

QUICK-REFERENCE GUIDE

PROP 51 SCHOOL BONDS. FUNDING FOR K-12 SCHOOL AND COMMUNITY COLLEGE FACILITIES. INITIATIVE STATUTE.

SUMMARY

Authorizes \$9 billion in general obligation bonds for new construction and modernization of K-12 public school facilities; charter schools and vocational education facilities; and California Community Colleges facilities. Fiscal Impact: State costs of about \$17.6 billion to pay off both the principal (\$9 billion) and interest (\$8.6 billion) on the bonds. Payments of about \$500 million per year for 35 years.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: The state could sell \$9 billion in general obligation bonds for education facilities (\$7 billion for K-12 public school facilities and \$2 billion for community college facilities).

NO A NO vote on this measure means: The state would not have the authority to sell new general obligation bonds for K-12 public school and community college facilities.

ARGUMENTS

PRO Our children deserve safe schools where they can learn, but many schools and community colleges need repairs to meet health and safety standards. Prop. 51 will fix deteriorating schools, upgrade classrooms, and provide job-training facilities for veterans and vocational education. All projects are accountable to local taxpayers.

CON Prop. 51 was created for greedy developers to exploit taxpayers for profit. Prop. 51 stops legislators from providing fair school funding. Disadvantaged schools are left behind. There's no improvement in taxpayer accountability. It does nothing to fight waste, fraud and abuse. Governor Brown opposes Prop. 51. Vote NO on 51.

FOR ADDITIONAL INFORMATION

FOR

Yes on Proposition 51—
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AGAINST

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PROP 52 MEDI-CAL HOSPITAL FEE PROGRAM. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

SUMMARY

Extends indefinitely an existing statute that imposes fees on hospitals to fund Medi-Cal health care services, care for uninsured patients, and children's health coverage. Fiscal Impact: Uncertain fiscal effect, ranging from relatively little impact to annual state General Fund savings of around \$1 billion and increased funding for public hospitals in the low hundreds of millions of dollars annually.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: An existing charge imposed on most private hospitals that is scheduled to end on January 1, 2018 under current law would be extended permanently. It would be harder for the Legislature to make changes to it. Revenue raised would be used to create state savings, increase payments for hospital services to low-income Californians, and provide grants to public hospitals.

NO A NO vote on this measure means: An existing charge imposed on most private hospitals would end on January 1, 2018 unless additional action by the Legislature extended it.

ARGUMENTS

PRO YES on Proposition 52 extends the current state Medi-Cal hospital fee program, which generates over \$3 billion a year in federal matching funds that pay for health care services for children, seniors and low-income families. Proposition 52 prohibits the Legislature from diverting this money for other purposes without voter approval.

CON Removes all accountability and oversight of over \$3 billion of taxpayer dollars. Gives \$3 billion to hospital CEOs with no independent audit and no requirement the money is spent on health care. Public funds can be spent on lobbyists, perks and salaries for hospital bureaucrats instead of children and seniors.

FOR ADDITIONAL INFORMATION

FOR

Yes on Proposition 52, a
coalition of California
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AGAINST

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QUICK-REFERENCE GUIDE

PROP 53 REVENUE BONDS. STATEWIDE VOTER APPROVAL. INITIATIVE CONSTITUTIONAL AMENDMENT.

SUMMARY

Requires statewide voter approval before any revenue bonds can be issued or sold by the state for certain projects if the bond amount exceeds \$2 billion. Fiscal Impact: State and local fiscal effects are unknown and would depend on which projects are affected by the measure and what actions government agencies and voters take in response to the measure's voting requirement.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: State revenue bonds totaling more than \$2 billion for a project that is funded, owned, or managed by the state would require statewide voter approval.

NO A NO vote on this measure means: State revenue bonds could continue to be used without voter approval.

ARGUMENTS

PRO Proposition 53 requires voter approval for state megaprojects costing over \$2 billion in state revenue bonds—like the bullet train. Doesn't impact local projects. Increases transparency so taxpayers know the true cost. Holds politicians accountable and stops blank checks. If taxpayers have to pay, they should have a say!

CON Prop. 53 erodes local control by requiring statewide vote on some local infrastructure projects. Empowers voters in faraway regions to reject your community's needs. Prop. 53 jeopardizes water supply, bridge safety, other repairs. No exemption for emergencies/disasters. California Professional Firefighters, cities, counties, Association of California Water Agencies urge No on 53. www.NoProp53.com

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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PROP 54 LEGISLATURE. LEGISLATION AND PROCEEDINGS. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

SUMMARY

Prohibits Legislature from passing any bill unless published on Internet for 72 hours before vote. Requires Legislature to record its proceedings and post on Internet. Authorizes use of recordings. Fiscal Impact: One-time costs of \$1 million to \$2 million and ongoing costs of about \$1 million annually to record legislative meetings and make videos of those meetings available on the Internet.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Any bill (including changes to the bill) would have to be made available to legislators and posted on the Internet for at least 72 hours before the Legislature could pass it. The Legislature would have to ensure that its public meetings are recorded and make videos of those meetings available on the Internet.

NO A NO vote on this measure means: Rules and duties of the Legislature would not change.

ARGUMENTS

PRO Prop. 54 stops special-interest, *surprise* legislation from passing either legislative house *without 72 hours* for review. Prop. 54 posts *all* the Legislature's public meetings online, so voters can review legislators' public actions. A bipartisan coalition of good-government, taxpayer, minority, business, and environmental groups backs Prop. 54. Requires no new tax money.

CON A NO vote continues free Internet & TV access for any California citizen to see how laws are made. A NO vote also prevents special interests like tobacco, oil, and drug companies from delaying passage of state laws. A NO vote also limits political "attack" ads.

FOR ADDITIONAL INFORMATION

FOR

Yes on 54—Voters First, Not
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AGAINST

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QUICK-REFERENCE GUIDE

PROP 55 TAX EXTENSION TO FUND EDUCATION AND HEALTHCARE. INITIATIVE CONSTITUTIONAL AMENDMENT.

SUMMARY

Extends by twelve years the temporary personal income tax increases enacted in 2012 on earnings over \$250,000, with revenues allocated to K–12 schools, California Community Colleges, and, in certain years, healthcare. Fiscal Impact: Increased state revenues—\$4 billion to \$9 billion annually from 2019–2030—depending on economy and stock market. Increased funding for schools, community colleges, health care for low-income people, budget reserves, and debt payments.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Income tax increases on high-income taxpayers, which are scheduled to end after 2018, would instead be extended through 2030.

NO A NO vote on this measure means: Income tax increases on high-income taxpayers would expire as scheduled at the end of 2018.

ARGUMENTS

PRO Prop. 55 helps children thrive! Prop. 55 prevents \$4 billion in cuts to California's public schools, and increases children's access to healthcare, by maintaining current tax rates on the wealthiest Californians—with strict accountability requirements. We can't go back to the deep cuts we faced during the last recession. www.YesOn55.com

CON VOTE NO ON 55—TEMPORARY SHOULD MEAN TEMPORARY. Voters supported higher taxes in 2012 because Governor Brown said they would be TEMPORARY. State budget estimates show higher taxes are not needed to balance the budget, but the special interests want to extend them to grow government bigger. TELL THEM NO.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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PROP 56 CIGARETTE TAX TO FUND HEALTHCARE, TOBACCO USE PREVENTION, RESEARCH, AND LAW ENFORCEMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

SUMMARY

Increases cigarette tax by \$2.00 per pack, with equivalent increase on other tobacco products and electronic cigarettes containing nicotine. Fiscal Impact: Additional net state revenue of \$1 billion to \$1.4 billion in 2017–18, with potentially lower revenues in future years. Revenues would be used primarily to augment spending on health care for low-income Californians.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: State excise tax on cigarettes would increase by \$2 per pack—from 87 cents to \$2.87. State excise tax on other tobacco products would increase by a similar amount. State excise tax also would be applied to electronic cigarettes. Revenue from these higher taxes would be used for many purposes, but primarily to augment spending on health care for low-income Californians.

NO A NO vote on this measure means: No changes would be made to existing state taxes on cigarettes, other tobacco products, and electronic cigarettes.

ARGUMENTS

PRO Tobacco-related healthcare costs California taxpayers \$3.5 billion annually, even if you don't smoke. Prop. 56 works like a user fee, taxing tobacco to help pay for smoking prevention and healthcare—so smokers pay their fair share for their costs. American Cancer Society Cancer Action Network sponsored Prop. 56 to prevent kids from smoking and save lives.

CON Follow the 56 money: This \$1.6 billion tax increase gives \$1 billion to health insurance companies and special interests. 56 cheats schools out of \$600 million a year by circumventing our minimum school funding guarantee. Only 13% of the money helps smokers or prevents kids from starting. No on 56.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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QUICK-REFERENCE GUIDE

**PROP
57**

**CRIMINAL SENTENCES. PAROLE.
JUVENILE CRIMINAL PROCEEDINGS AND SENTENCING.
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.**

SUMMARY

Allows parole consideration for nonviolent felons. Authorizes sentence credits for rehabilitation, good behavior, and education. Provides juvenile court judge decides whether juvenile will be prosecuted as adult. Fiscal Impact: Net state savings likely in the tens of millions of dollars annually, depending on implementation. Net county costs of likely a few million dollars annually.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Certain state prison inmates convicted of nonviolent felony offenses would be considered for release earlier than otherwise. The state prison system could award additional sentencing credits to inmates for good behavior and approved rehabilitative or educational achievements. Youths must have a hearing in juvenile court before they could be transferred to adult court.

ARGUMENTS

PRO California public safety leaders and victims of crime support Proposition 57—the Public Safety and Rehabilitation Act of 2016—because Prop. 57 focuses resources on keeping dangerous criminals behind bars, while rehabilitating juvenile and adult inmates and saving tens of millions of taxpayer dollars. YES on Prop. 57.

NO A NO vote on this measure means: There would be no change to the inmate release process. The state's prison system could not award additional sentencing credits to inmates. Certain youths could continue to be tried in adult court without a hearing in juvenile court.

CON Vote NO on 57 because it:

- Authorizes **EARLY RELEASE** of violent criminals, including those who **RAPE** unconscious victims.
- Authorizes immediate release for 16,000 dangerous criminals, even convicted murderers.
- Amends the California Constitution; takes rights away from victims; grants more rights to criminals. Vote NO on 57.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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**PROP
58**

**ENGLISH PROFICIENCY. MULTILINGUAL EDUCATION.
INITIATIVE STATUTE.**

SUMMARY

Preserves requirement that public schools ensure students obtain English language proficiency. Requires school districts to solicit parent/community input in developing language acquisition programs. Requires instruction to ensure English acquisition as rapidly and effectively as possible. Authorizes school districts to establish dual-language immersion programs for both native and non-native English speakers. Fiscal Impact: No notable fiscal effect on school districts or state government.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Public schools could more easily choose how to teach English learners, whether in English-only, bilingual, or other types of programs.

NO A NO vote on this measure means: Public schools would still be required to teach most English learners in English-only programs.

ARGUMENTS

PRO Teachers, parents, school principals, local school board members, and Governor Jerry Brown support Proposition 58 to help students learn English as quickly as possible and expand opportunities for English speakers to master a second language. Proposition 58 gives school districts local control to choose the most effective instruction methods for their students.

CON Prop. 58 is not about modernizing the way we teach English. It's about eliminating parental rights to an English-language education for their children. English-language success has been spectacular. Immigrant children are learning English faster than ever before and record numbers of immigrant students are gaining admission to our universities.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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QUICK-REFERENCE GUIDE

PROP
59

**CORPORATIONS. POLITICAL SPENDING.
FEDERAL CONSTITUTIONAL PROTECTIONS.
LEGISLATIVE ADVISORY QUESTION.**

SUMMARY

Asks whether California's elected officials should use their authority to propose and ratify an amendment to the federal Constitution overturning the United States Supreme Court decision in *Citizens United v. Federal Election Commission*. *Citizens United* ruled that laws placing certain limits on political spending by corporations and unions are unconstitutional. Fiscal Impact: No direct fiscal effect on state or local governments.

Shall California's elected officials use all of their constitutional authority, including, but not limited to, proposing and ratifying one or more amendments to the United States Constitution, to overturn *Citizens United v. Federal Election Commission* (2010) 558 U.S. 310, and other applicable judicial precedents, to allow the full regulation or limitation of campaign contributions and spending, to ensure that all citizens, regardless of wealth, may express their views to one another, and to make clear that corporations should not have the same constitutional rights as human beings?

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Voters would be asking their elected officials to use their constitutional authority to seek increased regulation of campaign spending and contributions. As an advisory measure, Proposition 59 does not require any particular action by the Congress or California Legislature.

NO A NO vote on this measure means: Voters would not be asking their elected officials to seek certain changes in the regulation of campaign spending and contributions.

ARGUMENTS

PRO Vote YES on Prop. 59 to tell Congress we want big money out of politics and overturn misguided Supreme Court rulings saying unlimited campaign spending is free speech and that corporations have the same constitutional rights as real people. Send a message to Congress that we'll hold them accountable.

CON The Legislature should stop wasting taxpayer dollars by putting do-nothing measures on the ballot that ask Congress to overturn the Supreme Court. Instead of wasting time and money on do-nothing ballot measures, politicians in Sacramento should focus on transparency and bringing jobs to California. Proposition 59 DOES NOTHING. Vote NO!

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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PROP
60

**ADULT FILMS. CONDOMS. HEALTH REQUIREMENTS.
INITIATIVE STATUTE.**

SUMMARY

Requires adult film performers to use condoms during filming of sexual intercourse. Requires producers to pay for performer vaccinations, testing, and medical examinations. Requires producers to post condom requirement at film sites. Fiscal Impact: Likely reduction of state and local tax revenues of several million dollars annually. Increased state spending that could exceed \$1 million annually on regulation, partially offset by new fees.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: There would be additional workplace health and safety requirements placed on adult film productions in California and additional ways to enforce those requirements.

NO A NO vote on this measure means: Adult film productions in California would continue to be subject to current state and local workplace health and safety requirements, including the rules now interpreted to require condom use in adult film productions.

ARGUMENTS

PRO A YES vote on Prop. 60 will stop adult film pornographers from exposing their performers to life-threatening diseases that cost taxpayers millions of dollars. Prop. 60 gives California health officials new enforcement tools to ensure pornographers finally obey the same workplace protection rules that apply to other California industries.

CON Prop. 60 allows ANY Californian to sue adult film performers who distribute or produce adult content, violates their privacy, and weakens workplace safety. A single special interest group has spent millions to disguise Prop. 60's flaws. Join workers, public health, civil rights organizations, California Democratic Party and California Republican Party, VOTE NO on Prop. 60.

