

California

SUPPLEMENTAL BALLOT PAMPHLET

This supplemental ballot pamphlet is sent to you separately from the pamphlet containing Propositions 192 through 202 because the measure contained herein qualified for the ballot after the printing deadline for the principal ballot pamphlet. Please check to be sure you receive two ballot pamphlets for the March 26, 1996 Primary Election. In order to distinguish between the two, this supplemental pamphlet is printed in blue ink. If you do not receive your main pamphlet, contact your county elections official or call 1-800-345-VOTE.

**Primary
Election**

MARCH 26, 1996

CERTIFICATE OF CORRECTNESS

I, Bill Jones, Secretary of State of the State of California, do hereby certify that the measure included herein will be submitted to the electors of the State of California at the PRIMARY ELECTION to be held throughout the State on March 26, 1996, and that this pamphlet has been correctly prepared in accordance with law.



Witness my hand and the Great Seal of the State in Sacramento, California,
this 31st day of January, 1996.

Bill Jones
BILL JONES
Secretary of State



Secretary of State

Dear Voter:

This is the Supplemental Ballot Pamphlet, containing information about Proposition 203, as well as the Legislative Analyst's overview of the state bond debt, for the March 26, 1996 Primary Election. This measure was placed on the ballot by the Legislature and the Governor after the printing deadline for the principal ballot pamphlet (which contains information about Propositions 192 through 202).

This Supplemental Ballot Pamphlet and the California Ballot Pamphlet, previously sent to you, are designed to provide you with the information you need for Election Day. An informed voter is a likely voter. And that's where we need your help. As Californians, we must work together to persuade more people to join us in casting ballots on March 26. Each of you needs to remind your friends, relatives, neighbors and co-workers to go to the polls. We need your involvement to achieve our goal of 100 percent participation.

If you find that the people you contact are not yet registered to vote, please have them call the Secretary of State's 24-hour Voter Registration and Election Fraud Hot-line at 1-800-345-VOTE. A registration card will be mailed promptly to them.

The 1-800-345-VOTE hot-line can also be used to report any incidents of election fraud, tampering or other election-oriented irregularities that need to be addressed. The complete elimination of fraud and the potential for it has been one of our top priorities. Although we are extremely interested in increasing voter participation, we will not tolerate any action that would jeopardize the integrity of the ballot box in California.

We urge you to go to the polls on March 26 and encourage your family, friends and relatives to participate and vote!

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March 26, 1996 Supplemental Ballot Measure

	SUMMARY	WHAT YOUR VOTE MEANS	
		YES	NO
<p style="text-align: center;">203</p> <p style="text-align: center;">PUBLIC EDUCATION FACILITIES BOND ACT OF 1996.</p> <p style="text-align: center;">Bond Act</p> <p style="text-align: center;">Put on the Ballot by the Legislature</p>	<p>This three billion dollar school construction bond would help upgrade and construct classrooms, libraries, and other needed facilities in California's public schools, community colleges, and state universities. Funds will be used to make current classrooms safer in the event of earthquakes, equip classrooms for the computer technology of the 21st century, reduce class size and meet enrollment growth. These bonds may be used only for approved school construction projects.</p>	<p>A YES vote on this measure means: The state would be able to issue \$3 billion in general obligation bonds for the construction and renovation of public elementary, secondary, and higher education facilities.</p>	<p>A NO vote on this measure means: The state would not be able to issue \$3 billion in general obligation bonds for the construction and reconstruction of public elementary, secondary, and higher education facilities.</p>

ARGUMENTS		WHOM TO CONTACT FOR MORE INFORMATION	
PRO	CON	FOR	AGAINST
<p>A YES vote on Proposition 203 will help: meet school enrollment growth; make schools earthquake-safe; wire classrooms for computer technology; lessen overcrowding; all without raising taxes. Join the League of Women Voters, California Chamber of Commerce, State PTA and teachers in support of Proposition 203.</p>	<p>Bonds are NOT free money. Taxpayers would have to pay \$5.4 BILLION in principal and interest. Half the state budget goes to schools already, mostly to bureaucrats, not students. Schools have failed to educate. Give parents tax credits or vouchers to pay for private schools instead.</p>	<p>Jim Murdoch Coalition for Adequate School Housing 1130 K Street, Suite 210 Sacramento, CA 95814 (916) 448-8577</p>	<p>Libertarian Party of California 1800 Market Street San Francisco, CA 94102 1-800-637-1776</p>



Public Education Facilities Bond Act of 1996.

