



# 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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## General Election ★ November 4, 2014

At this election, California voters will vote on statewide officers, members of the state Legislature, and Congressional representatives. They will also vote on whether to retain three appointed Supreme Court justices.

California voters will also decide on six state propositions that are explained in this *Pros & Cons*. Two of the propositions were put on the ballot by the California Legislature, and four of them were put on the ballot by supporters who gathered sufficient signatures; of these, three are initiatives that seek to change state law and one is a referendum on an existing law.

Visit [SmartVoter.org](http://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/ballot-measures/2014/november](http://votersedge.org/california/ballot-measures/2014/november)
- ★ 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.

## Water Bond. Funding for Water Quality, Supply, Treatment, and Storage Projects.

**THE QUESTION:** *Should the state of California sell \$7.1 billion in additional general obligation bonds to fund various water-related programs?*

### THE SITUATION

Historically, a majority of California's surface water has come from Sierra Nevada and Northern California snowmelt that feeds the state's two largest rivers, the Sacramento and the San Joaquin. Groundwater has provided roughly a third of the state's water supply, but many of the state's groundwater basins are currently dangerously depleted. The remainder of the state's water comes from other sources, such as captured rainwater, water recycling, and desalination.

Much of the state's surface water is delivered to Central Valley farmland and to population centers in the Bay Area and Southern California. Southern California also gets water from the Owens Valley and the Colorado River. In dry years, it can be difficult to provide all the water needed by California's cities, agriculture, and environment. In very wet years, the state can experience floods. To address these challenges, the state has built various projects, including pipelines, pumping stations, and canals to move water, and has constructed dams/reservoirs and other types of water storage to manage available surface water. These supplement local water storage and delivery systems.

Since the large water projects were built in the mid-20th century, California's population has doubled and the value of its economy has multiplied many times. However, California's growth faces natural limits on the total amount of water available.

In addition to approving water project bonds in the middle of the last century, voters over the decades have approved additional water bonds. A portion of these bonds remain unsold.

### THE PROPOSAL

Prop. 1 would allow the state to redirect \$425 million in unsold bonds and sell \$7.1 billion in additional bonds, for a total of \$7.5 billion in general obligation bonds. The funds would be used to manage water supplies, protect and restore wetlands, improve water quality, and increase flood protection. Of the total \$7.5 billion, \$5.7 billion is available for water supply and water quality projects only if recipients provide a local match, in most cases 50% of the total cost.

### FISCAL EFFECTS

Assuming an interest rate just over 5% for bonds sold over the next 10 years and repaid over a 30-year period, the cost to taxpayers would average about \$360 million annually over the next 40 years. It is assumed that the \$425 million in unsold bonds would not increase the state's anticipated debt payments because the bonds likely would have been sold in any case.

It's estimated that there would be savings to local governments on water-related projects, likely averaging a couple hundred million dollars annually over the next few decades.

### SUPPORTERS SAY

- ★ Prop. 1 supports a comprehensive state water plan and provides a reliable supply of water for farms, businesses, and communities, especially during droughts.
- ★ Prop. 1 does not raise taxes. It is fiscally responsible and contains strict accountability requirements and public disclosure to ensure that the money is properly spent.

### OPPONENTS SAY

- ★ Too much of Prop. 1 wrongly focuses on building more dams. No amount of water storage will produce more rain and snow.
- ★ Prop. 1 does little for drought relief in the near term and doesn't adequately promote regional water self-sufficiency or reduce our reliance on an already water-deprived Delta ecosystem.

### FOR MORE INFORMATION

**Supporters:** Yes on Propositions 1 and 2 •

[www.YesOnProps1and2.com](http://www.YesOnProps1and2.com)

*(At press time, supporters' website was under construction.)*

**Opponents:** No on Prop. 1 • [www.NoOnProp1.org](http://www.NoOnProp1.org)

### Why the unusual proposition numbering on this ballot?

Originally, the propositions were to be numbered consecutively, beginning with Prop. 43. However, the state Legislature renumbered the two propositions that it put on the ballot, Prop. 43 and Prop. 44, as Prop. 1 and Prop. 2, while leaving the rest of the numbers unchanged.

## State Budget. Budget Stabilization Account.

**THE QUESTION:** *Should the State Constitution be amended to change how the state pays down debt and saves money in reserves?*

### THE SITUATION

When the economy is strong, state tax revenues rise, and the state transfers funds into its reserves. When the economy weakens, total tax revenues decline, but reserve funds are available to help mitigate adverse steps otherwise needed to balance budgets.