FOR ADDITIONAL INFORMATION

FOR

Rick Taylor
Yes on Prop. 60, For Adult
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AGAINST

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QUICK-REFERENCE GUIDE

PROP 61 STATE PRESCRIPTION DRUG PURCHASES. PRICING STANDARDS. INITIATIVE STATUTE.

SUMMARY

Prohibits state from buying any prescription drug from a drug manufacturer at price over lowest price paid for the drug by United States Department of Veterans Affairs. Exempts managed care programs funded through Medi-Cal. Fiscal Impact: Potential for state savings of an unknown amount depending on (1) how the measure's implementation challenges are addressed and (2) the responses of drug manufacturers regarding the provision and pricing of their drugs.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: State agencies would generally be prohibited from paying more for any prescription drug than the lowest price paid by the U.S. Department of Veterans Affairs for the same drug.

NO A NO vote on this measure means: State agencies would continue to be able to negotiate the prices of, and pay for, prescription drugs without reference to the prices paid by the U.S. Department of Veterans Affairs.

ARGUMENTS

PRO Prop. 61, The California Drug Price Relief Act, would require all prescription drugs purchased by the State of California to be priced at or below the price paid for the same drug by the U.S. Dept. of Veterans Affairs, which pays by far the lowest price of any federal agency.

CON Experts say Prop. 61 would: increase prescription prices, reduce patient access to needed medicines, produce more bureaucracy and lawsuits that cost taxpayers millions, and hurt veterans by increasing their prescription costs. Strongly opposed by California Medical Association, California NAACP, California Taxpayers Association, Ovarian Cancer Coalition of Greater California, Veterans of Foreign Wars (VFW), Department of California. www.NoProp61.com

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

No on Prop. 61—Californians Against the Deceptive Rx Proposition
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www.NoProp61.com

PROP 62 DEATH PENALTY. INITIATIVE STATUTE.

SUMMARY

Repeals death penalty and replaces it with life imprisonment without possibility of parole. Applies retroactively to existing death sentences. Increases the portion of life inmates' wages that may be applied to victim restitution. Fiscal Impact: Net ongoing reduction in state and county criminal justice costs of around \$150 million annually within a few years, although the impact could vary by tens of millions of dollars depending on various factors.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: No offenders could be sentenced to death by the state for first degree murder. The most serious penalty available would be a prison term of life without the possibility of parole. Offenders who are currently under a sentence of death would be resentenced to life without the possibility of parole.

NO A NO vote on this measure means: Certain offenders convicted for first degree murder could continue to be sentenced to death. There would be no change for offenders currently under a sentence of death.

ARGUMENTS

PRO Prop. 62 replaces the FAILED DEATH PENALTY SYSTEM with a strict life sentence without possibility of parole. Prisoners must work and pay restitution, instead of sitting on death row. Guarantees no innocent person is executed. TAXPAYERS SAVE \$150 MILLION/year. Victims' family members and former death penalty advocates: YES on 62.

CON Prop. 62 repeals the death penalty for brutal killers, including child killers, mass murderers, serial killers, and rape/torture murderers. Prop. 62 means these murderers will live the rest of their lives at taxpayers' expense, with free healthcare, long after their victims are gone. Law enforcement, victims' families, and DAs oppose Prop. 62.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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QUICK-REFERENCE GUIDE

PROP 63 FIREARMS, AMMUNITION SALES. INITIATIVE STATUTE.

SUMMARY

Requires background check and Department of Justice authorization to purchase ammunition. Prohibits possession of large-capacity ammunition magazines. Establishes procedures for enforcing laws prohibiting firearm possession by specified persons. Requires Department of Justice's participation in federal National Instant Criminal Background Check System. Fiscal Impact: Increased state and local court and law enforcement costs, potentially in the tens of millions of dollars annually, related to a new court process for removing firearms from prohibited persons after they are convicted.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: A new court process would be created for the removal of firearms from individuals upon conviction of certain crimes. New requirements related to the selling or purchasing of ammunition would be implemented.

NO A NO vote on this measure means: No new firearm- or ammunition-related requirements would be implemented.

ARGUMENTS

PRO Proposition 63 will improve public safety by keeping guns and ammunition out of the wrong hands. Law enforcement and public safety leaders support Prop. 63 because it will reduce gun violence by preventing violent felons, domestic abusers, and the dangerously mentally ill from obtaining and using deadly weapons and ammo.

CON Law enforcement, anti-terrorism experts, and civil liberties groups overwhelmingly oppose Prop. 63. It was written by a politician seeking to make a name for himself, not the public safety community. It imposes costly burdens on law enforcement and the taxpayer and only affects the law-abiding.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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PROP 64 MARIJUANA LEGALIZATION. INITIATIVE STATUTE.

SUMMARY

Legalizes marijuana under state law, for use by adults 21 or older. Imposes state taxes on sales and cultivation. Provides for industry licensing and establishes standards for marijuana products. Allows local regulation and taxation. Fiscal Impact: Additional tax revenues ranging from high hundreds of millions of dollars to over \$1 billion annually, mostly dedicated to specific purposes. Reduced criminal justice costs of tens of millions of dollars annually.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Adults 21 years of age or older could legally grow, possess, and use marijuana for nonmedical purposes, with certain restrictions. The state would regulate nonmedical marijuana businesses and tax the growing and selling of medical and nonmedical marijuana. Most of the revenue from such taxes would support youth programs, environmental protection, and law enforcement.

NO A NO vote on this measure means: Growing, possessing, or using marijuana for nonmedical purposes would remain illegal. It would still be legal to grow, possess, or use marijuana for medical purposes.

ARGUMENTS

PRO Prop. 64 creates a safe, legal system for adult use of marijuana. It controls, regulates and taxes marijuana use, and has the nation's strictest protections for children. It provides billions for afterschool programs, job training, drug treatment, and cracking down on impaired driving. Fix our approach to marijuana. Visit YesOn64.org!

CON Proposition 64 purposely omits DUI standard to keep marijuana-impaired drivers off our highways. California Association of Highway Patrolmen and Senator Dianne Feinstein strenuously oppose. Legalizes ads promoting smoking marijuana, Gummy candy and brownies on shows watched by millions of children and teens. Shows reckless disregard for child health and safety. Opposed by California Hospital Association. Vote "No".

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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QUICK-REFERENCE GUIDE

PROP 65 CARRYOUT BAGS. CHARGES. INITIATIVE STATUTE.

SUMMARY

Redirects money collected by grocery and certain other retail stores through mandated sale of carryout bags. Requires stores to deposit bag sale proceeds into a special fund to support specified environmental projects. Fiscal Impact: Potential state revenue of several tens of millions of dollars annually under certain circumstances, with the monies used to support certain environmental programs.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: If state law (1) prohibits giving customers certain carryout bags for free and (2) requires a charge for other types of carryout bags, the resulting revenue would be deposited in a new state fund to support certain environmental programs.

NO A NO vote on this measure means: If charges on carryout bags are required by a state law, that law could direct the use of the resulting revenue toward any purpose.

ARGUMENTS

PRO YES ON 65—PROTECT THE ENVIRONMENT. In a deal brokered by special interest lobbyists, the Legislature REQUIRED grocery stores to CHARGE and KEEP fees on certain bags at checkout. Grocers get \$300 million richer, while shoppers lose \$300 million. Prop. 65 redirects those fees to environmental projects, not grocer profits.

CON Prop. 65 is sponsored by out-of-state plastic companies from South Carolina and Texas. They don't care about California's environment, they just want to confuse voters and distract from the real issue: the need to phase out plastic grocery bags. 65 is deceptive and doesn't deserve your vote.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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PROP 66 DEATH PENALTY. PROCEDURES. INITIATIVE STATUTE.

SUMMARY

Changes procedures governing state court challenges to death sentences. Designates superior court for initial petitions and limits successive petitions. Requires appointed attorneys who take noncapital appeals to accept death penalty appeals. Exempts prison officials from existing regulation process for developing execution methods. Fiscal Impact: Unknown ongoing impact on state court costs for processing legal challenges to death sentences. Potential prison savings in the tens of millions of dollars annually.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Court procedures for legal challenges to death sentences would be subject to various changes, such as time limits on those challenges and revised rules to increase the number of available attorneys for those challenges. Condemned inmates could be housed at any state prison.

NO A NO vote on this measure means: There would be no changes to the state's current court procedures for legal challenges to death sentences. The state would still be limited to housing condemned inmates only at certain state prisons.

ARGUMENTS

PRO Our death penalty system is bogged down by decades of appeals. We need to reform it, not repeal it, by passing Proposition 66. Prop. 66 saves millions, brings closure to victims' families and justice to brutal murderers. Innocent persons won't be executed under Prop. 66. Victims' families, DAs and law enforcement support Proposition 66.

CON Prop. 66 is not real reform. We don't know all of its consequences, but we do know this: it adds more layers of government bureaucracy causing more delays, costs taxpayers money, and increases California's risk of executing an innocent person. Prop. 66 is a costly experiment that makes matters worse.

FOR ADDITIONAL INFORMATION

FOR

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AGAINST

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www.NoonCAProp66.org

QUICK-REFERENCE GUIDE

PROP 67 BAN ON SINGLE-USE PLASTIC BAGS. REFERENDUM.

SUMMARY

A "Yes" vote approves, and a "No" vote rejects, a statute that prohibits grocery and other stores from providing customers single-use plastic or paper carryout bags but permits sale of recycled paper bags and reusable bags. Fiscal Impact: Relatively small fiscal effects on state and local governments, including a minor increase in state administrative costs and possible minor local government savings from reduced litter and waste management costs.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Most grocery stores, convenience stores, large pharmacies, and liquor stores would be prohibited from providing single-use plastic carryout bags. Stores generally would be required to charge at least 10 cents for any other carryout bag provided to customers at checkout. Stores would keep the resulting revenue for specified purposes.

NO A NO vote on this measure means: Stores could continue to provide single-use plastic carryout bags and other bags free of charge unless a local law restricts the use of such bags.

ARGUMENTS

PRO YES on 67 protects California's successful efforts to PHASE OUT PLASTIC GROCERY BAGS. Plastic bags strangle wildlife, litter communities, raise clean-up costs, clog recycling machines. Bans on plastic grocery bags are WORKING IN 150 CALIFORNIA COMMUNITIES. Don't let out-of-state plastic companies stop California. YES on 67.

CON DON'T BE FOOLED. Prop. 67 is a \$300 million annual HIDDEN TAX on consumers who will be forced to pay \$.10 for every grocery bag at checkout. Not one penny goes to the environment. All \$300 million goes to grocer profits. Stop the bag tax . . . VOTE NO ON PROP. 67.

FOR ADDITIONAL INFORMATION

FOR

Mark Murray
California vs Big Plastic
921 11th Street, Ste. 420
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protectplasticbagban.org

AGAINST

No on 67
2350 Kerner Blvd., Suite 250
San Rafael, CA 94901

Visit the Secretary of State's Website to:

- Research campaign contributions and lobbying activity
cal-access.sos.ca.gov OR
powersearch.sos.ca.gov
- View this voter guide in other languages
www.voterguide.sos.ca.gov
- Find your polling place on Election Day
www.sos.ca.gov/elections/polling-place
- Get vote-by-mail ballot information
www.sos.ca.gov/elections/voter-registration/vote-mail
- Read helpful information for first-time voters
www.sos.ca.gov/elections/voting-california
- Watch live election results after polls close on Election Day
<http://vote.sos.ca.gov>

Audio & Large Print Voter Information Guides

This guide is available at no cost in English, Chinese, Hindi, Japanese, Khmer, Korean, Spanish, Tagalog, Thai, and Vietnamese.

To order:

- ☎ Call the Secretary of State's toll-free voter hotline at (800) 345-8683
- 💻 Visit www.sos.ca.gov
- 📻 Download an audio MP3 version at www.voterguide.sos.ca.gov/en/audio

Find Your Polling Place

Polling places are established by county elections officials. When you receive your county sample ballot booklet in the mail a few weeks before Election Day, look for your polling place address on the back cover.

You may also visit the Secretary of State's website at www.sos.ca.gov/elections/polling-place or call the toll-free Voter Hotline at (800) 345-VOTE (8683).

You can also text *Vote* to GOVOTE (468683) to find the location of your polling place.

PROPOSITION **MEDI-CAL HOSPITAL FEE PROGRAM.**
52 INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

- Extends indefinitely an existing statute that imposes fees on hospitals to obtain federal matching funds.
- Uses fees to fund Medi-Cal health care services, care for uninsured patients, and children's health coverage.
- Requires voter approval to change use of fees or funds.
- Permits other amendments or repeal by Legislature with a two-thirds vote.
- Declares fee proceeds do not count as revenue toward state spending limit or Proposition 98 funding requirement.
- known whether the Legislature would have extended the hospital fee absent the measure.
- If the Legislature would have extended the hospital fee absent this measure, the measure would likely have relatively little fiscal effect on the state and local governments.
- If the Legislature would *not* have extended the hospital fee absent the measure, the measure could result in state General Fund savings of around \$1 billion annually and increased funding for public hospitals in the low hundreds of millions of dollars annually.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- The fiscal effect of this measure is uncertain primarily because it is not

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Overview of Medi-Cal and Hospitals

Medi-Cal Provides Health Care Benefits to Low-Income Californians. The Medi-Cal program provides health care benefits to low-income Californians who meet certain eligibility requirements. These health care benefits include services such as primary care visits, emergency room visits, surgery, and prescription drugs. Currently, Medi-Cal provides health care benefits to over 13 million Californians. Total spending on Medi-Cal in 2015–16 was roughly \$95 billion, of which about \$23 billion was from the state's General Fund (its main operating account).

Cost of Medi-Cal Is Shared Between the State and the Federal Government. For most costs

of the Medi-Cal program, the state and the federal government each pay half of the costs. In some instances, the federal government pays a greater share of the costs than the state. In order to receive federal funding for Medi-Cal, the state must follow various federal laws and requirements.

