SUPPLEMENTAL
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Secretary of State

Dear California Voters:

This is your Supplemental California Voter Information Guide and Ballot Pamphlet. Each time a "Supplemental Ballot Pamphlet" is produced, I am frequently asked several questions by voters: Why am I receiving an additional "Supplemental" ballot pamphlet? Why is it that these two measures were not included in the main ballot pamphlet?

Although we prefer having all the statewide election materials sent to voters at the same time, occasionally the State Legislature determines that issues are of sufficient importance to the people of California that the propositions should be placed on the ballot even though it is too late to include information about the measures in the main ballot pamphlet due to printing deadlines.

The late measures are usually numbered last and appear at the end of the ballot in the order in which they are signed by the Governor. However, this year the Legislature voted to number the school bond measure contained in this pamphlet as "Proposition 1A" and place it first on the ballot. **Please do not be confused. Proposition 1A is completely distinct from Proposition 1, which will also appear on this November's ballot.**

- **Proposition 1A** is a bond act titled "Class Size Reduction Kindergarten–University Public Education Facilities Bond Act." Information on this ballot measure is included in this supplemental ballot pamphlet.
- **Proposition 1** is a legislative constitutional amendment titled "Property Taxes: Contaminated Property." Information on this measure was included in the main ballot pamphlet previously mailed to you.

Information on **Proposition 11**, titled "Local Sales and Use Taxes—Revenue Sharing" is contained in this supplemental ballot pamphlet.

As always, I urge you to read all of your election materials carefully and thoughtfully. Your decisions on the candidates and ballot measures placed before you are critical to California's future. And, please, don't forget to vote on November 3, 1998.

Thank You.

P.S. Thanks to the hard work of California's county election officials, more than 80 percent of California voters can now locate their polling place on the Internet. Visit us at www.ss.ca.gov to find your polling place or to see election returns as they are tabulated *live* on election night!

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BALLOT MEASURE SUMMARY

PROPOSITION		SUMMARY	WHAT YOUR VOTE MEANS		ARGUMENTS		TO OBTAIN ADDITIONAL INFORMATION	
			YES	NO	PRO	CON	FOR	AGAINST
1A	**CLASS SIZE REDUCTION KINDERGARTEN–UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 1998.** Bond Act Put on the Ballot by the Legislature	This nine billion two hundred million dollar ($9,200,000,000) bond issue will provide funding for necessary education facilities for at least four years for class size reduction, to relieve overcrowding and accommodate student enrollment growth and to repair older schools and for wiring and cabling for education technology. Funds will also be used to upgrade and build new classrooms in community colleges, the California State University, and the University of California. These bonds may be used only for eligible construction projects. Fiscal Impact: State cost of about $15.2 billion to pay off both the principal ($9.2 billion) and interest ($6 billion) on the bonds. The average payment for principal and interest over 25 years would be about $600 million per year. State cost of $160 million to offset all or part of school-related development fees borne by certain homebuyers and renters.	A **YES** vote on this measure means: The state would issue $9.2 billion in general obligation bonds for the construction and renovation of public education facilities (kindergarten through twelfth grade and higher education).	A **NO** vote on this measure means: The state would not issue $9.2 billion in general obligation bonds for the construction and renovation of public education facilities (kindergarten through twelfth grade and higher education).	Proposition 1A provides desperately needed funds for public schools, colleges and universities *without raising taxes*. Funds must be spent to build new schools, repair and update old ones, wire for technology, reduce class size and help make schools earthquake safe. The money cannot be used for any other purpose.	Bonds are the most expensive possible way to build schools—costing $1.70 in taxes for every $1.00 of schools. Prop. 1A will cost average families $2,000 in taxes to re-pay. Pay-as-you-go financing would have provided 70 percent more school construction—but Sacramento politicians preferred welfare increases and political pork projects.	Californians for Yes on Prop. 1A 1130 K Street, Suite 210 Sacramento, CA 95814 Jim Murdoch (916) 448-8577	Assemblyman Tom McClintock 1127 11th Street, Suite 216 Sacramento, CA 95814 (916) 448-9321 Fax: (916) 456-3279 Stoos@msn.com www.peoplesadvocate.org
11	**LOCAL SALES AND USE TAXES—REVENUE SHARING** Legislative Constitutional Amendment Put on the Ballot by the Legislature	This measure would authorize local governments to voluntarily enter into sales tax revenue sharing agreements by a two-thirds vote of the local city council or board of supervisors of each participating jurisdiction. Fiscal Impact: No net change in total sales tax revenues going to cities and counties. Potential shift of sales tax revenues among cities and counties.	A **YES** vote on this measure means: Cities and counties could enter into sales tax revenue-sharing contracts with a two-thirds vote of each affected jurisdiction's governing body.	A **NO** vote on this measure means: Cities and counties could enter into sales tax revenue-sharing contracts only with a majority vote of the people in each affected jurisdiction.	Proposition 11 authorizes local governments to voluntarily share sales tax revenue by a two-thirds vote of the city council or board of supervisors of each jurisdiction. It was placed on the ballot by the Legislature with overwhelming bipartisan support and support from local governments and taxpayer and business groups.	NOT PROVIDED	Assemblyman George C. Runner, Jr. (916) 441-3888	NOT PROVIDED

1A

Class Size Reduction Kindergarten–University Public Education Facilities Bond Act of 1998.

Official Title and Summary Prepared by the Attorney General

CLASS SIZE REDUCTION KINDERGARTEN–UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 1998.

- This nine billion two hundred million dollar ($9,200,000,000) bond issue will provide funding for necessary education facilities for at least four years for class size reduction, to relieve overcrowding and accommodate student enrollment growth and to repair older schools and for wiring and cabling for education technology.
- Funds will also be used to upgrade and build new classrooms in community colleges, the California State University, and the University of California.
- These bonds may be used only for eligible construction projects.
- Appropriates General Fund money to pay off bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State cost of about $15.2 billion to pay off both the principal ($9.2 billion) and interest ($6 billion) on the bonds.
- The average payment for principal and interest over 25 years would be about $600 million per year.
- State cost of $160 million to offset all or part of school-related development fees borne by certain homebuyers and renters.

