.

Support: California State PTA, California Children's Hospital Association, others.

Opposition: Unknown.

Questions:

What level of the state’s General Fund should be used for debt financing such as Proposition 61?

What other capital outlay and infrastructure needs is the state facing today, and how will they be funded in the future?

How do the needs of children’s hospital projects compare to the needs of our colleges and universities? K-12 schools? Transportation? Water systems?

What alternative sources of revenue may be available for these hospital projects?

References:

Legislative Analyst’s Office (www.lao.ca.gov)
League of Women Voters (www.lwv.org)
Yes on 61 (www.savethechildrenshospitals.com)
California Taxpayers Association (www.caltax.org)

Proposition 62 (Primary Elections)

This measure, known as the open primary initiative, amends both the State Constitution and state statutes to make changes to primary elections to allow voters—including those not affiliated with a political party—to vote for any candidate regardless of the candidate’s political party. The measure applies to the election of state constitutional officers, members of the Legislature, and members of Congress. The measure, however, does not apply to the election of the U.S. President or political party committees. If approved, the new system would be used beginning with the March 2006 primary.

In March 1996, California voters approved Proposition 198, which created a “blanket” primary system. Proposition 198 allowed all voters, regardless of party affiliation, to vote for any candidate in a primary election. As with the existing system, the candidate from each party receiving the most votes in the primary appeared on the general election ballot. This system was used for primaries in 1998 and 2000. The United States Supreme Court, however, ruled in June 2000 that this system was unconstitutional and could no longer be used. As a result, the state returned to using party-specific ballots for primaries in 2002. Unlike Proposition 198, Proposition 62 would not guarantee that each party has a candidate on the general election ballot. Only the top two vote getters would advance to the general election.

Fiscal: This measure would change some of the administrative procedures associated with holding elections. In some cases, these changes could increase state and county election costs. In other cases, the measure could reduce election costs.

Support: UC President Emeritus Richard Atkinson, Secretary for Education Richard Riordan, Association of California School Administrators, Los Angeles Area Chamber of Commerce, Orange County Business Council, California Business Roundtable, California Republican League, California Council for Environmental and Economic Balance, Senator John McCain, Former White House Chief of Staff Leon Panetta, State Controller Steve Westly, Public Utilities Commission President Mike Peevey, Former Governor Pete Wilson and other elected officials.

Opposition: Center for Voting and Democracy, League of Conservation Voters, California Republican Party, California Democratic Party, Latino Coalition, Howard Jarvis Taxpayers Association, California Federation of Teachers, California Common Cause, various minor political parties.

Questions:

Will opening up the primary elections to those voters who are not affiliated with the two major political parties improve participation in our election process and representative democracy?

Will Proposition 62 reduce the partisanship in our State Capitol and help our government address the policy issues critical to the future of the state?

Given the heavily partisan make-up of many legislative districts, would Proposition 62 have the unintended consequence of limiting diverse ideological debate in general elections, having the exact opposite of the intended effect?

References:

League of Women Voters (www.lwv.org)
California Republican Party (www.cagop.org)
California Democrat Party (www.cadem.org)
Californians for an Open Primary (www.openprimary.org)
Californians for Election Accountability (www.stopelectionfraud.com)

Proposition 63 (Mental Health Services Expansion and Funding)

Supported by former Assembly Budget Committee Chairman Darrell Steinberg, this proposition would establish a state personal income tax surcharge of 1 percent on taxpayers with annual taxable incomes of more than \$1 million. Funds resulting from the surcharge would be used to expand county mental health programs. The proposition requires maintenance of effort for these services effectively prohibiting any expenditure reductions in the future for these programs.

Fiscal: The tax surcharge would generate new state revenues of approximately \$275 million in 2004-05, \$750 million in 2005-06, \$800 million in 2006-07, and probably increasing amounts annually thereafter. Proposition 63 would raise revenue for one specific purpose, and separate and apart from the annual budget process.