Public and Private Hospitals Provide Care to People Enrolled in Medi-Cal. There are about 450 private and public general acute care hospitals ("hospitals") licensed in California that provide services such as emergency services, surgery, and outpatient care to Californians, including those enrolled in Medi-Cal. About four-fifths of the hospitals are private and about one-fifth of the hospitals are public. Public hospitals are owned and operated by public entities such as counties or the University of California. Private hospitals are owned and operated by

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

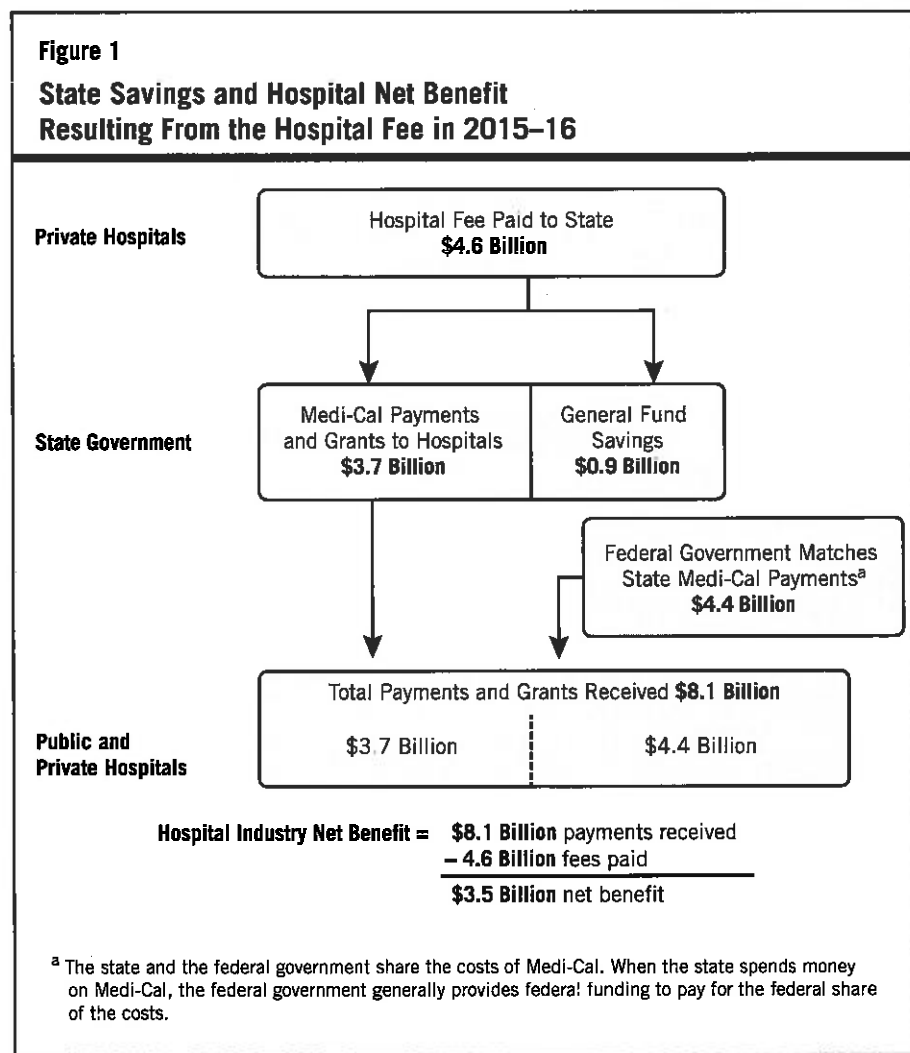
private entities, which can be nonprofit or for-profit.

Hospital Quality Assurance Fee

In recent years, the state has imposed a special charge on most private hospitals. This charge is called the Hospital Quality Assurance Fee (“hospital fee”). It has been collected since 2009. The charging of the hospital fee by the state is set to end on January 1, 2018. Figure 1 depicts the collection and use of hospital fee revenue in 2015–16. The fee revenue is used for two purposes: (1) to fund the state share of

increased Medi-Cal payments for hospitals and grants for public hospitals (\$3.7 billion in 2015–16) and (2) to generate state General Fund savings (\$850 million in 2015–16). The hospital fee revenue used for increased Medi-Cal payments was matched with \$4.4 billion in federal Medi-Cal funding, resulting in \$8.1 billion in total Medi-Cal payments and grants to hospitals in 2015–16.

Hospital Fee Results in a Net Benefit to Hospital Industry. As shown in Figure 1, the hospital industry received in 2015–16 a *net benefit* of \$3.5 billion as a result of the fee



ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

because the hospitals received \$8.1 billion in payments and paid \$4.6 billion in fees. Public hospitals in particular received a benefit of \$235 million in 2015–16, comprised of grants and increased Medi-Cal payments. (While the hospital industry as a whole received a net benefit, a small number of private hospitals paid more in fee revenue than they received in Medi-Cal payments.)

Money From Hospital Fee Results in State Savings. As shown in Figure 1, fee revenue is used to generate state General Fund savings. These savings occur because hospital fee revenue is used to pay for children's health care services in Medi-Cal that would otherwise be paid using state General Fund money. (The state General Fund is supported primarily through taxes such as income and sales taxes.) The amount of fee revenue used to generate state General Fund savings is based on a formula in state law. In 2015–16, the state General Fund savings was about \$850 million.

Legislature Has Extended Hospital Fee Several Times in the Past. Since the fee began in 2009, the Legislature has extended it four times from the date that the fee was to end under law in place at the time. Consistent with this past practice, the Legislature could potentially enact a new law to extend the current hospital fee beyond January 1, 2018 (the date when the current fee ends).

Any Extension of Hospital Fee Must Be Approved by Federal Government. If the fee is extended beyond January 1, 2018 by the Legislature or by voters, the extension must also be approved by the federal government to receive federal funding. Federal government approval is required because the state uses hospital fee revenue to fund the state share of Medi-Cal payment increases to

hospitals, and the federal government also pays for part of these payment increases.

PROPOSAL

Makes Hospital Fee Permanent. While the hospital fee would otherwise end under current state law on January 1, 2018, Proposition 52 extends the current fee permanently. As with any extension of the hospital fee, the extension under this measure requires federal approval.

Makes It Harder for the State to End Hospital Fee. Under the measure, the state could end the hospital fee if *two-thirds* of each house of the Legislature votes to do so. Under current law, the fee can be ended with a *majority* vote in each house.

Makes It Harder to Change the Hospital Fee. Under the measure, changes to the hospital fee generally would require future voter approval in a statewide election. Under current law, changes to the fee can be made by the Legislature. For example, the Legislature can change the formula used to generate state General Fund savings. The measure does allow the Legislature—with a two-thirds vote of each house—to make certain specific changes, such as those necessary to obtain federal approval of the hospital fee.

Excludes Money From Hospital Fee in Annual Calculation of School Funding. The State Constitution requires certain formulas to be used to calculate an annual minimum funding level for K–12 education and California Community Colleges. These formulas take into account the amount of state General Fund revenue. As under current practice, the measure excludes money raised by the hospital fee in these calculations. The measure provides for this

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

exclusion in an amendment to the State Constitution.

FISCAL EFFECTS

The fiscal effect of this measure is uncertain primarily because it is not known whether the Legislature would have extended the hospital fee absent the measure. To date, the Legislature has extended the fee four times. Therefore, given past practice, it is possible the Legislature would have extended the hospital fee beyond January 1, 2018 in any case. There are also recent changes to federal law that may require changes to the structure of the hospital fee, and these could affect the fiscal impact of the hospital fee. Below, we describe the fiscal effect of this measure under two main scenarios:

- ***If Legislature Would Have Extended Hospital Fee Absent the Measure.*** In this case, the measure would likely have relatively little fiscal effect on the state and local governments (for the period over which the Legislature extended the fee). This is because the state would already be generating General Fund savings and providing funding to public hospitals. We note, however, that absent this measure the Legislature could change the structure of the hospital fee such that the General Fund savings and public hospital benefit could be different from what it has been.

- ***If Legislature Would Not Have Extended Hospital Fee Absent the Measure.*** In this case, the measure would have a major fiscal effect on the state and local governments. The fiscal effects under this scenario would likely be similar to those experienced recently (as adjusted for growth over time): (1) annual General Fund savings of about \$1 billion and (2) annual funding to the state and local public hospitals in the low hundreds of millions of dollars. The state and local governments also would realize some increased revenues as a result of the added federal funds brought into the state by the fee. These impacts, however, could be affected by new federal requirements that may require changes to the hospital fee. At this time, it is unclear what changes to the hospital fee would be necessary to comply with federal requirements. Any such changes could increase, decrease, or not change at all the impacts on the state and local governments.

Visit <http://www.sos.ca.gov/measure-contributions> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-16-gen-v2.html> to access the committee's top 10 contributors.

★ **ARGUMENT IN FAVOR OF PROPOSITION 52** ★

YOUR YES VOTE ON PROPOSITION 52 WILL KEEP A GOOD IDEA WORKING—ONE THAT'S DOING A LOT OF GOOD FOR A LOT OF GOOD PEOPLE WHO NEED THE HELP.

WHAT DOES PROPOSITION 52 DO?

It does two things.

First, it extends the current Medi-Cal hospital fee program that generates more than \$3 billion a year in federal matching funds that would not be available otherwise. This money helps provide Medi-Cal health care services to over 13 million Californians, including:

- 6.7 million children;
- 1.6 million seniors with chronic diseases;
- 4.5 million low-income working families whose wages can't sustain them; and
- persons with disabilities.

Second, Proposition 52 strictly prohibits the Legislature from using these funds for any other purpose without a vote of the people.

That's it.

WHO IS BEHIND THIS INITIATIVE AND WHY IS IT ON THE BALLOT?

The Medi-Cal hospital fee program was initially enacted as a bi-partisan program by the Legislature in 2009. It has been renewed three times, but each time there have been attempts to divert the money to some other use. It has been placed on the ballot by California's over 400 local community hospitals in order to ensure that California continues to receive its fair share of federal matching funds for Medi-Cal in order to serve our most vulnerable citizens and to prevent the diversion of the funds for any other purpose.

WHO IS SUPPORTING PROPOSITION 52?

This Initiative has generated the unprecedented support of virtually all major health care, business, labor, and community organizations throughout the state. It is unlikely that a consensus coalition like this has ever been achieved before. For example, the California Teachers Association, California Building Trades Council, California Professional Firefighters and the Teamsters Union and over 30 local unions have joined with the California Chamber of Commerce, the California Business Roundtable, as well as advocacy organizations for children, seniors and the disabled. Additionally, it has been endorsed by both the state Democratic and Republican parties. In today's very contentious political environment, this alone is an amazing development.

HOW DOES PROPOSITION 52 IMPACT CALIFORNIA TAXPAYERS?

This measure **GENERATES OVER \$3 BILLION IN AVAILABLE FEDERAL FUNDS WITH NO STATE COST TO CALIFORNIA TAXPAYERS.**

By extending the current state Medi-Cal hospital fee the state will continue to receive more than \$3 billion a year in available federal matching funds for Medi-Cal. Without it, the shortfall will cause some community safety net hospitals to close.

PLEASE VOTE YES ON PROPOSITION 52 TO KEEP A GOOD IDEA WORKING—THAT'S DOING A LOT OF GOOD FOR A LOT OF GOOD PEOPLE.

C. DUANE DAUNER, President
 California Hospital Association

THERESA ULLRICH, MSN, NP-C President
 California Association of Nurse Practitioners

DEBORAH HOWARD, Executive Director
 California Senior Advocates League

★ **REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 52** ★

PROP. 52 DOESN'T HELP ANYONE BUT HOSPITAL CEOs AND LOBBYISTS.

PROP. 52 IS A BAIT-AND-SWITCH: The money it claims to provide for children and seniors? They already get that money. California law *already provides* the more than \$3,000,000,000 in funding for healthcare services. Prop. 52 won't change that.

What Prop. 52 really does is change our Constitution to *permanently remove* any accountability, oversight, or guarantee that the \$3,000,000,000 be spent on healthcare by these CEOs and their lobbyists.

Why are they spending tens of millions on Prop. 52? Because they keep getting caught misusing our money:

- Hospital corporations profiting from Prop. 52 have been fined hundreds of millions of dollars for *fraudulent, unnecessary, or excessive Medi-Cal or Medicare billing.*
- Other hospital CEOs took those tax dollars meant for the poor and elderly and spent them on luxury car

leases, country club memberships, and multi-million dollar salaries for executives.

- Hospital CEOs sponsoring Prop. 52 make as much as \$153,000 EVERY WEEK.

All Prop. 52 does is remove any accountability or oversight on the very CEOs who have committed fraud and wasted precious tax dollars on luxury perks for themselves.

Don't get fooled by this complicated, unnecessary change to our Constitution. It is a special interest trick designed to eliminate oversight of greedy hospital CEOs and their lobbyists—at the expense of taxpayers and vulnerable Californians.

VOTE NO ON PROP. 52
www.NoOn52.com

VIRGINIA ANDERS-ELLMORE, Nurse Practitioner
MICHELLE ROSS, Healthcare Worker
JOVITA SALCEDO, Medi-Cal Beneficiary

★ ARGUMENT AGAINST PROPOSITION 52 ★

"Our health care dollars should be treating patients, not funding lavish perks for millionaire CEOs. *Prop. 52 takes resources from patients and communities and siphons it into the pockets of rich special interests, with no oversight, no accountability, and no guarantee it is even spent on health care.* That's wrong and makes nurses' and doctors' jobs harder."—*Virginia Anders-Ellmore, Nurse Practitioner*

- *Prop. 52 gives hospital CEOs a check worth more than \$3 billion—with no strings attached, no oversight, and no requirement the money is spent on health care.*
- *Prop. 52 gives more than \$3,000,000,000 to the same CEOs already being paid millions and using our tax dollars for perks like luxury car leases and golf fees, with zero accountability.*
- *Prop. 52 is great for hospital CEOs and their lobbyists, but bad for patients, low-income women and children, seniors, and veterans.*

The wealthy hospital CEOs and their lobbyists are spending millions—including our tax dollars—to trick you into believing Prop. 52 helps Medi-Cal patients. It doesn't. It hurts the people who need it most and only helps hospital lobbyists and their overpaid CEOs.

This is what it really does:

- *Prop. 52 frees hospital CEOs and lobbyists from any oversight or accountability for how they spend the \$3,000,000,000 of taxpayer dollars they receive to treat low-income residents.*
- Forces the state to give billions in federal low-income health care benefits to hospitals with *no oversight, no accountability, and no guarantee it will be spent on health care at all*, let alone health care for low-income women, children, and seniors.
- These same CEOs and lobbyists have spent millions intended for low-income health care on overpriced

CEO salaries, luxury boxes at sporting events, country club memberships, payments to Wall Street investors, and other perks.

Here is what advocates for low-income patients say:

"This initiative takes money from needy Californians and gives it to rich millionaires instead, with no oversight and no requirement it be spent on health care for poor people, or even health care at all. Our healthcare system is already broken—and this no-strings attached money grab by rich CEOs will only make it worse."—*Michelle Ross, Healthcare Worker*

"I'm already struggling to make ends meet and can't afford to take my children to the doctor. Now they want to take what little I have and give it to the special interests and corporations who run for-profit hospitals, no questions asked."—*Jovita Salcedo, Medi-Cal Patient*

The corporate-funded California Hospital Association wrote Prop. 52 in order to permanently guarantee more than \$3,000,000,000 of our federal and state health care dollars go to them no matter what, *with no oversight and no guarantee it be spent on health care.*

It rigs the system in favor of corporations and millionaires and hurts low-income women, children, and seniors. It eliminates oversight of how this \$3,000,000,000 in our tax money is spent and asks us to trust the CEOs and lobbyists instead.