Final Votes Cast by the Legislature on SB 50 (Proposition 1A)

Assembly:	Ayes 69	Senate:	Ayes 32
	Noes 9		Noes 6

Analysis by the Legislative Analyst

BACKGROUND

Public education in California consists of two distinct systems. One system includes local school districts that provide elementary and secondary (kindergarten through twelfth grade, or K–12) education to about 5.7 million students. The other system (commonly referred to as "higher education") includes local community colleges, the California State Universities, the University of California, and the Hastings College of the Law. The higher education system provides a wide range of education programs beyond the twelfth grade to about 1.9 million students.

K–12 Schools

School Facilities. The state, through the State School Building Lease-Purchase Program, has provided much of the money for school districts to buy land and to construct, reconstruct, or modernize school buildings in the K–12 system. In order to receive money under this program, school districts must meet certain requirements. Districts receive a higher priority for state funding of a project if they provide 50 percent of the project cost with local funds.

Since 1986, the voters have approved $8.8 billion in state general obligation bonds to fund K–12 school construction and renovation. As of July 1998, there was about $70 million remaining from these funds.

In addition to obtaining money from the state, local school districts raise funds for school buildings in three main ways:

- ***Local General Obligation Bonds.*** School districts are authorized to sell bonds to finance school construction projects, with the approval of two-thirds of the voters in the district. In these cases, the bonds are paid off by taxes that are levied on property located within the school district.
- ***Special Local Bonds (Known as "Mello-Roos" Bonds).*** School districts are authorized to form special districts in order to sell these bonds for school construction projects, with approval of two-thirds of the voters in the special district. (The special districts generally do not encompass the entire school district.) The bonds are paid off by charges assessed to property owners in the special district.
- ***Developer Fees.*** State law authorizes *school districts* to impose developer fees on new construction. As of January 1998, the maximum allowable fee under state law is $1.93 per square foot on residential buildings and 31 cents per square foot on commercial or industrial buildings. These fees may be used only for construction and reconstruction of school buildings. In addition to these fees imposed by school districts, decisions by the courts have allowed *cities and counties*, when approving new residential and commercial development, to impose additional developer fees for new school construction.

K–12 School Building Needs. There is no district-by-district estimate on the future demand for school facilities. The State Department of Finance estimates that the number of students attending K–12 schools statewide will increase by about 300,000 over the next five years. Given this projected growth, several billions of dollars will be needed statewide for *new* schools over the next five years. Additional billions of dollars will be needed for reconstruction or modernization of *existing* schools.

As of July 1998, applications submitted by school districts for state funding of land and new school buildings totaled approximately $2.9 billion. In addition, applications for state funding to reconstruct or modernize school buildings also totaled $2.9 billion.

Class Size Reduction. In 1996, the Legislature and the Governor enacted the Class Size Reduction Program, which made funds available to school districts to reduce kindergarten through third grade classes throughout the state to no more than 20 students. Districts implemented this program by purchasing or renting portable classrooms, making use of vacant space in schools, and converting into classrooms space that had been used for other purposes (such as libraries, child care facilities, and teacher lounges).

In 1996 and 1997, the state provided about $530 million for grants to districts to pay for facilities-related costs associated with reducing class size. A majority of these funds have been used to purchase portable classrooms. It is estimated that the program could result in added facilities costs (including the restoration of space that had been displaced to provide additional classrooms) of between $500 million and $700 million.

Higher Education

California's system of public higher education includes 139 campuses serving about 1.9 million students:

- The University of California has nine campuses, with a total enrollment of about 166,000 students. This system offers bachelor, master, and doctoral degrees, and is the primary state-supported agency for research.
- The California State University system has 22 campuses, with an enrollment of about 350,000 students. The system grants bachelor and master degrees.
- The California Community Colleges provide instruction to about 1.4 million students at 107 campuses operated by 71 locally governed districts throughout the state. The community colleges grant associate degrees and also offer a variety of vocational skill courses.
- The Hastings College of the Law is governed by its own board of directors and has an enrollment of about 1,300 students.

The state provides money to support these institutions of public higher education. This support covers both ongoing operating and capital improvement costs. In addition to state funds, these institutions also receive nonstate funds for both operations and capital improvements.

Since 1986, the voters have approved nearly $3.3 billion in general obligation bonds for capital improvements at public higher education campuses. As of July 1998, there was about $28 million remaining from these funds. In addition, since 1986 the Governor and the Legislature have provided about $2.4 billion for public higher education facilities from lease-payment bonds.

Higher Education Building Needs. Each year the institutions of higher education prepare five-year capital outlay plans, in which they identify projects that they believe should be funded over the next five years. The most recent five-year plans identify a total of $6.5 billion in projects for the period 1998–99 through 2002–03.

Proposal

This measure authorizes the state to sell $9.2 billion in general obligation bonds for K–12 schools ($6.7 billion) and higher education facilities ($2.5 billion).

General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from state personal and corporate income taxes and sales taxes.

K–12 School Facilities

The $6.7 billion would be used to fund school construction over the next four years as follows:

- At least $2.9 billion to buy land and construct *new* school buildings. Districts would be required to pay for one-half of eligible project costs with local resources.
- At least $2.1 billion for reconstruction or modernization of *existing* school buildings. Districts would be required to pay for 20 percent of eligible project costs with local resources.
- Up to $700 million for facilities costs related to the Class Size Reduction Program.
- Up to $1 billion for projects where the state determines that a district either (1) is unable for financial reasons to provide sufficient local matching funds or (2) will incur excessive school construction costs that are beyond the control of the district.

The above distribution of funds could be altered with the approval of two-thirds of the Legislature and the Governor.

Developer Fees. The legislation that placed this bond measure on the ballot also makes changes related to developer fees. These changes would take effect only if this bond measure is approved by the voters.