Support: California Medical Association, California Psychiatric Association, California Healthcare Association, California Nurses Association, Congress of California Seniors,

California Teachers Association, California Police Chiefs Association, California State Firefighters Association, various other groups and individuals.

Opposition: Citizens For a Healthy California, California Business Roundtable.

Questions:

Should the state earmark revenues through the Constitution, for specific programs outside the state's annual budget process?

Should the estimated \$275 million in 2004-05 and increasing amounts thereafter help fund other important programs and services?

How does Proposition 63 impact local government? Does this initiative provide more dedicated revenues to counties in addition to Propositions 1A and 65?

Are there any long-term benefits to the State of California to investing in mental health prevention and treatment programs?

Should the state place a mandatory funding requirement for mental health programs? What happens if caseload these services decrease?

How does this earmark and funding requirement impact the state's ability to meet the changing needs of the state and demand for other services such as higher education?

References:

California Budget Project (www.cbp.org)
Legislative Analyst's Office (www.lao.ca.gov)
League of Women Voters (www.lwv.org)
Institute of Governmental Studies (www.igs.berkeley.edu)
Citizens for a Healthy California (www.noon63.com)
Campaign for Mental Health (www.yeson63.org)

Proposition 64 (Limitations on Enforcement of Unfair Business Competition Laws)

California's current unfair competition law prohibits any person from engaging in any unlawful or fraudulent business act. As a result, a person initiating a lawsuit under the unfair competition law is not required to show that he/she suffered injury or lost money or property. Also, the Attorney General and local public prosecutors can bring an unfair competition lawsuit without demonstrating an injury or the loss of money or property of a claimant. Finally, persons initiating unfair competition lawsuits do not have to meet the requirements for class action lawsuits, including (1) certification by the court of a group of individuals as a class of persons with a common interest, (2) demonstration that there is a benefit to the parties of the lawsuit and the court from having a single case, and (3) notification of all potential members of the class. Press reports and business interests refer to the current law as the "sue your boss" statute.

This measure restricts who can bring unfair competition lawsuits, requires lawsuits on behalf of others to be class actions, and restricts the use of civil penalty revenues.

Fiscal: This measure would have an unknown fiscal impact on state support for local trial courts.

Support: California Chamber of Commerce, California Business Roundtable, California Building Industry Association, California Dental Association, California Association of Realtors, Wells Fargo, SBC California, Safeway, Inc., scores of other businesses, trade associations and elected officials.

Opposition: American Lung Association, California Labor Federation (AFL-CIO), California Nurses Association, League of Conservation Voters, California National Organization for Women, Consumers Union, Mexican American Legal Defense and Education Fund, Sierra Club of California, The Utility Reform Network, United Farm workers, others.

Questions:

Will reducing the number of lawsuits against businesses hurt or help individuals actually injured by unfair labor practices?

Will Proposition 64 help California strengthen its economy by reducing barriers to doing business in the state?

Would reducing the number of unfair business practices lawsuits impact our business climate and job creation?

References:

California Chamber of Commerce (www.calchamber.com)
Californians to Stop Shakedown Lawsuits – Yes on 64 (www.stopshakedownlawsuits.com)
Election Watchdog – No on Prop 64 (www.electionwatchdog.org)
League of Women Voters (www.lwv.org)
Institute of Government Studies (www.igs.berkeley.edu)
California Taxpayers Association (www.caltax.org)

Proposition 65 (Local Government Funds and Revenues)

This measure amends the State Constitution to significantly reduce the Legislature’s authority to make changes affecting any local government’s revenues from the property tax, sales tax, and vehicle license fee (VLF). Specifically, the measure requires approval by the state’s voters before the state can reduce local government revenues below the amount or share it would have received based on laws in effect on January 1, 2003.

This measure also places into the State Constitution existing state statutes requiring the state to pay deferred VLF backfill revenues to cities and counties (\$1.2 billion) by August 2006 and reestablish the local sales tax rate at 1.25 percent after the state’s deficit-related bonds are paid.