The Budget Stabilization Account (BSA) is the state's basic reserve. Currently, about \$3 billion per year is transferred into the BSA, although the Governor may reduce or eliminate this amount. There is a target maximum, currently \$8 billion. BSA funds can be released by vote of the Legislature. Due to the recent adverse economic conditions, these transfers were stopped, and the BSA had no funds at all for several years, until the current year.

State law requires that local school districts keep reserves equal to 1-5% of their annual budget, depending on their size. Many districts keep larger reserves.

The state's debts total around \$300 billion, including about \$150 billion for retirement benefits already earned by public employees, and several billion dollars owed to local governments, such as school districts, cities, and counties.

### THE PROPOSAL

Prop. 2 would reduce the annual revenue transfer to the BSA to approximately \$1.6 billion, but add a portion of capital gains-related taxes in years when such revenues exceed a certain level. The total annual transfer could thus possibly increase to \$4 billion or more.

For 15 years, half of the foregoing amount would have to be used to pay down public retirement benefit obligations and inter-governmental debts. Later, the Legislature could choose whether to use the BSA transfer funds to further pay down these debts.

Prop. 2 would increase the target BSA maximum to about \$11 billion. Once the maximum is reached, the BSA transfer amount would instead be used to build and maintain infrastructure.

Prop. 2 would also limit the circumstances under which the transfer could be reduced, or BSA funds could be

withdrawn, and the amounts which could be withdrawn in any year.

In some years when capital gains revenues are strong, and certain other conditions are met, money would go into a new state reserve for schools and community colleges. However, Prop. 2 does not directly change the long-term amount of state spending for schools and community colleges.

If the new school reserve is funded, under certain circumstances a new state law would limit the size of local school district reserves to a maximum of 10% of their annual budget, depending on the size of the district. This new maximum limit could be changed in the future by the Legislature.

### FISCAL EFFECTS

Under Prop. 2, the state would likely pay down existing debts somewhat faster, leaving less money for other things in the state budget during at least the next 15 years. Prop. 2's impact on state budget reserves over the long run would depend on the economy, capital gains tax revenues and the way that state government implements the measure.

The new school reserve would receive funds only occasionally—likely only during very good economic times. Once this reserve has funds of any amount, the local school district reserves would be limited, and some districts likely would have smaller reserves in bad economic times.

*Continued on Page 4*

### More information is only a mouse-click away



Visit our website, [CAvotes.org](http://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.

## State Budget. Budget Stabilization Account.

### SUPPORTING AND OPPOSING ARGUMENTS

*Continued from Page 3*

#### SUPPORTERS SAY

- ★ Prop. 2 establishes a strong constitutional reserve fund, which will force state government to save money and pay down debts.
- ★ Prop. 2 will shield taxpayers from unnecessary tax increases and protect schools from devastating cuts.

#### OPPONENTS SAY

- ★ Prop. 2 hides a financial time bomb that limits school districts' reserves, resulting in possible higher costs and deeper cuts.
- ★ Prop. 2 establishes a double standard—prudent reserves for the state, but limited reserves for school districts.

#### FOR MORE INFORMATION

**Supporters:** Yes on the Rainy Day Fund • [www.CaliforniaRainyDayFund.com](http://www.CaliforniaRainyDayFund.com)  
*(At press time, supporters' website was under construction.)*

**Opponents:** Educate Our State • [www.2BadForKids.org](http://www.2BadForKids.org)

*Note: Because the Legislature changed the number of this proposition from Prop. 44 to Prop. 2, you may still find references to Prop. 44 in various publications and websites.*

#### Who can vote?

You may register to vote in California if:

- You are a U.S. citizen and California resident.
- You will be at least 18 years old on election day.
- You are not in prison or on parole for a felony.
- You have not been judged mentally incompetent.

#### When must you re-register to vote?

You need to fill out a new voter registration form if:

- You change your residence address or mailing address.
- You change your name.
- You want to change your political party affiliation.

*If you registered and your name does not appear on the voter list at your polling place, you have a right to cast a provisional ballot at any polling place in your county.*

#### Looking for more information on the propositions?

##### ★ Official Voter Information Guide

[voterguide.sos.ca.gov](http://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/ballot-measures/2014/november](http://votersedge.org/california/ballot-measures/2014/november)

Look up who is giving money to the YES and NO campaigns. Find out which campaigns have money to spend.