We need more oversight of CEOs, not less.

VOTE NO ON PROP. 52

www.NoOn52.com

VIRGINIA ANDERS-ELLMORE, Nurse Practitioner

MICHELLE ROSS, Healthcare Worker

JOVITA SALCEDO, Medi-Cal Beneficiary

52

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 52 ★

What Proposition 52 IS . . . and what it's NOT.

Prop. 52 is about providing access to Medi-Cal health care services for children, seniors and low-income families.

It simply EXTENDS the CURRENT state Medi-Cal hospital fee that generates over \$3 billion a year in federal matching funds that pay for that care.

Proposition 52 IS NOT ABOUT COMPENSATION OR SALARIES.

Who is FOR Proposition 52 . . . who is AGAINST?

Go to www.YesProp52.org for the entire list of nearly 1,000 supporters, but here is a representative sample: California Hospital Association; California Teachers Association; California Chamber of Commerce; California Building Trades Council; California State Association of Counties; California Labor Federation; the California Business Roundtable; California Professional Firefighters; as well as advocacy organizations for children, seniors and the disabled.

There is ONLY ONE SMALL ORGANIZATION FUNDING OPPOSITION TO 52. Its representative testified to

lawmakers that the LEGISLATURE SHOULD HAVE THE POWER TO DIVERT HEALTH CARE DOLLARS to other purposes.

We vigorously disagree.

Proposition 52, PROHIBITS THE LEGISLATURE FROM DIVERTING these funds to any other purposes WITHOUT a VOTE OF THE PEOPLE.

Medi-Cal has been caring for Californians for over 50 years. Today over thirteen million are touched, cared-for, healed and made healthier because of Medi-Cal and it's made stronger by a good idea that's working.

That good idea is Proposition 52.

Please vote YES on 52.

ANN-LOUISE KUHNS, President
California Children's Hospital Association

GARY PASSMORE, Vice President
Congress of California Seniors

DR. SHANNON UDOVIC-CONSTANT, Trustee
California Medical Association

PROPOSITION **REVENUE BONDS. STATEWIDE VOTER APPROVAL.**
53 **INITIATIVE CONSTITUTIONAL AMENDMENT.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

- Requires statewide voter approval before any revenue bonds can be issued or sold by the state for certain projects if the bond amount exceeds \$2 billion.
- Applies to any projects that are financed, owned, operated, or managed by the state, or by a joint agency formed between the state and a federal government agency, another state, and/or a local government.
- Prohibits dividing projects into multiple separate projects to avoid statewide voter approval requirement.

**SUMMARY OF LEGISLATIVE ANALYST'S
ESTIMATE OF NET STATE AND LOCAL
GOVERNMENT FISCAL IMPACT:**

- Fiscal impact on state and local governments is unknown and would depend on which projects are affected by the measure, whether they are approved by voters, and whether any alternative projects or activities implemented by government agencies have higher or lower costs than the original project proposal.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

State Pays for Infrastructure Projects Using Cash and Borrowing. The state builds various types of infrastructure projects like bridges, dams, prisons, and office buildings. In some cases, the state pays for projects on a pay-as-you-go basis using tax revenues received each year. In other cases, the state borrows money to pay for projects, especially for larger projects.

State Borrows Money Using Bonds. The main way the state borrows money is by selling bonds to investors. Over time, the state pays back these investors with interest. The state sells two main types of bonds: general obligation bonds and revenue bonds. The state repays general obligation bonds using the state

General Fund, which is funded primarily by income and sales taxes. In contrast, the state usually repays revenue bonds using revenue from fees or other charges paid by the users of the project (such as from bridge tolls). Figure 1 shows how a state revenue bond generally works. (For more information on the state's use of bonds, see the "Overview of State Bond Debt" later in this voter guide.)

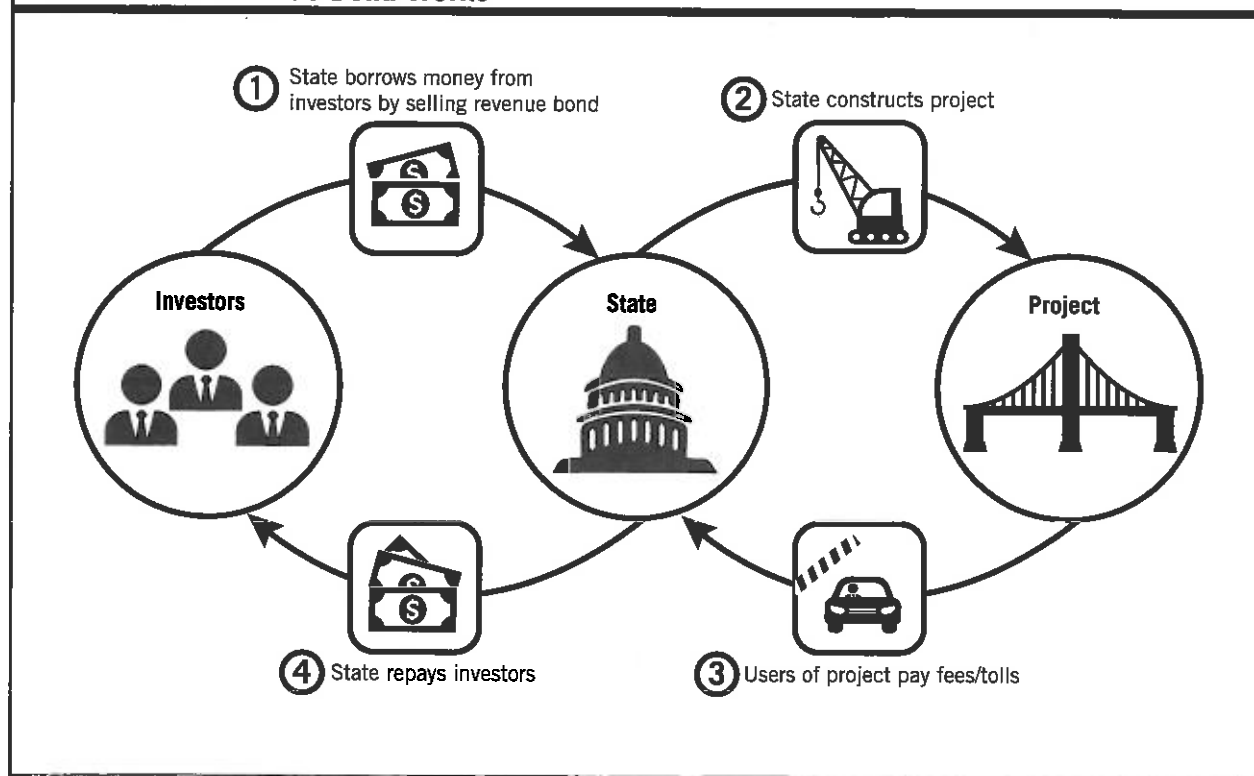
Voter Approval Not Required for State Revenue Bonds. Under the California Constitution, state general obligation bonds need voter approval before the state can use them to pay for a project. State revenue bonds do not need voter approval under existing state law.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Figure 1

How a State Revenue Bond Works



PROPOSAL

Requires Voter Approval of Certain State Revenue Bonds. The measure requires statewide voter approval of revenue bonds that meet all of the following conditions:

- **State Sells the Revenue Bonds.** Revenue bonds are sold by the state, as well as certain associations that the state creates or in which the state is a member. The statewide voting requirement does not apply to bonds sold by cities, counties, schools, community colleges, and special districts.

- **Bonds Sold for State Project.** The revenue bonds are sold for a project that is funded, owned, operated, or managed by the state. The measure also contains provisions to prevent a single project from being separated into multiple projects to avoid voter approval.
- **Bonds for the Project Exceed \$2 Billion.** The revenue bonds sold for a project total more than \$2 billion. Under the measure, this amount would be adjusted every year for inflation.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

FISCAL EFFECTS

The measure's fiscal effects on state and local governments are unknown. It is unlikely there would be very many projects large enough to be affected by the measure's requirement for voter approval. However, for those projects that are affected, the fiscal effects would depend on what actions the state, local governments, and voters take in response to this measure's voting requirement.

Measure Likely to Cover Relatively Few Projects

Few Projects Cost Over \$2 Billion.

Relatively few state projects are likely to be large enough to meet the measure's \$2 billion requirement for voter approval. Two state projects that are over \$2 billion and might use revenue bonds are (1) the California "WaterFix" project, which would build two tunnels to move water through the Sacramento-San Joaquin River Delta; and (2) the California High-Speed Rail project. It is possible other large projects could be affected in the future, such as new bridges, dams, or highway toll roads.

Uncertain Which Projects Would Be Affected. While it is unlikely that very many projects would be large enough to be affected by the measure, there is some uncertainty regarding which projects would be affected. This is because the measure does not define a "project." As a result, the courts and

the state would have to make decisions about what they consider to be a single project. For example, in some cases a project could be narrowly defined as a single building (like a hospital). In other cases, a project could be more broadly defined as including multiple buildings in a larger complex (like a medical center). A broader definition could result in more projects meeting the \$2 billion requirement, thus requiring voter approval.

How Government Agencies and Voters Respond Would Affect Costs

Government and Voters Could Take Different Actions. When a proposed project meets this measure's requirements for voter approval, governments and voters could respond in different ways. These responses, in turn, would determine the fiscal effects, if any, of this measure:

- On the one hand, if the state held an election and voters approved the project, the state could proceed with the project as planned using revenue bonds. As a result, there would be little fiscal effect from this measure.
- On the other hand, if voters rejected the project or the state chose not to hold an election as required by this measure, the state would not be able to use revenue bonds for the project. Without access to revenue bonds, the state and/or

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

local governments might take other actions to meet the concerns the project was intended to address. They might (1) replace the large project with other smaller projects, (2) perform other activities that would reduce the need for the project, or (3) find other ways to pay for the project instead of using revenue bonds. These actions could result in either higher or lower net costs depending on the specific alternatives that governments pursued and how they compared to the original project proposal.

Some Actions Could Result in Higher Costs. Some types of government and voter response to this measure could result in higher costs for the state and local governments. For example, it could be more expensive in some cases for state and local governments to complete several smaller projects than it would have been for the state to build the original large project. This could happen if the large project was a more efficient way to meet the concerns that the project addressed.

The state also could fund a project in a different way than revenue bonds that might be more expensive. For example, the state could partner with a private company that would sell bonds to fund the project. The state would then have to pay back the private company. This could result in higher costs for the state

because the private company would need to make a profit on the project. Also, the private company would probably pay higher interest rates than the state. The private company would likely pass these higher borrowing costs on to the state.

Some Actions Could Result in Lower Costs. Other types of responses could result in lower state and local costs. For example, state and local governments might find ways to make better use of existing infrastructure. For instance, local water agencies might implement water conservation measures, which could reduce the need to build new dams or other projects to provide more water. If existing infrastructure could meet the state's needs adequately with these types of actions, there would be savings from not having to spend the money to build a new project.

The state also could fund a project in a way that might be cheaper than using revenue bonds. For example, the state could borrow money using general obligation bonds. While state general obligation bonds require voter approval, there would be some savings because they have lower interest rates than revenue bonds.

Visit <http://www.sos.ca.gov/measure-contributions> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-16-gen-v2.html> to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 53 ★

Proposition 53, the Stop Blank Checks initiative, is simple. It only does two things:

- 1) It requires California voter approval for STATE projects that would use over \$2 billion in state revenue bonds.
- 2) BEFORE THAT VOTE, it ensures full disclosure of the TOTAL COST of any state revenue bond project greater than \$2 billion.

Currently, other state bonds for water, school and transportation projects require voter approval. But a loophole in state law allows politicians and unaccountable state agencies to circumvent a public vote and borrow BILLIONS in state revenue bond debt for massive state projects WITHOUT VOTER APPROVAL.

Proposition 53 will STOP POLITICIANS FROM ISSUING BLANK CHECK DEBT to complete billion dollar state boondoggles. Take California's bullet train. They told us it would cost California taxpayers \$10 billion. Now we know it's going to cost more than \$60 billion! Yet, you don't have a right to vote on that huge increase!

Right now, there is NO VOTE BY THE LEGISLATURE OR THE PEOPLE required to issue these massive state mega-bonds. Unelected and unaccountable state bureaucrats have all the power and you have to pay through higher water rates or increased fees!

Proposition 53 says IF YOU HAVE TO PAY, YOU SHOULD HAVE A SAY.

Proposition 53 just GIVES YOU A VOICE, A VOTE, added TRANSPARENCY, and it HOLDS POLITICIANS ACCOUNTABLE. That's it! Read the initiative for yourself.

Proposition 53 STOPS POLITICIANS FROM LYING about the real cost of state mega-projects. Willie Brown, once the state's most powerful politician, wrote that lowballing initial budgets is commonplace with public projects. He said, "The idea is to get going. Start digging a hole and make it so big, there's no alternative to coming up with the money to fill it in."

Despite the scare tactics of the politicians, bureaucrats and corporations that feed off of the state's public debt, Proposition 53 DOES NOT IMPACT LOCAL PROJECTS, the University of California, freeway construction or needed response after a natural disaster.

Proposition 53 SIMPLY APPLIES THE LONG-STANDING CONSTITUTIONAL PROTECTION against politicians imposing higher debt without voter approval to MASSIVE STATE REVENUE BONDS.

Proposition 53 just ENSURES FULL BUDGET DISCLOSURE AND VOTER APPROVAL of state revenue bonds for California's mega-bucks projects that will affect future generations.

Join California's leading state and local taxpayer organizations, small businesses, working families and nearly one million Californians who put Proposition 53 on the ballot. Vote YES on 53!

DINO CORTOPASSI, Retired farmer

JON COUPAL, President

Howard Jarvis Taxpayers Association

JOHN MCGINNESS, Elected Sheriff (Retired)

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 53 ★

Prop. 53 doesn't give you a say. Quite the opposite. Prop. 53 erodes your voice and the voice of your community. Please read it for yourself.

PROP. 53 ERODES LOCAL CONTROL BY FORCING STATEWIDE VOTES ON SOME LOCAL PROJECTS

Local government groups representing California's cities, counties and local water districts, including the League of California Cities and Association of California Water Agencies, oppose this measure, warning it could give voters in faraway regions the power to deny local projects your community needs.