In addition, the measure amends the State Constitution to reduce the state's authority over local government, school, and community college programs. Specifically, if the state does not provide timely reimbursement for a mandate's costs (other than mandates related to employee rights), local agencies could choose not to comply with the state requirement. The measure also appears to expand the circumstances under which the state would be responsible for reimbursing local agencies for carrying out a new state requirement. For example, the measure may increase the state's responsibility to reimburse local governments when the state increases a local agency's share of cost for a jointly financed state-local program.

Proposition 1A specifically states that if it and Proposition 65 are approved and Proposition 1A receives more yes votes, then none of the provisions of Proposition 65 will go into effect. However, if both measures pass and Proposition 65 receives more yes votes, it will go into effect.

Fiscal: Proposition 65 would reduce state authority over local finances. As a result, it could increase local government revenues by billions of dollars annually and decrease state revenues by billions of dollars annually.

Support: Unknown.

Opposition: California Business Roundtable.

Questions:

How does Proposition 65 impact future funding for the CSU and other programs and services that do not have Constitutional Protection, Particularly if the nondiscretionary portion of the state's General Fund is reduced?

Since Proposition 65 is retroactive to the 2004/05 fiscal year and would require the \$1.3 billion local government contribution to the budget deficit be repaid to local governments, how will important state programs, such as higher education, respond to the decreased revenue associated with the paying back of the \$1.3 billion?

Should the State Constitution earmark revenues for specific purposes, in this case local government, and limit the legislature and Governor's ability to consider the needs of all programs and services in the annual budget process?

References:

Legislative Analyst Office (www.lao.ca.gov)
California Budget Project (www.cbpr.org)
Institute of Government Studies (www.igs.berkeley.edu)

Proposition 66 (Limitations on “Three Strikes” Law)

Proposition 184, commonly referred to as the “Three Strikes and You’re Out” law, adopted by voters in 1994, imposed longer prison sentences for persons who are convicted of *any* third felony. This measure requires that an offender would be subject to a longer sentence under the Three Strikes law only if the conviction for the new crime is for a *violent or serious* felony and requires that eligible offenses be brought and tried in separate trials in order for each of them to be counted as a strike. This measure also requires the state to re-sentence offenders currently serving an indeterminate life sentence under the Three Strikes Law if their third strike resulted from a conviction for a nonviolent and non-serious felony offense, as defined by this proposition. Finally, Proposition 66 increases a prison sentence to 6, 8, or 12 years for the first conviction for sexual penetration or oral copulation with a minor who is under the age of 14 and more than 10 years younger than the offender.

Fiscal: Because this measure would lower the prison population, it would result in operational and capital savings of potentially tens of millions of dollars in the first couple of years, growing to as much as several hundred million dollars in ongoing savings when the full impact of this measure is realized in about a decade. The measure could result in more costs associated with an increased parole caseload as well as additional state and local costs for the courts and county jails.

Support: ACLU of Southern California, Rainbow/PUSH Coalition, California Public Defenders Association, Reform Party of California, California Peace and Freedom Party, Assembly Members Mervyn Dymally, Loni Hancock, Sheila Kuehl, Mark Leno, Joe Nation, Paul Koretz, Senator John Vasconcellos, others.

Opposition: Governor Arnold Schwarzenegger, Attorney General Bill Lockyer, Howard Jarvis Taxpayers Association, California State Sheriffs’ Association, California Police Chiefs Association, California College and University Police Chiefs Association, Former Secretary of State Bill Jones, District Attorneys and Sheriffs throughout California.

Questions:

Would Proposition 66 result in reduced expenditures in our criminal justice system?

Has the “three strikes” law had an effect on the state’s crime rate?

References:

Citizens Against Violent Crime (www.amend3strikes.org)
Crime Victims United of California (www.aquahost.com/cvuc)
League of Women Voters (www.lwv.org)
Institute of Government Studies (www.igs.berkeley.edu)

Proposition 67 (Emergency and Medical Services Telephone Surcharge)

Currently, telephone service customers in California pay a monthly surcharge of up to 0.75 percent of their monthly bills to support the state’s 911 emergency telephone number system.

