



BOARD OF SUPERVISORS

September 30, 2014

2ND VICE PRESIDENT
Susan L. Adams
1ST DISTRICT

Honorable Board of Supervisors
Marin County Civic Center
San Rafael, CA 94903

VICE PRESIDENT
Katie Rice
2ND DISTRICT

Re: **Informational Update Regarding Propositions 1, 2, 45, 46, 47 and 48
Appearing on the November 4, 2014 Statewide Ballot**

PRESIDENT
Kathrin Sears
3RD DISTRICT

Dear Supervisors:

RECOMMENDATION: Provide policy direction to staff regarding a Board position, if any, concerning the statewide measures appearing on the November 4, 2014 ballot.

Steve Kinsey
4TH DISTRICT

BACKGROUND: There are six propositions on the November 4, 2014 statewide ballot. We are bringing forward as an informational item some high level details on Propositions 1, 2, 45, 46, 47, and 48 to seek your policy direction with regard to a position, if any, concerning these measures.

Matthew H. Hymel
COUNTY ADMINISTRATOR
CLERK OF THE BOARD

Additional background information can be found in Attachment A, a Quick-Reference Guide prepared by the California Secretary of State. Specific ballot language and other details are available on the Secretary of State's website at:
<http://www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures.htm>

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Proposition 1, also known as the "**Water Quality, Supply, and Infrastructure Improvement Act of 2014**", would authorize \$7.545 billion in general obligation bonds for state water supply infrastructure projects, including surface and groundwater storage, ecosystem and watershed protection and restoration, and drinking water protection. The bond funding would be available to state agencies for various projects and programs, as well as for loans and grants to local governments, private water companies, mutual water companies, Indian tribes, and nonprofit organizations.

Proposition 1 includes funds to the Department of Fish and Wildlife for water quality, ecosystem restoration, and fish protection facilities that benefit the Delta while remaining neutral on the topic of the Bay Delta Conservation Plan, commonly referred to as the Delta tunnels.

Supporters argue that this measure will provide a reliable water supply for farms, businesses and communities, especially during drought and will support economic growth by building new water infrastructures to store, deliver and treat water, and also protect the environment.

Opponents charge that this measure would neither relieve the state of the drought nor improve regional water self-sufficiency. Opponents also argue it would increase state bond repayment costs into the hundreds of millions and would not fix aging water infrastructures.

Fiscal impacts per the Legislative Analyst's Office (LAO) and State Department of Finance include the following:

- Increased state bond repayment costs averaging \$360 million annually over the next 40 years.
- Savings to local governments related to water projects, likely averaging a couple hundred million dollars annually over the next few decades.

Supporters include Governor Jerry Brown; U.S. Senators Dianne Feinstein and Barbara Boxer; CSAC; the League of California Cities; and the California Chamber of Commerce. The named proponents of Proposition 1 are the Association of California Water Agencies; the California Alliance for Jobs; and Western Growers.

Opponents include Assembly Member Wesley Chesbro, Chair of the Natural Resources Committee; the Pacific Coast Federation of Fishermen's Associations; and the Southern California Watershed Alliance.

Staff is recommending a **SUPPORT** position on Proposition 1.

Proposition 2, also known as the "**Rainy Day Budget Stabilization Fund Act**", would require an annual transfer of State general fund revenues to a budget stabilization account, and require that one half of the revenues be used to repay state debts. This measure would alter the state's existing requirements for the Budget Stabilization Account, as established by Proposition 58 in 2004. If approved by voters, this amendment would take effect for FY 2015-16, and would require:

- The annual transfer of 1.5% of general fund revenues to state the budget stabilization account.
- The additional transfer of personal capital gains tax revenues exceeding 8% of general fund revenues to the budget stabilization account and, under certain conditions, a dedicated K-14 school reserve fund.
- That half the budget stabilization account revenues be used to repay state debts and unfunded liabilities.
- Limited use of funds in case of emergency or if there is a state budget deficit.
- A cap to the budget stabilization account at 10% of general fund revenues.

