



CALIFORNIA 2016
BALLOT BACKGROUNDER

Proposition **53**

Voting on Revenue Bonds

Research Assistant: Skip Wiltshire-Gordon

Purpose

Proposition 53 would give voters the right to vote on state-issued revenue bonds totaling more than \$2 billion for a project.¹

Background

The state commonly uses bonds to finance large infrastructure projects such as highways, schools, prisons, and water projects. When the state issues bonds, it sells the bonds to investors, with a promise to pay them back over time, with interest. Bonds come in two categories: general obligation bonds and revenue bonds. The state pays back general obligation bonds with money from the state's General Fund; these bonds require voter approval before they can be issued. By comparison, revenue bonds are typically repaid using money generated by the project after it is completed. As an example, a revenue bond to build a bridge can be paid back over time with money generated by bridge tolls.² Under current law, revenue bonds do not require voter approval.³ Proposition 53 would require voter approval for very large revenue bonds—specifically, revenue bonds totaling more than \$2 billion for a project.

At present, the measure would affect few projects in the state, but it would likely force a vote on two controversial projects: Governor Brown's proposed water tunnels through the

¹ Text of Proposition 53: [https://oag.ca.gov/system/files/initiatives/pdfs/15-0003%20\(Bond-funded%20Projects%20V2\).pdf](https://oag.ca.gov/system/files/initiatives/pdfs/15-0003%20(Bond-funded%20Projects%20V2).pdf)

² <http://www.lao.ca.gov/ballot/2016/overview-state-bond-debt-110816.pdf>

³ <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=53&year=2016>

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Sacramento-San Joaquin River Delta and high-speed rail between northern and southern California.⁴

Proposition 53 was placed on the ballot by Dean Cortopassi, a wealthy Central Valley grower and food processor. Mr. Cortopassi opposes both the Delta tunnels and the high-speed rail project.⁵ He and his wife have provided all of the funding for Proposition 53. The measure is opposed by Governor Brown and a coalition that includes trade unions and the California Chamber of Commerce.

Current Law

Currently, the state can issue revenue bonds for infrastructure projects without voter approval, regardless of the size of the bonds.⁶

Proposed New Law

Prop. 53 would require the state to seek voter approval through a statewide ballot measure before issuing more than \$2 billion in revenue bonds for a project. This requirement would apply to future projects as well as previously approved projects if the remaining bond amount is more than \$2 billion.⁷ The measure would not apply to local revenue bonds.

Fiscal Impact

It is impossible to predict the future fiscal impact of Prop. 53, as it would depend on whether projects covered by the initiative are approved by voters, and whether alternatives projects have higher or lower costs than what the project would be without Prop. 53 restrictions.⁸

Supporters

The proponent of Proposition 53 is Dean Cortopassi, a wealthy Stockton-area farmer and food processor.⁹ Mr. Cortopassi and his wife, Joan, have provided all of the funding for the Yes on 53 campaign – more than \$4.5 million as of mid-August.¹⁰ Proposition 53 has also received endorsements from the following organizations:

- California Republican Party
- Howard Jarvis Taxpayers Association

⁴ <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=53&year=2016>

⁵ <http://www.sacbee.com/news/politics-government/capitol-alert/article98163397.html>

⁶ <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=53&year=2016>

⁷ [https://ballotpedia.org/California_Proposition_53,_Voter_Approval_Requirement_for_Revenue_Bonds_above_\\$2_Billion_\(2016\)#Path_to_the_ballot](https://ballotpedia.org/California_Proposition_53,_Voter_Approval_Requirement_for_Revenue_Bonds_above_$2_Billion_(2016)#Path_to_the_ballot)

⁸ <http://www.lao.ca.gov/BallotAnalysis/Proposition?number=53&year=2016>

⁹ <http://www.sacbee.com/news/state/california/water-and-drought/article27052015.html>

¹⁰ <http://powersearch.sos.ca.gov/advanced.php>

Arguments of Supporters

Supporters argue that Prop 53 will stop politicians from issuing blank check debts to complete state projects. They argue that if voters have to pay for these expensive projects, they should have a say in which ones go forward. They argue that the measure prevents politicians from lying about the real costs of large state infrastructure projects. They also note that the measure may not affect natural disaster response efforts because funding generally comes by way of federal aid, not revenue bonds.¹¹

Opponents

The No-on-53 campaign is largely funded by trade unions and has received support from a variety of labor and business interests, among other organizations. The campaign raised more than \$1.4 million by mid-August. Major funders of the No-on-53 campaign include the California Construction Industry Labor Management Cooperation Trust, District Council of Iron Workers, International Union of Operating Engineers, Members' Voice of the State Building and Construction Trades Council of California, and the California Association of Hospitals and Health Systems.¹² Other individuals and organizations that oppose Prop. 53 include:

- Gov. Jerry Brown
- California Chamber of Commerce¹³
- California League of Conservation Voters
- California Democratic Party
- California AFL-CIO
- SEIU California
- California Medical Association¹⁴
- Association of California Water Agencies¹⁵
- League of California Cities¹⁶

Arguments of Opponents

Opponents argue that Prop. 53 would jeopardize the state's ability to repair outdated infrastructure and negatively affect local water projects, among other local projects using state funds. Opponents argue that Prop. 53 would erode local control by requiring statewide votes for some local infrastructure projects using state funding. They also reiterate that Prop. 53 does

¹¹ <http://vig.cdn.sos.ca.gov/2016/general/en/pdf/complete-vig.pdf>

¹² <http://powersearch.sos.ca.gov/advanced.php>

¹³ [https://ballotpedia.org/California_Proposition_53_Voter_Approval_Requirement_for_Revenue_Bonds_above_\\$2_Billion_\(2016\)](https://ballotpedia.org/California_Proposition_53_Voter_Approval_Requirement_for_Revenue_Bonds_above_$2_Billion_(2016))

¹⁴ <http://www.noprop53.com/who-we-are>

¹⁵ <https://votecircle.com/propositions/CA/proposition-53/revenue-bonds-statewide-voter-approval-initiative-constitutional-amendment/oppose>

¹⁶ <http://www.noprop53.com/news/league-of-cities>

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not have an exception for emergencies or natural disasters, making a state response to such situations more difficult.¹⁷

Conclusion

A Yes vote on Prop. 53 means that state revenue bonds totaling more than \$2 billion per project (which would include revenue bonds for the high speed rail and tunnel projects) would require voter approval.

A No vote on Prop. 53 would mean that the state's current rules for issuing revenue bonds would not change.

For more information on Proposition 53, visit:

www.roseinstitute.org

www.stopblankchecks.com

www.noprop53.com

¹⁷ <http://vig.cdn.sos.ca.gov/2016/general/en/pdf/complete-vig.pdf>