##### ★ SmartVoter.org

Nonpartisan Election Information at [SmartVoter.org](http://SmartVoter.org)

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

## Health Care Insurance. Rate Changes.

**THE QUESTION:** *Should changes in some health insurance rates require the Insurance Commissioner's approval before going into effect?*

### THE SITUATION

Health care plans are regulated by either the California Department of Insurance (CDI) or the California Department of Managed Health Care (DMHC). The DMHC is run by a director appointed by the Governor, while the CDI is run by the elected Insurance Commissioner. The majority of Californians (about 77%) are insured by either large-group employee plans or government programs. About 16% are covered by individual or small-group (50 or fewer employees) employer plans. (The remaining 7% are uninsured.) Proposed rate changes for these individual and small-group plans are reviewed by the DMHC or the Insurance Commissioner, who may declare them “unreasonable” but has no authority to reject them. Insurance companies pay a fee to cover the costs of each department’s activities.

A new player on the health care scene is Covered California, the health insurance exchange set up by the state as a result of the federal Affordable Care Act (ACA). The Covered California Board is authorized to negotiate rates and other characteristics with companies that want to sell their product through the exchange. After Covered California’s negotiations are completed, rates are subject to review by the carriers’ respective regulator (either DMHC or CDI). This review does not include specific authority to reject rates.

In 1988, voters passed Prop. 103, an initiative that created the elective office of Insurance Commissioner, and gave the Commissioner review and prior approval authority over automobile and homeowner’s insurance rates.

### THE PROPOSAL

Prop. 45 applies only to individual and employer small-group plans. The Insurance Commissioner would have to approve rate changes for those plans before they could be implemented. The application process would require the company to publicly disclose and justify its requested rates. Consumers or insurance companies could challenge the outcome in court. Rates in effect as far back as November 6, 2012 would be subject to refund if found to be excessive. Under Prop. 45, “rates” would be defined to include any charges that affect cost, such as co-payments, deductibles, installment fees, premium financing, and more.

The DMHC would continue to review and regulate the small-group and individual insurers that it now oversees, but only the Insurance Commissioner could approve or reject their proposed rate changes. Insurance companies would continue to be charged a fee to cover the costs of administering the new law.

Prop. 45 would also prohibit the use of an individual’s credit history or the absence of prior insurance coverage when determining rates or eligibility for health, automobile, or homeowner’s insurance. In practice, insurance companies generally have not used such factors.

### FISCAL EFFECTS

The CDI would have increased administrative costs, probably not exceeding the low millions of dollars in most years. Funding would come from the fees paid by insurance companies. No additional duties would be imposed on DMHC or Covered California, but their administrative costs might be affected by any delays in rate approval.

### SUPPORTERS SAY

- ★ Spiraling health insurance rates have risen many times faster than inflation.
- ★ Prop. 45 will control health insurance costs just as Prop. 103 successfully controlled auto insurance costs.
- ★ Transparency required by Prop. 45 will help prevent unreasonable rate hikes.

### OPPONENTS SAY

- ★ Prop. 45 adds another level of expensive bureaucracy to health care regulation.
- ★ Decisions about health care should not be made by a politician.
- ★ Marketplace negotiations under the ACA could be harmed by the new regulatory approach.

### FOR MORE INFORMATION

**Supporters:** Yes on 45—Consumer Watchdog Campaign • [www.YesOn45.org](http://www.YesOn45.org)

**Opponents:** No on 45—Californians Against Higher Health Care Costs • [www.StopHigherCosts.org](http://www.StopHigherCosts.org)

## Drug and Alcohol Testing of Doctors. Medical Negligence Lawsuits.

**THE QUESTION:** *Should California require random drug testing of doctors, require doctors to check a statewide database before prescribing certain drugs, and raise the cap on noneconomic damages in medical negligence lawsuits?*

### THE SITUATION

California does not require drug testing of doctors. The state has a database to track prescriptions of certain controlled drugs, but does not require doctors to check the database before prescribing drugs.

There are two kinds of damages in medical negligence lawsuits: economic damages, which pay for the financial costs of an injury, such as medical bills or loss of income, and noneconomic damages, which pay for items such as pain and suffering and loss of quality of life. Attorneys in malpractice cases typically work on contingency; that is, they don't charge for their time, but instead take a percentage of the damages awarded their clients.

In 1975, California enacted the Medical Injury Compensation Reform Act (MICRA), which placed a cap of \$250,000 on noneconomic damages in medical negligence litigation, and limited the percentage of a damages award that an attorney can take. Neither cap has ever been raised. (There is no cap on economic damages.)