Official Title and Summary Prepared by the Attorney General

PUBLIC EDUCATION FACILITIES BOND ACT OF 1996.

- This act provides for a bond issue of three billion dollars (\$3,000,000,000) to provide funds for school facility improvement programs.
- Earmarks \$2.025 billion for primary and secondary schools, and \$975 million for higher education.
- Appropriates money from General Fund to pay off bonds.

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

- State General Fund cost of about \$5.2 billion to pay off both the principal (\$3 billion) and interest (\$2.2 billion) on the bonds.
- The average payment for principal and interest over 25 years would be about \$208 million per year.

Final Votes Cast by the Legislature on AB 1168 (Proposition 203)

Assembly: Ayes 69	Senate: Ayes 30
Noes 6	Noes 5

Analysis by the Legislative Analyst

Background

Public education in California consists of two distinct systems. One system includes local school districts that provides elementary and secondary (kindergarten through 12th grade) education to about 5.3 million students. The other system (commonly referred to as "higher education") includes local community colleges, the California State Universities, the University of California, and the Hastings College of the Law. This higher education system provides a wide range of education programs beyond the kindergarten through 12th grade (K-12) level.

K-12 Schools

The state, through the State School Building Lease-Purchase Program, provides much of the money for school districts to buy land and to construct, reconstruct, or modernize school buildings in the K-12 system. In order to receive money under this program, school districts must meet certain eligibility requirements.

Under other related programs, the state also provides money to (1) remove hazardous asbestos from school buildings, (2) purchase portable classrooms, (3) repair and renovate child care facilities that provide care for school-aged children before and after school hours and during summer vacation, and (4) purchase and install air conditioning equipment and insulation materials in eligible year-round schools.

Since 1986, the voters have approved \$6.8 billion in state general obligation bonds to fund these K-12 school facilities programs. As of January 1996, there was about \$60 million remaining from these funds.

In addition to obtaining money from the state, local school districts raise funds for school buildings in three main ways:

- **Local General Obligation Bonds.** School districts are authorized to sell bonds to finance school construction projects, with the approval of two-thirds of the voters in

the district. In these cases, the bonds are paid off by taxes that are levied on property located within the school district.

- **Special Local Bonds (Known as "Mello-Roos" Bonds).** School districts are authorized to form special districts in order to sell these bonds for school construction projects, with approval of two-thirds of the voters in the special district. (The special districts generally do not encompass the entire school district.) The bonds are paid off by charges assessed to property owners in the special district.
- **Developer Fees.** School districts are authorized to impose developer fees on new construction. As of January 1, 1996, the maximum allowable fee under state law is \$1.72 per square foot on residential buildings and 28 cents per square foot on commercial or industrial buildings. These fees may be used only for construction and reconstruction of school buildings.

K-12 School Building Needs. There is no district-by-district estimate on the future demand for school facilities. The state Department of Finance estimates that the number of students attending K-12 schools statewide will increase by about 600,000 over the next five years. Given this projected growth, several billions of dollars will be needed statewide for new school facilities over the next five years. Additional funds will be needed for reconstruction or modernization of existing school facilities, including air conditioning for schools that operate year-round.

As of May 1995, applications submitted by school districts for state funding of land and new school buildings totaled approximately \$5.3 billion. In addition, applications for state funding to reconstruct or modernize school buildings, purchase portable classrooms, remove hazardous asbestos from schools, and provide air conditioning for year-round schools totaled approximately \$1.8 billion.

Higher Education

California's system of public higher education includes 139 campuses serving about 1.8 million students:

- The University of California has nine campuses, with a total enrollment of about 158,000 students. This system offers bachelor, master, and doctoral degrees, and is the primary state-supported agency for research.
- The California State University system has 22 campuses, with an enrollment of about 330,000 students. The system grants bachelor and master degrees.
- The California Community Colleges provide instruction to about 1.3 million students at 107 campuses operated by 71 locally governed districts throughout the state. The community colleges grant associate degrees and also offer a variety of vocational skill courses.
- The Hastings College of the Law is governed by its own board of directors and has an enrollment of about 1,300 students.