- ***School Districts.*** Districts would still be authorized to charge $1.93 per square foot on residential buildings and 31 cents per square foot on commercial or industrial buildings. They could, however, *exceed* these limits if they meet certain conditions regarding capacity problems and local bonding efforts. In these cases, districts could increase developer fees to fund the 50 percent matching requirement for new school construction. If there were no state funds available for new school construction, districts could increase developer fees to fund 100 percent of a school project. If a district subsequently receives funds from the state, these funds (up to 50 percent of the project cost) could be reimbursed to the parties that originally paid the fee.
- ***Cities and Counties.*** In addition, between November 1998 and the primary election of 2006, cities and counties could not require additional fees for school construction as a condition of approving new developments. (Cities and counties could, however, designate land under their jurisdictions for school sites.) At the end of that period, cities and counties could require additional developer fees if any statewide school bond measure is rejected by the voters. They could continue to assess the fees until a subsequent statewide school bond measure was *approved* by the voters. The amount of fees that cities or counties could assess would be limited to (1) 50 percent of the cost of new school projects if state funds are also available for this purpose or (2) 100 percent of project costs if no state funds are available.

Homebuyer and Renter Assistance. The legislation placing this bond measure on the ballot also provides state funds to offset all or part of the cost of some developer fees. These funds would be available to:

- Homebuyers in areas with high unemployment.
- Buyers of homes costing less than $110,000.
- Low or very low-income first-time homebuyers.
- Developers of rental housing for very low-income tenants.

A total of $160 million in state funds would be available for these programs over a four-year period.

Higher Education Facilities

The measure includes $2.5 billion to construct new buildings, alter existing buildings, and purchase equipment for use in these buildings for California's public higher education system. Of this total, $165 million would be allocated specifically for (1) new campuses of the University of California and (2) new campuses, campuses with enrollments of less than 5,000 full-time equivalent students, and off-campus centers at the California State University and the California Community Colleges. The Governor and the Legislature would decide the specific projects to be funded by the bond monies.

Fiscal Effect

Bond Costs. For general obligation bonds, the state makes principal and interest payments from the state's General Fund typically over a period of about 25 years. If the $9.2 billion in bonds authorized by this proposition are sold at an interest rate of 5 percent, the cost over the period would be about $15.2 billion to pay off both the principal ($9.2 billion) and interest ($6 billion). The average payment for principal and interest would be about $600 million per year.

Homebuyer and Renter Assistance. There would also be a state cost of $160 million ($40 million a year for four years) for these programs.

For the text of Proposition 1A see page 13

1A Class Size Reduction Kindergarten–University Public Education Facilities Bond Act of 1998.

Argument in Favor of Proposition 1A

Proposition 1A is an investment in our future

Proposition 1A is a wise and urgently needed investment in our schools, our students and California's future.

Proposition 1A will build new schools and repair old ones without raising taxes or hurting other public services

It's the law. This bond must be used to build new schools, reduce class size, repair and upgrade older classrooms, construct laboratories and other facilities, wire for technology, and help make our schools earthquake safe. The money cannot be used for any other purpose.

Proposition 1A will reduce classroom overcrowding

California classrooms are already the most overcrowded in the nation—with another 1.2 million students expected in the next 10 years. Without Proposition 1A there won't be enough classrooms to meet this demand. Children in over-crowded classrooms can't learn to read as well as children in smaller classes. Proposition 1A will reduce classroom overcrowding so teachers can spend more quality time teaching in smaller classes where children learn.

Proposition 1A will improve school safety and fund needed repairs

More than 60% of our schools are over 30 years old-and many don't meet today's safety and earthquake standards. Proposition 1A will allow us to provide earthquake-safe schools for our children, fix leaking roofs, repair broken equipment and make other needed repairs so our children can learn in safe, clean, well-equipped schools.

Proposition 1A will give students access to computers

California has one of the worst student/computer ratios in the nation. Older facilities must be upgraded with new wiring so we can bring more computers into the classroom. Passage of Proposition 1A will help our students prepare for the workplace of the 21st century and its high-skilled, high-wage jobs.

Proposition 1A is needed now!

Proposition 1A is urgently needed to avoid a school funding crisis. Every penny previously authorized for school construction, repairs and earthquake and technological improvements has already been spent or dedicated. *Thanks to key reforms and controls contained in Proposition 1A the cost of school construction will be cut, and the funding contained in Proposition 1A will go farther and do more good.*

Proposition 1A is a win-win for California

When you vote *YES* on Proposition 1A you are voting for:

- *Smaller classes*
- *Expanded college and university facilities*
- *Earthquake-safe schools, colleges and universities*
- *Access to computers and other important learning tools*

. . . . without raising taxes!

Proposition 1A is a responsible plan for better education and a solid investment in our schools and California's future. Join parents, teachers, business leaders, safety officers and seniors throughout the state in supporting Proposition 1A.

We urge you to vote YES on Proposition 1A.

LARRY MC CARTHY
President, California Taxpayers' Association

LOIS TINSON
President, California Teachers Association

HOWARD OWENS
Director, Congress of California Seniors

Rebuttal to Argument in Favor of Proposition 1A

OF COURSE BONDS RAISE TAXES!

Bonds are paid off entirely from taxpayers' pockets—the more bonds, the more taxes to pay for them. This one will cost an average family $2,000—paid entirely through *your* state taxes. It's that simple.

Proposition 1A adds $750 million per year every year for the next 20 years to the annual state budget—PAID ENTIRELY BY TAXPAYERS.

The needs of our schools are real—but bonds are the most expensive possible way to finance them—costing us $1.70 in taxes for every $1.00 of spending.

Don't be fooled: Most of Prop 1A's construction reforms are already state law—WHETHER OR NOT Prop 1A passes.

Prop 1A is on the ballot because politicians put it there. Instead of responsibly using part of the state surplus for pay-as-you-go school construction, they spent it on huge increases for welfare benefits and political pork. Now they want you to borrow 20 years into the future—at premium interest rates.

It doesn't matter to the politicians, with term limits they will be gone, but your children will still be making payments on these bonds twenty years from now.

Legislators return to work on December 7th. Your "NO" vote will tell legislators to spend the budget surplus on schools not pork!

ASSEMBLYMAN TOM MCCLINTOCK

JOHN COURTNEY
President, California Republican Assembly

SENATOR RAY HAYNES
Republican Whip

Class Size Reduction Kindergarten–University Public Education Facilities Bond Act of 1998.