This measure increases the current surcharge by an additional three percent and dedicates most of the revenue to reimbursement of physicians and hospitals for uncompensated emergency medical care and other purposes.

Fiscal: The measure would raise about \$500 million in additional annual revenues from the increased surcharge. This amount would probably grow in future years with increases in telephone users and the number of calls made within the state. This proposition is another effort to raise and earmark new revenues for a specified purpose further complicating the state's fiscal and budgetary structure.

Support: Emergency Nurses of California, California Professional Firefighters, California Medical Association, California Chapter of the American College of Emergency Physicians, California Healthcare Association, California Primary Care Association.

Opposition: California Taxpayers Association, Howard Jarvis Taxpayers Association, California State Sheriffs' Association, Congress of California Seniors, Consumers First, California NAACP, California Chamber of Commerce, California Small Business Roundtable, California Business Roundtable, and others.

Questions:

Should the state earmark revenues through the Constitution for specific programs outside the state's annual budget process?

Should the estimated \$500 million in annual new revenues help fund other important programs and services?

How does Proposition 67 impact local government? Does this initiative provide more dedicated revenues to counties in addition to Propositions 1A and 65?

How does Proposition 67 impact efforts to improve efficiency and effectiveness of medical services and improvements in programs and services?

How does this earmark impact the state's ability to meet the changing needs of the state and demand for other services such as higher education?

References:

Institute of Government Studies (www.igs.berkeley.edu)
California Budget Project (www.cbp.org)
Legislative Analyst Office (www.lao.ca.gov)
League of Women Voters (www.lwv.org)
Californians to Stop the Phone Tax (www.stopthephonetax.com)
California Chamber of Commerce (www.calchamber.com)
California Taxpayers Association (www.caltax.com)

Proposition 68 (Tribal Gaming Compacts)

This measure would expand slot machine gambling if current tribal state compacts are not revised to (1) pay 25 percent of their “net win” to the Gaming Revenue Trust Fund (GRTF, a state fund established by the measure) and (2) comply with certain state laws, including those governing environmental protection, gambling regulation, and political campaign contributions. In addition, Proposition 68 will allow slot machines on non-Indian land and make permanent the limit on the expansion of both the number of card rooms and the size of existing card rooms (due to expire in January 2010 under current law).

Fiscal: The fiscal effect of this measure on state and local governments would depend on whether current compacts are revised or if racetracks and card rooms operate slot machines.

Support: Unknown.

Opposition: Governor Arnold Schwarzenegger, Lieutenant Governor Cruz Bustamante, Treasurer Phil Angelides, Controller Steve Westly, Secretary of State Kevin Shelley, Superintendent of Public Instruction Jack O’Connell, California Coalition of Law Enforcement Associations, California Police Chiefs Association, California State PTA, California School Boards Association, California Association of School Business Officials, California State Association of Counties, League of California Cities, California Labor Federation (AFL-CIO), Congress of California Seniors, National Coalition of Hispanic Organizations, California Business Roundtable, scores of other organizations, elected officials, newspapers and Native American tribes.

Questions:

Should tribes in California pay a percentage of their net winnings to the state?

Should the revenues from tribal compacts be dedicated to a new Gaming Revenue Trust Fund and dedicated to local government versus the state General Fund for consideration through the annual budget process?

Should slot machines be allowed to expand to non-Indian land in California?

References:

League of Women Voters (www.lwv.org)

A Fair Share for California (www.fairshareforcalifornia.com)

Vote No On Prop 68 (www.stop68.com)

Governor Schwarzenegger’s Committee for Fair Share Gaming Agreements (www.no67and68.org)

Institute of Government Studies (www.igs.berkeley.edu)

Proposition 69 (DNA Samples)

This measure expands the collection of DNA to include all convicted felons and some non-felons, as well as individuals arrested for certain offenses. The expanded list of qualifying

offenses would be retroactive regardless of when the person was convicted (adults) or adjudicated (juveniles). As a result, DNA would be obtained from adults and juveniles already serving time in correctional facilities as well as those who are on parole or probation for these offenses.