Supporters argue that this measure would create a strong "rainy day" fund to force the Legislature and Governor to save money when times are good and to pay down debts so that rainy day funds are available when times are worse in an effort to mitigate "boom" and "bust" cycles in the State budget.

Opponents charge that the state reserves for schools are not guaranteed, and also object to the new law that would limit schools' reserves.

Fiscal impacts per the LAO and State Department of Finance include the following:

- Some existing state debts would be paid down faster, resulting in long-term savings for the state.
- Changes in the level of state budget reserves, which would depend on the economy and future decisions by the Governor and the Legislature.
- Reserves kept by some school districts would be smaller.

The LAO analysis of Proposition 2 notes that this measure may lead to smaller reserves in local school districts, due to a provision in the education budget trailer bill

(SB 858) that only takes effect if Proposition 2 passes. This provision would set a cap on the maximum amount of reserves a local school district may keep in any year after a transfer is made to the Proposition 98 reserve. This remains an issue of concern for the Marin County Office of Education and school districts statewide; the LAO notes that this law may be changed in the future by the Legislature.

Supporters include Governor Jerry Brown; John A. Perez, Assembly Speaker Emeritus; California Chamber of Commerce; California State Board of Education; CSAC; and the League of California Cities. Opponents include Educate Our State.

Staff is recommending **NO POSITION** on Proposition 2.

Proposition 45, also known as the "**Public Notice Required for Insurance Company Rates Initiative**", would require the State Insurance Commissioner's approval before a health insurer can change its rates or anything else affecting the charges associated with health insurance. The measure provides for public notice, disclosure, and hearings, and subsequent judicial review. The measure exempts employer large group health plans.

Supporters argue that this measure would allow the Insurance Commissioner the authority to reject excessive healthcare rate increases.

Opponents charge that this is too much power for one individual who can be influenced by political campaigns, and that the measure exempts large group health insurance.

Fiscal impacts per the LAO and State Department of Finance include the following:

- Increased state administrative costs to regulate health insurance, likely not exceeding the low millions of dollars annually in most years, funded from fees paid by health insurance companies.

Supporters of the measure include Dave Jones, Insurance Commissioner; the California Nurses Association; and Congress of California Seniors.

Opponents include the American Nurses Association of California; California Chamber of Commerce; and California Association of Rural Health Clinics.

Staff is recommending **NO POSITION** on Proposition 45. CSAC did not take a position on Proposition 45.

Proposition 46, also known as the "**Medical Malpractice Lawsuits Cap and Drug Testing of Doctors Initiative**", would allow the cap on medical malpractice damages, such as pain and suffering, to increase from \$250,000 to \$1.1 million - and would be adjusted annually for future inflation. Health care providers would be required to check a statewide prescription drug database before prescribing or dispensing certain drugs to a patient for the first time. Hospitals would be required to test certain physicians for alcohol and drugs.

Supporters argue that checking a statewide prescription drug database would mean fewer prescriptions, lower prescription drug costs, and lower government costs associated with prescription drug abuse. Testing doctors would also mean fewer medical errors, decreasing overall health care spending. Supporters of Proposition 46 argue that medical negligence is too common and pain and suffering damage awards are too low.

Opponents charge that medical malpractice costs could increase significantly from raising the cap on medical malpractice damages, including increased medical costs for counties that provide health care for their residents. There are also privacy concerns with creating an online prescription database. Opponents also argue the initiative doesn't protect patients, rather it increases medical lawsuit payouts to trial lawyers.

Supporters of the measure include the Congress of California Seniors and Families for Patient Safety.

Opponents include CSAC; the League of California Cities; American Nurses Association of California; and the California Small Business Association.

CSAC argues that the measure 'has the potential to significantly increase county costs due to our unique role as operators of hospitals and clinics, providers of health care, and employers who purchase health care insurance for both county employees and retirees.'

