



PROS & CONS

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The *Pros & Cons* is a nonpartisan explanation of state propositions, with supporting and opposing arguments. The arguments come from many sources and are not limited to those presented in the *Official Voter Information Guide*. The LWVCEF does not judge the merits of the arguments or guarantee their validity.

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League of Women Voters of California Education Fund

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Primary Election ★ June 3, 2014

At this “Top-Two” primary election, California voters will choose among all candidates for state and congressional elective offices, regardless of party preference. The two candidates in each race who win the most votes will advance to the November general election—regardless of party preference, and even if one of them has received a majority of the votes for that office.

California voters will also decide on two state propositions, which are explained in this *Pros & Cons*. Both propositions were put on the ballot by the state Legislature. Only propositions proposed by the Legislature may now appear on the June primary ballot; all initiative measures will appear on the November general election ballot.

Visit SmartVoter.org® to see everything on your ballot, find your polling place, and get unbiased information on all your voting choices.

How to Evaluate Ballot Propositions

- ★ Examine what the measure seeks to accomplish. Do you agree with those goals? Is the measure consistent with your ideas about government? Do you think the proposed changes will make things better?
- ★ Who are the real sponsors and opponents of the measure? Check where the money is coming from on the Voter’s Edge website: votersedge.org/california-election-voters-guide-to-ballot-measures-and-candidates (Webpage is expected to be available April 1, 2014.)
- ★ Is the measure written well? Will it create conflicts in law that may require court resolution or interpretation? Is it “good government,” or will it cause more problems than it will resolve?
- ★ Does the measure create its own revenue source? Does it earmark, restrict or obligate government revenues? If so, weigh the benefit of securing funding for this measure against the cost of reducing overall flexibility in the budget.
- ★ Does the measure mandate a government program or service without addressing how it will be funded?
- ★ Does the measure deal with one issue that can be easily decided by a YES or NO vote? Or, is it a complex issue that should be thoroughly examined in the legislative arena?
- ★ If the measure amends the Constitution, consider whether it really belongs in the Constitution. Would a statute accomplish the same purpose? All constitutional amendments require voter approval; what we put into the Constitution would have to come back to the ballot to be changed.
- ★ Be wary of distortion tactics and commercials that rely on image but tell nothing of substance about the measure. Beware of half truths.

Veterans Housing and Homeless Prevention Bond Act of 2014.

THE QUESTION: *Should California sell \$600 million in new general obligation bonds to fund affordable multifamily housing for low-income veterans?*

THE SITUATION

California’s veterans housing programs (“Cal-Vet”) have existed since 1921, and been extended 27 times; more than 420,000 veterans have participated. California general obligation bonds are sold to investors and the proceeds used to buy homes for eligible veterans, who make monthly payments to the state. These monies are used to repay the bondholders, so there has been no cost to California taxpayers. In 2008, voters approved an additional \$900 million in bonds to replenish funding for the Cal-Vet program.

Since 2000, the number of veterans using the Cal-Vet program has declined significantly for various reasons, including changes in veterans’ housing needs.

THE PROPOSAL

\$600 million worth of bonds would be redirected from the amount approved in 2008, and sold to fund affordable multifamily housing, such as apartment complexes, for low-income veterans. These new bonds would be repaid by taxpayers rather than by the veterans involved.

California would provide local governments and nonprofit and private developers with partial financing assistance, such as low-interest loans. Housing built with these funds would be rented to low-income veterans—that is, those earning less than 80% of the local average family income (on average across the state, this means a single veteran earning less than \$38,000). These units would be “affordable,” meaning veterans’ rent payments cannot exceed 30% of the income limit for the program.

An accompanying state law would mandate priority for projects (including supportive housing) for veterans homeless or at risk of becoming homeless. In particular, at least one-half of the funds would be used for housing for extremely low-income veterans, defined as those earning less than 30% of the local average family income (on average across the state, this means a veteran earning less than \$14,000 per year).

