



Memorandum

TO: Legislation Committee

DATE: September 2, 2016

FR: Executive Director

W. I. 1131

RE: Proposition 53: California Public Vote on Bonds Initiative

Background

Proposition 53 is a Constitutional Amendment that would require statewide voter approval of any revenue bond issued for a single project in an amount totaling \$2 billion or greater. The measure exempts local governments, school districts and special districts, but not any joint powers authority created by the state or in which the state is a member.

The California Constitution requires voter approval of general obligation bonds that are backed with general state revenue, as well as any local general obligation bonds. Most revenue bonds do not require voter approval because they are backed by a specific revenue source, such as utility water rates, sales tax revenue or bridge tolls. Additionally, revenue bonds are repaid by users of a project, not all taxpayers.

Many public finance experts in the state are uncertain as to which entities Proposition 53 would apply. Proponents of the measure may argue the initiative is written in a manner that would apply to the Bay Area Toll Authority (BATA) as it was created by the state and arguably does not meet the definition of a “public entity formed for the performance of local government functions (traditionally thought of as police, fire, or waste services, for example) within limited boundaries,” which the measure would exempt. As such, it is possible that BATA revenue bonds from bridge tolls could be subject to a statewide vote. Similarly, express lane revenue-backed bonds in an amount greater than \$2 billion, or bonds issued by the Transbay Joint Powers Authority, could be subject to a statewide vote. Additionally, to the extent that the state chose to issue revenue bonds backed by Cap and Trade funds or other statewide revenue sources to help pay for high-speed rail, such bonds would be subject to a statewide vote if the amount exceeded \$2 billion.

Proposition 53 requires State Legislature approval for use of revenue bonds for public infrastructure projects funded, owned, or operated by the state or any joint agency that includes the state. If the bond amount exceeds \$2 billion and repayment requires new, increased, or extended taxes, fees, or other charges. The measure also requires that legislatively approved projects be presented on statewide ballot for voter approval; this applies to previously approved projects if remaining bond amount exceeds \$2 billion. Additionally, Proposition 53 requires that specified project information for all state bonds be included in voter ballot pamphlet

Recommendation: Oppose

Discussion

Proposition 53, which the campaign refers to as the “No Blank Checks Initiative” was placed on the ballot by Dean and Joan Cortopassi, who have provided the sole financial backing for the measure, contributing over \$4.5 million in personal funds to qualify the measure for the ballot. The Cortopassi family owns land in the Delta and are vociferously opposed to the Delta water pipeline, a key part of the state’s plan to repair California’s statewide water distribution system, commonly known as the “tunnels” project. One of the planned funding mechanisms for the water pipeline project are revenue bonds backed by water user fees.

In opposition to the measure is a broad, growing coalition, comprised of local governments and associations (including the League of California Cities and the California State Association of Counties), engineering, infrastructure, business and construction organizations concerned with the limitations the measure would place on vitally needed local and state infrastructure projects. Governor Brown is also a lead opponent to the measure. The opposition has raised \$1 million as of August 17, 2016 according to Ballotpedia.org.

Proposition 53 would create a new, significant hurdle to raising funding for infrastructure improvements, affecting not just transportation infrastructure and water systems, but also projects to seismically upgrade public facilities, including hospitals and universities. Because this measure would impair the state’s ability to improve its infrastructure, and, from regional perspective, potentially curtail BATA’s ability to issue bonds and subject such bonds to a statewide vote, staff strongly recommends an oppose position on the Proposition 53.

For a list of organizations in support or opposition, see Attachment A.



