



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Dennis Hawkins, CMC
City Clerk

DATE: 09-28-12

SUBJECT: ACCEPT RECOMMENDED CITY POSITIONS ON THE NOVEMBER 6, 2012 CALIFORNIA GENERAL ELECTION BALLOT – PROPOSITIONS 30, 31 and 35.

RECOMMENDATION

As recommended by Rules and Open Government Committee on September 26, 2012, and outlined in the attached memorandum previously submitted to the Rules and Open Government Committee:

Approve the recommended City positions for Propositions 30, 31 and 35 on November 6, 2012, California General Election ballot.



Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE **FROM:** Betsy Shotwell

SUBJECT: SEE BELOW

DATE: September 19, 2012

Approved

Date

9/19/12

SUBJECT: ACCEPT RECOMMENDED CITY POSITIONS ON THE NOVEMBER 6, 2012 CALIFORNIA GENERAL ELECTION BALLOT – PROPOSITIONS 30, 31, 35

RECOMMENDATION

Approve the recommended City positions for Propositions 30, 31, 35 on the November 6, 2012, California General Election ballot. A one-week turnaround to Council is requested as there is no scheduled Council meeting on October 9.

Individual ballot proposition summaries and analyses from the Legislative Analyst's Office are attached following the staff analyses and recommendations. The complete Secretary of State's "Official Voter Information Guide," which includes the text of each measure can be accessed at: www.ss.ca.gov.

Proposition

Recommended City Position

Proposition 30 – Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.

Support

Proposition 31 – State Budget. State and Local Government. Initiative Constitutional Amendment and Statute.

No Position

Proposition 35 - Human Trafficking. Penalties. Initiative Statute.

Support

BACKGROUND

The November 6, 2012 California General Election ballot contains a number of propositions that cover a range of issues. Staff has selected those propositions for possible City positions that may have direct impact to City service areas. Council members do have the prerogative of taking positions on the propositions in their own name.

ANALYSIS

The staff analyses, recommendations, and LAO summaries and analyses are attached for your consideration.

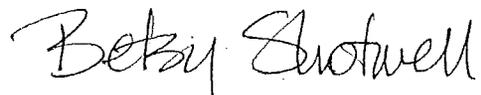
PUBLIC OUTREACH

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This document will be posted on the City's website for the September 26 Rules and Open Government Committee meeting where Council and the public will have the opportunity to comment.

COORDINATION

This memorandum was coordinated with the City's Legislative Representative in Sacramento, the City Attorney's Office and the Departments indicated in the attached analyses.



Betsy Shotwell
Director, Intergovernmental Relations

Attachments: Staff analyses and recommendations on Propositions 30, 31 and 35
The California Presidential General Election November 6, 2012, Voter
Information Guide.

For more information contact: Betsy Shotwell, Director IGR at 408.535.8270

Proposition 30—Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.

Recommended City Position: Support

State Attorney General's Summary:

Increases personal income tax on annual earnings over \$250,000 for seven years. Increases sales and use tax by ¼ cent for four years. Allocates temporary tax revenues 89% to K-12 schools and 11% to community colleges. Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent. Guarantees funding for public safety services realigned from state to local governments.

Background and Analysis:

Proposition 30, sponsored by Governor Brown, and known as the "Schools and Local Public Safety Protection Act," would temporarily increase taxes for state budget purposes, provide various Constitutional protections for funding for recently enacted realignment programs, and make other related changes including the state's obligation to reimburse local governments for the requirements of the Brown Act.

The measure includes temporary increases to both the state sales tax rate and the personal income tax. The Legislative Analyst Office (LAO) projects this would raise approximately \$6 billion annually during the years when both taxes are in effect. The sales tax would increase ¼ cent for four years (2013-2016). The state sales and use tax rate combined base rate would increase from 7.25% to 7.5%. The increase would be effective January 1, 2013 and would last for four years, ending on December 31, 2016 and would generate about \$1.4 billion per year.

Personal income tax would increase on higher marginal brackets for seven years (2012-2018). The additional marginal tax rate on income earned above \$250,000 for single filers, \$500,000 for joint filers and \$340,000 for heads-of-household. These higher rates would apply for the 2012 taxable year for seven years through the 2018 taxable year.

According to the LOCC staff analysis, one-fourth of the revenues (approximately \$1.5 billion) will be deposited into a newly created account for K-12 schools, county offices of education and charter schools which will receive 89% of these revenues with 11% allocated to community colleges. The affected entities must use the funds for educational purposes only. The remaining funds (approximately \$4.5 billion) will be allocated to the General Fund. Because the new dollars would count toward the Proposition 98 guarantee,

schools will received approximately 40% of this amount with the remaining \$2.7 billion eligible to be spent for other General Fund purposes.

Local Government Programs: Proposition 30 would amend the Constitution to permanently dedicate revenues to local governments to pay for the programs that were realigned in 2011 (primarily counties). From the LAO, "the transferred program responsibilities include incarcerating certain adult offenders, supervising paroles, and providing substance abuse treatment services." The measure places in the Constitution certain provisions related to the 2011 transfer of state program responsibilities. Specifically the measure as summarized in the LOCC staff analysis:

- Provides, effective July 1, 2011, that funds deposited into the Local Revenue Fund 2011 (these funds are derived from the portion of state sales tax and the (SB 89) VLF dedicated to fund realignment in the 2011-12 budget) are continuously appropriated to fund public safety services. These funds may not supplant other funding for public safety services.
- Provides that the methodology for allocating funds shall be as specified in the 2011 Realignment Legislation.
- Provides that if the taxes dedicated to this purpose "are reduced or cease to be operative" that the Legislature shall annually provide moneys to the Local Revenue Fund 2011 in an equal or greater amount. Provides that if the state fails to annually appropriate that amount, the Controller shall transfer from the General Fund that amount to Local Revenue Fund 2011 in pro-rata monthly shares.
- Provides that the state shall be obligated to provide the above amounts "for so long as the local agencies are required to perform the Public Safety Services responsibilities assigned by the 2011 Realignment Legislation."
- Contains a broad definition of "public safety services" to included employing and training public safety officials; managing local jails and providing housing, treatment for, and the supervision of, juvenile and adult offenders; preventing and providing services for children who are neglected, abused and exploited; providing mental health services to children and adults; and preventing, treating and providing recovery services for substance abuse.
- Provides that local agencies are not eligible for reimbursement (under the existing mandates process) for mandates imposed by the 2011 realignment Legislation –or any regulation, executive order, or administrative directive issued to implement that legislation.
- Eliminates mandate reimbursement payments for the costs of following the open meeting procedures in the Ralph M. Brown Act which the Legislature recently suspended for three years. Since most cities are committed to public transparency in the short term this may not have much affect.
- Provides that regulations, executive orders, or administrative directives that are not necessary to implement 2011 Realignment Legislation, and have the overall effect of increasing costs already borne by a local agency for programs or levels of service mandated by 2011 Realignment Legislation, shall apply only to the extent additional state funding is provided. A similar provision applies to legislation enacted after September 30, 2012.

In summary, the FY 2012-13 state general fund spending plan closed the state's shortfall with \$16.6 billion in "solutions" and provided a \$948 million reserve. Of that total, \$6.0 billion in additional revenues are to come from the temporary tax increases in Proposition 30. If Proposition 30 does not pass, the 2012 budget contains a number of approved budget trigger cuts that will go into effect on January 1, 2013 which would primarily affect public schools, colleges, and universities.

In addition, if the measure fails, an estimated \$20 million non-competitive grant for city police departments provided for the first time in the 2012-13 state budget would be cut. Also included in the trigger cuts would be the loss of local law enforcement subventions which for city police departments would mean the end of Community Oriented Policy Services (COPS) funding and the annual booking fees reimbursement.

For the above reasons, staff recommends support for this measure to ensure the necessary funding for front-line public safety.

Support:

California Police Chiefs Association, California District Attorneys Association, California State Sheriffs Association, California Federation of Teachers, California School Boards Association, Association of California School Administrators, Santa Clara County Board of Supervisors, League of Women Voters of California, numerous educational associations and organizations, community groups, businesses, labor and healthcare organizations.

Opposition:

Howard Jarvis Taxpayers' Association, Small Business Action Committee, National Federation of Independent Business/California, numerous taxpayers associations.

Policy Alignment:

This analysis is consistent with the Council adopted 2012 Legislative Guiding Principles and Council adopted priorities to protect Community Oriented Policy Services (COPS) funding and advocate for additional funding for local agencies to help pay for the costs of community public safety.

Coordination: The Police Department.

Proposition 31 State Budget. State and Local Government. Initiative Constitutional amendment and Statute

Recommended City Position: No position

State Attorney General's Summary:

Establishes two-year state budget cycle. Prohibits Legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified. Permits Governor to cut budget unilaterally during declared fiscal emergencies if Legislature fails to act. Requires performance reviews of all state programs. Requires performance goals in state and local budgets. Requires publication of bills at least three days prior to legislative vote. Allows local governments to alter how laws governing state-funded programs apply to them, unless Legislature or state agency vetoes change within 60 days.

Background and Analysis:

This measure would declare voter intent on the shared purpose of state and local governments, alter both state and local budget practices and make other changes affecting the state legislative and budget adoption process. The measure's sponsor is California Forward, a non-profit organization focused on improving California governance. When California Forward was negotiating a possible alternative version of this proposal to the Legislature League of California Cities (LOCC) staff were authorized by the Board to pursue amendments to remove provisions affecting local government. Since a legislative alternative to this measure was not agreed to, California Forward decided to submit gathered signatures and qualify this measure for the November ballot. On September 7, the LOCC Board of Directors voted to take "no position" on Proposition 31.

Under Proposition 31 new local government budgeting requirements would be imposed in FY 2014-15 and would require all local government budgets to include the following as summarized:

- A statement of how the budget will promote, "as applicable to a local government entity's functions, role, and locally-determined priorities, a prosperous economy, quality environment, and community equity, by working to achieve at least the following goals: increasing employment; improving education; decreasing poverty, decreasing crime; and improving health, and other community priorities."
- A description of outcome measurements to assess progress toward the local government's goals and community priorities;

- A statement of the outcome measurement for each major expenditure and its relationship to the overall goals established by the local government entity;
- A statement of how the local government will align its expenditures and investments of public resources to achieve the established goals; and
- A public report on progress in achieving goals and an evaluation of the effectiveness in achieving the outcomes according to the measurements set in the prior year's budget.
- Each local government must also develop and implement an open and transparent process to encourage public participation in developing its budget, including identifying community priorities.

Community Strategic Action Plans by Counties::

According to the LAO, "under this measure counties and other local governments (such as cities, school districts, community college districts, and special districts) could create plans for coordinating how they provide services to the public. The plans could address how local governments deliver services in many areas, including economic development, education, social services, public safety, and public health. Each plan would have to be approved the governing boards of the (1) county, (2) school districts serving a majority of the county's students, and (3) other local governments representing a majority of the county's population. Local agencies would receive some funding from the state to implement the plans."

Fiscal Impact on Cities:

The fiscal impact on cities are unknown, but potentially could have significant fiscal impact; unknown costs, savings and revenues due to the new processes required for budgeting increased costs estimated by the LAO to be in millions to tens of millions for state and local governments. The measure would allow transfer of local property taxes among those local governments participating in a "Community Strategic Action Plan"

State Budget Impacts:

There are a number of state budgetary impacts indicated in the attached LAO analysis of Proposition 31 with the most notable changes being the imposition of a two-year budgetary process; restricts the Legislature's ability to increase state costs; restricts the Legislature's ability to decrease state revenues; and changes when the Legislature can pass bills.

In Summary:

Staff supports the measure's proposed changes in the State legislative process, such as the measure's requirement that would restrict the Legislature's ability to pass certain bills that increase state costs or decrease revenues unless new funding sources and/or spending reductions are identified, and the provisions that bills be printed three-days in advance of a hearing. The proposed two-year State budgetary process is a concern as it would delay obtaining the state's fiscal condition that local governments are so dependent on in order to pass an annual, balanced budget.

The LAO writes, "State and local governments would experience increased costs to set up systems to implement the new budgeting requirements and to administer the new evaluation requirements. These costs would vary based on how state and local officials implemented the requirements. Statewide, the costs would likely range from millions to tens of millions of dollars annually, moderating over time. These new budgeting and evaluation requirements could affect decisions making in a variety of ways – such as, reprioritization of spending, program efficiencies, and additional investments in some program areas. The fiscal impact on governments cannot be predicted."

The City of San Jose is proud of its record of delivering annual balanced budgets as required by state law and its history of performance based budgeting and community outreach during the budgetary process. Staff strongly supports reforms at the state level, but with the unknown impacts of the required reporting requirements, staff recommends that the City take no position on Proposition 31.

Support: California Forward (sponsor), individual city and county elected officials, taxpayer/good government organizations, business groups including the SVLG.

Opposition: Health Access California, California Federation of Teachers, California Tax Reform Association, League of Conservation Voters, Peace Officers Research Association of California, League of Women Voters of California, California Nurses Association,

Coordination: The City Manager's Budget Office.