### THE PROPOSAL

Prop. 46 would

- ★ mandate random drug tests of doctors, in addition to tests after events of possible medical negligence or if the doctor is suspected of using drugs or alcohol;
- ★ require doctors to check a statewide database before prescribing certain drugs to prevent patients from "doctor shopping" for multiple prescriptions;
- ★ raise the cap for noneconomic damages in malpractice lawsuits to \$1.1 million (reflecting inflation since 1975) and index it to inflation going forward. The cap on attorney's fees would remain unchanged.

### FISCAL EFFECTS

- ★ State and local governments fund significant health care services including Medi-Cal and health care to employees and retirees. The cap increase likely would increase costs of malpractice insurance and payments of malpractice claims. Conversely, the higher cap could encourage medical providers to practice medicine in a way that would decrease malpractice claims. There

would likely be a very small percentage increase in health care costs in the economy overall as a result of raising the cap (less than 0.5% of the annual general fund budget), but that increase could have a significant effect on government health care spending, from tens of millions of dollars to several hundred million dollars annually.

- ★ Use of the drug database could reduce the amount of drugs prescribed, saving drug costs. Prescription drug abuse would be reduced, lowering governmental costs associated with drug abuse, including treatment, rehabilitation, law enforcement, and incarceration.
- ★ Testing doctors could prevent some medical errors. Savings are uncertain, but potentially significant, and would offset to some extent the increased governmental costs from raising the cap on noneconomic damages.

### SUPPORTERS SAY

- ★ Prop. 46 will save lives by cracking down on prescription drug abuse by doctors and protecting patients from impaired doctors.
- ★ Increasing the cap on compensation for pain and suffering will fairly value lives and hold doctors accountable for medical errors.
- ★ Use of a statewide database will reduce over-prescription of dangerous drugs and save lives.

### OPPONENTS SAY

- ★ Prop. 46 uses drug testing of doctors to disguise its real intent: to increase the limit on medical malpractice awards.
- ★ Increasing the cap on damages will cause many doctors to move to states with lower malpractice insurance rates.
- ★ Use of the online database of personal prescription drug history allows for the invasion of an individual's privacy.

### FOR MORE INFORMATION

**Supporters:** Your Neighbors for Patient Safety • [www.YesOn46.org](http://www.YesOn46.org)

**Opponents:** Patients and Providers to Protect Access and Contain Health Costs • [www.NoOn46.com](http://www.NoOn46.com)

## Criminal Sentences. Misdemeanor Penalties.

**THE QUESTION:** *Should the penalties for certain offenders convicted of nonserious, nonviolent crimes be reduced from felonies to misdemeanors?*

### THE SITUATION

The California Penal Code classifies a felony as the most serious crime, with some felonies graded as “violent” or “serious,” and some, such as murder and rape, graded as both. Felonies not classified as violent or serious include grand theft and possession of illegal drugs. Felony convictions result in incarceration for at least one year, usually in a prison facility rather than a county or local jail. After release, felony offenders are supervised by either state parole agents or county probation officers, depending on the severity of the conviction. Misdemeanors are less serious crimes, such as petty theft and public drunkenness, that usually result in fines, community supervision, and/or incarceration for less than one year in a county or local jail rather than a prison facility. Some crimes, called “wobblers,” such as check forgery, can be charged as either felonies or misdemeanors, depending on the offender’s history and the details of the crime.

### THE PROPOSAL

Prop. 47 would reduce the penalty for most nonviolent wobblers and felonies to misdemeanors, unless the defendant has prior convictions for violent and serious crimes. Prop. 47 would permit resentencing for anyone currently serving a prison sentence for any of the offenses reclassified in Prop. 47 as misdemeanors, and certain offenders who have already completed a sentence for one of those felonies may apply to the court to have their convictions changed to misdemeanors. State savings from Prop. 47 would go to a newly created fund, “Safe Neighborhoods and Schools Fund,” for truancy and drop-out prevention programs in schools, victims’ services, and mental health and drug treatment services designed to keep individuals out of prison and jail.

### FISCAL EFFECTS

The net state savings as a result of Prop. 47 are estimated to be in the low hundreds of millions of dollars annually based on fewer prisoners eligible for prison sentences and the release of current inmates through resentencing. County cost savings are estimated to be several hundred million dollars annually, primarily due to freeing up jail capacity and having fewer people under community supervision.