PROP. 53 DOES NOT INCLUDE AN EXEMPTION FOR EMERGENCIES/DISASTERS

California Professional Firefighters warns Prop. 53's failure to contain an exemption for emergencies *"could delay our state's ability to rebuild critical infrastructure following earthquakes, wildfires, floods or other natural disasters."*

PROP. 53 WOULD JEOPARDIZE MUCH NEEDED REPAIRS TO WATER SUPPLY, BRIDGES, AND OTHER CRITICAL INFRASTRUCTURE

Prop. 53 will jeopardize your community's ability to fix aging infrastructure, including improving water supply, making bridge and freeway safety repairs, and renovating

hospitals to make them earthquake safe.

PROP. 53 IS A SELF-INTEREST ABUSE OF THE INITIATIVE PROCESS

Prop. 53 is a multi-million dollar attempt to stop one single project. We cannot allow one well-financed individual to abuse the initiative process and jeopardize vital infrastructure and safety projects around the state.

PROP. 53 IS OPPOSED BY A BROAD, BIPARTISAN COALITION OF ORGANIZATIONS INCLUDING:

• California Professional Firefighters • California State Sheriffs' Association • Association of California Water Agencies • California Hospital Association • League of California Cities • Firefighters, paramedics, family farmers, environmentalists, nurses, cities, counties, local water districts, and law enforcement.

www.NoProp53.com

LOU PAULSON, President

California Professional Firefighters

KEITH DUNN, Executive Director

Self-Help Counties Coalition

SHERIFF DONNY YOUNGBLOOD, President

California State Sheriffs' Association

★ ARGUMENT AGAINST PROPOSITION 53 ★

PROP. 53 ERODES LOCAL CONTROL AND CONTAINS NO EXEMPTION FOR EMERGENCIES/NATURAL DISASTERS

Prop. 53 is opposed by a broad, bipartisan coalition of organizations including California Professional Firefighters, California Chamber of Commerce, California Hospital Association, firefighters, paramedics, family farmers, environmentalists, nurses, law enforcement, and local governments because it would erode local control and jeopardize vital infrastructure improvements in communities across California.

ERODES LOCAL CONTROL BY REQUIRING STATEWIDE VOTE FOR SOME LOCAL PROJECTS

Groups representing California's cities, counties and local water agencies, including League of California Cities and Association of California Water Agencies, all oppose Prop. 53. Under this measure, cities and towns that come together to form a joint powers agency or similar body with the state to build needed infrastructure could have to put their local project on a statewide ballot. That means voters in faraway regions could veto some local projects your community needs and supports—like water storage or bridge safety repairs—even though those voters don't use or care about your local improvements.

NO EXEMPTION FOR EMERGENCIES OR NATURAL DISASTERS

California Professional Firefighters, representing 30,000 firefighters and paramedics, warns: *"Prop. 53 irresponsibly fails to contain an exemption for natural disasters or major emergencies. That flaw could delay our state's ability to rebuild critical infrastructure following earthquakes, wildfires, floods or other natural or man-made disasters."*

THREATENS WATER SUPPLY AND DROUGHT PREPAREDNESS

The Association of California Water Agencies says: *"Prop. 53 could threaten a wide range of local water projects including storage, desalination, recycling and other vital projects to protect our water supply and access to clean, safe drinking water. Prop. 53 will definitely impede our ability to prepare for future droughts."*

JEOPARDIZES ABILITY TO REPAIR OUTDATED INFRASTRUCTURE

Our communities already suffer from a massive backlog of local infrastructure needs, including improving water supply and delivery, making safety repairs to bridges, overpasses and freeways, and renovating community hospitals to make them earthquake safe. Prop. 53 will jeopardize local communities' ability to repair aging infrastructure. The California State Sheriffs' Association says: *"Reliable infrastructure is critical to public safety. This measure erodes local control and creates new hurdles that could block communities from upgrading critical infrastructure such as bridges, water systems and hospitals."*

FINANCED AND PROMOTED BY MULTI-MILLIONAIRE WITH A PERSONAL AGENDA

This measure is financed entirely by one multi-millionaire and his family, who are spending millions in an attempt to disrupt a single water infrastructure project. Irrespective of one's position on that single project, his initiative has far-reaching, negative implications for other infrastructure projects throughout California. We cannot allow one multi-millionaire to abuse the initiative system to push his narrow personal agenda.

OPPOSED BY A BROAD BIPARTISAN COALITION:

• California Professional Firefighters • California State Sheriffs' Association • Association of California Water Agencies • League of California Cities • California Hospital Association • California Chamber of Commerce

Prop. 53 is a misguided measure that:

• Erodes local control by requiring a statewide vote on some local projects. • Disrupts our ability to build critically needed water storage and supply. • Contains no exemptions for emergencies/natural disasters.

www.NoProp53.com

LOU PAULSON, President

California Professional Firefighters

TIM QUINN, Executive Director

Association of California Water Agencies

MARK GHILARDUCCI, Director

California Office of Emergency Services

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 53 ★

Proposition 53 trusts voters. Proposition 53's opponents are afraid of voters.

OPPONENTS INCLUDE SPECIAL INTERESTS WHO HAVE FOUGHT TAX REFORM FOR DECADES, EVEN PROPOSITION 13. They include insiders who profit from massive state revenue bond projects, and politicians and bureaucrats who don't trust you to decide whether to approve boondoggles like the \$64 billion bullet train and the \$6 billion Bay Bridge fiasco that now requires \$6 tolls. **IF TAXPAYERS HAVE TO PAY, THEY SHOULD HAVE A SAY!** Prop. 53 holds politicians accountable by giving you a vote on state mega-projects paid for by state revenue bonds over \$2 billion. Voters will have the right to decide, just as we do with all other kinds of state bonds. And Prop. 53 finally unmask the true cost of all multibillion dollar state bonds.

PROP. 53 TRUSTS VOTERS to decide whether to approve the massive multibillion dollar increase in the bullet train's price tag.

PROP. 53 TRUSTS VOTERS—California taxpayers—to

decide by a simple majority whether to spend \$17 billion to tunnel water under the Delta to Southern California.

PROP. 53 WOULD HAVE TRUSTED VOTERS to decide whether extravagant design changes on the Bay Bridge were worth \$5 billion in cost overruns and outrageous tolls that working families can't afford.

Prop. 53 clearly exempts local projects. Read it yourself at www.YESon53.com.

The Sacramento Bee said Prop. 53 won't hurt disaster relief because *"... emergency repairs are traditionally paid for by the federal government or other sources—not revenue bonds."*

IF YOU TRUST TAXPAYERS AND VOTERS more than lobbyists, politicians and bureaucrats, **VOTE YES ON PROPOSITION 53!**

JON COUPAL, President

Howard Jarvis Taxpayers Association

KAREN MITCHOFF, Contra Costa County Supervisor

MAURY HANNIGAN, California Highway Patrol Commissioner (Retired)

PROPOSITION **TAX EXTENSION TO FUND EDUCATION AND HEALTHCARE.**
55 INITIATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

- Extends by twelve years the temporary personal income tax increases enacted in 2012 on earnings over \$250,000 (for single filers; over \$500,000 for joint filers; over \$340,000 for heads of household).
- Allocates these tax revenues 89% to K–12 schools and 11% to California Community Colleges.
- Allocates up to \$2 billion per year in certain years for healthcare programs.
- Bars use of education revenues for administrative costs, but provides local school boards discretion to decide, in open meetings and subject to annual audit, how revenues are to be spent.

through 2030, depending on the economy and the stock market.

- Increased funding for schools and community colleges of roughly half of the revenue raised by the measure.
- Increased funding for health care for low-income people ranging from \$0 to \$2 billion each year, depending on decisions and estimates made by the Governor's main budget advisor.
- Increased budget reserves and debt payments ranging from \$60 million to roughly \$1.5 billion each year (in today's dollars), depending primarily on the stock market.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state revenues ranging from \$4 billion to \$9 billion each year (in today's dollars) from 2019

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

State Budget

Over Half of State Budget Spent on Education. The state collects taxes and fees from people and businesses and uses these revenues to fund programs in the state budget. This year, the state plans to spend about \$122 billion from its main operating account, the General Fund. As shown in Figure 1, over half of this spending is for K–12 schools, community colleges, and the state's public universities. About another one-quarter of this spending is for health and human services programs, the largest of which is the state's Medi-Cal program. Most of the spending shown in the figure for "various other programs" pays for prisons, parole programs, and the courts.

Taxes

Personal Income Tax Provides Most General Fund Monies. The state's General Fund is supported primarily by three taxes: the personal income tax, the sales tax, and the corporate income tax. (We refer to the personal income tax simply as "income tax" in this analysis.) The income tax is the most important for the state budget, as it provides about two-thirds of all General Fund revenues. The tax applies to most

forms of income—such as salaries, wages, interest income, and profits from the sales of stocks and other assets. It consists of several "marginal" tax rates, which are higher as income subject to the tax, or "taxable income," increases. For example, in 2011 the tax on a married couple's taxable income was 1 percent on the first \$14,632 but 9.3 percent on all taxable income over \$96,058.

Proposition 30. Proposition 30, approved by voters in November 2012, increased income tax rates on high-income taxpayers. As shown in Figure 2, depending on their income levels, high-income taxpayers pay an extra 1 percent, 2 percent, or 3 percent tax on part of their incomes. These higher rates are in effect through 2018. This year's state budget assumes that the Proposition 30 income tax increases will raise about \$7 billion in revenue. Proposition 30 also increased the state sales tax rate by one-quarter cent from 2013 through 2016.

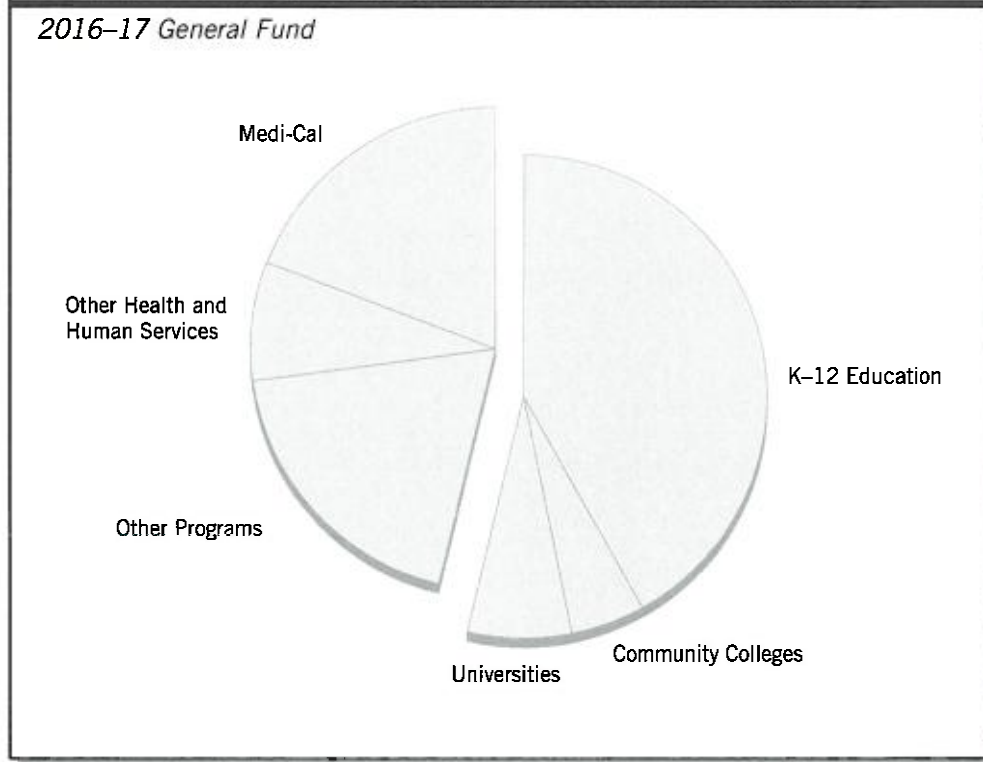
Education

Annual Required Spending on Education. The State Constitution requires the state to spend a minimum amount on K–12 schools and community colleges each year. This "minimum guarantee" grows over time based on growth in state tax revenues, the economy, and student attendance. This year, the state

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Figure 1
Education Makes Up Over Half of \$122 Billion State Budget
2016–17 General Fund



General Fund will provide over \$50 billion toward the minimum guarantee. Local property taxes also contribute to the minimum guarantee.

Medi-Cal

Serves Low-Income People in California. The Medi-Cal program provides health care services to low-income people. These services include primary care visits, emergency room visits, surgery, and prescription drugs. The program serves over 13 million people in California—roughly one-third of the population. This year, the state will spend about \$23 billion from the General Fund on Medi-Cal. In addition, the program relies heavily on federal funding and receives some support from other state sources.

Budget Reserves and Debt Payments

“Rainy-Day” Reserves. Governments use budget reserves to save money when the economy is good. When the economy gets worse and revenues decline, governments use money that they saved to reduce the amount of spending cuts, tax increases, and other actions needed to balance their budgets.

Constitution Requires Minimum Amount Used for Debt Payments and Budget Reserves.

The Constitution requires the state to save a minimum amount each year in its rainy-day fund and spend a minimum amount each year to pay down state debts faster. The annual amounts used for debts and budget reserves depend primarily upon state tax revenues. In particular, revenues from capital gains—money people make when they sell stocks and other types of property—are an important factor in estimating how much the state must use for these purposes.

PROPOSAL

This measure (1) extends for 12 years the additional income tax rates established by Proposition 30 and (2) creates a formula to provide additional funds to the Medi-Cal program from the 2018–19 state fiscal year through 2030–31.

Taxes

Income Taxes Increased on High-Income Taxpayers. Proposition 55 extends from 2019 through 2030

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

Figure 2
Income Tax Rates Under Proposition 30^a

Single Filer's Taxable Income ^b	Joint Filers' Taxable Income ^c	Marginal Tax Rate		
		Base Rate	Proposition 30 Increase	Total Rate
\$0 to \$8,000	\$0 to \$16,000	1.0%	—	1.0%
8,000 to 19,000	16,000 to 37,000	2.0	—	2.0
19,000 to 29,000	37,000 to 59,000	4.0	—	4.0
29,000 to 41,000	59,000 to 82,000	6.0	—	6.0
41,000 to 52,000	82,000 to 103,000	8.0	—	8.0
52,000 to 263,000	103,000 to 526,000	9.3	—	9.3
263,000 to 316,000	526,000 to 632,000	9.3	1.0%	10.3
316,000 to 526,000	632,000 to 1,053,000	9.3	2.0	11.3
Over 526,000	Over 1,053,000	9.3	3.0	12.3

^a Income brackets shown are rounded to the nearest thousands of dollars. Brackets are in effect for 2015 and are adjusted for inflation in future years.

^b Single filers include married individuals and registered domestic partners (RDPs) who file taxes separately.

^c Joint filers include married and RDP couples who file jointly, as well as qualified widows or widowers with a dependent child.