Proposition 35 Human Trafficking. Penalties. Initiative Statute.

Recommended City Position: Support

State Attorney General's Summary:

Increases criminal penalties for human trafficking, including prison sentences up to 15-years-to-life and fines up to \$1,500,000. Fines collected to be used for victim services and law enforcement. Requires person convicted of trafficking to register as sex offender. Requires sex offenders to provide information regarding Internet access and identities they use in online activities. Prohibits evidence that victim engaged in sexual conduct from being used against victim in court proceedings. Requires human trafficking training for police officers.

Background and Analysis:

This measure significantly increases criminal penalties for human trafficking, including prison sentences and fines. All of the fines collected pursuant to the revised penalties are to be used for victim and law enforcement services. The measure expands the definition of human trafficking to include such acts as the creation and distribution of obscene materials depicting minors and requires person convicted of human trafficking to register as a sex offender pursuant to current statutes under Penal Code Section 290, the Sex Offender Registration Act. Proposition 30 would require sex offenders to provide information regarding Internet access and identities they use in online activities to local law enforcement, including notice within 24 hours if any accounts are added or changed. In addition it would prohibit the use of sexual history to impeach or prove criminal liability of trafficked victims.

With regards to the potential fiscal impacts, the Legislative Analyst Office writes, "it is unknown whether the expanded definition of human trafficking and other changes proposed in this measure would significantly increase the number of state human trafficking arrests and convictions or whether most such cases would continue to be handled primarily by federal law enforcement authorities. As a result, the fiscal effect of this measure on state and local governments are subject to some uncertainty." This includes "minor increase in state and local criminal justice costs from increased penalties; potential increase in local law enforcement training costs; and increased fine revenue for victim services." Specifically: 70% allocated to public agencies and nonprofit corporations providing shelter, counseling and victims services and 30% granted to law enforcement and prosecuting agencies in the jurisdiction where human trafficking charges are filed to fund human trafficking prevention, witness protection and rescue operations.

The San Jose Police Department's Human Trafficking Prevention Program has been in operation since 2005. The purpose of the program is locate, identify, and rescue victims of human trafficking. The City is the lead agency of the of Human Trafficking Task Force which works with the U.S. Attorney's Office and the Santa Clara County District Attorney's Office to prosecute human trafficking cases. In addition, the Task Force holds multi-county "Train the Trainer" seminars to educate on the subject of human trafficking. The City's program has been funded in the past by the federal Bureau of Justice Assistance.

Staff recommends that the City support Proposition 35 to further protect children and adults from falling victim to human traffickers.

Support: California Against Slavery and The Safer California Foundation (joint sponsors), League of California Cities, California Police Chiefs Association; California Narcotics Officers Association; Peace Officers Research Association of California (PORAC); California State Sheriffs' Association; over thirty regional law enforcement departments and associations; elected officials from cities, counties, the state legislature, state administration and Congress; hundreds of regional and statewide victim advocacy, faith-based, and business community associations and organizations.

Opposition: California Attorney's for Criminal Justice; California Public Defenders Association; Erotic Services Providers Legal Education and Research Project.

Policy Alignment:

This analysis is consistent with the Council adopted 2012 Legislative Guiding Principles and the Council adopted guidelines to support efforts to keep San Jose safe.

Coordination: The Police Department.

CALIFORNIA GENERAL ELECTION TUESDAY, NOVEMBER 6, 2012

★ OFFICIAL VOTER INFORMATION GUIDE ★

Certificate of Correctness

I, Debra Bowen, Secretary of State of the State of California, hereby certify that the measures included herein will be submitted to the electors at the General Election to be held on November 6, 2012, and that this guide has been prepared in accordance with the law.

Witness my hand and the Great Seal of the State in Sacramento, California, this 13th day of August, 2012.

Polls are
open from
7:00 a.m. to 8:00 p.m.
on Election Day

Debra Bowen



Debra Bowen
Secretary of State

30 TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT.

- Increases personal income tax on annual earnings over \$250,000 for seven years.
- Increases sales and use tax by ¼ cent for four years.
- Allocates temporary tax revenues 89% to K–12 schools and 11% to community colleges.
- Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent.
- Guarantees funding for public safety services realigned from state to local governments.

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

- Additional state tax revenues of about \$6 billion annually from 2012–13 through 2016–17. Smaller amounts of additional revenue would be available in 2011–12, 2017–18, and 2018–19.
- These additional revenues would be available to fund programs in the state budget. Spending reductions of about \$6 billion in 2012–13, mainly to education programs, would not take effect.

ANALYSIS BY THE LEGISLATIVE ANALYST

OVERVIEW

This measure temporarily increases the state sales tax rate for all taxpayers and the personal income tax (PIT) rates for upper-income taxpayers. These temporary tax increases provide additional revenues to pay for programs funded in the state budget. The state's 2012–13 budget plan—approved by the Legislature and the Governor in June 2012—assumes

passage of this measure. The budget, however, also includes a backup plan that requires spending reductions (known as “trigger cuts”) in the event that voters reject this measure. This measure also places into the State Constitution certain requirements related to the recent transfer of some state program responsibilities to local governments. Figure 1 summarizes the main provisions of this proposition, which are discussed in more detail below.

Figure 1

Overview of Proposition 30

State Taxes and Revenues

- Increases sales tax rate by one-quarter cent for every dollar for four years.
- Increases personal income tax rates on upper-income taxpayers for seven years.
- Raises about \$6 billion in additional annual state revenues from 2012–13 through 2016–17, with smaller amounts in 2011–12, 2017–18, and 2018–19.

State Spending

- If approved by voters, additional revenues available to help balance state budget through 2018–19.
- If rejected by voters, 2012–13 budget reduced by \$6 billion. State revenues lower through 2018–19.

Local Government Programs

- Guarantees local governments receive tax revenues annually to fund program responsibilities transferred to them by the state in 2011.

STATE TAXES AND REVENUES

Background

The General Fund is the state's main operating account. In the 2010–11 fiscal year (which ran from July 1, 2010 to June 30, 2011), the General Fund's total revenues were \$93 billion. The General Fund's three largest revenue sources are the PIT, the sales tax, and the corporate income tax.

Sales Tax. Sales tax rates in California differ by locality. Currently, the average sales tax rate is just over 8 percent. A portion of sales tax revenues goes to the state, while the rest is allocated to local governments. The state General Fund received \$27 billion of sales tax revenues during the 2010–11 fiscal year.

Personal Income Tax. The PIT is a tax on wage, business, investment, and other income of individuals and families. State PIT rates range from 1 percent to 9.3 percent on the portions of a taxpayer's income in each of several income brackets. (These are referred to as marginal tax rates.) Higher marginal tax rates are charged as income increases. The tax revenue generated from this tax—totaling \$49.4 billion during the 2010–11 fiscal year—is deposited into the state's General Fund. In addition, an extra 1 percent tax applies to annual income over \$1 million (with the associated revenue dedicated to mental health services).

Proposal

Increases Sales Tax Rate From 2013 Through 2016. This measure temporarily increases the statewide sales tax rate by one-quarter cent for every dollar of goods purchased. This higher tax rate would be in effect for four years—from January 1, 2013 through the end of 2016.

Increases Personal Income Tax Rates From 2012 Through 2018. As shown in Figure 2, this measure increases the existing 9.3 percent PIT rates on higher incomes. The additional marginal tax rates would increase as taxable income increases. For joint filers, for example, an additional 1 percent marginal tax rate would be imposed on income between \$500,000 and \$600,000 per year, increasing the total rate to 10.3 percent. Similarly, an additional 2 percent marginal tax rate would be imposed on income between \$600,000 and \$1 million, and an additional 3 percent marginal tax rate would be imposed on income above \$1 million, increasing the total rates on these income brackets to 11.3 percent and 12.3 percent, respectively. These new tax rates would affect about 1 percent of California PIT filers. (These taxpayers currently pay about 40 percent of state personal income taxes.) The tax rates would be in effect for seven years—

Figure 2
Current and Proposed Personal Income Tax Rates Under Proposition 30

Single Filer's Taxable Income ^a	Joint Filers' Taxable Income ^a	Head-of-Household Filer's Taxable Income ^a	Current Marginal Tax Rate ^b	Proposed Additional Marginal Tax Rate ^b
\$0–\$7,316	\$0–\$14,632	\$0–\$14,642	1.0%	—
7,316–17,346	14,632–34,692	14,642–34,692	2.0	—
17,346–27,377	34,692–54,754	34,692–44,721	4.0	—
27,377–38,004	54,754–76,008	44,721–55,348	6.0	—
38,004–48,029	76,008–96,058	55,348–65,376	8.0	—
48,029–250,000	96,058–500,000	65,376–340,000	9.3	—
250,000–300,000	500,000–600,000	340,000–408,000	9.3	1.0%
300,000–500,000	600,000–1,000,000	408,000–680,000	9.3	2.0
Over 500,000	Over 1,000,000	Over 680,000	9.3	3.0

^a Income brackets shown were in effect for 2011 and will be adjusted for inflation in future years. Single filers also include married individuals and registered domestic partners (RDPs) who file taxes separately. Joint filers include married and RDP couples who file jointly, as well as qualified widows or widowers with a dependent child.
^b Marginal tax rates apply to taxable income in each tax bracket listed. The proposed additional tax rates would take effect beginning in 2012 and end in 2018. Current tax rates listed exclude the mental health tax rate of 1 percent for taxable income in excess of \$1 million.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

starting in the 2012 tax year and ending at the conclusion of the 2018 tax year. (Because the rate increase would apply as of January 1, 2012, affected taxpayers likely would have to make larger payments in the coming months to account for the full-year effect of the rate increase.) The additional 1 percent rate for mental health services would still apply to income in excess of \$1 million. Proposition 30's rate changes, therefore, would increase these taxpayers' marginal PIT rate from 10.3 percent to 13.3 percent. Proposition 38 on this ballot would also increase PIT rates. The nearby box describes what would happen if both measures are approved.

What Happens if Voters Approve Both Proposition 30 and Proposition 38?

State Constitution Specifies What Happens if Two Measures Conflict. If provisions of two measures approved on the same statewide ballot conflict, the Constitution specifies that the provisions of the measure receiving more "yes" votes prevail. Proposition 30 and Proposition 38 on this statewide ballot both increase personal income tax (PIT) rates and, as such, could be viewed as conflicting.

Measures State That Only One Set of Tax Increases Goes Into Effect. Proposition 30 and Proposition 38 both contain sections intended to clarify which provisions are to become effective if both measures pass:

- **If Proposition 30 Receives More Yes Votes.** Proposition 30 contains a section indicating that its provisions would prevail in their entirety and none of the provisions of any other measure increasing PIT rates—in this case Proposition 38—would go into effect.
- **If Proposition 38 Receives More Yes Votes.** Proposition 38 contains a section indicating that its provisions would prevail and the tax rate provisions of any other measure affecting sales or PIT rates—in this case Proposition 30—would not go into effect. Under this scenario, the spending reductions known as the "trigger cuts" would take effect as a result of Proposition 30's tax increases not going into effect.

Fiscal Effect

Additional State Revenues Through 2018–19. Over the five fiscal years in which both the sales tax and PIT increases would be in effect (2012–13 through 2016–17), the average annual state revenue gain resulting from this measure's tax increases is estimated at around \$6 billion. Smaller revenue increases are likely in 2011–12, 2017–18, and 2018–19 due to the phasing in and phasing out of the higher tax rates.

Revenues Could Change Significantly From Year to Year. The revenues raised by this measure could be subject to multibillion-dollar swings—either above or below the revenues projected above. This is because the vast majority of the additional revenue from this measure would come from the PIT rate increases on upper-income taxpayers. Most income reported by upper-income taxpayers is related in some way to their investments and businesses, rather than wages and salaries. While wages and salaries for upper-income taxpayers fluctuate to some extent, their investment income may change significantly from one year to the next depending upon the performance of the stock market, housing prices, and the economy. For example, the current mental health tax on income over \$1 million generated about \$730 million in 2009–10 but raised more than twice that amount in previous years. Due to these swings in the income of these taxpayers and the uncertainty of their responses to the rate increases, the revenues raised by this measure are difficult to estimate.

STATE SPENDING

Background

State General Fund Supports Many Public Programs. Revenues deposited into the General Fund support a variety of programs—including public schools, public universities, health programs, social services, and prisons. School spending is the largest part of the state budget. Earlier propositions passed by state voters require the state to provide a minimum annual amount—commonly called the Proposition 98 minimum guarantee—for schools (kindergarten through high school) and community colleges (together referred to as K–14 education). The minimum guarantee is funded through a combination of state General Fund and local property tax revenues. In many years, the calculation of the minimum guarantee is highly sensitive to changes in state General Fund revenues. In years when General Fund revenues grow by a large amount, the guarantee is likely to increase by a large amount. A large share of the state and local funding that is allocated to schools and community colleges is "unrestricted," meaning that they may use the funds for any educational purpose.