The state provides money to support these institutions of public higher education. This support covers both ongoing operating and capital improvement costs. In addition to state funds, these institutions also receive widely varying amounts of nonstate funds for both support and capital improvements.

Since 1986, the voters have approved nearly \$2.4 billion in general obligation bonds for capital improvements at public higher education campuses. As of January 1996, there was about \$14 million remaining from these funds. In addition, since 1986 the Governor and the Legislature have provided about \$2.4 billion for public higher education facilities from lease-payment bonds.

Higher Education Building Needs. Each year the institutions of higher education prepare five-year capital outlay plans, in which they identify projects that they believe should be funded over the next five years. The most recent five-year plans identify a total of \$6.6 billion in projects for the period 1996-97 through 2000-01.

Proposal

This measure authorizes the state to sell \$3 billion in general obligation bonds for K-12 schools (\$2.025 billion) and higher education facilities (\$0.975 billion).

General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from state personal and corporate income taxes and sales taxes.

K-12 School Facilities

The \$2.025 billion for K-12 schools would be used as shown in Figure 1.

As the figure shows, almost one-half of the funds (at least \$960 million) would be used to build new schools. The measure also allows up to \$1.065 billion to be used for a wide variety of school capital outlay purposes.

The \$2.025 billion for K-12 schools would be distributed to eligible school districts by the State Allocation Board. The board is a seven-member body composed of four members of the Legislature, two directors of state departments, and the Superintendent of Public Instruction.

State School Building Aid Program. This measure would allow \$40 million in unsold bonds previously approved for the State School Building Aid Program to instead be sold for the State School Building Lease-Purchase Program. (Under the aid program, the state lends bond funds to school districts for school construction and the districts pay back the loan plus

interest over a period of up to 30 years. However, there has not been activity in the aid program for many years. This is because since 1976 the state has funded school facilities under the lease-purchase program.)

In addition, this measure would transfer any remaining funds (about \$15 million) from prior sales of bonds under the aid program to the lease-purchase program.

Figure 1

Uses of \$2.025 Billion for K-12 Schools

At Least \$960 Million to:

- Buy land and construct *new* school buildings.

Up to \$900 Million for:

- Projects in small school districts that may not otherwise receive state funding because of their small size.
- Removal of hazardous asbestos from school facilities.
- Purchase of portable classrooms or child care facilities.
- Reconstruction or modernization of *existing* school buildings.
- Purchase and installation of air conditioning equipment and insulation materials for eligible school districts with year-round school programs.
- Construction of school facilities in districts where enrollment increases are caused by the building of new state or federal prisons.
- Providing classroom facilities for severely handicapped children for programs administered by county boards of education.
- Replacement of roofs at existing school buildings.
- Projects and equipment to increase school security.

Up to \$100 Million to:

- Strengthen school facilities for earthquake safety.

Up to \$40 Million for:

- Projects in which school districts pay for at least 60 percent of the cost of a project.

Up to \$25 Million for:

- School projects that include certain facilities (such as a library or park) that will be jointly used by the school district and another governmental entity.

Higher Education Facilities

The measure includes \$975 million to construct new buildings, alter existing buildings, and purchase equipment for use in these buildings for California's public higher education system. The Governor and the Legislature would decide the specific projects to be funded by the bond monies.

Fiscal Effect

For general obligation bonds, the state makes principal and interest payments from the state's General Fund typically over a period of about 25 years. If the \$3 billion in bonds authorized by this measure plus the \$40 million in unsold bonds transferred from the School Building Aid Program are sold at an interest rate of 5.5 percent, the cost over the period would be about \$5.21 billion to pay off both the principal (\$3.04 billion) and interest (\$2.17 billion). The average payment for principal and interest would be about \$208 million per year.

For the text of Proposition 203 see page 9

Argument in Favor of Proposition 203

TO BE COMPETITIVE IN A WORLD ECONOMY, CALIFORNIA MUST PROVIDE FIRST-RATE LEARNING ENVIRONMENTS FOR ALL OF ITS STUDENTS.

Many of California's school, community college and public university buildings are outdated or in desperate need of repair. Public school classrooms are overcrowded. More than half of our schools are over thirty years old. To protect our students, public schools, community colleges and public universities must be made earthquake-safe. Plus, our students cannot be expected to succeed in the information-age unless our classrooms are equipped with computers and modern technology.