Fiscal impacts per the LAO and State Department of Finance include the following:

- Increased state and local government health care costs from raising the cap on medical malpractice damages, likely ranging from the tens of millions of dollars to several hundred million dollars annually.
- Uncertain, but potentially significant, state and local government savings from new requirements on health care providers, such as provisions related to prescription drug monitoring and alcohol and drug testing of physicians. These savings would offset to some extent the health care costs noted above.

Staff is recommending an **OPPOSE** position on Proposition 46.

Proposition 47, also known as the "**Reduced Penalties for Some Crimes Initiative**", would allow criminal offenders who commit certain nonserious and nonviolent drug and property crimes to be sentenced to reduced penalties, such as shorter terms in jail. State savings resulting from the measure would be used to support school truancy and dropout prevention, victim services, mental health and drug abuse treatment, and other programs designed to keep offenders out of prison and jail.

The measure would require misdemeanor sentencing instead of felony for the following crimes: Shoplifting, where the value of property stolen does not exceed \$950; Grand theft, where the value of the stolen property does not exceed \$950; Receiving stolen property, where the value of the property does not exceed \$950; Forgery, where the value of forged check, bond or bill does not exceed \$950; Fraud, where the value of the fraudulent check, draft or order does not exceed \$950; Writing

a bad check, where the value of the check does not exceed \$950; and Personal use of most illegal drugs.

Supporters argue that supporting this measure would allow law enforcement to focus on violent and serious crime instead of nonviolent, less serious crimes like drug possession and petty theft. If truancy prevention works, supporters argue there would be less crime in the future - resulting in future savings to state and counties.

Opponents argue Counties are still dealing with AB 109 implementation, and the proposition would put more workload and responsibilities on the Counties. In addition, more inmates would go to County jails, not State prisons, which is already happening with the 2011 public safety realignment.

Fiscal impacts per the LAO and State Department of Finance include the following:

- Net state criminal justice system savings that could reach the low hundreds of millions of dollars annually. These savings would be spent on school truancy and dropout prevention, mental health and substance abuse treatment, and victim services.
- Net county criminal justice system savings that could reach several hundred million dollars annually.

Supporters of the measure include the City and County of San Francisco's District Attorney; Senator Darrell Steinberg; and William Lansdowne, Former Chief of Police of San Diego.

Opponents include CSAC; League of California Cities; California District Attorneys Association; and the California State Sheriff's Association.

Staff is recommending **NO POSITION** on Proposition 47.

Proposition 48, also known as "**Referendum on Indian Gaming Compacts**", would ratify two gaming compacts between California and, respectively, the North Fork Rancheria of Mono Indians, and the Wiyot Tribe. It also omits certain projects related to executing the compacts or amendments to the compacts from the scope of the California Environmental Quality Act.

Supporters of ratification argue that this measure would provide thousands of local jobs in Madera County, the location of the casino. Opponents argue that the measure breaks the promise that Indian casinos would be on original tribal land, and authorizes a massive off-reservation casino bringing more crime and pollution to the Central Valley without any new money to the State general fund or for schools.

Supporters include Governor Jerry Brown; Tom Wheeler, Chairman of the Madera County Board of Supervisors; the Madera County Sheriff's Office and the Madera Chamber of Commerce.

Opponents include David Rogers, Madera County Supervisor; Henry Perea, Fresno County Supervisor; the Nisei Farmers League; and the Mooretown Rancheria.

While CSAC did not take a position on Proposition 48, staff is recommending an **OPPOSE POSITION**. Ratification of these gaming compacts may advance the interests of "reservation shopping" elsewhere in California, a practice where some tribes claim sacred or ancestral grounds in an area nearer to a metropolitan center where there the tribe's connection to the area is not necessarily clear in order to develop a more viable casino project.

Again, additional ballot language and further details on each of the above measures are available on the California Secretary of State's website at:
<http://www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures.htm>

Please feel free to contact us should you have any questions or concerns regarding any of the above ballot measures.

Submitted by:



Daniel Eilerman
Deputy County Administrator

Reviewed by:



Matthew H. Hymel
County Administrator

Attachment A: Quick-Reference Guide, California Secretary of State