Proposal

New Tax Revenues Available to Fund Schools and Help Balance the Budget. The revenue generated by the measure's temporary tax increases would be included in the calculations of the Proposition 98 minimum guarantee—raising the guarantee by billions of dollars each year. A portion of the new revenues therefore would be used to support higher school funding, with the remainder helping

ANALYSIS BY THE LEGISLATIVE ANALYST

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to balance the state budget. From an accounting perspective, the new revenues would be deposited into a newly created state account called the Education Protection Account (EPA). Of the funds in the account, 89 percent would be provided to schools and 11 percent to community colleges. Schools and community colleges could use these funds for any educational purpose. The funds would be distributed the same way as existing unrestricted per-student funding, except that no school district would receive less than \$200 in EPA funds per student and no community college district would receive less than \$100 in EPA funds per full-time student.

Fiscal Effect if Measure Is Approved

2012–13 Budget Plan Relies on Voter Approval of This Measure. The Legislature and the Governor adopted a budget plan in June to address a substantial projected budget deficit for the 2012–13 fiscal year as well as projected budget deficits in future years. The 2012–13 budget plan (1) assumes that voters approve this measure and (2) spends the resulting revenues on various state programs. A large share of the revenues generated by this measure is spent on schools and community colleges. This helps explain the large increase in funding for schools and community colleges in 2012–13—a \$6.6 billion increase (14 percent) over 2011–12. Almost all of this increase is used to pay K–14 expenses from the previous year and

reduce delays in some state K–14 payments. Given the large projected budget deficit, the budget plan also includes actions to constrain spending in some health and social services programs, decrease state employee compensation, use one-time funds, and borrow from other state accounts.

Effect on Budgets Through 2018–19. This measure's additional tax revenues would be available to help balance the state budget through 2018–19. The additional revenues from this measure provide several billion dollars annually through 2018–19 that would be available for a wide range of purposes—including funding existing state programs, ending K–14 education payment delays, and paying other state debts. Future actions of the Legislature and the Governor would determine the use of these funds. At the same time, due to swings in the income of upper-income taxpayers, potential state revenue fluctuations under this measure could complicate state budgeting in some years. After the proposed tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

Fiscal Effect if Measure Is Rejected

Backup Budget Plan Reduces Spending if Voters Reject This Measure. If this measure fails, the state would not receive the additional revenues generated by the proposition's tax increases. In this situation, the 2012–13 budget plan requires that its spending be reduced by \$6 billion. These trigger cuts, as currently scheduled in state law, are shown in Figure 3. Almost all the reductions are to education programs—\$5.4 billion to K–14 education and \$500 million to public universities. Of the K–14 reductions, roughly \$3 billion is a cut in unrestricted funding. Schools and community colleges could respond to this cut in various ways, including drawing down reserves, shortening the instructional year for schools, and reducing enrollment for community colleges. The remaining \$2.4 billion reduction would increase the amount of late payments to schools and community colleges back to the 2011–12 level. This could affect the cash needs of schools and community colleges late in the fiscal year, potentially resulting in greater short-term borrowing.

Effect on Budgets Through 2018–19. If this measure is rejected by voters, state revenues would be billions of dollars lower each year through 2018–19 than if the measure were approved. Future actions of the Legislature and the Governor would determine how to balance the state budget at this lower level of revenues. Future state budgets could be balanced through cuts to schools or other programs, new revenues, and one-time actions.

Figure 3
2012–13 Spending Reductions if
Voters Reject Proposition 30

(In Millions)

Schools and community colleges	\$5,354
University of California	250
California State University	250
Department of Developmental Services	50
City police department grants	20
CalFire	10
DWR flood control programs	7
Local water safety patrol grants	5
Department of Fish and Game	4
Department of Parks and Recreation	2
DOJ law enforcement programs	1
Total	\$5,951

DWR = Department of Water Resources; DOJ = Department of Justice.

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

LOCAL GOVERNMENT PROGRAMS

Background

In 2011, the state transferred the responsibility for administering and funding several programs to local governments (primarily counties). The transferred program responsibilities include incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services. To pay for these new obligations, the Legislature passed a law transferring about \$6 billion of state tax revenues to local governments annually. Most of these funds come from a shift of a portion of the sales tax from the state to local governments.

Proposal

This measure places into the Constitution certain provisions related to the 2011 transfer of state program responsibilities.

Guarantees Ongoing Revenues to Local Governments. This measure requires the state to continue providing the tax revenues redirected in 2011 (or equivalent funds) to local governments to pay for the transferred program responsibilities. The measure also permanently excludes the sales tax revenues redirected to local governments from the calculation of the minimum funding guarantee for schools and community colleges.

Restricts State Authority to Expand Program Requirements. Local governments would not be required to implement any future state laws that increase local costs to administer the program responsibilities transferred in 2011, unless the state provided additional money to pay for the increased costs.

Requires State to Share Some Unanticipated Program Costs. The measure requires the state to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations related to the transferred program responsibilities.

Eliminates Potential Mandate Funding Liability. Under the Constitution, the state must reimburse local governments when it imposes new responsibilities or "mandates" upon them. Under current law, the state could be required to provide local governments with additional funding (mandate reimbursements) to pay for some of the transferred program responsibilities. This measure specifies that the state would not be required to provide such mandate reimbursements.

Ends State Reimbursement of Open Meeting Act Costs. The Ralph M. Brown Act requires that all meetings of local legislative bodies be open and public. In the past, the state has reimbursed local governments for costs resulting from certain provisions of the Brown Act (such as the requirement to prepare and post agendas for public meetings). This measure specifies that the state would not be responsible for paying local agencies for the costs of following the open meeting procedures in the Brown Act.

Fiscal Effects

State Government. State costs could be higher for the transferred programs than they otherwise would have been because this measure (1) guarantees that the state will continue providing funds to local governments to pay for them, (2) requires the state to share part of the costs associated with future federal law changes and court cases, and (3) authorizes local governments to refuse to implement new state laws and regulations that increase their costs unless the state provides additional funds. These potential costs would be offset in part by the measure's provisions eliminating any potential state mandate liability from the 2011 program transfer and Brown Act procedures. The net fiscal effect of these provisions is not possible to determine and would depend on future actions by elected officials and the courts.

Local Government. The factors discussed above would have the opposite fiscal effect on local governments. That is, local government revenues could be higher than they otherwise would have been because the state would be required to (1) continue providing funds to local governments to pay for the program responsibilities transferred in 2011 and (2) pay all or part of the costs associated with future federal and state law changes and court cases. These increased local revenues would be offset in part by the measure's provisions eliminating local government authority to receive mandate reimbursements

for the 2011 program shift and Brown Act procedures. The net fiscal effect of these provisions is not possible to determine and would depend on future actions by elected officials and the courts.

SUMMARY

If voters approve this measure, the state sales tax rate would increase for four years and PIT rates would increase for seven years, generating an estimated \$6 billion annually in additional state revenues, on average, between 2012–13 and 2016–17. (Smaller revenue increases are likely for the 2011–12, 2017–18, and 2018–19 fiscal years.) These revenues would be used to help fund the state's 2012–13 budget plan and would be available to help balance the budget over the next seven years. The measure also would guarantee that local governments continue to annually receive the share of state tax revenues transferred in 2011 to pay for the shift of some state program responsibilities to local governments.

If voters reject this measure, state sales tax and PIT rates would not increase. Because funds from these tax increases would not be available to help fund the state's 2012–13 budget plan, state spending in 2012–13 would be reduced by about \$6 billion, with almost all the reductions related to education. In future years, state revenues would be billions of dollars lower than if the measure were approved.

PROP 30 TEMPORARY TAXES TO FUND EDUCATION.
 GUARANTEED LOCAL PUBLIC SAFETY FUNDING.
 INITIATIVE CONSTITUTIONAL AMENDMENT.

★ ARGUMENT IN FAVOR OF PROPOSITION 30 ★

A Message from the League of Women Voters of California and California Teachers and Law Enforcement Professionals Fellow Californians,

After years of cuts, California's public schools, universities, and public safety services are at the breaking point.

In the last four years alone, our schools have been hit with \$20 billion in cuts, over 30,000 fewer teachers, and class sizes that are among the largest in the country. Our children deserve better.

It's time to take a stand and get California back on track.

Proposition 30, the Schools & Local Public Safety Protection Act, is supported by Governor Jerry Brown, the League of Women Voters and a statewide coalition of leaders from education, law enforcement and business.

There is broad support for Prop. 30 because it's the only initiative that will protect school and safety funding and help address the state's chronic budget mess:

- *Prevents deep school cuts.* Without Prop. 30, our schools and colleges face an additional \$6 billion in devastating cuts this year. Prop. 30 is the *only* initiative that prevents those cuts and provides billions in new funding for our schools starting this year—money that can be spent on smaller class sizes, up-to-date textbooks and rehiring teachers.
- *Guarantees local public safety funding.* Prop. 30 is the *only* measure that establishes a guarantee for public safety funding in our state's constitution, where it can't be touched without voter approval. Prop. 30 keeps cops on the street.
- *Helps balance the budget.* Prop. 30 balances our budget and helps pay down California's debt—built up by years of gimmicks and borrowing. It is a critical step in stopping the budget shortfalls that plague California.

To protect schools and safety, Prop. 30 temporarily increases personal income taxes on the highest earners—couples with incomes over \$500,000 a year—and establishes the sales tax at a rate lower than it was last year.

Prop. 30's taxes are temporary, balanced and necessary to protect schools and safety:

- *Only highest-income earners pay more income tax:* Prop. 30 asks those who earn the most to temporarily pay more income taxes. Couples earning below \$500,000 a year will pay *no* additional income taxes.
- *All new revenue is temporary:* Prop. 30's taxes are temporary, and this initiative *cannot be modified without a vote of the people.* The very highest earners will pay more for seven years. The sales tax provision will be in effect for four years.
- *Money goes into a special account the legislature can't touch:* The money raised for schools is directed into a special fund the legislature can't touch and can't be used for state bureaucracy.
- *Prop. 30 provides for mandatory audits:* Mandatory, independent annual audits will insure funds are spent **ONLY** for schools and public safety.

Join with the League of Women Voters and California teachers and public safety professionals.

Vote YES on Proposition 30.

Take a stand for schools and public safety.

To learn more, visit YesOnProp30.com.

JENNIFER A. WAGGONER, President
 League of Women Voters of California

DEAN E. VOGEL, President
 California Teachers Association

KEITH ROYAL, President
 California State Sheriffs' Association

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 30 ★

Supporters of Prop. 30 say we either have to approve a huge tax hike or schools get cut.

We all want excellent schools in California, but raising taxes isn't the only way to accomplish this.

The politicians would rather raise taxes instead of streamlining thousands of state funded programs, massive bureaucracy and waste.

Look at what they just did: politicians authorized nearly \$5 billion in California bonds for the "bullet train to nowhere," costing taxpayers \$380 million per year. Let's use those dollars for schools!

Instead, the politicians give us a false choice—raise sales taxes by \$1 billion per year and raise income taxes on small business OR cut schools.

PROP. 30 IS NOT WHAT IT SEEMS: It doesn't guarantee even one new dollar of funding for classrooms. No on Prop. 30: It allows the politicians to take money currently earmarked for education and spend it on other programs. We'll never know where the money really goes.

No on Prop. 30: It gives the Sacramento politicians a blank check without requiring budget, pension or education reform.

No on Prop. 30: It hurts small businesses and kills jobs.

No on Prop. 30: It's just more money for the Sacramento politicians to keep on spending.

Don't be misled, Prop. 30 is not what it seems. It is just an excuse for Sacramento politicians to take more of your money, while hurting the economy and doing nothing to help education.

Californians are too smart to be fooled: *Vote No on Prop. 30!*

JOEL FOX, President
 Small Business Action Committee

JOHN KABATECK, Executive Director
 National Federation of Independent Business/California

KENNETH PAYNE, President
 Sacramento Taxpayers Association

PROP 30 TEMPORARY TAXES TO FUND EDUCATION,
GUARANTEED LOCAL PUBLIC SAFETY FUNDING,
INITIATIVE CONSTITUTIONAL AMENDMENT.

★ ARGUMENT AGAINST PROPOSITION 30 ★

NO on Prop. 30: It is just a \$50 Billion Political "Shell Game"—But Doesn't Guarantee New Funds for Schools
The politicians behind Prop. 30 want us to believe that if voters approve Prop. 30's seven years of massive tax hikes, the new money will go to classrooms. Nothing could be further from the truth.

Prop. 30 allows the politicians to play a "shell game" instead of providing new funding for schools:

- They can take existing money for schools and use it for other purposes and then replace that money with the money from the new taxes. They take it away with one hand and put it back with the other hand. No matter how you move it around, Prop. 30 does not guarantee one penny of new funding for schools.
- Many educators have exposed this flaw and even the California School Boards Association stated that "... the Governor's initiative does not provide new funding for schools." (May 20, 2012)
- The Wall Street Journal identified the same flaw, stating that "California Governor Jerry Brown is trying to sell his tax hike to voters this November by saying it will go to schools. The dirty little secret is that the new revenues are needed to backfill the insolvent teacher's pension fund." Wall Street Journal Editorial, April 22, 2012
- Even the official Title and Summary of Prop. 30 says the money can be used for "... paying for other spending commitments."