PROPOSITION 203 WOULD UPGRADE OUR SCHOOLS, COMMUNITY COLLEGES AND PUBLIC UNIVERSITIES FOR NEW TECHNOLOGIES, IMPROVE EARTHQUAKE SAFETY AND LESSEN OVERCROWDING.

California's school facility problems will not disappear magically. Failing to solve problems such as overcrowding, earthquake safety and lack of technology, harms all of today's students as well as future generations. We must invest in our educational facilities. We must provide access to computers and instruction in modern technology if we expect our students to succeed.

PROPOSITION 203 IS NEEDED NOW!

This statewide school construction bond is desperately needed. Every penny you, the voters, have previously authorized for school construction, earthquake repairs and technological improvements has already been spent or has been spoken for. All funds from all previous bond acts are gone.

CALIFORNIA'S SCHOOL POPULATION IS GROWING.

Public school classrooms are the most overcrowded in the nation and class sizes are nearly one-third larger than the national average. This school bond will provide money to build

additional classrooms and may permit smaller classes so that students can get the individual attention they need.

PROPOSITION 203 WILL GIVE STUDENTS ACCESS TO COMPUTERS AND MODERN TECHNOLOGY.

California now ranks 50th out of 50 states in computers per student. This school bond will help prepare students for the workplace of the 21st century and high-skilled, high-wage jobs.

THE CALIFORNIA CHAMBER OF COMMERCE SUPPORTS PROPOSITION 203. IT WILL ALSO HELP IMPROVE OUR STATE'S ECONOMY BY CREATING NEEDED JOBS.

Proposition 203 is a WIN-WIN for California.

When you vote YES on Proposition 203 you are voting:

- for the future of our children
- for earthquake-safe schools
- for access to computers and modern technology
- for smaller classes
- all without raising taxes

JOIN WITH THE CALIFORNIA STATE PTA, CALIFORNIA BUSINESS ROUNDTABLE, EDUCATORS, CONGRESS OF CALIFORNIA SENIORS, CALIFORNIA LABOR FEDERATION, AFL-CIO, PRESIDENT OF THE UNIVERSITY OF CALIFORNIA, CHANCELLOR OF THE CALIFORNIA STATE UNIVERSITY, CHANCELLOR OF THE CALIFORNIA COMMUNITY COLLEGES AND MANY OTHER LEADERS IN SUPPORT OF PROPOSITION 203.

VOTE YES FOR STUDENTS, YES FOR EDUCATION AND YES FOR PROPOSITION 203.

FRAN PACKARD

President, League of Women Voters of California

LOIS TINSON

President, California Teachers Association

KIRK WEST

President, California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 203

Proponents claim Proposition 203 won't raise taxes. Where do they think the money will come from to pay \$5.4 BILLION in principal and interest over 20 years? From the taxpayers, of course. Bonds are NOT free money!

Proponents claim Proposition 203 will create jobs. Government jobs are created at the expense of private sector jobs. If a business has to pay higher taxes, it has less money to hire more employees. The way to create more jobs is for the Legislature and Governor Wilson to cut taxes, cut government spending and repeal regulations that have made California the nation's most anti-business, anti-growth state. If these politicians would repeal some laws instead of passing 1,000 new ones (in 1995 alone), our economy could start growing again.

There are already millions of square feet of vacant commercial real estate in California. Why can't school districts lease existing buildings instead of undertaking this massive public works boondoggle? Students could immediately move out of overcrowded classrooms and enjoy modern facilities. Instead,

if Proposition 203 passes, peoples' homes will be condemned and torn down to make room for new schools.

Half the state's budget goes to education already. 64% of the education budget never makes it past the bureaucracy into the classrooms. Public schools employ 127 non-teachers for every teacher, while private schools only employ 16 non-teachers per 100 teachers. Proposition 203 means more money to bureaucrats, not students.

Say NO to massive bond debt. Vote NO on Proposition 203.

GAIL LIGHTFOOT

Chair, Libertarian Party of California

TED BROWN

Member, Executive Committee, Libertarian Party of California

PAM PROBST

Teacher

Argument Against Proposition 203

Voters rejected a \$1 billion school bond and a \$900 million college bond in June 1994. Now politicians want to try again—but now they want \$3 BILLION! They forget the economy is a mess. Californians are fighting just to pay their bills. WE CAN'T AFFORD PROPOSITION 203, which will raise taxes and government spending.