1A

Argument Against Proposition 1A

Proposition 1A will cost taxpayers $9.2 billion in principal and $6.0 billion in interest—a total of $15 billion over the life of this bond.

Yes, taxpayers will be obligated to repay $15,000,000,000.00!

- It obligates an average family of four to repay $2,000 through their taxes to retire this debt. Bonds are the state's charge card, and California families are obligated to repay the full amount just as surely as if it appeared on their personal credit card statements.
- It is three times larger than the largest bond measure in California's history.
- It is almost as large as the total of all the state K–12 school bonds that have been approved since 1982 added together.
- It adds $750 million of new spending to the state's general fund every year for the next 20 years—spending that cannot be repealed.

And here's the real tragedy: the politicians could easily have used the state surplus for immediate pay-as-you-go school construction. Paying for all of this year's school needs from surplus funds would have saved California taxpayers $700 million in interest costs alone. Instead, they spent the surplus on political pork projects for their districts, and now want to stick taxpayers with billions of dollars in interest costs.

The approval of this bond means that almost five cents of every state tax dollar will be consumed by debt service—twice the rate of a decade ago.

As economies around the world struggle to regain sound footings, this is not the time to start California down the road to massive, huge crippling debt service. Passage of this measure would take debt service in California perilously close to the 5.4 cents per dollar in debt payments, which caused national credit rating agencies to reduce the City of Philadelphia to junk bond status.

In the 1950's and 60's, when the population grew twice as fast as today, Californians financed their school construction needs through local bond measures and pay-as-you-go financing. Instead, today's profligate politicians have run up record levels of debt that guarantee higher taxes and crumbling infrastructure for many years to come.

If the politicians were serious about building more schools, pay-as-you-go financing would build 70 percent more for the dollar than will this bond.

A "NO" vote will force legislators to behave responsibly and enact pay-as-you-go financing and cost containment measures.

ASSEMBLYMAN TOM McCLINTOCK

LEWIS K. UHLER
President, National Tax Limitation Committee

EDWARD J. "TED" COSTA
C.E.O., People's Advocate Inc.

Rebuttal to Argument Against Proposition 1A

Don't be fooled! Proposition 1A is not a tax increase

Contrary to what opponents would have you believe, *nothing in Proposition 1A increases taxes*—not for homeowners, business owners or any other taxpayer in California.

According to the California Taxpayers' Association, "Proposition 1A protects local property taxpayers from being forced to pay a greater share of local school construction costs."

Without Proposition 1A, local property owners will be at risk of seeing their local property taxes raised to pay for new school construction and repair.

Proposition 1A contains important new reforms that reduce the cost of school construction

Thanks to these reforms, Proposition 1A will save taxpayers enough money to build 145 new schools—just with the savings resulting from Proposition 1A. In addition, Proposition 1A will provide urgently needed funding to construct new schools throughout California, repair and modernize existing schools, expand community colleges and universities and increase access to computers and other powerful new teaching equipment.

Proposition 1A makes safe schools and quality education a top priority

Proposition 1A forces the legislature to make the safety of our children and the quality of our schools a top budget priority—*using existing state revenues without raising a dime in new taxes.*

Proposition 1A is not a "quick fix." It is a responsible and long-term solution for better schools and educational excellence that will produce huge rewards for our children and our state.

California Taxpayers' Association says don't be fooled, and urges you to vote Yes on Proposition 1A.

DANIEL TERRY
President, California Professional Firefighters

DEBORAH ORTIZ
Member of the California State Assembly

ALLAN ZAREMBERG
President, California Chamber of Commerce

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

11 Local Sales and Use Taxes—Revenue Sharing Legislative Constitutional Amendment.

Official Title and Summary Prepared by the Attorney General

LOCAL SALES AND USE TAXES—REVENUE SHARING LEGISLATIVE CONSTITUTIONAL AMENDMENT.

- This measure would authorize local governments to voluntarily enter into sales tax revenue sharing agreements by a two-thirds vote of the local city council or board of supervisors of each participating jurisdiction.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- No net change in total sales tax revenues going to cities and counties.
- Potential shift of sales tax revenues among cities and counties.

Final Votes Cast by the Legislature on ACA 10 (Proposition 11)

Assembly:		Senate:	
Ayes	64	Ayes	30
Noes	4	Noes	2

Analysis by the Legislative Analyst

Background

The sales tax is an important source of revenue for both the state and local governments, as Californians paid about $29 billion in sales taxes in 1997–98. The sales tax rate has three components:

- A state rate of 6 percent.
- A uniform local rate of 1.25 percent (referred to as the Bradley-Burns rate).
- Optional local "add-on" rates.

Thus, the minimum sales tax rate in all jurisdictions is 7.25 percent. Many jurisdictions have implemented an add-on rate and therefore have a higher sales tax.

The Constitution currently allows counties and cities to enter into contracts to share their revenues from both the Bradley-Burns and other local add-on sales taxes. The contracts, however, must be approved by a majority vote of the people in each affected jurisdiction. We are not aware of any local governments that have used this provision.

Proposal

This proposition provides another way of implementing sales tax revenue-sharing contracts. For Bradley-Burns revenues, contracts could be approved by a two-thirds vote of each affected jurisdiction's *governing body* (a city council or board of supervisors).

Fiscal Impact

This proposition would not change the *total* amount of sales tax revenues going to cities and counties. If cities and counties enter into revenue-sharing contracts as a result of this proposition, then there would be a *shift* of sales tax revenues among these entities.

For the text of Proposition 11 see page 15

11

Local Sales and Use Taxes—Revenue Sharing Legislative Constitutional Amendment.

Argument in Favor of Proposition 11

PROTECT YOUR LOCAL COMMUNITY TAX DOLLARS!

Proposition 11 will stop irresponsible corporations and local governments from wasting our local tax dollars. A *YES* vote on Proposition 11 will allow locally elected city and county officials to work together.

PROPOSITION 11 WILL NOT RAISE YOUR TAXES.

PROPOSITION 11 WILL MAKE SURE YOUR TAX DOLLARS ARE SPENT RESPONSIBLY!