In addition, there are no requirements or assurances that any more money actually gets to the classroom and nothing in Prop. 30 reforms our education system to cut waste, eliminate bureaucracy or cut administrative overhead.

NO on Prop. 30—No Reforms

The politicians and special interests behind Prop. 30 want to raise taxes to pay for their out of control spending, but refuse to pass meaningful reforms:

- Special interests and the politicians they control have blocked pension reforms. We have \$500 billion in unfunded pension liabilities in California and still the politicians refuse to enact real reforms.
- The same people have blocked budget reform. The politicians continue to spend more than the state has. Prop. 30 rewards this dangerous behavior by giving them billions of dollars more to spend with no reforms, no guarantee the money won't be wasted or that it will really get to the classroom.

NO on Prop. 30—Stop the Politician's Threats

The Governor, politicians and special interests behind Prop. 30 threaten voters. They say "vote for our massive tax increase or we'll take it out on schools," but at the same time, they refuse to reform the education or pension systems to save money.

We need to grow our economy to create jobs and cut waste, clean up government, reform our budget process and hold the politicians accountable instead of approving a \$50 billion tax hike on small businesses and working families that doesn't provide any accountability or guarantee new funding for schools.

NO on Prop. 30—Reforms and Jobs First, Not Higher Taxes

JON COUPAL, President
Howard Jarvis Taxpayers' Association
TOM BOGETICH, Executive Director (Retired)
California State Board of Education
DOUG BOYD, Member
Los Angeles County Board of Education

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 30 ★

After years of cuts, it's time to draw a line to protect schools and local public safety.

Prop. 30's **TOUGH FISCAL CONTROLS** insure money is spent **ONLY** on schools and public safety:

- Revenue is guaranteed in the constitution to go into a special account for schools that the legislature can't touch.
- Money will be audited every year and can't be spent on administration or Sacramento bureaucracy.
- Prop. 30 authorizes criminal prosecution for misuse of money.

Our kids deserve better than the most crowded classrooms in the country. Prop. 30 asks the very wealthy to pay their **FAIR SHARE** to keep classrooms open and cops on the street.

- **PREVENTS DEEP SCHOOL CUTS THIS YEAR:** Prop. 30 is the only initiative that prevents \$6 billion in automatic cuts to schools and universities this year. Without Prop. 30, we face a shortened school year, teacher layoffs and steep tuition increases this year.

- **PROVIDES BILLIONS IN NEW SCHOOL FUNDING:** Prop. 30 provides billions in additional funds to reduce class sizes and restore programs like art and PE.
- **PROTECTS LOCAL PUBLIC SAFETY:** Prop. 30 guarantees local public safety funding in the State Constitution and helps save billions in future prison costs.
- **HELPS BALANCE THE BUDGET:** Prop. 30 is part of a long-term solution to balance the state budget. Teachers, law enforcement, business leaders and Governor Jerry Brown all support Proposition 30 because it's the only measure that will put California on the road to recovery. Learn more at www.YesOnProp30.com.

JENNIFER A. WAGGONER, President
League of Women Voters of California
JOSHUA PECHTHALT, President
California Federation of Teachers
SCOTT R. SEAMAN, President
California Police Chiefs Association

STATE BUDGET. STATE AND LOCAL GOVERNMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

- Establishes two-year state budget cycle.
- Prohibits Legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified.
- Permits Governor to cut budget unilaterally during declared fiscal emergencies if Legislature fails to act.
- Requires performance reviews of all state programs.
- Requires performance goals in state and local budgets.
- Requires publication of bills at least three days prior to legislative vote.
- Allows local governments to alter how laws governing state-funded programs apply to them, unless Legislature or state agency vetoes change within 60 days.

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

- Decreased state sales tax revenues of about \$200 million annually, with a corresponding increase of funding to certain local governments.
- Other, potentially more significant changes in state and local spending and revenues, the magnitude of which would depend on future decisions by public officials.

ANALYSIS BY THE LEGISLATIVE ANALYST

OVERVIEW

This measure changes certain responsibilities of local governments, the Legislature, and the Governor. It also changes some aspects of state and local government operations. Figure 1 summarizes the measure's main provisions, each of which are discussed in more detail below.

AUTHORIZES AND FUNDS LOCAL GOVERNMENT PLANS**Proposal**

Allows Local Governments to Develop New Plans. Under this measure, counties and other local governments (such as cities, school districts, community college districts, and special districts) could create plans for coordinating how they provide services to the public. The plans could address how local governments deliver services in many areas,

including economic development, education, social services, public safety, and public health. Each plan would have to be approved by the governing boards of the (1) county, (2) school districts serving a majority of the county's students, and (3) other local governments representing a majority of the county's population. Local agencies would receive some funding from the state to implement the plans (as described below).

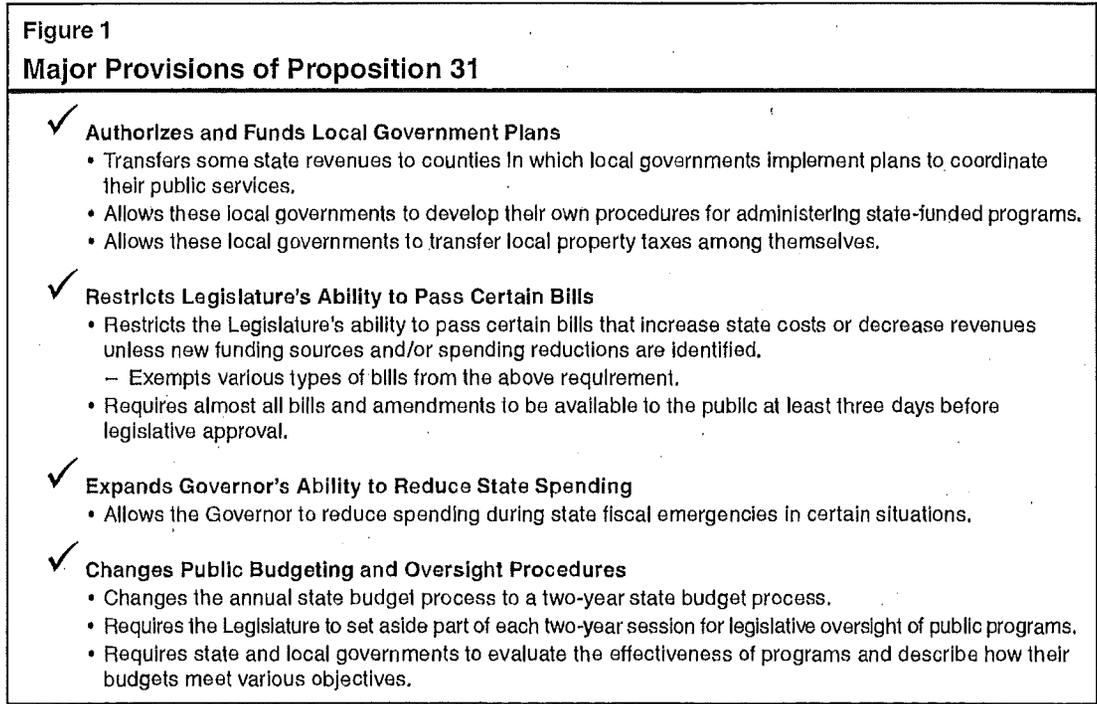
Allows Local Governments to Alter Administration of State-Funded Programs. If local governments find that a state law or regulation restricts their ability to carry out their plan, they could develop local procedures that are "functionally equivalent" to the objectives of the existing state law or regulation. Local governments could follow

these local procedures—instead of state laws or regulations—in administering state programs financed with state funds. The Legislature (in the case of state laws) or the relevant state department (in the case of state regulations) would have an opportunity to reject these alternate local procedures. The locally developed procedures would expire after four years unless renewed through the same process.

Allows Transfer of Local Property Taxes. California taxpayers pay about \$50 billion in property taxes to local governments annually. State law governs how property taxes are divided among local government entities in each county. This measure allows local governments participating in plans to transfer property taxes allocated to them among themselves in any way that they choose. Each local government affected would have to approve the change with a two-thirds vote of its governing board.

Shifts Some State Sales Tax Revenues to Local Governments. Currently, the average sales tax rate in the state is just over 8 percent. This raised \$42.2 billion in 2009–10, with the revenues allocated roughly equally to the state and local governments. Beginning in the 2013–14 fiscal year, the measure would shift a small part of the state’s portion to counties that implement the new plans. This would not change sales taxes paid by taxpayers. The shift would increase revenues of the participating local governments in counties with plans by a total of about \$200 million annually in the near term. The state government would lose a corresponding amount, which would no longer be available to fund state programs. The sales taxes would be allocated to participating counties based on their population. The measure requires a local plan to provide for the distribution of these and any other funds intended to support implementation of the local plan.

31



Fiscal Effects

31 In addition to the shift of the \$200 million described earlier, there would be other fiscal effects on state and local governments. For example, allowing local governments to develop their own procedures for administering state-funded programs could lead to potentially different program outcomes and state or local costs than would have occurred otherwise. Allowing local governments to transfer property taxes could affect how much money goes to a given local government, but would not change the total amount paid by property taxpayers. Local governments also likely would spend small additional amounts to create and administer their new plans. The changes that would result from this part of the measure depend on (1) how many counties create plans, (2) how many local governments alter the way they administer state-funded programs, and (3) the results of their activities. For those reasons, the net fiscal effect of this measure for the state and local governments cannot be predicted. In some counties, these effects could be significant.

RESTRICTS LEGISLATURE'S ABILITY TO PASS CERTAIN BILLS

Current Law

Budget and Other Bills. Each year, the Legislature and the Governor approve the state budget bill and other bills. The budget bill allows for spending from the General Fund and many other state accounts. (The General Fund is the state's main operating account that provides funding to education, health, social

services, prisons, and other programs.) In general, a majority vote of both houses of the Legislature (the Senate and the Assembly) is required for the approval of the budget bill and most other bills. A two-thirds vote in both houses, however, is required to increase state taxes.

As part of their usual process for considering new laws, the Legislature and Governor review estimates of each proposed law's effects on state spending and revenues. While the State Constitution does not mandate that the state identify how each new law would be financed, it requires that the state's overall budget be balanced. Specifically, every year when the state adopts its budget, the state must show that estimated General Fund revenues will meet or exceed approved General Fund spending.

Proposal

Restricts Legislature's Ability to Increase State Costs. This measure requires the Legislature to show how some bills that increase state spending by more than \$25 million in any fiscal year would be paid for with spending reductions, revenue increases, or a combination of both. The requirement applies to bills that create new state departments or programs, expand current state departments or programs, or create state-mandated local programs. Exemptions from these requirements include bills that allow one-time spending for a state department or program, increase funding for a department or program due to increases in workload or the cost of living, provide funding required by federal law, or increase the pay or other compensation of state employees pursuant to a

collective bargaining agreement. The measure also exempts bills that restore funding to state programs reduced to help balance the state budget in any year after 2008–09.

Restricts Legislature's Ability to Decrease State Revenues. This measure also requires the Legislature to show how bills that decrease state taxes or other revenues by more than \$25 million in any fiscal year would be paid for with spending reductions, revenue increases, or a combination of both.

Changes When Legislature Can Pass Bills. This measure makes other changes that could affect when the Legislature could pass bills. For example, the measure requires the Legislature to make bills and amendments to those bills available to the public for at least three days before voting to pass them (except certain bills responding to a natural disaster or terrorist attack).

Fiscal Effects

This measure would make it more difficult for the Legislature to pass some bills that increase state spending or decrease revenues. Restricting the Legislature's ability in this way could result in state funds spent on public services being less—or taxes and fees being more—than otherwise would be the case. Because the fiscal effect of this part of the measure depends on future decisions by the Legislature, the effect cannot be predicted, but it could be significant over time. Because the state provides significant funding to local governments, they also could be affected over time.

EXPANDS GOVERNOR'S ABILITY TO REDUCE STATE SPENDING

Current Law

Under Proposition 58 (2004), after the budget bill is approved, the Governor may declare a state fiscal emergency if he or she determines the state is facing large revenue shortfalls or spending overruns. When a fiscal emergency is declared, the Governor must call the Legislature into special session and propose actions to address the fiscal emergency. The Legislature has 45 days to consider its response. The Governor's powers to cut state spending, however, currently are very limited even if the Legislature does not act during that 45-day period.

Proposal

Allows Governor to Reduce Spending in Certain Situations. Under this measure, if the Legislature does not pass legislation to address a fiscal emergency within 45 days, the Governor could reduce some General Fund spending. The Governor could not reduce spending that is required by the Constitution or federal law—such as most school spending, debt service, pension contributions, and some spending for health and social services programs. (These categories currently account for a majority of General Fund spending.) The total amount of the reductions could not exceed the amount necessary to balance the budget. The Legislature could override all or part of the reductions by a two-thirds vote in both of its houses.