Bonds are NOT free money, like politicians want you to think. Proposition 203 calls for taxpayers to pay \$3 BILLION, plus another \$2.4 BILLION in interest, over 20 years. That's right, using bonds almost doubles the cost of any government project. Instead of biting the bullet now, politicians want our kids and grandkids to pay the bills.

Of course we all want good schools. But over half of California's bloated \$57 BILLION budget goes to schools already. The law requires the first 40% of California's budget be used for education. The Legislature and governor usually give education bureaucrats anything they ask for—in return for millions of dollars of campaign contributions.

Taxpayers already fork over income taxes, sales taxes and property taxes to finance schools. California spends an average of \$5,200 per student each year. That's \$156,000 for a classroom of 30 kids. If the teacher earns \$40,000, where does the other \$116,000 go? Who's getting rich off your taxes? The school establishment pleads poverty—but in fact it wastes huge amounts of money on administrators and other bureaucrats. There should be plenty of money in each school district's regular budget to pay for needed projects and maintenance.

The government has a monopoly on public education. It takes our taxes and offers us a school system that doesn't face hard competition. Overworked teachers who must deal with too many administrators and too much paperwork cannot educate

students well. Parents who can afford to do so flee the chaos of California's public schools to get a quality education for their kids in private schools.

There are alternatives to throwing our tax dollars away. Either tuition tax credits or vouchers would give parents and kids the choice they deserve. When detractors say public schools would shrivel up and die if parents had a choice, they're just admitting the present system is a failure.

In the case of colleges, taxpayers (most of whom have no college age children) already subsidize students who attend government-run universities. A college education is NOT a right. Students who have the determination and qualifications to attend college should pay the entire cost themselves (or find someone else to pay, like a scholarship fund). Forcing single people, the elderly and childless couples to foot the bill is wrong. If the \$975 million earmarked for colleges is truly needed, then those who use the facilities should pay for them.

**PARENTS AND KIDS NEED A CHOICE IN EDUCATION!
TAXPAYERS NEED RELIEF FROM MASSIVE
GOVERNMENT SPENDING AND OUT-OF-CONTROL BOND
DEBT!**

Save California taxpayers \$5.4 BILLION over 20 years.
VOTE NO on Proposition 203.

GAIL LIGHTFOOT

Chair, Libertarian Party of California

TED BROWN

*Member, Executive Committee, Libertarian Party
of California*

PAM PROBST

Teacher

Rebuttal to Argument Against Proposition 203**AN INVESTMENT IN EDUCATION IS AN
INVESTMENT IN OUR FUTURE**

California's economy depends upon the strength of its work force and the quality of its education systems. By investing in our schools, community colleges and public universities we are investing in our future.

PROPOSITION 203 HELPS THE STATE'S ECONOMY

California's economy is rebounding. At the same time, though, our classrooms are overcrowded, many schools are not earthquake-safe, and students are being deprived of access to computers and modern technology.

PROPOSITION 203 DOES NOT INCREASE TAXES

Contrary to what some would have you believe, passage of Proposition 203 conforms to both the letter and spirit of Proposition 13 and provides desperately needed revenue—without raising taxes.

**PROPOSITION 203 WILL BUILD NEW SCHOOLS
AND REPAIR OLD ONES**

It's the law. All school bond funds must be spent on school facilities. If approved by the voters, this bond must be used to

build new schools, repair and upgrade older classrooms, and construct laboratories, libraries and other needed facilities. The money cannot be used for any other purpose.

**THE LEAGUE OF WOMEN VOTERS OF CALIFORNIA,
CALIFORNIA CHAMBER OF COMMERCE AND
CALIFORNIA TEACHERS ASSOCIATION ALL SUPPORT
PROPOSITION 203 BECAUSE IT WILL:**

- modernize classrooms for computers and high technology
- make schools earthquake-safe
- reduce overcrowding
- create more than 86,000 jobs in the construction industry.

**VOTE YES ON PROPOSITION 203 FOR TODAY'S
STUDENTS AND CALIFORNIA'S FUTURE SUCCESS.**

CAROL RULEY

President, California State PTA

HOWARD OWENS

Legislative Director, Congress of California Seniors

DAN TERRY

President, California Professional Firefighters

An Overview of State Bond Debt

This section of the ballot pamphlet provides an overview of the state's current bond debt. It also provides a discussion of the impact the bond measures on this ballot, if approved, would have on this debt level.