Proposition 11 authorizes local governments to *voluntarily* enter into sales tax revenue sharing agreements by a two-thirds vote of the local city council or board of supervisors of each participating jurisdiction. By working together, rational land use planning and free market principles will determine where businesses locate.

Current law requires a popular vote of entire jurisdictions even when a potential revenue sharing agreement involves only one prospective retailer. Proposition 11 provides an alternative that is more efficient, reasonable and less costly, not only for businesses but also for local communities and taxpayers.

Large sales tax generators provide valuable services and employment opportunities to the communities in which they locate. Proposition 11 provides a mechanism where local communities can cooperate, rather than engage in bidding wars, in order to attract new businesses and retain long-time businesses. Under this revenue sharing measure, taxpayers are the ultimate winners, which is one reason the Howard Jarvis Taxpayers Association has joined with California Business Properties Association in supporting Proposition 11.

Proposition 11 was placed on the ballot by the Legislature with *overwhelming bipartisan support* and is supported by taxpayer groups, local governments, and business groups.

Proposition 11 will empower cities and counties to work together, by giving them a means to cooperate in providing new consumer choice, job opportunities, and sources of local revenue.

Proposition 11 returns fiscal responsibility to the local level and *protects taxpayers and responsible businesses from the actions of a few irresponsible corporations*.

Your YES vote on Proposition 11 protects local communities and local tax dollars. VOTE YES ON PROPOSITION 11!

GEORGE C. RUNNER, JR.
Assemblymember, 36th District

TOM TORLAKSON
Assemblymember, 11th District

REX S. HIME
President, California Business Properties Association

Rebuttal to Argument in Favor of Proposition 11

The California Constitution already allows the State Legislature to authorize counties and cities to enter into revenue sharing contracts, but provides that the contracts will not become "*operative*" until approved by local voters (Article 13, Section 29 adopted by California voters in 1974).

Proposition 11 would retain that language, but add another way in which counties and cities might enter into revenue sharing contracts—a way that would NOT REQUIRE THE CONSENT OF LOCAL VOTERS.

Proposition 11 would permit the State Legislature to, in turn, authorize counties and cities to enter into a revenue sharing contract if "*approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract*."

That's unwise for two reasons: (1) the requirement that voters must approve the deal is a safeguard against bad deals, and (2) making "revenue sharing" easier would also make it more inviting for counties and cities to attempt to increase local taxes.

And that brings us to another concern: that the proposed language could be interpreted to give the State Legislature *more power* to allow counties and cities to increase local sales or use taxes.

As it stands, the California Constitution limits the power of local governments to increase taxes. For example, the Gann Spending Limit (Article 13B of the California Constitution approved by voters in 1979) limits increased spending and requires that surpluses be returned to residents. Proposition 11 might change that.

Vote NO.

MELVIN L. EMERICH
Attorney at Law

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Local Sales and Use Taxes—Revenue Sharing Legislative Constitutional Amendment.

Argument Against Proposition 11

In Proposition 11, the State Legislature is asking voters to amend the California Constitution.

The California Constitution defines and limits the powers of state and local officials. It should not be amended lightly. Voters should be particularly cautious of proposals by the State Legislature to amend the Constitution. There is a tendency for politicians to want to maintain and increase their political power.

There is something very fishy about Proposition 11.

Proposition 11 would add provisions to the California Constitution concerning "revenue sharing" among counties and cities. It would permit the State Legislature to, in turn, "*authorize counties, cities and counties and cities to enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them that is collected for them by the State*."

Proposition 11 would further provide that "*(b)efore the contract becomes operative, it shall be authorized by a majority of those voting on the question in each jurisdiction at a general or direct primary election*."

This is followed by another clause in Proposition 11 which states cities and counties may agree to revenue sharing, without the consent of local voters, "*from any sales or use tax imposed by them pursuant to the Bradley-Burns Uniform Sales and Use Tax Law . . . if . . . approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract*."

What's going on here?

First of all, insofar as Proposition 11 would make it easier for counties and cities to share revenue, the amendment would also make it more inviting for counties and cities to increase local revenue. Governments at every level can always create or find programs and projects they consider deserving of public funds.

Second, Proposition 11 might be interpreted to give the State Legislature more power to, in turn, give counties and cities greater authority to increase sales and use taxes. Currently, the California Constitution places various restrictions upon the authority of local governments to increase taxes or fees.

Proposition 11 is NOT just about "revenue sharing." It would increase the likelihood of higher sales taxes and user fees.

MELVIN L. EMERICH
Attorney at Law

Rebuttal to Argument Against Proposition 11

The opponent argues that "something fishy is going on." Unfortunately, he obviously does not understand this simple amendment to the State Constitution that prevents local governments and businesses from wasting our tax dollars. There is nothing fishy about a responsible change like Proposition 11.

The writer is correct to argue the State Constitution should not be amended lightly. However, he mistakenly assumes that because he does not understand this simple proposal, it is bad. This amendment to the State Constitution was introduced in the legislature nearly two years ago, had six public hearings, and was debated before both houses of the legislature. During all that time no one opposed this measure. Where was the writer when this measure progressed through the legislative process?

Proposition 11 makes a simple change to the constitution that empowers local governments to cooperate in preventing the waste of tax dollars. The Constitution places various legitimate restrictions upon the authority of local governments to increase taxes or fees. Proposition 11 does nothing to undermine these important protections. In fact, Proposition 11 actually enhances these protections by preventing waste.

THAT IS WHY THIS MEASURE IS SUPPORTED BY THE HOWARD JARVIS TAXPAYERS ASSOCIATION.

There is nothing fishy about the decision facing California voters. A yes vote on Proposition 11 will allow businesses and local governments to work together to end wasteful bidding wars over sales tax revenue.

PROPOSITION 11 WILL NOT RAISE YOUR TAXES, IT WILL PROTECT YOUR TAX DOLLARS!

VOTE YES ON PROPOSITION 11!

GEORGE C. RUNNER, JR.
Assemblyman, 36th District

TOM TORLAKSON
Assemblyman, 11th District

REX S. HIME
President, California Business Properties Association

AN OVERVIEW OF STATE BOND DEBT

This section of the ballot pamphlet provides an overview of the state's current bond debt. It also provides a discussion of the impact the bond measure on this ballot, if approved, would have on this debt level.