Note: Income brackets for head-of-household filers are not listed, but those filers with taxable income of \$357,981 and greater (as of 2015) also are subject to 10.3 percent, 11.3 percent, or 12.3 percent marginal tax rates under Proposition 30. Tax rates listed exclude the mental health tax rate of 1 percent for taxable income in excess of \$1 million.

the Proposition 30 income tax rate increases shown in Figure 2. These increases affect high-income taxpayers in the state. Specifically, the measure affects the roughly 1.5 percent of taxpayers with the highest incomes.

Amount of Tax Increase Depends Upon Taxable Income. The amount of increased taxes paid by high-income taxpayers would depend upon their taxable income. For example, if this measure passes, a single person with taxable income of \$300,000 would pay an extra 1 percent on their income between \$263,000 and \$300,000. This works out to a tax increase of \$370 for this person. A married couple filing a joint tax return with taxable income of \$2,000,000 also would see their taxes increased under this measure. Specifically, this couple would pay another 1 percent on their income between \$526,000 and \$632,000, an extra 2 percent on their income between \$632,000 and \$1,053,000, and an extra 3 percent on their income between \$1,053,000 and \$2,000,000. This works out to a tax increase of \$37,890 for this couple. (These examples would be somewhat different by 2019 because tax brackets would be adjusted annually for inflation.)

Does Not Extend Sales Tax Increase. Proposition 55 does not extend the one-quarter cent increase in the sales tax rate that voters approved in Proposition 30. In other words, whether or not voters pass this

measure, Proposition 30's sales tax increase will expire at the end of 2016.

Medi-Cal

Creates Formula for Medi-Cal. Proposition 55 includes a new state budget formula to provide more funding for the Medi-Cal program. The measure requires the Director of Finance, the Governor's main budget advisor, to determine each year from 2018–19 through 2030–31 whether General Fund revenues exceed (1) constitutionally required education spending and (2) the costs of government programs that were in place as of January 1, 2016. If revenues exceed these spending amounts, 50 percent of the excess (up to a maximum of \$2 billion) would be allocated to Medi-Cal. (This additional allocation could be reduced somewhat in difficult budget years.) The measure states that these Medi-Cal monies should not replace existing General Fund support for the program.

FISCAL EFFECTS

Figure 3 summarizes Proposition 55's fiscal effects. The measure's increased revenues would be used for K–12 schools and community colleges, health care services for low-income people, budget reserves, and debt payments. After satisfying these constitutional

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

requirements, remaining amounts, if any, would be available for any state budget purpose.

Taxes

Revenue Raised by Measure Would Depend on Economy and Stock Market. The exact amount of state revenue raised by Proposition 55 would depend on several factors that are difficult to predict. A large share of high-income taxpayers' earnings comes from capital gains. These revenues depend heavily on future stock market and other asset values, which are difficult to

to predict. It is reasonable to assume, however, that roughly half of the revenue raised by Proposition 55 would go to schools and community colleges.

Medi-Cal

May Increase Medi-Cal Funding. The formula for added Medi-Cal funding would require the Director of Finance to estimate annually revenues and spending. As noted earlier, General Fund revenues are difficult to predict. Similarly, in order to produce the spending estimates required by the measure, the Director of

Finance would have to make assumptions about how spending on programs that were in place as of January 1, 2016 would have changed over time. Additional Medi-Cal funding under the measure, therefore, would depend on decisions and estimates made by the Director of Finance. The amount of any additional Medi-Cal funding under the measure could vary significantly each year, ranging from \$0 to \$2 billion.

Figure 3**Fiscal Effects of Proposition 55**

Increased income tax revenues	Between \$4 billion and \$9 billion each year (in 2016 dollars), depending upon economy and stock market.
Increased funding for schools and community colleges	Roughly half of the revenue raised by the measure.
Increased Medi-Cal funding	Between \$0 and \$2 billion each year, depending upon decisions and estimates made by the Governor's main budget advisor.
Increased budget reserves and debt payments	Between \$60 million and roughly \$1.5 billion each year (in 2016 dollars), depending primarily upon stock market.

Budget Reserves and Debt Payments

Increases Budget Reserves and Debt Payments. As described above, Proposition 55

predict. In addition, high-income taxpayers' earnings fluctuate with the economy. Thus, in a bad economic and stock market year, the measure might raise around \$4 billion in revenue. When the economy and stock market are good, the measure might raise around \$9 billion in annual revenue. In most years, the amount of revenue raised by the measure would be in between these amounts. (These amounts are in today's dollars and would tend to grow over time.)

Education

Increases in Education Spending. Higher state tax revenues generally result in increased education spending. The exact amount that the state must spend on schools and community colleges in the future depends on several factors that are difficult

increases state tax revenues. Higher revenues increase required debt payments and budget reserve deposits. The exact amount that the state would have to use for paying down state debts and building budget reserves depends largely on capital gains revenues, which are difficult to predict. In bad stock market years, Proposition 55 could increase debt payments and budget reserves by \$60 million. In good stock market years, Proposition 55 could increase debt payments and reserve deposits by \$1.5 billion or more.

Visit <http://www.sos.ca.gov/measure-contributions> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-16-gen-v2.html> to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 55 ★

55

Proposition 55 prevents billions in budget cuts without raising taxes by ensuring the wealthiest Californians continue to pay their share. 55 requires strict accountability and transparency to ensure funds get to the classroom. We can't afford to go back to the days of devastating cuts and teacher layoffs.

Fact 1: Proposition 55 does not raise anyone's taxes.

- *Does not raise taxes on anyone.* Proposition 55 maintains the current income tax rate on couples earning over \$500,000 a year.
- *Only affects the wealthiest Californians who can most afford it,* ensuring they continue to pay their share of taxes.
- *Lower sales tax.* Under Proposition 55 all Californians' sales tax are reduced.

Fact 2: Proposition 55 has strict transparency and accountability requirements to ensure education funds get to the classroom.

- *Money goes to local schools and the Legislature can't touch it.* Strict accountability requirements ensure funds designated for education go to classrooms, not to bureaucracy or administrative costs. Authorizes criminal prosecution for any misuse of money.
- *Mandatory audits and strict transparency requirements.* Local school districts must post annual accounting online to guarantee that Californians know exactly how and where funds are spent.
- *Provides local control over school funding.* Proposition 55 gives control to local school boards to determine student needs.

Fact 3: Proposition 55 prevents up to \$4 billion in cuts to schools and continues to restore funding cut during the recession.

- *Proposition 55 helps address California's looming teacher shortage.* The state needs an estimated 22,000 additional teachers next year alone. Proposition 55 gives local school districts the money they need to hire teachers and prevent overcrowded classes.
- *Proposition 55 helps restore arts and music.* Arts and

music programs faced deep cuts during the recession.

Proposition 55 will help protect and restore those programs.

- *Makes college more affordable.* Proposition 55 prevents cuts to California community colleges, preventing tuition increases and helping make classes more available to California's 2.1 million community college students.
- *Expands health care access for children.* Healthier children are healthier students. Too many families can't afford basic health care, meaning children miss school or come to class sick. Proposition 55 helps kids come to school healthy and ready to learn, because all children deserve access to quality health care, not just the wealthiest Californians.

California needs to keep moving forward, we can't afford to go back to the days of devastating cuts to public schools, colleges, and health care.

30,000 teachers were laid off, class sizes grew, and the cost of community colleges doubled.

Governor Jerry Brown has said that we'll face even more cuts if Proposition 55 doesn't pass.

Proposition 55 gives Californians a clear choice: voting YES protects our schools and children from massive cuts; voting NO costs our schools up to \$4 billion a year.

California's schools are starting to come back. Passing Proposition 55 will ensure that our children won't face another round of cuts. The future of California depends on the future of our children.

Because our children and schools matter most.

Details at www.YesOn55.com

JUSTINE FISCHER, President
California State PTA

ALEX JOHNSON, Executive Director
Children's Defense Fund—California

TOM TORLAKSON, California State Superintendent of
Public Instruction

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 55 ★

TEMPORARY SHOULD MEAN TEMPORARY

Voters supported higher income and sales taxes in 2012 because Governor Jerry Brown made the commitment that they would be temporary.

The state budget has a surplus, and these temporary taxes should go away, just like the Governor promised.

PROP. 55 WILL HURT SMALL BUSINESS AND KILL JOBS.

Prop. 55 will kill jobs, close businesses, and hurt the economy. It will raise taxes on California's small businesses, and make it even harder for them to create good-paying jobs.

WE CAN'T TRUST THE POLITICIANS AND SPECIAL INTERESTS

The politicians and special interests know California is NOT facing cuts to programs. They just want to grow government bigger by passing Prop. 55. And they are using our kids and schools to scare voters into supporting it. Don't be fooled.

SCHOOLS ARE FULLY FUNDED

Education spending has grown by \$24.6 billion since

2012—a 52% increase.

Schools are funded, and the state budget is balanced. We have a \$2.7 billion surplus and over \$9.4 billion in budget reserves.

Prop. 55's new and higher taxes aren't needed.

DON'T BE FOOLED BY SCARE TACTICS, PROP. 55 IS NOT NEEDED.

Official budget estimates by the state's non-partisan Legislative Analyst show that higher taxes are NOT needed to balance the budget and fully fund schools.

California can fund education, health care and state government without new or higher taxes.

VOTE NO ON PROP. 55

JON COUPAL, President
Howard Jarvis Taxpayers Association

TOM SCOTT, State Executive Director
National Federation of Independent Business—California

TERESA CASAZZA, President
California Taxpayers Association

★ ARGUMENT AGAINST PROPOSITION 55 ★

In 2012, voters approved Proposition 30 tax increases because we were promised they'd be temporary and end in 2017.

Now special interests want to break that promise and extend these tax hikes 12 more years.

That's *not* temporary.

Here's the official title from the 2012 measure:

Prop. 30: TEMPORARY taxes to fund education, guaranteed local public safety funding. Initiative Constitutional Amendment.

TEMPORARY SHOULD MEAN TEMPORARY

Voters supported higher income and sales taxes in 2012 only because Governor Jerry Brown promised they would be temporary:

"THAT'S A TEMPORARY TAX AND, TO THE EXTENT THAT I HAVE ANYTHING TO DO WITH IT, WILL REMAIN TEMPORARY."—Governor Brown, *Sacramento Bee*, 10/7/14
Governor Brown promised the higher taxes would only last a few years and then end. Now, special interests want to extend them 12 more years—that's not "temporary."

California's economy has recovered and we now have a BUDGET SURPLUS.

WE DON'T NEED HIGHER TAXES

California has a balanced budget, we've reduced debt, increased school spending, put billions into California's "rainy day fund" and still have a \$2.7 billion budget surplus.

California takes in more tax dollars than we need each year—that's why the state budget recovered from a \$16 billion deficit in 2012 to a \$2.7 billion surplus in 2016.

Education spending has soared by \$24.6 billion since 2012—a 52% increase.

Medi-Cal spending has increased by \$2.9 billion—a 13% increase.

WE CAN FUND EDUCATION, HEALTH CARE, AND STATE GOVERNMENT WITHOUT NEW OR HIGHER TAXES

Governor Brown has stated and budget estimates from

the Legislative Analyst show that higher taxes are not needed to balance the budget.

We have adequate funds for schools and other critical requirements—we just need politicians with the backbone to cut waste and prioritize our spending. What we don't need is the largest tax hike in California history, sending billions more to Sacramento with no accountability to voters.

PROP. 55 TARGETS CALIFORNIA'S SMALL BUSINESSES WITH HIGHER TAXES FOR 12 YEARS

This measure targets small businesses who often pay taxes on their business income through their personal tax return. Prop. 55 will kill jobs, close businesses and damage the economy.

THE SPECIAL INTERESTS JUST WANT MORE MONEY TO SPEND TODAY

It's a fair bet that Prop. 55 money will be spent to pay pension benefits and other state debt rather than making it to the classroom or building roads. It'll be just like the lottery—we'll never know where the money went.

WE CAN'T TRUST THE POLITICIANS AND SPECIAL INTERESTS

The politicians and special interests know California is NOT facing cuts to any programs now. They just want to grow government by passing Prop. 55—the largest state tax increase ever.

Check it yourself: California has a \$2.7 billion surplus, and over \$9.4 billion in budget reserves.

New and higher taxes aren't needed.

CALIFORNIA SHOULD KEEP ITS WORD: TEMPORARY MEANS TEMPORARY

VOTE NO ON PROP. 55—IT'S A BROKEN PROMISE

JON COUPAL, President

Howard Jarvis Taxpayers Association

TOM SCOTT, State Executive Director

National Federation of Independent Business—California

HON. QUENTIN L. KOPP, Retired Superior Court Judge

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 55 ★

Vote YES on 55. Help our children thrive.

Prop. 55 makes sure we won't go back to massive cuts in school funding. It protects the education and health of our children.

Proposition 55 does not raise anyone's taxes:

- Prop. 55 *maintains current tax rates* on the wealthiest Californians to ensure couples earning more than \$500,000 a year continue paying their share.
- Proposition 55 does not raise taxes on small businesses.
- Under Proposition 55 the state sales tax is reduced as planned at the end of 2016.

Proposition 55 *prevents* up to a \$4 billion per year cut in public school funding:

- Proposition 55 helps address the teacher shortage and continues to restore the school funding that was cut during the recession.
- California's high school graduation rate rose for the sixth year in a row. Prop. 55 will help continue the progress.

Yes on 55 has strict accountability and fiscal

requirements to ensure education funds go straight to the classroom:

- Revenue is guaranteed in the Constitution to go into a special account for schools and children's health care that the *Legislature can't touch*.
- Money will be audited every year. Audit findings are posted at <http://trackprop30.ca.gov/> so taxpayers can see how their money is spent.
- There are strict requirements that funding must go to the classroom, not administration or Sacramento bureaucracy.
- Proposition 55 authorizes criminal prosecution for misuse of money.
- The continuation of the current tax rates on the wealthiest is subject to the vote and will of the people.

ERIC C. HEINS, President

California Teachers Association

BETTY T. YEE, California State Controller

ANN-LOUISE KUHN, President

California Children's Hospital Association

PROPOSITION
56 CIGARETTE TAX TO FUND HEALTHCARE, TOBACCO USE
PREVENTION, RESEARCH, AND LAW ENFORCEMENT.
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

- Increases cigarette tax by \$2.00/pack, with equivalent increase on other tobacco products and electronic cigarettes containing nicotine.
- Allocates revenues primarily to increase funding for existing healthcare programs; also for tobacco use prevention/control programs, tobacco-related disease research/law enforcement, University of California physician training, dental disease prevention programs, and administration. Excludes these revenues from Proposition 98 education funding calculation requirements.
- If tax causes decreased tobacco consumption, transfers tax revenues to offset decreases to

existing tobacco-funded programs and sales tax revenues.