31 Fiscal Effects

Expanding the Governor's ability to reduce spending could result in overall state spending being lower than it would have been otherwise. The fiscal effect of this change cannot be predicted, but could be significant in some years. Local government budgets also could be affected by lower state spending.

CHANGES PUBLIC BUDGETING AND OVERSIGHT PROCEDURES

Proposal

Changes Annual State Budget Process to a Two-Year Process. This measure changes the state budget process from a one-year (annual) process to a two-year (biennial) process. Every two years beginning in 2015, the Governor would submit a budget proposal for the following two fiscal years. For example, in January 2015 the Governor would propose a budget for the fiscal year beginning in July 2015 and the fiscal year beginning in July 2016. Every two years beginning in 2016, the Governor could submit a proposed budget update. The measure does not change the Legislature's current constitutional deadline of June 15 for passing a budget bill.

Sets Aside Specific Time Period for Legislative Oversight of Public Programs. Currently, the Legislature oversees and reviews the activities of state and local programs at various times throughout its two-year session. This measure requires the Legislature to reserve a part of its two-year session—beginning in

July of the second year of the session—for oversight and review of public programs. Specifically, the measure requires the Legislature to create a process and use it to review every state-funded program—whether managed by the state or local governments—at least once every five years. While conducting this oversight, the Legislature could not pass bills except for those that (1) take effect immediately (which generally require a two-thirds vote of both houses) or (2) override a Governor's veto (which also require a two-thirds vote of both houses).

Imposes New State and Local Budgeting Requirements. Currently, state and local governments have broad flexibility in determining how to evaluate operations of their public programs. This measure imposes some general requirements for state and local governments to include new items in their budgets. Specifically, governments would have to evaluate the effectiveness of their programs and describe how their budgets meet various objectives. State and local governments would have to report on their progress in meeting those objectives.

Fiscal Effects

State and local governments would experience increased costs to set up systems to implement the new budgeting requirements and to administer the new evaluation requirements. These costs would vary based on how state and local officials implemented the requirements. Statewide, the costs would likely

range from **millions to tens of millions of dollars annually**, moderating over time. These new budgeting and evaluation requirements could affect decision making in a variety of ways—such as, reprioritization of spending, program efficiencies, and additional investments in some program areas. The fiscal impact on governments cannot be predicted.

SUMMARY OF MEASURE'S FISCAL EFFECTS

As summarized in Figure 2, the measure would shift some state sales tax revenues to

counties that implement local plans. This shift would result in a decrease in state revenues of \$200 million annually, with a corresponding increase of funding to local governments in those counties. The net effects of this measure's other state and local fiscal changes generally would depend on future decisions by public officials and, therefore, are difficult to predict. Over the long term, these other changes in state and local spending or revenues could be more significant than the \$200 million shift of sales tax revenues discussed above.



Figure 2 Major Fiscal Effects of Proposition 31		
	State Government	Local Government
Authorizes and Funds Local Government Plans		
Funding for plans	\$200 million annual reduction in revenues.	\$200 million annual increase in revenues to local governments in counties that develop plans.
Effects of the new plans	Cannot be predicted, but potentially significant.	Cannot be predicted, but potentially significant in some counties.
Restricts Legislature's Ability to Pass Certain Bills		
	Potentially lower spending—or higher revenues—based on future actions of the Legislature.	Potential changes in state funding for local programs based on future actions of the Legislature.
Expands Governor's Ability to Reduce State Spending		
	Potentially lower spending in some years.	Potentially less state funding for local programs in some years.
Changes Public Budgeting and Oversight Procedures		
Implementation costs	Potentially millions to tens of millions of dollars annually, moderating over time.	Potentially millions to tens of millions of dollars annually, moderating over time.
Effects of new requirements	Cannot be predicted.	Cannot be predicted.

PROP **31** STATE BUDGET, STATE AND LOCAL GOVERNMENT.
INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

★ ARGUMENT IN FAVOR OF PROPOSITION 31 ★

31

In good times and bad, California has long had a state budget deficit, with politicians spending more money than state government brings in—much of it lost to waste, abuse and over-borrowing. Budgets are often based on the influence of special interests rather than the outcomes Californians want to achieve. Proposition 31 forces state politicians to finally live within their means, and it gives voters and taxpayers critical information to hold politicians accountable.

The non-partisan state auditor reported in an audit of several state agencies between 2003 and 2010 that the state could have saved taxpayers approximately \$1.2 billion had the auditor's own proposals to reform operations and improve efficiency been enacted. The recent effort to create a unified Court Case Management System cost taxpayers more than \$500 million, more than \$200 million over budget, to connect just 7 of 58 counties before being abandoned.

Proposition 31 requires a real balanced budget. It stops billions of dollars from being spent without public review or citizen oversight. Unless we pass Proposition 31, hundreds of millions of dollars every year will continue to be wasted that could be better used for local schools, law enforcement and other community priorities.

Proposition 31 does not raise taxes, increase costs to taxpayers or set up any new government bureaucracy. Proposition 31 makes clear that its provisions should be implemented with existing resources—and it will generate savings by returning tax dollars to cities and counties.

Yes on 31 will:

- **INCREASE PUBLIC INPUT AND TRANSPARENCY**—Stops the state from passing budgets without public review. Currently, the state budget has no real transparency or public reporting requirements. Proposition 31 requires state government to make available the proposed state budget for public review for a *minimum* of three days before lawmakers vote on it.

- **IMPOSE FISCAL OVERSIGHT AND CONSTRAINTS ON NEW GOVERNMENT SPENDING**—Proposition 31 prohibits the state from funding any new expenditure or decreasing revenues of more than \$25 million without first identifying a funding source.
- **INCREASE LOCAL CONTROL AND FLEXIBILITY**—The 2012 state budget took \$1.4 billion away from local government. Proposition 31 returns up to \$200 million to local government to be used for local priorities. It provides cities, counties, and school districts more flexibility and authority to design services that improve results and meet local needs.
- **REQUIRE PERFORMANCE AND RESULTS IN BUDGETS**—Requires state and local governments to focus budgets on achievement of measurable results, and provides accountability by requiring the state legislature and local governments to issue regular public performance reports, and evaluate the effectiveness of programs before additional spending decisions are made.
- **REQUIRE PERFORMANCE REVIEWS OF STATE GOVERNMENT PROGRAMS**—Requires all state government programs to be publicly reviewed for performance to identify ways to improve results—or shift their funding to more efficient and effective programs.
- **REQUIRE A TWO-YEAR STATE BUDGET**—Prevents politicians from passing short-term budget gimmicks. Requires lawmakers to develop long-term fiscal solutions. Vote YES on 31. Limit Government Spending—Increase Public Confidence in State Budgeting.

HON. CRUZ REYNOSO
California Supreme Court Justice (Retired)
HON. DELAINE A. EASTIN
Former Superintendent of Public Instruction
PROF. JAMES FISHKIN, Ph.D.
Stanford University

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 31 ★

PROPOSITION 31 WON'T BALANCE THE BUDGET, INCREASE PUBLIC INPUT OR IMPROVE PERFORMANCE.

If Proposition 31 actually did what its argument promises, WE would support it. But it doesn't. Instead it adds complicated new rules, restrictions and requirements, inserted into California's Constitution. It makes government more cumbersome, more expensive, slower, and less effective. The provisions are so confusing and ambiguous that it will take years of lawsuits for the courts to sort out what it means.

PROPOSITION 31 WILL INCREASE COSTS, INCREASE BUREAUCRATIC CONTROL, AND UNDERMINE PUBLIC PROTECTIONS.

It allows local politicians to override or alter laws they don't like, undermining protections for air quality, public health, worker safety **WITHOUT A VOTE OF THE PEOPLE.** **PROPOSITION 31 WILL MAKE IT ALMOST IMPOSSIBLE TO CUT TAXES OR INCREASE FUNDING FOR EDUCATION.**

It prohibits tax cuts unless other taxes are raised or programs cut, and prevents increases in funding for schools unless taxes are raised or other programs cut.

PROPOSITION 31 HAS SO MANY FLAWS THAT SEVERAL MEMBERS OF THE SPONSORING ORGANIZATION RESIGNED IN PROTEST OVER THE DECISION TO SUBMIT IT TO VOTERS.

Bob Balgenorth, a former board member of California Forward Action Fund, the organization behind Proposition 31 said it "contains serious flaws . . . and will further harm California." In his letter of resignation he said that he was "disappointed that California Forward submitted signatures to the Secretary of State without correcting the flaws in the initiative." **WE CAN'T AFFORD ANOTHER FLAWED INITIATIVE. VOTE NO ON PROPOSITION 31.**

ANTHONY WRIGHT, Executive Director
Health Access California
LACY BARNES, Senior Vice President
California Federation of Teachers
LENNY GOLDBERG, Executive Director
California Tax Reform Association

PROP 31 STATE BUDGET, STATE AND LOCAL GOVERNMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

★ ARGUMENT AGAINST PROPOSITION 31 ★

PROPOSITION 31 IS SO POORLY WRITTEN AND CONTRADICTIONARY THAT IT WILL LEAD TO LAWSUITS AND CONFUSION, NOT REFORM.

We all want reform, but instead Proposition 31 adds bureaucracy and creates new problems. It adds layer upon layer of restrictions and poorly defined requirements, leaving key decisions up to unelected bureaucrats, decisions such as whether tax cuts are allowed or programs can be changed—decisions that will be challenged in court year after year. We need real reform not more lawsuits.

PROPOSITION 31 WILL SHIFT \$200 MILLION FROM EDUCATION AND OTHER VITAL FUNCTIONS TO FUND EXPERIMENTAL COUNTY PROGRAMS.

The state can barely pay its bills now. And the majority of the state's budget goes to education. Yet this measure transfers \$200 million per year from state revenues into a special account to pay for experimental county programs. This is not the time to gamble with money that should be spent on our highest priorities.

PROPOSITION 31 WILL PREVENT THE STATE FROM INCREASING FUNDING FOR EDUCATION UNLESS IT RAISES TAXES OR CUTS OTHER PROGRAMS—EVEN IF THE MONEY IS AVAILABLE.

As strange as it seems, Proposition 31 actually prevents the state from adopting improvements to programs like education or increasing funding to schools even if it has the money to do so, UNLESS IT RAISES TAXES or cuts other programs. This provision could tie up additional funding for schools for years. **PROPOSITION 31 PREVENTS THE STATE FROM CUTTING TAXES UNLESS IT RAISES OTHER TAXES OR CUTS PROGRAMS—EVEN IF THE STATE IS RUNNING A BUDGET SURPLUS.**

The contradictory nature of these tax provisions would prohibit the state from cutting one tax unless it raises another, even when there is a budget surplus—either this was intended to

prevent the state from cutting your taxes or is another case—a serious case—of careless drafting. And, Proposition 31 locks this into the State Constitution.

PROPOSITION 31 THREATENS OUR PUBLIC HEALTH, WATER QUALITY AND PUBLIC SAFETY BY ALLOWING COUNTIES TO OVERRIDE OR ALTER CRITICAL STATE LAWS.

California has adopted statewide standards to protect public health, prevent contamination of air and water and provide for the safety of its citizens. Proposition 31 contains a provision that allows local politicians to alter or override these laws WITHOUT A VOTE OF THE PEOPLE, and without an effective way to prevent abuse.

PROPOSITION 31 WILL COST TENS OF MILLIONS OF DOLLARS PER YEAR FOR ADDITIONAL GOVERNMENT PROCESS AND BUREAUCRACY—TO DO WHAT GOVERNMENT IS ALREADY SUPPOSED TO DO.

Performance-based budgeting is more of a slogan than anything else. It's been tried many times before. The one thing we know it will do is raise costs. The official fiscal analysis by the non-partisan Legislative Analyst's Office says it will raise the costs of government by tens of millions of dollars per year for new budgeting practices, with no guarantee any improvement will result. Certain costs, uncertain results.

We all want reform, but Proposition 31 will make things worse, not better.

JOIN US IN VOTING NO ON PROPOSITION 31.

SARAH ROSE, Chief Executive Officer
California League of Conservation Voters
JOSHUA PECHTHALT, President
California Federation of Teachers
RON COTTINGHAM, President
Peace Officers Research Association of California

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 31 ★

"Proposition 31 creates greater transparency, public review, and oversight over state and local government. This government accountability measure will protect environmental safeguards and worker protections while making sure taxpayers aren't taken advantage of by special interests and lobbying groups."

—*Hon. Cruz Reynoso, California Supreme Court Justice (Retired)*
"It's time to shine a light on California's budget process—no more multi-billion dollar deficit surprises. We need reforms that will work, not business as usual."

—*Professor James Fishkin, Stanford University*

"Proposition 31 will lessen the state temptation to borrow and spend. Prop. 31 provides incentives to local governments and community schools to focus on improving education and increasing public safety. YES on Proposition 31 is a yes for California schools and students."