Steve Heminger

Attachment:

- Attachment A: Known Positions

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Positions as of 8/31/2016

Organizations on Record in Support of Proposition 53

(Based on Yes of Proposition 53 web site [press release](#))

- Howard Jarvis Taxpayers Association
- Alliance of Contra Costa Taxpayers
- California Taxpayers Coalition
- California Taxpayer Protection Committee
- Calaveras County Taxpayers Association
- Central Coast Taxpayers Association
- Contra Costa Taxpayers Association
- Fullerton Association of Concerned Taxpayers
- Humboldt County Taxpayers League
- Inland Empire Taxpayers Association
- Monterey Peninsula Taxpayers Association
- Napa County Taxpayers Association
- Placer County Taxpayers Association
- Sacramento Taxpayers Association
- Salinas Taxpayers Association
- San Diego Tax Fighters
- San Joaquin County Taxpayers Association
- Silicon Valley Taxpayers Association
- Solano County Taxpayers Association
- Sutter County Taxpayers Association
- Tulare County Taxpayers Association
- Yolo County Taxpayers Association

NO53 **ON PROP**

Stop Attack on Local Control

www.NoProp53.com

We Oppose Prop 53

Public Safety

California Professional Firefighters
California State Sheriffs' Association
California State Firefighters Association
Peace Officers Research Association of California
(PORAC)

Local Government

League of California Cities
California Association of Councils of Governments
Cities Association of Santa Clara County
Los Angeles County Metropolitan Transportation
Authority (LA Metro)
Self Help Counties Coalition
Rural County Representatives of California (RCRC)
Association of California Cities – Orange County
San Diego Association of Governments
Transportation Agency for Monterey County

Taxpayer

Kern County Taxpayers Association
California Tax Reform Association
Middle Class Taxpayers Association

Healthcare

California Medical Association
California Hospital Association
Hospital Council of Northern and Central California
Hospital Association of Southern California

Agriculture

California Citrus Mutual
California Cotton Ginners Association
California Cotton Growers Association
California Women for Agriculture
Fresno County Farm Bureau
Western Agriculture Processors Association
Western Growers Association

Water

Association of California Water Agencies
Calleguas Municipal Water District
Coachella Valley Water District
Clean Water and Jobs Coalition for California
Eastern Municipal Water District

Water (cont.)

Humboldt Bay Municipal Water District
Foothill Municipal Water District
Las Virgenes Municipal Water District
Metropolitan Water District of Southern California
Mojave Water Agency
Northern California Water Association
Southern California Water Committee
State Water Contractors
Vista Irrigation District

Infrastructure

American Council of Engineering Companies –
California
American Society of Civil Engineers Region IX
Associated General Contractors of California
California Alliance for Jobs
California Chapters of the National Electrical
Contractors Association (NECA)
California Construction Industry Labor Management
Cooperation Trust
California Legislative Conference of the Plumbing,
Heating & Piping Industry
Engineering Contractors Association
Northern California Mechanical Contractors
Association
Sacramento Regional Builders Exchange
United Contractors

Education

California's Coalition for Adequate School Housing

Community and Ethnic

California League of United Latin American Citizens
(LULAC)
Mexican American Legal Defense and Educational
Fund (MALDEF)
Strategic Actions for a Just Economy (SAJE)

Environment

California League of Conservation Voters
Natural Heritage Institute

Business

California Chamber of Commerce
Anaheim Chamber of Commerce

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Business (cont.)

Azusa Chamber of Commerce
Bay Area Council
Bay Planning Coalition
Building Owners and Managers Association California
Building Owners and Managers Association, Greater
Los Angeles
California Building Industry Association
California Business Properties Association
California Business Roundtable
California Manufacturers & Technology Association
California Public Securities Association
California Small Business Association
Central City Association, Los Angeles
Cerritos Regional Chamber of Commerce
Dinuba Chamber of Commerce
East Bay Leadership Council
Chambers of Commerce Alliance of Ventura & Santa
Barbara Counties
El Monte/South El Monte Chamber of Commerce
Fontana Chamber of Commerce
Greater Fresno Area Chamber of Commerce
Greater Riverside Chambers of Commerce
Greater San Fernando Valley Chamber of Commerce
Hollywood Chamber of Commerce
Inland Empire Economic Partnership (IEEP)
Irvine Chamber of Commerce
Los Angeles Area Chamber of Commerce
Los Angeles County Business Federation (LA BizFed)
North Orange County Chamber of Commerce
Ontario Chamber of Commerce
Orange County Business Council (OCBC)
Oxnard Chamber of Commerce
Pacific Merchant Shipping Association
Pasadena Chamber of Commerce
Pomona Chamber of Commerce
Port Hueneme Chamber of Commerce
Regional Chamber of Commerce – San Gabriel Valley
San Diego Regional Chamber of Commerce
San Francisco Chamber of Commerce
San Gabriel Valley Economic Partnership
San Jose Silicon Valley Chamber of Commerce
San Ramon Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Silicon Valley Leadership Group
South Bay Association of Chambers of Commerce
Southwest California Legislative Council
Torrance Area Chamber of Commerce
Valley Industry & Commerce Association (VICA)