- Requires biennial audit.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased net state revenue of \$1 billion to \$1.4 billion in 2017–18, with potentially lower annual revenues over time. These funds would be allocated to a variety of specific purposes, with most of the monies used to augment spending on health care for low-income Californians.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Cigarette and Tobacco Products

People currently consume different types of cigarette and tobacco products:

- **Cigarettes.** Smoking cigarettes is the most common way to use tobacco.
- **Other Tobacco Products.** Other tobacco products can be consumed by smoking or other forms of ingestion. These include cigars, chewing tobacco, and other products made of or containing at least 50 percent tobacco.
- **Electronic Cigarettes (E-Cigarettes).** These are battery-operated devices that turn specially designed liquid, which can contain nicotine, into a vapor. The vapor is inhaled by the user. Some e-cigarettes are sold with the liquid, while others are sold separately from the liquid.

These products are subject to excise taxes (which are levied on a particular product) and sales taxes (which are levied on a wide array of products). The excise tax is levied on distributors (such as wholesalers) while the sales tax is imposed at the time of purchase. As shown in Figure 1, cigarettes and other tobacco products currently are subject to state and federal excise taxes as well as state and local sales and use taxes (sales taxes). E-cigarettes are only subject to sales taxes.

Existing State Excise Taxes on Cigarettes.

The current state excise tax is 87 cents for a pack of cigarettes. Figure 2 shows how the tax has increased over time and how these revenues are allocated for

different purposes. Existing excise taxes are estimated to raise over \$800 million in 2015–16.

Existing State Excise Taxes on Other Tobacco Products.

While excise taxes on other tobacco products are based on the excise tax on a pack of cigarettes, they are somewhat higher due to the provisions of Proposition 10. Currently, the excise taxes on other tobacco products are the equivalent of \$1.37 per pack of cigarettes. Revenues from excise taxes on other tobacco products are allocated solely to Proposition 99 (1988) and Proposition 10 (1998) funds for various purposes, as described in Figure 2. Under current law, any increase in cigarette excise taxes automatically triggers an equivalent increase in excise taxes on other tobacco products.

Figure 1

Current Taxes on Tobacco Products and Electronic Cigarettes

	Federal Excise Taxes	State Excise Taxes	State and Local Sales Taxes
Cigarettes	✓	✓	✓
Other Tobacco Products ^a	✓	✓	✓
Electronic Cigarettes ^b			✓

^a Includes cigars, chewing tobacco, and other products made of or containing at least 50 percent tobacco.

^b Battery-operated devices that turn specially designed liquid, which can contain nicotine, into vapor.

ANALYSIS BY THE LEGISLATIVE ANALYST

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Figure 2
Allocation of Existing State Cigarette Excise Taxes

(Dollars in Millions)

Funds Description	Current Tax Per Pack of Cigarettes	Estimated 2015–16 Net Revenue ^a
State General Fund: Supports the state budget. The cigarette excise tax allocating revenue to the state General Fund was established by the Legislature in 1959.	10¢	\$84
Proposition 99 Funds: Established by the voters in 1988 for the purposes of supporting tobacco education and prevention efforts, tobacco-related disease research programs, health care services for low-income persons, and environmental protection and recreational resources.	25	259 ^b
Breast Cancer Fund: Established by the Legislature in 1993 for the purposes of supporting breast cancer screening programs for uninsured women and research related to breast cancer.	2	20
Proposition 10 Funds: Established by the voters in 1998 for the purposes of supporting early childhood development programs.	50	447 ^b
Totals	87¢	\$810

^a Accounts for payments from Proposition 10 to other funds in order to maintain pre-Proposition 10 revenue levels.
^b Total includes excise tax revenue from other types of tobacco products, such as cigars and chewing tobacco.

Existing Federal Excise Taxes on Tobacco Products.

The federal government also levies excise taxes on cigarettes and other tobacco products. Currently, the federal excise tax is \$1.01 per pack of cigarettes and varying amounts on other tobacco products.

Existing Sales Taxes on Tobacco Products and E-Cigarettes. Sales taxes apply to the sale of cigarettes, other tobacco products, and e-cigarettes. Sales taxes are based on the retail price of goods, which includes the impact of excise taxes. The average retail price for a pack of cigarettes in California is close to \$6. Currently, the sales tax ranges from 7.5 percent to 10 percent of the retail price (depending on the city or county), with a statewide average of around 8 percent. Thus, sales tax adds roughly 50 cents to 60 cents to the total cost for a pack of cigarettes. The sales taxes on cigarettes, other tobacco products, and e-cigarettes raises about \$400 million annually, with the proceeds going both to the state and local governments.

Adult Smoking Trends and E-Cigarette Use in California

Most tobacco users in California smoke cigarettes. According to the California Department of Public Health (DPH), California has one of the lowest adult cigarette smoking rates in the country. The DPH reports that about 12 percent of adults smoked cigarettes in 2013, compared to about 24 percent of adults in 1988. While cigarette smoking rates in California have steadily declined over the past couple decades for a variety of reasons, this trend appears to have stalled in recent years according to DPH.

As the number of individuals smoking cigarettes in California has decreased, so has the total amount of cigarette purchases by California consumers. As a result, revenues from taxes on these purchases also have declined.

The DPH reports that e-cigarette use among California adults was about 4 percent in 2013, nearly doubling compared to the prior year. Because e-cigarettes are relatively new products, however, there is little information to determine longer-term use of e-cigarettes.

State and Local Health Programs

Medi-Cal. The Department of Health Care Services administers California's Medi-Cal program, which provides health care coverage to over 13 million low-income individuals, or nearly one-third of Californians. With a total estimated budget of nearly \$95 billion (about \$23 billion General Fund) for 2015–16, Medi-Cal pays for health care services such as hospital inpatient and outpatient care, skilled nursing care, prescription drugs, dental care, and doctor visits. Some of the services provided in the Medi-Cal program are for prevention and treatment of tobacco-related diseases.

Public Health Programs. The DPH administers and oversees a wide variety of programs with the goal of optimizing the health and well-being of Californians. The department's programs address a broad range of health issues, including tobacco-related diseases, maternal and child health, cancer and other chronic diseases, infectious disease control, and inspection of health facilities. Many public health programs and

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

services are delivered at the local level, while the state provides funding, oversight, and overall strategic leadership for improving population health. For example, the DPH administers the California Tobacco Control Program—a Proposition 99 program—that funds activities to reduce illness and death from tobacco-related diseases with a budget of about \$45 million in 2015–16.

Recent Changes in Tobacco-Related Laws

The Legislature recently passed, and the Governor signed in May 2016, new tobacco-related legislation that made significant changes to state law. Figure 3 describes these changes. Also in May 2016, the U.S. Food and Drug Administration (FDA) issued new rules that extend the FDA's regulatory authority to include e-cigarettes, cigars, and other tobacco products. These recent changes do not directly affect the state taxes on these products or the programs that receive funding from these taxes.

State Spending Limit and Minimum Funding Level for Education

The State Constitution contains various rules affecting the state budget. Proposition 4, passed by voters in 1979, establishes a state spending limit. Proposition 98, passed in 1988, establishes a minimum level of annual funding for K–12 education and the California Community Colleges.

PROPOSAL

This measure significantly increases the state's excise tax on cigarettes and other tobacco products and applies this tax to e-cigarettes. The additional revenues would be used for various specified purposes. The major provisions of the measure are described below.

New Taxes Imposed by Measure

Increases Cigarette Tax by \$2 Per Pack. Effective April 1, 2017, the state excise tax on a pack of cigarettes would increase by \$2—from 87 cents to \$2.87.

Raises Equivalent Tax on Other Tobacco Products. As described earlier, existing law requires taxes on other tobacco products to increase any time the tax on cigarettes goes up. Specifically, state law requires the increase in taxes on other tobacco products to be equivalent to the increase in taxes on cigarettes. Accordingly, the measure would raise the tax on other tobacco products also by \$2—from \$1.37 (the current level of tax on these products) to an equivalent tax of \$3.37 per pack of cigarettes.

Imposes New Taxes on E-Cigarettes. As noted above, the state does not currently include e-cigarettes in the definition of other tobacco products for purposes of taxation. The measure changes the definition of “other tobacco products” for purposes of taxation to include e-cigarettes that contain nicotine or liquid with nicotine (known as e-liquid). Changing the definition in this way causes the \$3.37 equivalent tax to apply to these products as well.

Figure 3

Recent Changes in Tobacco-Related Laws^a

Legislation	Subject	Description
Chapter 4 of 2016 (AB2X 7, Stone)	Smoking in the workplace	Expands prohibition on smoking in a place of employment and eliminates various specified exemptions for workplace smoking.
Chapter 5 of 2016 (AB2X 9, Thurmond)	Tobacco use programs	Expands eligibility and requirements of tobacco use prevention funding to include charter schools.
Chapter 6 of 2016 (AB2X 11, Nazarian)	Cigarette and tobacco product licensing: fees and funding	Increases cigarette and tobacco retailer, distributor, and wholesaler licensing fees. Effective January 1, 2017.
Chapter 7 of 2016 (SB2X 5, Leno)	Electronic cigarettes	Broadens the definition of tobacco products to include electronic cigarettes and defines the term smoking, as specified. ^b
Chapter 8 of 2016 (SB2X 7, Hernandez)	Tobacco products: minimum legal age	Increases the minimum age for purchasing tobacco products from 18 years old to 21 years old.

^a Except when noted in the description, new legislation became effective June 9, 2016.

^b This broadened definition of tobacco products to include electronic cigarettes does not apply for the purposes of taxation.

ANALYSIS BY THE LEGISLATIVE ANALYST

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How Would Revenues From New Tobacco and E-Cigarette Taxes Be Spent?

Revenues from the cigarette, other tobacco product, and e-cigarette excise taxes that are increased by this measure would be deposited directly into a new special fund. Revenues deposited in this fund would

only be used for purposes set forth in the measure, as described below. (Revenues from applying the \$1.37 per pack rate on e-cigarettes, however, would support Proposition 99 and Proposition 10 purposes. This would be new revenue to these funds.)

As shown in Figure 4, the revenues would be allocated as follows:

Figure 4

How New Tax Revenue Would Be Spent

Program or Entity	Amount	Purpose
Step 1: Replace Revenues Lost		
Existing Tobacco Tax Funds	Determined by BOE	Replace revenues lost due to lower tobacco consumption resulting from the excise tax increase.
State and Local Sales and Use Tax	Determined by BOE	Replace revenues lost due to lower tobacco consumption resulting from the excise tax increase.
Step 2: Tax Administration		
BOE—administration	5 percent of remaining funds	Costs to administer the tax.
Step 3: Specific Amounts for Various State Entities^{a,b}		
Various state entities—enforcement ^c	\$48 million	Various enforcement activities of tobacco-related laws.
UC—physician training	\$40 million	Physician training to increase the number of primary care and emergency physicians in California.
Department of Public Health—State Dental Program	\$30 million	Educating about preventing and treating dental disease.
California State Auditor	\$400,000	Audits of agencies receiving funds from new taxes, at least every other year.
Step 4: Remaining Funds for State Health Programs^a		
Medi-Cal—DHCS	82 percent of remaining funds	Increasing the level of payment for health care, services, and treatment provided to Medi-Cal beneficiaries. DHCS cannot replace existing state funds for these same purposes with these new revenues.
California Tobacco Control Program—Department of Public Health	11 percent of remaining funds	Tobacco prevention and control programs aimed at reducing illness and death from tobacco-related diseases.
Tobacco-Related Disease Program—UC	5 percent of remaining funds	Medical research into prevention, early detection, treatments, and potential cures of all types of cancer, cardiovascular and lung disease, and other tobacco-related diseases. The UC cannot replace existing state and local funds for this purpose with these new revenues.
School Programs—California Department of Education	2 percent of remaining funds	School programs to prevent and reduce the use of tobacco products by young people.
^a The measure would limit the amount of revenues raised by the measure that could be used to pay for administrative costs, to be defined by the State Auditor through regulation, to not more than 5 percent. ^b Predetermined amounts would be adjusted proportionately by BOE annually, beginning two years after the measure went into effect if BOE determines that there has been a reduction in revenues resulting from a reduction in the consumption of cigarette and tobacco products due to the measure. ^c Funds distributed to Department of Justice/Office of Attorney General (\$30 million), Office of Attorney General (\$6 million), Department of Public Health (\$6 million), and BOE (\$6 million). BOE = Board of Equalization; UC = University of California; and DHCS = Department of Health Care Services.		

ANALYSIS BY THE LEGISLATIVE ANALYST

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- **Step One.** The measure requires that new revenues raised by the measure first be used to replace revenue losses to certain sources (existing state tobacco funds and sales taxes) that occur as a result of the measure. These revenue losses would occur due to lower consumption of tobacco products due to the higher excise taxes.
- **Step Two.** The State Board of Equalization would then receive up to 5 percent of the remaining funds to pay for administrative costs to implement the measure.
- **Step Three.** The measure provides specified state entities with fixed dollar amounts annually for specific purposes, as described in Figure 4.
- **Step Four.** The remaining funds would be allocated—using specific percentages—for various programs, primarily to augment spending on health care services for low-income individuals and families covered by the Medi-Cal program.

provides independent assessments of the California government's financial and operational activities, would receive up to \$400,000 annually to cover costs incurred from conducting these audits.

Revenues Exempt From State Spending Limit and Minimum Education Funding Level. Proposition 56 amends the State Constitution to exempt the measure's revenues and spending from the state's constitutional spending limit. (This constitutional exemption is similar to ones already in place for prior, voter-approved increases in tobacco taxes.) This measure also exempts revenues from minimum funding requirements for education required under Proposition 98.

FISCAL EFFECTS

This measure would have a number of fiscal effects on state and local governments. The major impacts of this measure are discussed below.

Impacts on State and Local Revenues

New Excise Taxes Would Increase State Revenue by Over \$1 Billion in 2017–18. This measure would raise between \$1.3 billion and \$1.6 billion in additional state revenue in 2017–18—the first full year of the

Other Provisions

Required Audits. The California State Auditor would conduct audits of agencies receiving funds from the new taxes at least every other year. The Auditor, who

Figure 5
How Estimated Revenues in 2017–18 Would Be Allocated

(In Millions)

	2017–18	
	Low Range ^a	High Range ^a
Estimated revenue from new excise taxes	\$1,270	\$1,610
Replace revenue loss ^b	230	200
Estimated Net Revenue to Be Allocated	\$1,040	\$1,410
Tax Administration		
Board of Equalization—administrative expenses	\$50	\$70
Specific Amounts Allocated to State Entities		
Various state entities—enforcement	\$48	\$48
University of California—physician training	40	40
Department of Public Health—State Dental Program	30	30
California State Auditor—audits	— ^c	— ^c
Remaining Funds Allocated to State Health Programs		
Medi-Cal	\$710	\$1,000
Tobacco Control Program	100	130
Tobacco-Related Disease Program—University of California	40	60
School programs	20	20

^a The consumer response to the proposed tax increases is uncertain, so we present a range of plausible outcomes. The low-revenue estimate reflects a strong consumer response, while the high-revenue estimate reflects a weaker consumer response.