—*Hon. Delaine Eastin, Former State Superintendent of Public Instruction*

YES on Proposition 31 will:

- Not raise taxes or require increased government spending.
- Prevent state government from spending money we don't have.
- Add transparency to a budget process currently prepared behind closed doors.
- Shift more control and flexibility from Sacramento to cities and counties.
- Require state and local governments to publicly report results before spending more money.

Please review the measure for yourself at www.sos.ca.gov and help prevent further waste in government spending.

Proposition 31 meets the highest standards of constitutional change requirements. The measure is well written, legally sound, and will clearly improve the budget process and governance of California.

BILL HAUCK, Former Chairman
California Constitution Revision Commission

HUMAN TRAFFICKING. PENALTIES. INITIATIVE STATUTE.

- Increases criminal penalties for human trafficking, including prison sentences up to 15-years-to-life and fines up to \$1,500,000.
- Fines collected to be used for victim services and law enforcement.
- Requires person convicted of trafficking to register as sex offender.
- Requires sex offenders to provide information regarding Internet access and identities they use in online activities.
- Prohibits evidence that victim engaged in sexual conduct from being used against victim in court proceedings.
- Requires human trafficking training for police officers.

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

- Increased costs, not likely to exceed a couple million dollars annually, to state and local governments for criminal justice activities related to the prosecution and incarceration of human trafficking offenders.
- Potential one-time local government costs of up to a few million dollars on a statewide basis, and lesser additional costs incurred each year, due to new mandatory human trafficking-related training requirements for law enforcement officers.
- Potential additional revenue from new criminal fines, likely a few million dollars annually, which would fund services for human trafficking victims and for law enforcement activities related to human trafficking.

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ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Federal Law. Federal law contains various provisions prohibiting human trafficking. The Federal Trafficking Victims Protection Act generally defines two types of human trafficking:

- *Sex Trafficking*—in which persons are recruited, transported, or obtained for a commercial sex act that is induced by force or fraud or in which the victim performing the act is under age 18. An example of sex trafficking is forcing a person into prostitution.
- *Labor Trafficking*—in which persons are recruited, transported, or obtained through the use of force or fraud to provide labor or other services. An example of this is forcing a foreign national to work for free by threatening deportation.

These laws are enforced by federal law enforcement agencies that may act independently or with state and local law enforcement agencies.

State Law. Existing state law contains similar criminal prohibitions against human trafficking. Specifically, state law defines human trafficking as violating the liberty of a person with the intent to either (1) commit certain felony crimes (such as prostitution) or (2) obtain forced labor or services. Human trafficking is punishable under state law by a prison sentence of up to five years or, if the victim is under the age of 18, by a state prison sentence of up to eight years. Offenders convicted of human trafficking crimes that result in great bodily injury to the victim can be punished with additional terms of up to six years. In recent years, there have been only a few people annually sent to state prison for human trafficking crimes. As of March 2012, there were 18 such offenders in state prison.

Under existing state law, most offenders who have been convicted of a sex crime (including some crimes involving human trafficking) are required to register as sex offenders with their local police or sheriff's departments.

PROPOSAL

This measure makes several changes to state law related to human trafficking. Specifically, it (1) expands the definition of human trafficking, (2) increases the punishment for human trafficking offenses, (3) imposes new fines to fund services for human trafficking victims, (4) changes how evidence can be used against human trafficking victims, and (5) requires additional law enforcement training on handling human trafficking cases. The measure also places additional requirements on sex offender registrants.

Expanded Definition of Human Trafficking. This measure amends the definition of human trafficking under state law. Specifically, the measure defines more crimes related to the creation and distribution of obscene materials depicting minors as a form of human trafficking. For example, duplicating or selling these obscene materials could be considered human trafficking even if the offender had no contact with the minor depicted. In addition, with regard to sex trafficking cases involving minors, prosecutors would

not have to show that force or coercion occurred. (This would make state law similar to federal law.)

More Severe Criminal Penalties for Human Trafficking. This measure increases the current criminal penalties for human trafficking under state law. For example, the measure increases the prison sentence for labor trafficking crimes to a maximum of 12 years per offense, and for sex trafficking of adults to up to 20 years per offense. Sex trafficking of minors that involved force or fraud would be punishable by up to a life term in prison. Figure 1 lists each of the measure's increases in the maximum prison sentences, sentence enhancements, and criminal fines.

In addition, the measure specifies that offenders convicted of human trafficking with previous convictions for human trafficking receive additional five-year prison terms for each of those prior convictions. Under the measure, offenders convicted of human trafficking that resulted in great bodily injury to the victim could be punished with additional terms of up to ten years. The measure also permits criminal courts to impose fines of up to \$1.5 million for human trafficking offenses.

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Figure 1
Measure Increases Maximum Criminal Penalties For Human Trafficking

	Current Law	Proposition 35
Prison Sentence^a		
Labor trafficking	5 years	12 years
Sex trafficking of an adult, forced	5 years	20 years
Sex trafficking of a minor without force	None ^b	12 years
Sex trafficking of a minor, forced	8 years	Life term
Sentence Enhancement^a		
Great bodily injury	6 years	10 years
Prior human trafficking offense	None	5 years per prior conviction
Fines		
	Up to \$100,000 for sex trafficking a minor	Up to \$1.5 million for all human trafficking offenses

^a Actual penalty includes a range of years.
^b Activities considered under the measure as sex trafficking of minors without force are illegal under current law but not defined as human trafficking. The penalties for these crimes vary.

Programs for Human Trafficking Victims. The measure requires that the funds collected from the above fines support services for victims of human trafficking. Specifically, 70 percent of funds would be allocated to public agencies and nonprofit organizations that provide direct services to such victims. The measure requires that the remaining 30 percent be provided to law enforcement and prosecution agencies in the jurisdiction where the charges were filed and used for human trafficking prevention, witness protection, and rescue operations.

Changes Affecting Court Proceedings. The measure also affects the trial of criminal cases involving charges of human trafficking. Specifically, the measure prohibits the use of evidence that a person was involved in criminal sexual conduct (such as prostitution) to prosecute that person for that crime if the conduct was a result of being a victim of human trafficking. The measure also makes evidence of sexual conduct by a victim of human trafficking inadmissible for the purposes of attacking the victim's credibility or character in court. In addition, this measure disallows certain defenses in human trafficking cases involving minors. For example, a defendant could not claim as a defense being unaware of the minor's age.

Law Enforcement Training. This measure requires all peace officers employed by police and sheriff's departments and the California Highway Patrol (CHP) who perform field or investigative work to undergo at least two hours of training on how to handle human trafficking complaints. This training would have to be completed by July 1, 2014, or within six months of the officer being assigned to the field or investigative work.

Expanded Requirements for Sex Offender Registration. This measure requires registered sex offenders to provide the names of their Internet providers and identifiers to local police or sheriff's departments. Such identifiers include e-mail addresses,

user names, screen names, or other personal identifiers for Internet communication and activity. If a registrant changes his or her Internet service account or changes or adds an Internet identifier, the individual must notify law enforcement within 24 hours of such changes.

FISCAL EFFECTS

Currently, human trafficking cases are often prosecuted under federal law, rather than California state law, even when California law enforcement agencies are involved in the investigation of the case. This is partly because these types of crimes often involve multiple jurisdictions and also because of the federal government's historical lead role in such cases. It is unknown whether the expanded definition of human trafficking and other changes proposed in this measure would significantly increase the number of state human trafficking arrests and convictions or whether most such cases would continue to be handled primarily by federal law enforcement authorities. As a result, the fiscal effects of this measure on state and local governments discussed below are subject to some uncertainty.

Minor Increase in State and Local Criminal Justice Costs From Increased Penalties. The measure would result in some additional state and local criminal justice costs by increasing the criminal penalties for human trafficking. In particular, the increased prison sentences in the measure would increase the length of time offenders spend in state prison. In addition, it is possible that the measure's provisions increasing funding and training requirements for local law enforcement could result in additional human trafficking arrests, prosecutions, and convictions. This could also increase state and local criminal justice costs. In total, these new costs are **not likely to exceed a couple million dollars annually.**

Potential Increase in Local Law Enforcement Training Costs. As noted earlier, this measure requires that most state and local law enforcement officers receive specific training on human trafficking. Since CHP officers already receive such training, there would be no additional state costs. The fiscal impact of this requirement on local agencies would depend on the extent to which local officers are currently receiving such training and on how local law enforcement agencies chose to satisfy the measure's training requirements. Counties and cities could collectively incur costs of **up to a few million dollars on a one-time basis** to train existing staff and provide back-up staff to officers who are in training, with lesser costs incurred each subsequent year to train newly hired officers.

Increased Fine Revenue for Victim Services. The new criminal fines established by this measure would result in some additional revenue, likely not to exceed a few million dollars annually. Actual revenues would depend on the number of individuals convicted of human trafficking, the level of fines imposed by the courts, and the amount of actual payments made by the convicted offenders. These revenues would be dedicated primarily to services for victims of human trafficking, but also would be used for human trafficking prevention, witness protection, and rescue operations.

PROP 35 HUMAN TRAFFICKING. PENALTIES. INITIATIVE STATUTE.

★ ARGUMENT IN FAVOR OF PROPOSITION 35 ★

STOP HUMAN TRAFFICKING—YES on 35.

In California, vulnerable women and children are held against their will and forced into prostitution for the financial gain of human traffickers. Many victims are girls as young as 12.

Human trafficking is one of the fastest-growing criminal enterprises in the world, and it's happening right here on California's streets and online where young girls are bought and sold.

A national study recently gave California an "F" grade on its laws dealing with child sex trafficking.

That's why we need Proposition 35.

Yes on 35 will:

- Increase prison terms for human traffickers, to hold these criminals accountable.
• Require convicted human traffickers to register as sex offenders, to prevent future crimes.
• Require all registered sex offenders to disclose their Internet accounts, to stop the exploitation of children online.
• Increase fines from convicted human traffickers and use these funds to pay for victims' services, so survivors can repair their lives.

Prop. 35 protects children from sexual exploitation.

Many sex trafficking victims are vulnerable children. They are afraid for their lives and abused—sexually, physically, and mentally. The FBI recognizes three cities in California—Los Angeles, San Francisco, and San Diego—as high intensity child sex trafficking areas. That's why we need Prop. 35 to protect children from exploitation.

Prop. 35 holds human traffickers accountable for their horrendous crimes.

"Sex traffickers prey on the most vulnerable in our society. They get rich and throw their victims away. Prop. 35 will hold these criminals accountable. By passing 35, Californians will make a statement that we will not tolerate the sexual abuse of our children and that we stand with the victims of these horrible crimes."

—Nancy O'Malley, Alameda County District Attorney and national victims' rights advocate

Prop. 35 helps stop exploitation of children that starts online.

The Internet provides traffickers with access to vulnerable children. Prop. 35 requires convicted sex offenders to provide information to authorities about their Internet presence, which will help protect our children and prevent human trafficking.

California's largest law enforcement groups urge YES on 35.

"As those on the front lines in the fight against human trafficking, we strongly urge YES on 35 to help us prosecute sex traffickers and protect victims of sexual exploitation."

—Ron Cottingham, President, Peace Officers Research Association of California, representing 64,000 public safety members

Crime victims and their advocates urge YES on 35.

"Prop. 35 will protect children from human traffickers who profit from selling them on the street and online."

—Marc Klaas, crime victims' advocate and father of Polly Klaas, who was kidnapped and killed in 1993

"At 14, I ran away from a troubled home and into the clutches of a human trafficker. For years, I was trafficked and abused when I was still just a child. As a survivor of trafficking, I'm asking Californians to stand against sexual exploitation and vote Yes on 35."

—Leah Albright-Byrd, Human Trafficking Survivor PROTECT CHILDREN FROM SEXUAL EXPLOITATION, STOP HUMAN TRAFFICKERS.

YES on 35. VoteYeson35.com

LEAH ALBRIGHT-BYRD

Human Trafficking Survivor

MARC KLAAS, President

KlaasKids Foundation

SCOTT R. SEAMAN, President

California Police Chiefs Association

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★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 35 ★

This measure allegedly aimed at human trafficking actually threatens many innocent people:

If Proposition 35 passes, anyone receiving financial support from normal, consensual prostitution among adults—including a sex worker's children, parents, spouse, domestic partner, roommate, landlord, or others—could be prosecuted as a human trafficker, and if convicted, forced to register as a sex offender for life!

"My son, who served our country in the U.S. military and now attends college, could be labeled a human trafficker and have to register as a sex offender if I support him with money I earn providing erotic services."—Maxine Doogan

Rather than working with sex worker communities to stop real human traffickers, far-left anti-sex feminists and far-right religious conservatives who back Proposition 35 hope voters who hear "trafficking" will be deceived into supporting their futile crusade against the "world's oldest profession" by further criminalizing people connected with consensual adult prostitution. Proponents' argument that California is a "high intensity area" for trafficking is suspiciously similar to debunked

claims made elsewhere: http://www.oregonlive.com/portland/index.ssf/2011/01/portland_child_sex_trafficking.html

Proposition 35 would create a new unfunded liability for our state, just when California's government is in fiscal crisis and numerous cities have already filed for bankruptcy. A wealthy executive supplied over 90% of Proposition 35's campaign donations—http://www.huffingtonpost.com/2012/07/07/californians-against-sexual-exploitation-act_n_1656311.html—but his money won't be there to fund enforcement. Traffickers footing the bill is wishful thinking—forfeiture hasn't paid for the "War on Drugs", and will never adequately fund a "War on Prostitution" either.