Labor

California Labor Federation AFL-CIO
California State Building and Construction Trades
Council
Service Employees International Union California
AFSCME California PEOPLE

Labor (cont.)

Los Angeles County Federation of Labor
Auto, Marine & Specialty Painters Local Union 1176
Boilermakers Local Unions 92, 549
California Conference of Machinists
California State Association of Electrical Workers
California State Council of Laborers
California Teamsters Public Affairs Council
Carpet, Linoleum & Soft Tile Workers Local Unions
12,1237
County Labor Councils: North Bay; San
Diego/Imperial; San Francisco; South Bay
District Council of Iron Workers
District Council 16 International Union of Painters and
Allied Trades
County Building and Construction Trades Councils:
Alameda; Contra Costa; Imperial; Kern, Inyo,
Mono; Los Angeles/Orange; Marin;
Northeastern; Sacramento Sierra; San Diego;
San Mateo; Sonoma, Mendocino & Lake
Counties; Stanislaus, Merced, Mariposa &
Tuolumne
Glaziers, Arch. Metal & Glass Workers Local Unions
169, 718, 767, 1621
Insulators & Allied Workers Local Union 16
International Brotherhood of Boilermakers
International Union of Operating Engineers Local
Unions 3, 12
Ironworkers Local Unions 118, 155, 229, 433, 844
IUPAT Local Unions 294
Laborers' Local Union 67
IBEW Local Unions 6, 11, 40, 47, 100, 180, 234, 302,
332, 340, 413, 428, 440, 441, 477, 551, 569,
595, 617, 684, 952, 1245
Painters and Drywall Finishers Local Union 3
Painters and Tapers Local Unions 83, 272, 376, 487,
507,741, 913
Plasters Local Union 200
Plasterers & Cement Masons Local Union 300
Sheet Metal, Air, Rail and Transportation Workers
Western States Council
Sheet Metal, Air, Rail and Transportation Workers
Local Unions 104, 105, 206
Southern California Pipe Trades District Council 16
Teamsters Joint Council 7
Teamsters Joint Council 42
Teamsters Local Union 431
UFCW Western States Council
United Association of Landscape & Irrigation, Sewer &
Storm, Underground Industrial Piping Industry
Local 345
United Association of Plumbers & Fitters Local 761
United Association of Plumbers & Pipefitters Local
Unions 78, 114, 582
United Association of Plumbers & Steam Fitters Local
Unions 398, 403, 460, 484

Labor (cont.)

United Association of Sprinkler Fitters Local 709
United Association of Plumbers, Steamfitters,
Refrigeration & HVAC Service Technicians Local
230
United Association of Steam, Refrigeration, Air
Conditioning, Pipefitters & Apprentices Local 250
United Union of Roofers, Waterproofers & Allied
Workers Local Unions 27, 36, 40, 45, 81, 95, 220
Western Regional District Council of Roofers &
Waterproofers

Political

California Democratic Party
Los Angeles County Democratic Party

Paid for by No on Prop 53 – Californians to Protect Local Control, a coalition of public safety, local government, business and labor organizations, and taxpayers. Major funding by California Construction Industry Labor Management Cooperation Trust and Members' Voice of the State Building and Construction Trades Council of California (Committee).