^b LAO estimate. Revenue loss replacement amounts would be determined by the Board of Equalization.

^c \$400,000.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

measure's implementation. The excise tax increase would result in higher prices for consumers. As a result, consumers would reduce their consumption of cigarettes and other tobacco products, including e-cigarettes. (Many consumers might also change the way they buy these products to avoid the tax.) The range in potential new revenue reflects uncertainty about how much consumers will reduce their purchases in response to higher prices. The low-range estimate (\$1.3 billion) assumes consumers have a stronger response to the tax than under the high-range estimate (\$1.6 billion). In future years, revenues may decline relative to 2017–18 due to changes in consumer choices.

Applying Excise Taxes on E-Cigarettes Also Would Generate Additional Revenue for Existing Tobacco Funds.

As noted earlier, the measure expands the definition of other tobacco products to include e-cigarettes. This change makes e-cigarettes subject to the taxes passed by voters in Proposition 99 and Proposition 10. As a result, the funds supported by those two propositions would receive additional revenue due to this measure. This additional revenue likely would be in the tens of millions of dollars annually.

Over \$1 Billion in Increased Funding in 2017–18, Mostly for State Health Programs.

Figure 5 estimates the amount of funding each program and government agency would receive from the new tax revenues in 2017–18. After covering revenue losses resulting from the measure, the revenue available for specific activities funded by the measure—mostly health programs—would be between \$1 billion and \$1.4 billion. If cigarette use continues to decline, these amounts would be somewhat less in future years. In addition, much of the added spending on health programs would generate additional federal funding to the state. As a result, state and local governments would collect some additional general tax revenue.

Potentially Little Effect on State and Local Sales Tax Revenue.

Higher cigarette and other tobacco product prices would increase state and local sales tax revenue if consumers continued to buy similar amounts of these products. However, consumers would buy less of these products as prices increase due to the measure's taxes. As a result, the effect of the measure on sales tax revenue could be positive, negative, or generally unchanged, depending on how consumers react. Under the measure, if the state or local governments received less sales tax revenue as a result of the measure's taxes, those losses would be replaced by the revenue raised by the measure.

Effects on Excise Tax Collection. As described in Figure 4, the measure would provide additional funding to various state agencies to support state law enforcement. These funds would be used to support increased enforcement efforts to reduce tax evasion,

counterfeiting, smuggling, and the unlicensed sales of cigarettes and other tobacco products. Such enforcement efforts would increase the amount of tax revenue. The funds also would be used to support efforts to reduce sales of tobacco products to minors, which would reduce revenue collection. As a result, the net effect on excise tax revenue from these enforcement activities is unclear. In addition, while cigarettes and other tobacco products—as currently defined—are covered by federal laws to prevent tax evasion, e-cigarettes are not covered. As a result, enforcement of state excise taxes on e-cigarettes may be more challenging if consumers purchase more of these products online to avoid the new taxes.

Impact on State and Local Government Health Care Costs

The state and local governments in California incur costs for providing (1) health care for low-income and uninsured persons and (2) health insurance coverage for state and local government employees and retirees. Consequently, changes in state law such as those made by this measure that affect the health of the general population would also affect publicly funded health care costs.

For example, as discussed above, this measure would result in a decrease in the consumption of tobacco products as a result of the price increase of tobacco products. Further, this measure provides funding for tobacco prevention and cessation programs, and to the extent these programs are effective, this would further decrease consumption of tobacco products. The use of tobacco products has been linked to various adverse health effects by the federal health authorities and numerous scientific studies. Thus, this measure would reduce state and local government health care spending on tobacco-related diseases over the long term.

This measure would have other fiscal effects that offset these cost savings. For example, state and local governments would experience future health care and social services costs that otherwise would not have occurred as a result of individuals who avoid tobacco-related diseases living longer. Further, the impact of a tax on e-cigarettes on health and the associated costs over the long term is unknown, because e-cigarettes are relatively new devices and the health impacts of e-cigarettes are still being studied. Thus, the net long-term fiscal impact of this measure on state and local government costs is unknown.

Visit <http://www.sos.ca.gov/measure-contributions> for a list of committees primarily formed to support or oppose this measure. Visit <http://www.fppc.ca.gov/transparency/top-contributors/nov-16-gen-v2.html> to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 56 ★

The American Cancer Society Cancer Action Network, American Lung Association in California and American Heart Association are sponsoring Prop. 56 because taxing tobacco saves lives by getting people to quit or never start smoking.

Get the facts at YesOn56.org.

VOTE YES ON PROP. 56 TO KEEP KIDS FROM SMOKING AND REDUCE TOBACCO-RELATED HEALTHCARE COSTS

Tobacco remains a DEADLY, COSTLY product that hurts all Californians—even those who don't smoke.

- Each year, tobacco causes more deaths than guns, car accidents, HIV, alcohol, and illegal drugs combined. Tobacco is the #1 cause of preventable death—killing 40,000 Californians annually.
- Each year, tobacco-related healthcare costs Californian taxpayers \$3.58 BILLION.

At the same time, Big Tobacco has made billions in profits off California and is still trying to hook future generations into a lifetime of addiction. They know Prop. 56 will prevent youth smoking. *That's why they'll spend millions of dollars to defeat Prop. 56: to protect their profits at our expense.*

PROP. 56 WORKS LIKE A USER FEE, TAXING TOBACCO TO HELP PAY FOR TOBACCO-RELATED HEALTHCARE COSTS

Prop. 56 increases the tax on cigarettes and other tobacco products, including electronic cigarettes.

The only people who will pay are those who use tobacco products, and that money will fund already existing programs to prevent smoking, improve healthcare and research cures for cancer and tobacco-related diseases.

PROP. 56 IS ABOUT FAIRNESS—IF YOU DON'T USE TOBACCO, YOU DON'T PAY

California taxpayers spend \$3.58 BILLION every year—\$413 per family whether they smoke or not—paying medical costs of smokers. Prop. 56 is a simple matter of fairness—it works like a user fee on tobacco products to reduce smoking and ensure smokers help pay for healthcare costs.

PROP. 56 HELPS PREVENT YOUTH SMOKING

Increasing tobacco taxes reduces youth smoking according to the US Surgeon General. Yet California has one of the lowest tobacco taxes nationwide. This year alone, an estimated 16,800 California youth will start smoking, one-third of whom will die from tobacco-related diseases.

In every state that has significantly raised cigarette taxes smoking rates have gone down. Prop. 56 is so important because it helps prevent youth from becoming lifelong addicts and will save lives for future generations.

PROP. 56 FIGHTS BIG TOBACCO'S LATEST SCHEME TO TARGET KIDS

Electronic cigarettes are Big Tobacco's latest effort to get kids hooked on nicotine. They know that 90% of smokers start as teens. Teens that use e-cigarettes are twice as likely to start smoking traditional cigarettes. That's why every major tobacco corporation now owns at least one e-cigarette brand. Some e-cigarettes even target children with predatory themes like Barbie, Minions and Tinker Bell, and flavors like cotton candy and bubble gum.

Prop. 56 taxes e-cigarettes just like tobacco products, preventing our kids from getting hooked on this addictive, costly, deadly habit.

PROP. 56 INCLUDES TOUGH TRANSPARENCY AND ACCOUNTABILITY MEASURES

Prop. 56 has built-in safeguards, including independent audits and strict caps on overhead spending and administrative costs. And Prop. 56 explicitly prohibits politicians from diverting funds for their own agendas.

SAVE LIVES. VOTE YES ON 56.

JOANNA MORALES, Past Chair of the Board
American Cancer Society, California Division

TAMI TITTELFITZ, R.N., Leadership Board Member
American Lung Association in California

DAVID LEE, M.D., President
American Heart Association, Western States Affiliate

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 56 ★

Prop. 56 was specifically written to financially benefit health insurance companies and other wealthy special interests. It's just one more example of special interest ballot box budgeting. *Over \$16 million has already been contributed to pass it.*

They want you to believe it is about helping people stop smoking, but that's not where most of the money goes:

Only 13% of this new tax money goes to treat smokers or stop kids from starting (Section 30130.55(b) of Prop. 56). 82% of this new tax money—\$1 billion a year—goes to insurance companies and other wealthy special interests (Section 30130.55(a)) *and they don't have to treat one more patient to get the money.*

Nearly 10% can be spent on administration and overhead (Section 30130.57(a)&(f)).

Prop. 56 has virtually no taxpayer accountability for how health insurance companies and other providers spend the money. CEOs and senior executives could reward themselves with higher pay and profits from our tax dollars.

PROP. 56 CHEATS SCHOOLS

Prop. 56 deceptively cheats schools out of at least \$600 million per year by amending the State Constitution to bypass California's minimum school funding guarantee. *In fact, cheating schools is the only reason Prop. 56 amends the Constitution.*

WEALTHY SPECIAL INTERESTS SHOULDN'T GET AWAY WITH USING PROP. 56 TO ENRICH THEMSELVES AT THE EXPENSE OF FUNDING SCHOOLS, FIXING ROADS AND FIGHTING VIOLENT CRIME.

Follow the money for the truth at www.NoOnProposition56.com and then please join us in voting NO on Prop. 56.

MIKE GENEST, Former Director
California Department of Finance

TOM BOGETICH, Former Executive Director
California State Board of Education

LEW UHLER, President
National Tax Limitation Committee

★ ARGUMENT AGAINST PROPOSITION 56 ★

WE ALL WANT TO HELP THOSE WHO WANT TO STOP SMOKING, BUT PROP. 56 IS NOT WHAT IT APPEARS TO BE.

Prop. 56 is a \$1.4 billion "tax hike grab" by insurance companies and other wealthy special interests to dramatically increase their profits by shortchanging schools and ignoring other pressing problems.

Prop. 56 allocates just 13% of new tobacco tax money to treat smokers or stop kids from starting. If we are going to tax smokers another \$1.4 billion per year, more should be dedicated to treating them and keeping kids from starting. Instead, most of the \$1.4 billion in new taxes goes to health insurance companies and other wealthy special interests, instead of where it is needed.

PROP. 56 CHEATS SCHOOLS OUT OF AT LEAST \$600 MILLION PER YEAR.

California's Constitution (through Proposition 98), requires that schools get at least 43% of any new tax increase. Prop. 56 was purposely written to undermine our Constitution's minimum school funding guarantee, allowing special interests to deceptively divert at least \$600 million a year from schools to health insurance companies and other wealthy special interests. *Not one penny of the new tax money will go to improve our kids' schools.*

PROP. 56 DOESN'T SOLVE PROBLEMS FACING CALIFORNIA FAMILIES.

We have many pressing problems in California, like fully funding our schools, repairing roads, solving the drought and fighting violent crime. *If we are going to raise taxes, we should be spending this new tax revenue on these problems.*

PROP. 56 FATTENS INSURANCE COMPANY PROFITS.

In another deception, health insurance companies and wealthy special interests wrote Prop. 56 and are spending millions to pass it so that they can get paid as much as \$1 billion more for treating the very same Medi-Cal patients they already treat today. *They are not required to accept more Medi-Cal patients to get this money.*

Instead of treating more patients, insurance companies can increase their bottom line and more richly reward their CEOs and senior executives. *In fact, the Prop. 56 spending formula gives insurance companies and other health care providers 82% of this new tax.*

PROP. 56 SPENDS OVER \$147 MILLION PER YEAR ON OVERHEAD AND BUREAUCRACY.

This \$147 million can be spent each year with virtually no accountability to taxpayers. This could lead to massive waste, fraud, and abuse. *In fact, Prop. 56 spends nearly as much money on administration and overhead as it does on tobacco prevention efforts!*

NO ON PROP. 56

NO to wealthy special interests using our initiative process just to increase their profits.

NO to cheating schools out of at least \$600 million per year.

NO to millions of new tax dollars going to overhead and administration with the potential for waste, fraud, and abuse.

NO to rewarding health insurance companies and wealthy special interests with even bigger profits, instead of solving real problems like roads, violent crime and fully funding our schools.

PLEASE READ IT FOR YOURSELF AND FOLLOW THE PROP. 56 MONEY AT:

www.NoOnProposition56.com

Please join us in voting 'NO' on Prop. 56.

TOM BOGETICH, Former Executive Director
California State Board of Education

ARNOLD M. ZEIDERMAN, M.D., M.P.H., FACOG,
Former Director, Maternal Health and Family Planning,
Los Angeles County Department of Health

TOM DOMINGUEZ, President
Association of Orange County Deputy Sheriffs

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 56 ★

VOTE YES ON 56: SAVE LIVES. PROTECT KIDS. REDUCE THE HARMFUL COSTS OF TOBACCO.

Tobacco is still a DEADLY and COSTLY problem.

- Every year, 40,000 Californians die from tobacco-related diseases.
- This year alone, 16,800 California kids will start smoking.
- Each year, California taxpayers pay \$3.58 Billion for tobacco-related healthcare costs. That's \$413 per family every year, whether you smoke or not.

"Prop. 56 pays for SMOKING PREVENTION so kids don't get addicted."—*Matthew L. Myers, President, Campaign for Tobacco-Free Kids*

PROP. 56 WORKS LIKE A USER FEE: SMOKERS WILL HELP PAY THEIR FAIR SHARE OF HEALTH CARE COSTS

Under Prop. 56, tobacco users pay to help offset the \$3.58 billion in tobacco-related healthcare costs taxpayers pay every year.

Prop. 56 has strong accountability and transparency protections, including strict caps on overhead, ensuring politicians can't divert money for their own personal agendas.

Under Prop. 56, if you don't use tobacco, you don't pay.

This is about FAIRNESS. It's time for tobacco users to help pay for their healthcare costs instead of leaving it to taxpayers to foot the bill.

DON'T BUY BIG TOBACCO'S LIES: PROP. 56 DOESN'T TAKE A DIME FROM SCHOOLS

Tobacco corporations have LIED for years about the dangers of tobacco. Now they are spending tens of millions lying so they can keep getting our children and grandchildren hooked—and protect their bottom line.

"We have carefully vetted Prop. 56. It protects school funding while helping to keep our kids from getting hooked on deadly, addictive tobacco."—*Chris Ungar, President, California School Boards Association*

VOTE YES ON 56.

STUART COHEN, M.D., M.P.H., District Chair
American Academy of Pediatrics, California

LORI G. BREMNER, California Grassroots Director
American Cancer Society Cancer Action Network

ALEX M. JOHNSON, Executive Director
Children's Defense Fund—California