Fiscal: This measure would result in net state costs of potentially several million dollars initially, increasing to nearly \$20 million annually when costs are fully realized in 2009-10.

Support: Governor Arnold Schwarzenegger, Attorney General Bill Lockyer, Senator Jim Brulte, Former Governor Pete Wilson, California State Sheriffs' Association, California Police Chiefs Association, California State Firefighters' Association, California District Attorneys Association, Crime Victims United of California, California Narcotic Officers Association, KlaasKids Foundation, dozens of district attorneys, elected officials, and law enforcement officers.

Opposition: American Civil Liberties Union of Northern California.

Questions:

Are the new costs associated with Proposition 69 appropriate in the context of the benefits of having DNA samples from convicted offenders?

References:

League of Women Voters (www.lwv.org)

ACLU of Northern California (www.aclunc.org)

Attorney General/California Department of Justice (www.caag.state.ca.gov)

California Correctional Peace Officers Association (www.ccpoa.org)

Proposition 70 (Tribal Gaming Compacts)

Federal law and the State Constitution allow tribes to conduct gambling on Indian land if they enter into agreements with the state. These agreements, called compacts, lay out the conditions under which the gambling may occur. Under current compacts, tribes may operate slot machines and card games, such as twenty-one. Other Nevada-style casino games such as craps and roulette are prohibited. Currently, 64 tribes have compacts and operate 53 casinos with a total of more than 54,000 slot machines.

This measure amends the State Constitution and state statutes to require the Governor to amend an existing compact or enter into a new compact with any tribe within 30 days of a tribe's request. Any such compact would have to include certain provisions, as discussed below.

Gambling Revenues. Under the provisions of the measure, a tribe entering into an amended or new compact would pay the state a percentage of its net income from gambling activities. The percentage of net income paid would be equivalent to the corporate tax rate paid by a private business (currently 8.84 percent).

Expansion of Gambling. The measure expands the types of games authorized by the compacts to include roulette, craps, and any other form of casino gambling. The measure eliminates the 1999 compact limit on the number of slot machines and facilities a tribe can operate on Indian lands.

Compacts Extended. The measure specifies that any amended or new compact would remain in effect for 99 years. These compacts could be amended or renewed upon agreement of the Governor and a tribe and approval by the federal government.

Environmental Studies. As required under the 1999 compacts, any tribe entering a compact under this measure would be required to prepare an environmental study analyzing the impact on the surrounding area of any new or expanded tribal gambling facility.

Fiscal: Although the measure could lead to an increase in overall gambling in the state, it is unclear what impact that would have on payments to the state.

Support: Unknown.

Opposition: California Business Roundtable.

Questions:

Should tribes in California pay a percentage of their net winnings to the state?

Should tribal governments have a monopoly on gambling in California?

Should tribal casinos be expanded to include all forms of casino gambling?

References:

League of Women Voters (www.lwv.org)

A Fair Share for California (www.fairshareforcalifornia.com)

Governor Schwarzenegger's Committee for Fair Share Gaming Agreements (www.no67and68.org)

Institute of Government Studies (www.igs.berkeley.edu)

Proposition 71 (Stem Cell Research Bonds)

The measure authorizes the sale of \$3 billion in general obligation bonds to provide funding for stem cell research and research facilities in California. A new state medical research institute would be established to use the bond funds to award grants and loans for stem cell research and research facilities, and to manage stem cell research activities funded by this measure within California.

Fiscal: This measure provides that no General Fund payments for the bonds would occur in the first five years after it took effect. The cost to the state after that would depend on the interest

rates obtained when the bonds were sold and the length of time it takes to repay the debt. The debt service for these bonds will be a new obligation for the state.