Background

What Is Bond Financing? Bond financing is a type of long-term borrowing used to raise money for specific projects. The state gets money by selling bonds to investors. The state must pay back the amount of the bonds along with interest.

The money raised from bonds primarily funds large capital outlay projects, such as prisons, schools, and colleges. The state uses bond financing mainly because these facilities are used for many years and their large dollar costs are difficult to pay for all at once.

General Fund Bond Debt. Most of the bonds the state issues are *general obligation* bonds. The General Fund makes debt payments on about three-fourths of these bonds. The remaining general obligation bonds (such as veterans housing bonds) are self-supporting, and therefore do not require General Fund support. The money in the General Fund comes primarily from state personal and corporate income taxes and sales taxes. General obligation bonds must be approved by the voters, and are placed on the ballot by legislative action or by initiative.

The state also issues bonds known as *lease-payment* bonds. These bonds do not require voter approval. The state has used these bonds to fund capital outlay projects in higher education, to construct prisons, and to build state offices. The General Fund also makes debt payments on these bonds.

What Are the Direct Costs of Using Bonds? The state's cost for using bonds depends primarily on the interest rate that is paid on the bonds, and the number of years over which they are paid off. Most general obligation bonds are paid off over a period of 20 to 30 years. Assuming an interest rate of 5.5 percent, the cost of paying off bonds over 25 years is about \$1.72 for each dollar borrowed—\$1 for the dollar borrowed and 72 cents for the interest. These payments, however, are spread over the entire period, so the cost after adjusting for inflation is less. This is because future payments are made with cheaper dollars. Assuming a 3 percent future

annual inflation rate, the cost of paying off the bonds in today's dollars would be about \$1.25 for each \$1 borrowed.

The State's Current Debt Situation

The Amount of State Debt. As of October 1, 1995, the state had about \$19.9 billion of General Fund bond debt—\$14.4 billion of general obligation bonds and \$5.5 billion of lease-payment bonds. Also, about \$4.1 billion of authorized bonds had not been sold because the projects to be funded by the bonds had not been undertaken.

Debt Payments. We estimate that payments on the state's General Fund bond debt will be around \$2.3 billion during the 1995–96 fiscal year. This is about 5.1 percent of estimated General Fund revenues. This percentage is referred to as the state's "debt ratio." In 1990–91, the state's debt ratio was 2.5 percent.

We estimate that as already authorized bonds are sold, the state's annual payments for bond debt will increase to about \$2.5 billion in 1998–99 and decline thereafter. General Fund revenues are expected to increase at a faster rate than General Fund bond debt. Consequently, if no new bond proposals were approved, the state's debt ratio would decline to 4.6 percent in 1998–99 and continue to decline thereafter.

Bond Measure Proposed on the Ballot

There are two general obligation bond measures on this ballot, totaling \$5 billion:

- \$2 billion to strengthen state-owned bridges and toll bridges for earthquake safety.
- \$3 billion for K–12 school and higher education facilities.

If these bond measures are approved, we estimate that the state's bond debt payments would be about \$2.8 billion in 1998–99 and the state's General Fund bond debt would total \$24.3 billion (after accounting for the sale of some authorized bonds and the retirement of some debt). The debt ratio would peak at 5.3 percent in 1998–99 and decline thereafter. Voter approval of additional bonds at future elections or legislative authorization of additional lease-payment bonds would increase the state's debt.

This overview of state bond debt replaces a similar overview in the principal ballot pamphlet. This overview discusses the impact of the two bond measures on the ballot, including Proposition 203, a measure which qualified for the ballot after the printing deadline for the principal ballot pamphlet.