Background

What Is Bond Financing? Bond financing is a type of long-term borrowing that the state uses to raise money for specific purposes. The state gets money by selling bonds to investors. The state's debt to repay this money includes the amount of the bonds along with interest.

The money raised from bonds primarily pays for the purchase of property and construction of facilities—such as parks, prisons, schools, and colleges. The state uses bond financing mainly because these facilities are used for many years and their large dollar costs are difficult to pay for all at once.

General Fund Bond Debt. Most of the bonds the state sells are *general obligation* bonds. The state's debt payments on about three-fourths of these bonds comes from the state General Fund. The money in the General Fund comes primarily from state personal and corporate income taxes and sales taxes. The remaining general obligation bonds (such as veterans' housing bonds) are self-supporting and, therefore, do not require General Fund support. All general obligation bonds must be approved by the voters and are placed on the ballot by legislative action or by initiative.

The state also issues bonds known as *lease-payment* bonds. These bonds do not require voter approval. The state has used these bonds to build higher education facilities, prisons, and state offices. The General Fund is used to make debt payments on these bonds.

What Are the Direct Costs of Bond Financing? The state's cost for using bonds depends primarily on the interest rate that is paid on the bonds and the number of years over which they are paid off. Most general obligation bonds are paid off over a period of 20 to 30 years. Interest rates on the state's general obligation bonds have ranged from 4.8 percent to 6.8 percent over the past five years. Assuming an interest rate in the middle of this range—5.8 percent—the cost of paying off bonds over 25 years is about $1.75 for each dollar borrowed—$1 for the dollar borrowed and 75 cents for the interest. This cost, however, is spread over the entire period, so the cost after adjusting for inflation is less. Assuming a 3 percent future annual inflation rate, the cost of paying off the bonds in today's dollars would be about $1.28 for each $1 borrowed.

The State's Current Debt Situation

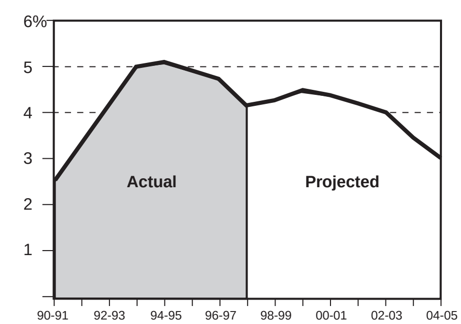
The Amount of State Debt. As of July 1998, the state had about $21.5 billion of General Fund bond debt—$14.9 billion of general obligation bonds and $6.6 billion of lease-payment bonds. Also, about $7.4 billion of authorized bonds have not been sold because the projects to be funded by the bonds have not yet been undertaken.

Debt Payments. We estimate that payments on the state's General Fund bond debt will be around $2.5 billion during the 1998–99 fiscal year. As currently authorized bonds are sold, bond debt payments will increase to about $2.8 billion in 2001–02 and decline thereafter.

The level of debt payments expressed as a percentage of state General Fund revenues is referred to as the state's "debt ratio." Figure 1 shows actual and projected debt ratios from 1990–91 through 2004–05. The figure shows that as currently authorized bonds are sold, the state's debt ratio will increase to 4.5 percent in 2000–01 and decline thereafter.

Figure 1

State Debt Service Ratios[a]
1990-91 Through 2004-05



[a]Based on sales of currently authorized bonds.

Bond Measure Proposed for the Ballot

There is one general obligation bond measure on this ballot—$9.2 billion for the construction and renovation of public education facilities (kindergarten through twelfth grade and higher education).

If this bond measure is approved, we estimate that the state's bond debt payments would increase to $3.3 billion in 2003–04. At that time, the state's General Fund bond debt would total $28.3 billion (after accounting for the sale of some authorized bonds and the retirement of some debt). The debt ratio would increase to a projected peak of 4.7 percent in 2001–02 and decline thereafter. Voter approval of additional bonds at future elections or legislative authorization of additional lease-payment bonds would increase the state's debt.

Proposition 1A: Text of Proposed Law

This law proposed by Senate Bill 50 (Statutes of 1998, Chapter 407) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law adds sections to the Education Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SEC. 16. Part 68 (commencing with Section 100400) is added to the Education Code, to read:

PART 68. PUBLIC EDUCATION BONDS

CHAPTER 1. CLASS SIZE REDUCTION KINDERGARTEN–UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 1998

100400. This part shall be known and may be cited as the Class Size Reduction Kindergarten–University Public Education Facilities Bond Act of 1998.

100401. The incorporation of, or reference to, any provisions of California statutory law in this part includes all acts amendatory thereof and supplementary thereto.

100403. (a) Bonds in the total amount of nine billion two hundred million dollars ($9,200,000,000), not including the amount of any refunding bonds issued in accordance with Chapter 2 (commencing with Section 100410) and Chapter 3 (commencing with Section 100450), or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established by Section 15909 and the Higher Education Facilities Finance Committee established pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

100405. For purposes of this part, "Chapter 12" means Chapter 12 (commencing with Section 17000) of Part 10 and "Chapter 12.5" means Chapter 12.5 (commencing with Section 17070.10) of Part 10.

CHAPTER 2. KINDERGARTEN THROUGH 12TH GRADE

Article 1. Kindergarten Through 12th Grade School Facilities Program Provisions

100410. (a) Three billion three hundred fifty million dollars ($3,350,000,000) of the proceeds of bonds issued and sold pursuant to this part shall be deposited in the 1998 State School Facilities Fund, which is established by Section 17070.40, and allocated by the State Allocation Board pursuant to this chapter. Before requesting the sale of bonds pursuant to Section 100432 for deposit in the State School Facilities Fund, the State Allocation Board shall request, pursuant to Section 100432, the sale of bonds sufficient to finance all projects for which application was made pursuant to the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 12 (commencing with Section 17000) of Part 10) and for which an application was approved for construction, but funding was not available, prior to November 4, 1998.

(b) In addition to the amount specified in subdivision (a), three billion three hundred fifty million dollars ($3,350,000,000) of the bonds authorized by this chapter shall only be issued and sold pursuant to this chapter on or after July 1, 2000, and the proceeds of those bonds shall be deposited in the 1998 State School Facilities Fund and allocated by the State Allocation Board pursuant to this chapter.