The Legislature could make future changes to improve the program, and the state would publish an annual program evaluation.

FISCAL EFFECTS

The \$600 million of general obligation bonds would be repaid using general tax revenues. The cost of these bonds would depend on their interest rates and the repayment period. Assuming that (i) the interest rate averages 5%, and (ii) the bonds would be repaid over a ten-year period, the bond repayment cost would average about \$50 million annually for 15 years, or a total of \$750 million. Up to \$30 million of the bond funds could be used to cover the costs of administering the program.

SUPPORTERS SAY

- ★ This is a fiscally responsible proposition that will help thousands of homeless California veterans get a roof over their heads.
- ★ By using previously approved but unsold bond funds, Proposition 41 doesn’t create new taxes or add new debt to California.

OPPONENTS SAY

- ★ This program will be paid for by the taxpayers instead of by the veterans who paid for it under the original Cal-Vet program.
- ★ If the funding does not go directly to the intended beneficiaries, there is risk of possible mismanagement and waste.

FOR MORE INFORMATION

Supporters: Coalition for Veterans Housing

www.yesonprop41forvets.org

E-mail: info@yesonprop41forvets.org

Opponents: Gary Wesley, e-mail: gary.wesley@yahoo.com

(Gary Wesley, a northern California attorney, wrote the opposing argument as an individual. At press time, there is no known campaign opposing this Proposition.)

Choosing YES or NO on a Proposition

A **YES** vote means that you approve of the change a proposition would make, and a **NO** vote means that you want to leave things as they are now.

Want to learn more about bonds?

See Page 4 for more information.

Public Records. Open Meetings. State Reimbursement to Local Agencies.

THE QUESTION: *Should the state Constitution be amended to require local governments to comply with state public-access laws, and to eliminate the requirement that the state reimburse local governments for the costs of such compliance?*

THE SITUATION

State public-access laws include the Ralph M. Brown Act, which requires governmental bodies to provide public notice of agenda items and to hold open meetings, and the Public Records Act, which requires governmental bodies to provide copies of government documents to the public upon request. Local governments must comply with these laws, although that requirement is not spelled out in the state Constitution.

Under the Constitution, the state is required to reimburse local governments for the costs of complying with these laws and any other laws mandated by the Legislature. However, the state no longer has to reimburse local governments for their costs of carrying out the Brown Act, due to the passage of Proposition 30 in 2012. A section of Proposition 30 eliminated that requirement from the Constitution. The state still is required to reimburse local governments for the costs of carrying out the Public Records Act. The state owes local governments a large sum of money for carrying out the Public Records Act, estimated to be in the tens of millions of dollars annually. Because of this, the Legislature considered making the requirements of the Public Records Act optional for local governments, but instead voted to put Proposition 42 on the ballot.

THE PROPOSAL

Proposition 42 would (i) amend the Constitution to specifically require that local governmental bodies must comply with the Brown Act and the Public Records Act, and (ii) eliminate the requirement that the state reimburse local governments for the costs of complying with these acts and any similar acts that might be passed by the Legislature in the future.

FISCAL EFFECTS

Proposition 42 would result in savings to the state, and comparable revenue losses to local governments, in the likely amount of tens of millions of dollars a year. There could be further costs to local governments, potentially in the tens of millions of dollars a year, if the state imposes additional such mandates on them.

SUPPORTERS SAY

- ★ Proposition 42 will cement in the Constitution the public’s right to know what the government is doing and how it is doing it.
- ★ Proposition 42 will clarify that local government agencies, and not the state, are responsible for the costs of compliance with the public-access laws.

OPPONENTS SAY

- ★ Local governments can’t be relied upon to comply fully with these laws if they must bear the costs themselves.
- ★ It’s wrong for the state to impose the costs of complying with these laws on local governments. The state should continue to pay those costs.