### SUPPORTERS SAY

- ★ Prop. 47 will reduce prison spending and waste on low-level nonviolent crimes. Law enforcement resources will be focused on violent and serious crimes.
- ★ Savings will be redirected from prison spending to K-12 school programs, assistance for victims of crime, mental health programs, and drug treatment.

### OPPONENTS SAY

- ★ Prop. 47 will release thousands of dangerous inmates; it prevents judges from blocking the early release of prisoners except in rare cases.
- ★ Prop. 47 will burden our criminal justice system; it will overcrowd jails with felons who should be in state prison and jam the courts with resentencing hearings.

### FOR MORE INFORMATION

**Supporters:** Californians for Safe Neighborhoods and Schools • [www.SafetyAndSchools.com](http://www.SafetyAndSchools.com)  
**Opponents:** California Police Chiefs Association • [www.CaliforniaPoliceChiefs.org](http://www.CaliforniaPoliceChiefs.org)

## Vote Requirement for State Propositions

Any state proposition passes if more than 50 percent of the votes cast on that proposition are YES.

## Indian Gaming Compacts.

**THE QUESTION:** *Should the tribal gaming compacts negotiated by Governor Brown with the North Fork and Wiyot Tribes and ratified by legislative statute be allowed to go into effect?*

### THE SITUATION

In 2000, voters amended the state Constitution to allow Indian tribes to open casinos on Indian land, if the tribe and the Governor agree on a compact, and the Legislature and the federal government approve the compact.

In 2012, Governor Brown negotiated an agreement with the North Fork Rancheria of the Mono Tribe. The state Legislature approved, and the federal government accepted, this compact, which allows the tribe to acquire tribal land in Madera County, approximately 38 miles from the tribe’s reservation, and to build a casino and hotel on it.

Federal law usually prohibits tribes from building casinos on tribal land acquired after 1988; however, an exception can be approved if the acquisition of new land can be shown to be in the tribe’s best interest and not harmful to the surrounding community. The Bureau of Indian Affairs affirmed that this was the case for the North Fork casino plan, as the tribe’s preexisting holdings are not sufficiently large to allow for a casino and hotel, and they are located in a remote area in the Sierra National Forest.

The compact with the Wiyot Tribe, also covered by this statute, prohibits the tribe from opening a casino on tribal lands in Humboldt County, instead providing them a share of the North Fork casino’s profits.

### THE PROPOSAL

Prop. 48 is a referendum that asks the voters to approve or reject the gaming compacts with the North Fork and Wiyot tribes. A YES vote approves the legislative statute that ratifies the compacts, and allows the compacts to go into effect; a NO vote rejects the statute and voids the compacts.

#### Choosing YES or NO on a Proposition

As a rule, 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. However, there is an exception to the rule on this ballot. Prop. 48 on this page is a referendum on a state law approving certain Indian gaming compacts. A YES vote on Prop. 48 means that you approve of the compacts and want to allow the law to go into effect, and a NO vote means that you want to reject the compacts and overturn the law.

### FISCAL EFFECTS

- ★ The tribe would make annual payments to the state and local governments to offset their costs arising from the existence of the new casino, which would probably average about \$1.5 million annually over the 20-year period of the compact.
- ★ Madera County and city would likely receive between \$16 million and \$35 million in one-time payments from the tribe for specified services, and would receive about \$5 million in annual payments over the life of the compact, once the casino opens. Other local governments in the area could receive \$3.5 million annually over the life of the compact.
- ★ There may be increased revenue from economic growth in the Madera County area, generally offset by revenue losses from decreased economic activity in surrounding counties.

### SUPPORTERS SAY

- ★ The North Fork casino has local support and would create over 4,000 jobs.
- ★ The casino would bring revenue to Madera County and to the state of California.
- ★ The location of the casino is supported by local, state, and federal officials.

### OPPONENTS SAY

- ★ These compacts break the promise that Indian casinos would only be located on original reservation land.
- ★ Rather than creating jobs, the casino would take jobs and resources from nearby areas.
- ★ The door would be opened to an avalanche of new off-reservation casinos.

### FOR MORE INFORMATION

**Supporters:** Vote Yes 48 Campaign • [www.VoteYes48.com](http://www.VoteYes48.com)  
**Opponents:** No on Prop. 48—Keep Vegas-Style Casinos Out of Neighborhoods • [www.StopReservationShopping.com](http://www.StopReservationShopping.com)

**General Election ★ Tuesday, November 4, 2014**

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

**October 20** • Last day to register to vote

**October 28** • Last day to request a Vote-by-Mail Ballot