100415. (a) All moneys deposited in the 1998 State School Facilities Fund pursuant to this chapter shall be available and, notwithstanding any other provision of law to the contrary, are hereby appropriated to provide aid to school districts of the state in accordance with the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 12 (commencing with Section 17000) of Part 10) and in accordance with the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10), to provide aid to school districts, county superintendents of schools, and county boards of education of the state in accordance with Section 100420, to provide funds to repay any money advanced or loaned to the 1998 State School Facilities Fund under any act of the Legislature, together with interest provided for in that act, and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) The bonds issued and sold pursuant to this chapter shall fund kindergarten and grades 1 through 12, inclusive, school constructions for a four-year period.

100420. (a) Of the proceeds from the sale of bonds, issued and sold pursuant to this chapter, as specified in subdivision (a) of Section 100410, not more than three billion three hundred fifty million dollars ($3,350,000,000) shall be allocated beginning in the 1998–99 fiscal year in accordance with the following schedule:

(1) Not less than one billion three hundred fifty million dollars ($1,350,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12 and Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than eight hundred million dollars ($800,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12 and Chapter 12.5.

(3) Not more than five hundred million dollars ($500,000,000) shall be deposited in the Public School Critical Hardship Account, which is hereby established in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(4) (A) Not more than seven hundred million dollars ($700,000,000) may be allocated to assist school districts with site acquisition and facilities-related costs of kindergarten and grades 1 to 3, inclusive, that are in the Class Size Reduction Program contained in Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10, and to assist districts with the restoration of facilities that previously accommodated other programs and were displaced as a result of the implementation of class size reduction. On and after July 1, 2000, if applications for the total funds available under this paragraph have not been filed with the State Allocation Board, the funds for which applications have not been received may be allocated by the board to other high priority needs as the board determines. On and after July 1, 2003, any funds not allocated are available for other high priority needs.

(B) The funds allocated in subparagraph (A) shall be allocated to the State Department of Education to provide class size reduction facilities grants necessary to implement the K–3 Class Size Reduction Program established pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 and Chapter 19 (commencing with Section 17200) of Part 10. The department shall certify to the State Allocation Board the amount of funds needed for this purpose. The board shall transfer the amount of funds needed to the department. From these funds, the department shall award eligible districts forty thousand dollars ($40,000) for each new option one class established for class size reduction for which the district had not previously received funding under class size reduction facilities programs.

(C) The remaining funds provided pursuant to subparagraph (A) shall be to provide funding for schoolsites that were eligible to receive a class size reduction land-locked waiver pursuant to Section 52122.6. The funds may be provided to districts to provide 50 percent of the cost of funding a facilities mitigation plan developed for the impacted site pursuant to Section 52122.7.

(D) Any funds not expended pursuant to subparagraphs (A), (B), or (C) shall be allocated to districts that request funding of forty thousand dollars ($40,000) for each teaching station that (1) was displaced as a result of the implementation of class size reduction and (2) received less than forty thousand dollars ($40,000) per teaching station in 1996–97 pursuant to Chapter 19 (commencing with Section 17200) of Part 10. Programs for which teaching stations may be restored may include child care, extended day care, school libraries, computer labs, and special education classrooms.

(b) Of the proceeds from the sale of bonds issued and sold pursuant to this chapter, as specified in subdivision (b) of Section 100410, not more than three billion three hundred fifty million dollars ($3,350,000,000) shall be allocated beginning in the 2000–01 fiscal year in accordance with the following schedule:

(1) Not less than one billion five hundred fifty million dollars ($1,550,000,000) for project funding related to the growth in enrollment of applicant school districts under Chapter 12.5 that have incurred or will incur enrollment increases.

(2) Not less than one billion three hundred million dollars ($1,300,000,000) for the reconstruction or modernization of facilities pursuant to Chapter 12.5.

(3) Not more than five hundred million dollars ($500,000,000) shall be deposited in the Public School Critical Hardship Account in the 1998 State School Facilities Fund and shall be allocated by the State Allocation Board to fund critical hardships as defined in Chapter 12.5. These funds may be expended for the acquisition of portable classrooms for use in accordance with Chapter 14 (commencing with Section 17085) of Part 10.

(c) Districts may use funds allocated pursuant to paragraph (2) of subdivision (a) and paragraph (2) of subdivision (b) for one or more of the following purposes in accordance with Chapter 12.5:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high priority roof replacement projects.

(5) Any other renovation or modernization of facilities pursuant to Chapter 12.5.

(d) Funds allocated pursuant to paragraph (1) of subdivision (a) and paragraph (1) of subdivision (b) may be utilized to provide new construction grants, without regard to funding priorities, for applicant county boards of education under Chapter 12.5 that are eligible for that funding or classrooms for severely handicapped pupils and funding for classrooms for county community school pupils.

(e) (1) The Legislature may amend this section to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (a) and the maximum

funding amounts specified in paragraphs (3) and (4) of subdivision (a), and to adjust the minimum funding amounts specified in paragraphs (1) and (2) of subdivision (b) and the maximum funding amount specified in paragraph (3) of subdivision (b), by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts to be expended pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) or paragraphs (1) to (3), inclusive, of subdivision (b) or both, but may not increase or decrease the total amount to be expended pursuant to either subdivision.

Article 2. Kindergarten Through 12th Grade School Facilities Fiscal Provisions

100425. (a) Bonds in the total amount of six billion seven hundred million dollars ($6,700,000,000), not including the amount of any refunding bonds issued in accordance with Section 100444, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established pursuant to Section 15909 at any different times necessary to service expenditures required by the apportionments.

100427. The State School Building Finance Committee, established by Section 15909 and composed of the Governor, the Controller, the Treasurer, the Director of Finance, and the Superintendent of Public Instruction, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the purpose of this chapter. The Treasurer shall serve as chairperson of the committee. Two Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly, shall meet with and provide advice to the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and, as that committee, shall have the powers and duties imposed upon those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide the assistance to the committee as it may require. The Attorney General of the state is the legal adviser of the committee.