FOR MORE INFORMATION

Supporters: First Amendment Coalition

www.cnpa.com/prop42

E-mail: pscheer@firstamendmentcoalition.org

Opponents: Gary Wesley, e-mail: gary.wesley@yahoo.com

(Gary Wesley, a northern California attorney, wrote the opposing argument as an individual. At press time, there is no known campaign opposing this Proposition.)

Looking for more information on the propositions?

- ★ **Official Voter Information Guide** • voterguide.sos.ca.gov

Read nonpartisan analysis, arguments for and against, and even the full text of the proposed law.

- ★ **Voter’s Edge** • votersedge.org/california-election-voters-guide-to-ballot-measures-and-candidates

Learn more about the supporters and opponents, and find out who is giving money to the YES and NO campaigns. *(Webpage is expected to be available April 1, 2014.)*

- ★ **SmartVoter.org** • Nonpartisan Election Information at SmartVoter.org

Type in your address for comprehensive information about everything on your ballot.



Answers to your questions about voting and the Top-Two primary

Visit our website, CAvotes.org, for more information about the ballot measures, answers to your questions about voting, and a wealth of information on government and public policy. You can see a list of local Leagues in your community, many of which provide ballot measure speakers and candidate forums. We encourage you to sign up and become a member, and to donate or volunteer.

Primary Election



Tuesday, June 3, 2014

Polls open 7:00 a.m. to 8:00 p.m.

May 19

Last day to register to vote

May 27

Last day to request a
Vote-by-Mail Ballot

About Bonds

In light of the bond on the ballot in this election, we are providing background information regarding the state's current bond debt, as well as the impact that approval of Proposition 41 could have within the framework of these state obligations and the costs of paying them off over time.

What Are Bonds? Bonds are a form of long-term borrowing that the state uses to raise money for infrastructure projects. The state sells bonds to investors and agrees to repay the investors, with interest, according to a specified schedule.

Why Are Bonds Used? Projects such as roads, educational facilities, prisons, parks, office buildings, and housing for veterans involve large dollar costs, and are used over many years. The use of bonds helps to fund the initial large dollar costs, which would be hard to fund out of day-to-day operating revenues. Also, the repayment of these bonds over time means that future taxpayers who benefit from the facilities will help to pay for them.

What Types of Bonds Does the State Sell? General Obligation Bonds are the most significant type of bonds and are largely repaid from the state's unrestricted general tax revenues. These bonds have to be approved by the voters, and their repayment is effectively guaranteed by the state. The bonds proposed in Proposition 41 are general obligation bonds.

There are also **Revenue Bonds**, repaid from a designated revenue stream—such as bridge tolls—and **Lease-Revenue Bonds**, repaid from lease payments by state agencies using the leased facilities. Neither type requires voter approval, nor is their repayment guaranteed by the state.

What Are the Direct Costs of Bond Financing? The state must repay the principal of the bonds over time to the investors until the bonds are fully paid off, plus annual interest costs. The interest cost of repaying bonds depends primarily on the current interest rate and the time period over which the bonds have to be repaid. It's expected that the bonds proposed by Proposition 41 would be sold over a 30-year period (similar to how homeowners pay off their 30-year home mortgages) at an expected interest rate of 5%.

Amount of General Fund Debt. The state currently has about \$85 billion of infrastructure bonds outstanding, almost 90% of which are general obligation bonds. In addition, about \$33 billion of infrastructure bonds have been approved by the voters and are expected to be sold in the coming years as additional projects need funding. From now until 2020, the annual bond repayments, both principal and interest, are expected to rise from over \$5 billion to over \$7 billion.

This Election's Impact on the Debt Servicing. One indicator of the state's debt burden is the portion of the state's annual general revenues that must be set aside for debt-service payments. The current amount of the state's debt is relatively high in proportion to its unrestricted general revenue. Proposition 41 is requesting approval of \$600 million of general obligation bonds to fund multifamily housing and services for low-income veterans. This measure, if approved, would increase the amount of the state's debt, and its annual debt-servicing burden, only very minimally.