Proposition 203: Text of Proposed Law

This law proposed by Assembly Bill 1168 (Statutes of 1996, Chapter 1) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Education Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Part 66 (commencing with Section 100000) is added to the Education Code, to read:

PART 66. PUBLIC EDUCATION BONDS

CHAPTER 1. PUBLIC EDUCATION FACILITIES BOND ACT OF 1996

Article 1. General Provisions

100000. *This chapter shall be known and may be cited as the Public Education Facilities Bond Act of 1996.*

Article 2. School Facilities Program Provisions

100010. (a) *Two billion twenty-five million dollars (\$2,025,000,000) of the proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the State School Building Lease-Purchase Fund.*

100015. *All moneys deposited in the State School Building Lease-Purchase Fund shall be available to provide aid to school districts of the state in accordance with the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 22 (commencing with Section 17700) of Part 10), and of all acts amendatory thereof and supplementary thereto, to provide aid to school districts, county superintendents of schools, and county boards of education of the state in accordance with Sections 100020, 100025, 100030, and 100035, to provide funds to repay any money advanced or loaned to the State School Building Lease-Purchase Fund under any act of the Legislature, together with interest provided for in that act, and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.*

100020. *Of the proceeds from the sale of bonds pursuant to this chapter, not more than nine hundred million dollars (\$900,000,000) may be used for one or more of the following purposes:*

(a) *The acquisition of portable classrooms for use in accordance with Chapter 25 (commencing with Section 17785) of Part 10.*

(b) *The reconstruction or modernization of facilities pursuant to Chapter 22 (commencing with Section 17700) of Part 10. In addition to the current program requirements, the State Allocation Board may allocate funding pursuant to this subdivision for the reconstruction or modernization of any existing structure, including the wiring and cabling in that structure, to enable that structure to accommodate computers and other high technology equipment.*

(c) *The purchase and installation of air-conditioning equipment and insulation materials, and related costs, pursuant to Section 42250.1, for schools operated on a year-round multitrack schedule in a manner that increases school capacity and reduces or eliminates the school district's need for the construction of additional classroom space.*

(d) *Project funding for applicant districts under Chapter 22 (commencing with Section 17700) of Part 10 that have incurred or will incur enrollment increases due to the locating or expansion of state or federal prisons.*

(e) *The acquisition of relocatable child care and development facilities for the purpose of providing extended day care services pursuant to Article 22*

(commencing with Section 8460) of Chapter 2 of Part 6.

(f) *Project funding, without regard to funding priorities, for applicant county boards of education under Chapter 22 (commencing with Section 17700) of Part 10 that are eligible for that funding for classrooms for severely handicapped pupils.*

(g) *Project funding for applicant districts under Chapter 22 (commencing with Section 17700) of Part 10 that are eligible for that funding, but that lack funding priority due to the size of pupil enrollment in the district.*

(h) *Project funding for high priority roof replacement projects.*

(i) *Construction projects or the purchase of furniture or equipment designed to increase school security.*

(j) *The identification, assessment, or abatement in school facilities of hazardous asbestos pursuant to either Chapter 22 (commencing with Section 17700) of Part 10 or Section 39619.6 and of lead.*

(k) *The reconstruction or modernization of facilities pursuant to Chapter 22 (commencing with Section 17700) of Part 10. Notwithstanding Section 17721.3, the State Allocation Board may allocate funding pursuant to this subdivision for the reconstruction or modernization of an existing structure in an amount that exceeds 25 percent of the replacement cost of that structure in order to finance structural improvements needed to avert future earthquake damage.*

100025. *Of the proceeds from the sale of bonds pursuant to this chapter, not more than one hundred million dollars (\$100,000,000) may be used for seismic retrofit projects of existing public school facilities.*

100030. *Of the proceeds from the sale of bonds pursuant to this chapter, not more than forty million dollars (\$40,000,000) may be used for projects for school districts that agree to contribute 60 percent or more of the cost of those projects.*

100035. *Of the proceeds from the sale of bonds pursuant to this chapter, not more than twenty-five million dollars (\$25,000,000) may be used for projects that include joint use of facilities pursuant to Section 17750 or 17751.*

Article 3. Higher Education Facilities Program

100110. *The Legislature finds and declares all of the following:*

(a) *California's economic and social prosperity relies on a higher education system that keeps pace with California's growth. In the coming decades, the state's economic prosperity will depend on increasing the productivity of the work force and on the ability to compete successfully in the world marketplace.*

(b) *The system of public higher education in this state includes the University of California, comprising nine campuses, the California State University, comprising 22 campuses, including the California Maritime Academy, a specialized institution, the California Community Colleges, consisting of 71 districts and 107 campuses, the Hastings College of the Law, and their respective off-campus centers. Each of these institutions plays a vital role in maintaining California's dominance in higher education in the United States.*

(c) *Over the last several years, studies have been completed by the University of California, the California State University, and the California Community Colleges to assess their long-term and short-term capital needs. Those studies demonstrate that the long-term and short-term needs total, in the aggregate, several billion dollars.*

(d) The purpose of this article is to assist in meeting the capital outlay financing needs of California's public higher education system.