100430. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law, except Section 16727 of the Government Code, apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board" for purposes of administering the 1998 State School Facilities Fund.

100432. Upon request of the State Allocation Board from time to time, supported by a statement of the apportionments made and to be made for the purposes described in Sections 100415 and 100420, the State School Building Finance Committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

100434. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

100435. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 100440, appropriated without regard to fiscal years.

100436. The State Allocation Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

100438. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

100440. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the State School Building Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 1998 State School Facilities Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

100442. All money deposited in the 1998 State School Facilities Fund, that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

100444. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

100446. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Chapter 3. Higher Education Facilities
Article 1. Program Provision

100450. The Legislature finds and declares all of the following:

(a) California's economic and social prosperity relies on a higher education system that keeps pace with California's growth. In the coming decades, the state's economic prosperity will depend on increasing the productivity of the work force and on the ability to compete successfully in the world marketplace.

(b) The system of public higher education in this state includes the University of California, the Hastings College of the Law, the California State University, the California Community Colleges, and their respective off-campus centers. Each of these institutions plays a vital role in maintaining California's dominance in higher education in the United States.

(c) Over the last several years, studies have been completed by the California Postsecondary Education Commission, the University of California, the California State University, and the California Community Colleges to assess their long-term and short-term capital needs. Those studies demonstrate that the long-term and short-term needs total, in the aggregate, seven hundred fifty million dollars ($750,000,000) per year into the next century.

(d) Proceeds from the sale of bonds issued and sold pursuant to this chapter may be used to fund construction on existing or new campuses and off-campus centers, including the construction of buildings and the acquisition of related fixtures, the renovation and reconstruction of facilities, site acquisition, the equipping of new, renovated, or reconstructed facilities, which equipment shall have an average useful life of 10 years; and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings at the University of California, the Hastings College of the Law, the California State University and the California Community Colleges.

(e) The purposes of this article include assisting in meeting the capital outlay financing needs of California's public higher education system.

100455. (a) Two billion five hundred million dollars ($2,500,000,000) of the proceeds of bonds issued and sold pursuant to this part shall be deposited in the 1998 Higher Education Capital Outlay Bond Fund which is hereby established in the State Treasury. These funds shall be available for expenditure when appropriated.

(b) One billion two hundred fifty million dollars ($1,250,000,000) of the bonds described in subdivision (a), shall only be issued and sold pursuant to this chapter on or after July 1, 2000.

100457. (a) Of the amount of bonds issued and sold pursuant to subdivision (b) of Section 100455, one hundred sixty-five million dollars ($165,000,000) shall be allocated in the 2000–01 fiscal year to be available only for the following purposes:

(1) The development of new campuses of the University of California.

(2) The development of new campuses, small campuses with enrollments of less than 5,000 full-time equivalent students, and off-campus centers at the California State University and the California Community Colleges.

(b) The amount of the allocation of funds required pursuant to this section for the development of new campuses may be reduced by a future legislative act if the Legislature finds that state funds have been provided from sources other than the proceeds of bonds for capital outlay costs. The reduction shall be limited to the amount actually provided from sources other than bond proceeds.

100460. The Higher Education Facilities Finance Committee established pursuant to Section 67353 is hereby authorized to create a debt or debts, liability or liabilities, of the State of California pursuant to this chapter for the purpose of providing funds to aid the University of California, the Hastings College of the Law, the California State University, and the California Community Colleges.

Article 2. Higher Education Fiscal Provisions

100500. (a) Bonds in the total amount of two billion five hundred million dollars ($2,500,000,000), not including the amount of any refunding bonds issued in accordance with Section 100555, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the Higher Education Facilities Finance Committee established pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

100510. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law, except Section 16727 of the Government Code, apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For the purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 1998 Higher Education Capital Outlay Bond Fund is designated as the "board" for projects funded pursuant to this chapter.

(c) The proceeds of the bonds issued and sold pursuant to this chapter shall be available for the purpose of funding aid to the University of California, the Hastings College of the Law, the California State University, and the California Community Colleges, for the construction on existing or new campuses, and their respective off-campus centers, including the construction of buildings and the acquisition of related fixtures, renovation, and reconstruction of facilities, for the acquisition of sites upon which these facilities are to be constructed, for the equipping of new, renovated, or reconstructed facilities, which equipment shall have a useful life of at least 10 years, to provide funds for payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings.

100520. The Higher Education Facilities Finance Committee established pursuant to Section 67353 shall authorize the issuance of bonds under this chapter only to the extent necessary to fund the apportionments for the purposes described in this chapter that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the purposes described in this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

100525. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

100530. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 100545, appropriated without regard to fiscal years.

100535. The board, as defined in subdivision (b) of Section 100510, may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board, as defined in subdivision (b) of Section 100510, shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

100540. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

100545. (a) For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 1998 Higher Education Capital Outlay Bond Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

(b) Any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in this chapter by the University of California, the California State University, or the California Community Colleges shall be accompanied by the five-year capital outlay plan. Requests forwarded by a university or college shall include a schedule that prioritizes the seismic retrofitting needed to significantly reduce, by the 2002–03 fiscal year, in the judgment of the particular university or college, seismic hazards in buildings identified as high priority by the university or college. Requests forwarded by the California Community Colleges shall be accompanied by a five-year capital outlay plan reflecting the needs and priorities of the community college system, prioritized on a statewide basis.

100550. All money deposited in the 1998 Higher Education Capital Outlay Bond Fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

100555. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

100560. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Proposition 11: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 10 (Statutes of 1998, Resolution Chapter 133) expressly amends the California Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO SECTION 29 OF ARTICLE XIII

SEC. 29. *(a)* The Legislature may authorize counties, cities and counties, and cities to enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them ~~which~~ *that* is collected for them by the State. Before ~~any such~~ *the* contract becomes operative, it shall be authorized by a majority of those voting on the question in each jurisdiction at a general or direct primary election.

(b) Notwithstanding subdivision (a), on and after the operative date of this subdivision, counties, cities and counties, and cities may enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, or any successor provisions, that is collected for them by the State, if the ordinance or resolution proposing each contract is approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract.

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