Support: Lieutenant Governor Cruz Bustamante, Treasurer Phil Angelides, Controller Steve Westly, California Healthcare Institute, United Chambers of Commerce, Alliance for Aging Research, Cancer Research and Prevention Foundation, scores of other elected officials, Nobel Prize winners, medical groups, patient advocacy organizations, religious organizations, community organizations and business organizations.

Opposition: Unknown.

Questions:

What level of the state's General Fund should be used for debt financing such as Proposition 71?

What other capital outlay and infrastructure needs is the state facing today, and how will this measure impact their being funded in the future?

How does the need to do stem cell research compare to the needs of our colleges and universities? K-12 schools? Transportation? Water systems?

What alternative sources of revenue may be available for stem cell research in California?

References:

League of Women Voters (www.lwv.org)

Californians for Stem Cell research and Cures (www.curesforcalifornia.com)

Doctors, Patients and Taxpayers for Fiscal Responsibility (www.noonprop71.org)

California Taxpayers Association (www.caltax.org)

Proposition 72 (Referendum Petition to Overturn Amendments to Health Care Coverage Requirements)

In 2003, the Legislature approved and the Governor signed Senate Bill 2 (Chapter 673) to expand health insurance coverage beginning in 2006 for employees of certain employers and, in some cases, their dependents. The law also established a program to assist lower-income employees with paying their share of health care premiums. Proposition 72 repeals the “pay or play” system of health coverage enacted by SB 2. Under this system, specified California employers would be required to pay a fee to the state to provide health insurance (in other words, “pay”) for their employees and in some cases, for their dependents. Alternatively, the employer could choose to arrange directly with health insurance providers for coverage (in other words, “play”) for these individuals.

Fiscal: Potentially significant revenues to the state from employers that choose to “pay” for health coverage rather than to “play” by directly arranging their own health coverage. The proportion of employers who would choose to “pay” the fee to the state, thereby obtaining health

coverage from the State Health Purchasing Program, rather than to “play” by arranging health coverage on their own, is a major unknown factor. The amount of fees collected from employers and employees and spent for the purchasing program could range from the tens of millions of dollars to the hundreds of millions of dollars annually, depending on the participation level of employers. This estimate assumes that the state collects the fee only from firms that choose to “pay” and not from firms that “play” by arranging health coverage on their own and therefore receive a credit that fully offsets their fee. However, the net effect of SB 2 on state-funded health programs is uncertain. Finally, SB 2 would likely result in a net reduction in state tax revenues, potentially in the low hundreds of millions of dollars, with the actual magnitude depending on the behavioral responses of employers and the health care marketplace.

Support: California Medical Association, California Nurses Association, Consumers Union, Consumer Federation of California, AARP California, Congress of California Seniors, California Teachers Association, California Federation of Teachers, Mexican American Legal Defense and Education Fund, AFSCME, California Labor Federation, SEIU, dozens of other organizations.

Opposition: California Chamber of Commerce, California Retailers Association, California Restaurant Association, California Business Roundtable, Western Growers Association, California Farm Bureau Federation, Association of California School Administrators, California Association of School Business Officials, California Taxpayers Association, Howard Jarvis Taxpayers Association, dozens of other organizations, businesses, and elected officials.

Questions:

Does Senate Bill 2 make California more or less business friendly? Does it have an impact on job creation and new enterprises operating in the state?

Should health care costs be mandated by the state for those operating in the state?

Does Senate Bill 2 lead to increased costs for employers/businesses resulting in job loss, lower wages and reduced benefits?

References:

California Chamber of Commerce (www.calchamber.com)
California HealthCare Foundation (www.chcf.org)
California Medical Association (www.cmanet.org)
Californians Against Government Run HealthCare (www.stopthehealthtax.com)
Yes on Prop 72 (www.yesonprop72.com)
Health Access (www.health-access.com)
League of Women Voters (www.lwv.org)
Legislative Analyst Office (www.lao.ca.gov)
California Budget Project (www.cbp.org)
Institute of Government Studies (www.igs.berkeley.edu)