Vote NO on Proposition 35!

MANUAL JIMENEZ, CFO

Erotic Service Providers Legal,

Education, and Research Project, Inc.

NORMA JEAN ALMODOVAR

STARCHILD

PROP HUMAN TRAFFICKING. PENALTIES.
35 INITIATIVE STATUTE.

★ ARGUMENT AGAINST PROPOSITION 35 ★

Proposition 35 falls short of its promise, and voters ought to send it back to the drawing board.

Criminalization does not bring protection.

If passed, California will be writing another blank check to the proponents of Proposition 35. This short-sighted ballot measure relies on a broad definition of pimping. This includes: parents, children, roommates, domestic partners, and landlords of prostitutes to be labeled as sex offenders. The real goal is to gain access to asset forfeiture to benefit the endorsing law enforcement agencies and non-profits. Proposition 35 has no oversight or accountability. This will open the door to corrupt practices we've seen before in drug enforcement.

http://www.contracostatimes.com/news/ci_20549513/defendant-cnet-corruption-scandal-gets-federal-prison-sentence

If passed, Proposition 35 will have a detrimental effect on the state budget. This statute relies on resources that criminalize adults who are arrested for prostitution indiscriminately in prostitution stings performed under the guise of rescuing children. <http://www.sfgate.com/default/article/Bay-Area-sweep-nets-child-prostitute-pimp-suspects-3661229.php>

Research shows that most teens arrested for prostitution do not have pimps; thus the idea that this statute will pay for itself is not supported by the evidence. Lost Boys: New research demolishes the stereotype <http://www.riverfronttimes.com/2011-11-03/news/commercial-sexual-exploitation-of-children-john-jay-college-ric-curtis-meredith-dank-underage-prostitution-sex-trafficking-minors/>

Proposition 35 relies on failed policies that use criminalization as a means to arrest the under-aged all the while calling it "rescue".

UN Advisory group member, Cheryl Overs on Tackling Child Commercial Sexual Exploitation <http://www.pbri.org/story/tackling-child-commercial-sexual-exploitation> Don't expand these already failed policies. <http://www.traffickingpolicyresearchproject.org/>

If passed, the state will likely be required to defend this statute in court as it will likely face legal challenges due to several questionable and possibly unconstitutional provisions including

the following: possibly unconstitutionally vague definition of "human trafficking" including the "intent to distribute obscene matter", possibly unconstitutionally "cruel and unusual" punishments including excessive prison terms and fines, possibly unconstitutionally inhibiting a defendant's right to introduce evidence in defense trials.

This Act will cost the state additional unspecified amounts: It would increase the workload to already over-burdened probation departments. Consider that case of Jaycee Dugard and the \$20,000,000 that California had to pay her for not protecting her against a violent sexual predator. It would require training of police officers to enforce the expanded provisions of the Act. <http://www.sfbg.com/politics/2012/06/16/bringing-beat>

This misguided Proposition uses fact-less fear mongering to goad voters into gambling on future fines and fees that risk redirecting scarce state resources away from existing social services intervention programs.

Laws are being enforced. <http://blog.sfgate.com/incontracosta/2012/06/25/concord-police-assist-with-multi-agency-operation-targeting-child-prostitution/>

The policy underlying Proposition 35 was created outside the affected populations. The Proponents stand to benefit financially by getting their salaries paid "to deliver services" to consensually working sex workers. Sex workers do not want to be forced out of work via criminal laws and forced into receiving services from the proponents. Sex workers demand a voice.

Let's be clear, Criminalization of prostitution is the condition that allows exploitation. Let us instead address that issue.

Vote No on these failed policies.

Vote No on Proposition 35.

MAXINE DOOGAN, President
Erotic Service Providers Legal,
Education, and Research Project, Inc.

MANUAL JIMENEZ, CFO
Erotic Service Providers Legal,
Education, and Research Project, Inc.

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★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 35 ★

"I was only 10 when I was first exploited by a trafficker. I suffered years of abuse, while the trafficker profited. Please stand up for women and children who are being trafficked on the streets and online. Vote Yes on 35 to stop human trafficking."

—Withelma Ortiz, Human Trafficking Survivor

YES on 35 will FIGHT BACK AGAINST HUMAN TRAFFICKING and sexual exploitation of women and children.

A recent study gave California an "F" grade for its weak child sex trafficking laws. The FBI has designated San Francisco, Los Angeles, and San Diego as high-intensity child sex trafficking areas.

The average age when a girl is first trafficked is 12 to 14. These children should be thinking about their homework, not how to survive another night being sold.

Prop. 35 will protect children in California by increasing penalties against human traffickers, making convicted traffickers register as sex offenders, and requiring all registered sex offenders to provide information to the authorities about their Internet presence, in order to help prevent human trafficking online.

Prop. 35 helps victims put their lives back together by increasing fines against human traffickers and dedicating these funds for victims' services.

YES on 35 is SUPPORTED BY A BROAD COALITION, including:

- Children's and victims' advocates, such as KlaasKids Foundation and Crime Victims United
- California law enforcement organizations representing more than 80,000 rank and file law enforcement officers
- Survivors of human trafficking

VOTE YES on 35 to STOP HUMAN TRAFFICKING and SEXUAL EXPLOITATION OF CHILDREN.

WITHELMA ORTIZ
Human Trafficking Survivor
CARISSA PHELPS
Human Trafficking Survivor
NANCY O'MALLEY
Alameda County District Attorney

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

Arguments | 47

QUICK-REFERENCE GUIDE

PROP 30 TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING. INITIATIVE CONSTITUTIONAL AMENDMENT.

SUMMARY

Put on the Ballot by Petition Signatures

Increases taxes on earnings over \$250,000 for seven years and sales taxes by ¼ cent for four years, to fund schools. Guarantees public safety realignment funding. Fiscal Impact: Increased state tax revenues through 2018–19, averaging about \$6 billion annually over the next few years. Revenues available for funding state budget. In 2012–13, planned spending reductions, primarily to education programs, would not occur.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: The state would increase personal income taxes on high-income taxpayers for seven years and sales taxes for four years. The new tax revenues would be available to fund programs in the state budget.

NO A NO vote on this measure means: The state would not increase personal income taxes or sales taxes. State spending reductions, primarily to education programs, would take effect in 2012–13.

ARGUMENTS

PRO After years of cuts to schools and public safety, it's time to take a stand. Prop. 30 asks the wealthiest to temporarily pay more to prevent deep school cuts, provide billions in new education funding, guarantee local public safety and help balance the state budget. Learn more at YesOnProp30.com.

CON NO on 30—\$50 billion in higher sales and income taxes, but no guarantee of additional money for schools. Prop. 30 doesn't reform schools, pensions or cut waste and bureaucracy. We'll never know where the money really goes. Educators, small businesses and taxpayer groups say NO on 30.

FOR ADDITIONAL INFORMATION

FOR
Ace Smith
Yes on Proposition 30
2633 Telegraph Avenue #317
Oakland, CA 94612
(510) 628-0202
YesOnProp30@TakeAStandCA.com
YesOnProp30.com

AGAINST
No on 30—Californians for Reforms and Jobs, Not Taxes
925 University Avenue
Sacramento, CA 95825
(866) 955-5508
info@stopprop30.com
www.StopProp30.com

PROP 31 STATE BUDGET. STATE AND LOCAL GOVERNMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Establishes two-year state budget. Sets rules for offsetting new expenditures, and Governor budget cuts in fiscal emergencies. Local governments can alter application of laws governing state-funded programs. Fiscal Impact: Decreased state sales tax revenues of \$200 million annually, with corresponding increases of funding to local governments. Other, potentially more significant changes in state and local budgets, depending on future decisions by public officials.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Certain fiscal responsibilities of the Legislature and Governor, including state and local budgeting and oversight procedures, would change. Local governments that create plans to coordinate services would receive funding from the state and could develop their own procedures for administering state programs.

NO A NO vote on this measure means: The fiscal responsibilities of the Legislature and Governor, including state and local budgeting and oversight procedures, would not change. Local governments would not be given (1) funding to implement new plans that coordinate services or (2) authority to develop their own procedures for administering state programs.

ARGUMENTS

PRO YES on 31 will stop politicians from keeping Californians in the dark about how their government is functioning. It will prevent the state from passing budgets behind closed doors, stop politicians from creating programs with money the state doesn't have, and require governments to report results before spending more money.

CON Proposition 31 is a badly flawed initiative that locks expensive and conflicting provisions into the Constitution, causing lawsuits, confusion, and cost. Prop. 31 threatens public health, the environment, prevents future increases in funding for schools, and blocks tax cuts. Join teachers, police, conservationists, tax reformers: vote no on Prop. 31.

FOR ADDITIONAL INFORMATION

FOR
Taxpayers for Government Accountability
(916) 572-7111
info@accountableca.org
www.accountableca.org

AGAINST
Californians for Transparent and Accountable Government

QUICK-REFERENCE GUIDE

PROP 32 POLITICAL CONTRIBUTIONS BY PAYROLL DEDUCTION, CONTRIBUTIONS TO CANDIDATES, INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Prohibits unions from using payroll-deducted funds for political purposes. Applies same use prohibition to payroll deductions, if any, by corporations or government contractors. Prohibits union and corporate contributions to candidates and their committees. Prohibits government contractor contributions to elected officers or their committees. Fiscal Impact: Increased costs to state and local government, potentially exceeding \$1 million annually, to implement and enforce the measure's requirements.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Unions and corporations could not use money deducted from an employee's paycheck for political purposes. Unions, corporations, and government contractors would be subject to additional campaign finance restrictions.

NO A NO vote on this measure means: There would be no change to existing laws regulating the ability of unions and corporations to use money deducted from an employee's paycheck for political purposes. Unions, corporations, and government contractors would continue to be subject to existing campaign finance laws.

ARGUMENTS

PRO Prop. 32 CUTS THE MONEY TIE BETWEEN SPECIAL INTERESTS AND POLITICIANS to the full extent constitutionally allowed. Bans contributions from corporations AND unions to politicians. Prohibits contributions from government contractors. Stops payroll withholding for politics, making ALL contributions voluntary. NO LOOPHOLES, NO EXEMPTIONS. Vote YES to clean up Sacramento.

CON Prop. 32 isn't reform—it exempts business Super PACs and thousands of big businesses from its provisions, at the same time applying restrictions on working people and their unions. It's unfair, unbalanced, and won't take money out of politics. The League of Women Voters urges a No vote!

FOR ADDITIONAL INFORMATION

FOR
Yes on 32—Stop Special Interest Money Now. Supported by small business owners, farmers, educators, and taxpayers.
(800) 793-6522
info@yesprop32.com
www.yesprop32.com

AGAINST
Chris Dombrowski
No on 32, sponsored by educators, firefighters, school employees, health care providers, police officers and labor organizations opposed to special exemptions from campaign finance rules for corporate special interests.
1510 J Street, Suite 210
Sacramento, CA 95814
(916) 443-7817
info@VoteNoOn32.com
www.VoteNoOn32.com

PROP 33 AUTO INSURANCE COMPANIES. PRICES BASED ON DRIVER'S HISTORY OF INSURANCE COVERAGE. INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Changes current law to allow insurance companies to set prices based on whether the driver previously carried auto insurance with any insurance company. Allows proportional discount for drivers with some prior coverage. Allows increased cost for drivers without history of continuous coverage. Fiscal Impact: Probably no significant fiscal effect on state insurance premium tax revenues.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Insurance companies could offer new customers a discount on automobile insurance premiums based on the number of years in the previous five years that the customer was insured.

NO A NO vote on this measure means: Insurers could continue to provide discounts to their long-term automobile insurance customers, but would continue to be prohibited from providing a discount to new customers switching from other insurers.

ARGUMENTS

PRO Californians with car insurance earn a discount for following the law. But if you switch companies you lose the discount. Proposition 33 allows you the freedom to change insurance companies and keep your discount. Proposition 33 makes insurance companies compete, helps lower rates, and will insure more drivers.

CON Proposition 33 is another deceptive insurance company trick. Insurance companies spent millions to pass a similar law in 2010—voters defeated it. Proposition 33 allows auto insurers to raise premiums on responsible drivers up to \$1,000, unfairly punishing people who stopped driving for legitimate reasons. Consumer advocates OPPOSE Prop. 33.

FOR ADDITIONAL INFORMATION

FOR
Yes On 33—2012 Auto Insurance Discount Act
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(916) 448-3444
info@yesprop33.com
www.yesprop33.com

AGAINST
Consumer Watchdog Campaign
(310) 392-0522
VoteNo@StopProp33.org
www.StopProp33.org

QUICK-REFERENCE GUIDE

PROP DEATH PENALTY. INITIATIVE STATUTE. 34

SUMMARY

Put on the Ballot by Petition Signatures

Repeals death penalty and replaces it with life imprisonment without possibility of parole. Applies retroactively to existing death sentences. Directs \$100 million to law enforcement agencies for investigations of homicide and rape cases. Fiscal Impact: Ongoing state and county criminal justice savings of about \$130 million annually within a few years, which could vary by tens of millions of dollars. One-time state costs of \$100 million for local law enforcement grants.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: No offenders could be sentenced to death under state law. Offenders who are currently under a sentence of death would be resentenced to life without the possibility of parole. The state would provide a total of \$100 million in grants to local law enforcement agencies over the next four years.

NO A NO vote on this measure means: Certain offenders convicted for murder could continue to be sentenced to death. The status of offenders currently under a sentence of death would not change. The state would not be required to provide local law enforcement agencies with additional grant funding.

ARGUMENTS

PRO 34 guarantees we never execute an innocent person by replacing California's broken death penalty with life in prison without possibility of parole. It makes killers work and pay court-ordered restitution to victims. 34 saves wasted tax dollars and directs \$100 million to law enforcement to solve rapes and murders.

CON California is broke. Prop. 34 costs taxpayers \$100 million over four years and many millions more, long term. Taxpayers would pay at least \$50,000 annually, giving lifetime healthcare/housing to killers who tortured, raped, and murdered children, cops, mothers and fathers. DAs, Sheriffs and Police Chiefs say Vote No.

FOR ADDITIONAL INFORMATION

FOR
Steve Smith
YES on 34—SAFE California
Campaign
237 Kearny Street #334
San Francisco, CA 94108
(415) 525-9000
info@safecalifornia.org
www.YesOn34.org

AGAINST
Californians for Justice and
Public Safety
455 Capitol Mall, Suite 600
Sacramento, CA 95814
www.waitingforjustice.net

PROP HUMAN TRAFFICKING. PENALTIES. INITIATIVE STATUTE. 35

SUMMARY

Put on the Ballot by Petition Signatures

Increases prison sentences and fines for human trafficking convictions. Requires convicted human traffickers to register as sex offenders. Requires registered sex offenders to disclose Internet activities and identities. Fiscal Impact: Costs of a few million dollars annually to state and local governments for addressing human trafficking offenses. Potential increased annual fine revenue of a similar amount, dedicated primarily for human trafficking victims.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Longer prison sentences and larger fines for committing human trafficking crimes.

NO A NO vote on this measure means: Existing criminal penalties for human trafficking would stay in effect.

ARGUMENTS

PRO YES on 35—
STOP HUMAN TRAFFICKING. PREVENT THE SEXUAL EXPLOITATION OF CHILDREN. Traffickers force women and children to sell their bodies on the streets and online. Prop. 35 fights back, with tougher sentencing, help for victims, protections for children online. Trafficking survivors; children's and victims' advocates urge: YES on 35.

CON Proposition 35 actually threatens many innocent people "My son, who served our country in the military and now attends college, could be labeled a human trafficker and have to register as a sex offender if I support him with money I earn providing erotic services." —Maxine Doogan
Please Vote No.

FOR ADDITIONAL INFORMATION

FOR
Kristine Kil
Vote Yes on 35
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info@VoteYesOn35.com
www.VoteYesOn35.com

AGAINST
Maxine Doogan
Erotic Service Providers Legal,
Education, and Research
Project, Inc.
2261 Market Street #548
San Francisco, CA 94114
(415) 265-3302
noonprop35@gmail.com
http://esplerp.org/

QUICK-REFERENCE GUIDE

PROP 36 THREE STRIKES LAW. REPEAT FELONY OFFENDERS. PENALTIES. INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Revises law to impose life sentence only when new felony conviction is serious or violent. May authorize re-sentencing if third strike conviction was not serious or violent. Fiscal Impact: Ongoing state correctional savings of around \$70 million annually, with even greater savings (up to \$90 million) over the next couple of decades. These savings could vary significantly depending on future state actions.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Some criminal offenders with two prior serious or violent felony convictions who commit certain nonserious, non-violent felonies would be sentenced to shorter terms in state prison. In addition, some offenders with two prior serious or violent felony convictions who are currently serving life sentences for many nonserious, non-violent felony convictions could be resentenced to shorter prison terms.

NO A NO vote on this measure means: Offenders with two prior serious or violent felony convictions who commit any new felony could continue to receive life sentences. In addition, offenders with two prior serious or violent felony convictions who are currently serving life sentences for nonserious, non-violent felonies would continue to serve the remainder of their life sentences.

ARGUMENTS

PRO Restores the original intent of the Three Strikes law by focusing on violent criminals. Repeat offenders of serious or violent crimes get life in prison. Nonviolent offenders get twice the ordinary prison sentence. Saves over \$100,000,000 annually and ensures rapists, murderers, and other dangerous criminals stay in prison for life.

CON Proposition 36 will release dangerous criminals from prison who were sentenced to life terms because of their long criminal history. The initiative is so flawed some of these felons will be released without any supervision! Join California's Sheriffs, Police, Prosecutors, and crime victims groups in voting No on Proposition 36.

FOR ADDITIONAL INFORMATION

FOR
Pedro Rosado
Committee for Three Strikes Reform
(415) 617-9360
pedro@FixThreeStrikes.org
www.FixThreeStrikes.org

AGAINST
Milke Reynolds
Save Three Strikes
P.O. Box 4163
Fresno, CA 93744
SaveThreeStrikes.com

PROP 37 GENETICALLY ENGINEERED FOODS. LABELING. INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Requires labeling of food sold to consumers made from plants or animals with genetic material changed in specified ways. Prohibits marketing such food, or other processed food, as "natural." Provides exemptions. Fiscal Impact: Increased annual state costs from a few hundred thousand dollars to over \$1 million to regulate the labeling of genetically engineered foods. Additional, but likely not significant, governmental costs to address violations under the measure.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Genetically engineered foods sold in California would have to be specifically labeled as being genetically engineered.

NO A NO vote on this measure means: Genetically engineered foods sold in California would continue not to have specific labeling requirements.

ARGUMENTS

PRO Proposition 37 gives us the right to know what is in the food we eat and feed to our families. It simply requires labeling of food produced using genetic engineering, so we can choose whether to buy those products or not. We have a right to know.

CON Prop. 37 is a deceptive, deeply flawed food labeling scheme, full of special-interest exemptions and loopholes. Prop. 37 would: create new government bureaucracy costing taxpayers millions, authorize expensive shakedown lawsuits against farmers and small businesses, and increase family grocery bills by hundreds of dollars per year.
www.NoProp37.com

FOR ADDITIONAL INFORMATION

FOR
Gary Ruskin
California Right to Know
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GaryR@CARightToKnow.org
www.CARightToKnow.org

AGAINST
NO Prop. 37, Stop the Deceptive Food Labeling Scheme
(800) 331-0850
info@NoProp37.com
www.NoProp37.com

QUICK-REFERENCE GUIDE

PROP 38 TAX TO FUND EDUCATION AND EARLY CHILDHOOD PROGRAMS. INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Increases taxes on earnings using sliding scale, for twelve years. Revenues go to K-12 schools and early childhood programs; and for four years to repaying state debt. Fiscal Impact: Increased state tax revenues for 12 years—roughly \$10 billion annually in initial years, tending to grow over time. Funds used for schools, child care, and preschool, as well as providing savings on state debt payments.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: State personal income tax rates would increase for 12 years. The additional revenues would be used for schools, child care, preschool, and state debt payments.

NO A NO vote on this measure means: State personal income tax rates would remain at their current levels. No additional funding would be available for schools, child care, preschool, and state debt payments.

ARGUMENTS

PRO 38 makes schools a priority again. It guarantees new funding per pupil direct to every local public school site to restore budget cuts and improve educational results. 38 prohibits Sacramento politicians from touching the money. Spending decisions are made locally with community input and strong accountability requirements, including independent audits.

CON No on 38: If you earn \$17,346 per year in taxable income, your taxes increase. Total of \$120 BILLION in higher taxes. No requirements to improve student performance. Can't be changed for 12 years even for fraud. Damages small business. Kills jobs. Educators, taxpayers and businesses say No on 38.

FOR ADDITIONAL INFORMATION

FOR
Yes on Prop. 38
(323) 426-6263
info@prop38forlocalschools.org
www.prop38forlocalschools.org

AGAINST
Jason Kinney
Stop the Middle-Class Income
Tax Hike—No on Prop. 38
980 9th Street, Suite 2000
Sacramento, CA 95814
(916) 806-2719

PROP 39 TAX TREATMENT FOR MULTISTATE BUSINESSES. CLEAN ENERGY AND ENERGY EFFICIENCY FUNDING. INITIATIVE STATUTE.

SUMMARY

Put on the Ballot by Petition Signatures

Requires multistate businesses to pay income taxes based on percentage of their sales in California. Dedicates revenues for five years to clean/efficient energy projects. Fiscal Impact: Increased state revenues of \$1 billion annually, with half of the revenues over the next five years spent on energy efficiency projects. Of the remaining revenues, a significant portion likely would be spent on schools.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: Multistate businesses would no longer be able to choose the method for determining their state taxable income that is most advantageous for them. Some multistate businesses would have to pay more corporate income taxes due to this change. About half of this increased tax revenue over the next five years would be used to support energy efficiency and alternative energy projects.

NO A NO vote on this measure means: Most multistate businesses would continue to be able to choose one of two methods to determine their California taxable income.

ARGUMENTS

PRO YES on 39 CLOSES UNFAIR TAX LOOPHOLE letting OUT-OF-STATE CORPORATIONS avoid taxes by keeping jobs out of California. Closing the loophole protects local jobs and provides \$1 BILLION to California. Funds used for job-creating energy efficiency projects at schools and for deficit reduction. YES on 39—CLOSE THE LOOPHOLE.

CON Proposition 39 is a massive \$1 billion tax increase on California job creators that employ tens of thousands of middle class workers. It's a recipe for waste and corruption, giving Sacramento politicians a blank check to spend billions without real accountability. California is billions in debt; 39 makes it worse.

FOR ADDITIONAL INFORMATION

FOR
Yes on 39—Californians to Close
the Out-of-State Corporate Tax
Loophole
www.cleanenergyjobsact.com

AGAINST
California Manufacturers &
Technology Association
1115 11th Street
Sacramento, CA 95814
info@stop39.com
www.stop39.com

QUICK-REFERENCE GUIDE

PROP REDISTRICTING, STATE SENATE DISTRICTS, 40 REFERENDUM.

SUMMARY

Put on the Ballot by Petition Signatures

A "Yes" vote approves, and a "No" vote rejects, new State Senate districts drawn by the Citizens Redistricting Commission. If rejected, districts will be adjusted by officials supervised by the California Supreme Court. Fiscal Impact: Approving the referendum would have no fiscal impact on the state and local governments. Rejecting the referendum would result in a one-time cost of about \$1 million to the state and counties.

WHAT YOUR VOTE MEANS

YES A YES vote on this measure means: The state Senate district boundaries certified by the Citizens Redistricting Commission would continue to be used.

NO A NO vote on this measure means: The California Supreme Court would appoint special masters to determine new state Senate district boundaries.

ARGUMENTS

PRO Yes on 40 protects the State Senate maps drawn by the voter-approved Independent Citizens Redistricting Commission. Yes on 40 upholds the will of California voters to hold politicians accountable by keeping them out of the redistricting process. Good government groups, seniors, businesses and taxpayers recommend "Yes on 40."

CON As sponsors of Proposition 40, our intention was to overturn the commission's State Senate districts for 2012. However, due to the State Supreme Court's ruling that kept these districts in place for 2012, we have suspended our campaign and no longer seek a NO vote.

FOR ADDITIONAL INFORMATION

FOR
Yes on 40
Hold Politicians Accountable
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(866) 408-4527
Info@HoldPoliticiansAccountable.org
www.HoldPoliticiansAccountable.org

AGAINST
FAIRDISTRICTS2012.com

Visit the Secretary of State's Website to:

- Research campaign contributions and lobbying activity
<http://cal-access.sos.ca.gov>
- View voter guides in other languages
www.voterguide.sos.ca.gov
- Find your polling place
www.sos.ca.gov/elections/find-polling-place.htm
- Obtain vote-by-mail ballot information
www.sos.ca.gov/elections/elections_m.htm
- Get helpful information for first-time voters
www.sos.ca.gov/elections/new-voter
- Watch live election results after polls close on Election Day
<http://vote.sos.ca.gov>

About Ballot Arguments

The Secretary of State does not write ballot arguments. Arguments in favor of and against ballot measures are provided by the proponents and opponents of the ballot measures. The submitted argument language cannot be verified for accuracy or changed in any way unless a court orders that the language be changed.

For more information about your voting rights, see page 143 of this guide.