100115. Nine hundred seventy-five million dollars (\$975,000,000) of the proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the 1996 Higher Education Capital Outlay Bond Fund, which is hereby created.

100120. The Higher Education Facilities Finance Committee created pursuant to Section 67353 shall be and is hereby authorized to create a debt or debts, liability or liabilities, of the State of California pursuant to this chapter for the purpose of funding aid to the University of California, the California State University, the California Community Colleges, and the Hastings College of the Law for the construction, including the construction of buildings and the acquisition of related fixtures; the equipping of new, renovated, or reconstructed facilities; funding for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings; renovation and reconstruction of facilities; and the construction or improvement of off-campus facilities of the California State University approved by the Trustees of the California State University on or before July 1, 1990, including the acquisition of sites upon which these facilities are to be constructed.

The addition of the Hastings College of the Law to this section is not intended to mark a change from the funding authorizations made by Section 67354, as contained in the Higher Education Facilities Bond Act of 1986, or Section 67334, as contained in the Higher Education Facilities Bond Act of 1988, but is intended to state more clearly what was intended by the Legislature in those sections as well.

100121. The Board of Governors of the California Community Colleges shall consider the historic significance of community college district buildings that are 50 years of age or older if those buildings are to be renovated, reconstructed, or demolished in connection with the construction of buildings utilizing the funds provided by this chapter.

Article 4. Fiscal Provisions

100125. (a) Bonds in the total amount of three billion dollars (\$3,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 100175, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the Higher Education Facilities Finance Committee created pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

100130. The State School Building Finance Committee, created by Section 15909 and composed of the Governor, Controller, Treasurer, Director of Finance, and the Superintendent of Public Instruction, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the

purpose of this chapter. The Treasurer shall be designated to chair the committee. Two Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly, shall meet with and provide advice to the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and, as that committee, shall have the powers and duties imposed upon those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide the assistance to the committee as it may require. The Attorney General of the state shall be the legal adviser of the committee.

100135. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board" for purposes of administering the State School Building Lease-Purchase Fund.

(c) For purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 1996 Higher Education Capital Outlay Bond Fund is designated as the "board" for projects funded by those appropriations.

100140. (a) Upon request of the State Allocation Board from time to time, supported by a statement of the apportionments made and to be made for the purposes described in Sections 100015, 100020, 100025, 100030, and 100035, the State School Building Finance Committee created pursuant to Section 15909 shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

(b) The Higher Education Facilities Finance Committee created pursuant to Section 67353 shall authorize the issuance of bonds under this chapter only to the extent necessary to fund the apportionments for the purposes described in Section 100120 that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 100120 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

100145. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

100150. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum that is necessary to carry out the provisions of Section 100165, appropriated without regard to fiscal years.

100155. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this chapter. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

100160. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes subject to designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds that is required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

100165. (a) For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the State School Building Finance Committee or the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the State School Building Lease-Purchase Fund and the 1996 Higher Education Capital Outlay Bond Fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

(b) Any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in Section 100120 by the University of California, the California State University, or the California Community Colleges shall be accompanied by the five-year capital outlay plan of the particular university or college and shall include a

schedule that prioritizes the seismic retrofitting needed to significantly reduce, by the 2002-03 fiscal year, in the judgment of the particular university or college, seismic hazards in buildings identified as high priority by the university or college.

100170. All money deposited in the State School Building Lease-Purchase Fund, the Education Technology Fund, and the 1996 Higher Education Capital Outlay Bond Fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

100175. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the electors of the state for the issuance of the bonds described in this chapter shall include approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

100180. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Article 5. Miscellaneous

100185. (a) Any remaining funds resulting or derived from the sale of bonds pursuant to Chapter 9 (commencing with Section 16400), Chapter 10 (commencing with Section 16500), Chapter 11 (commencing with Section 16600), Chapter 12 (commencing with Section 16700), Chapter 13 (commencing with Section 16800), Chapter 15 (commencing with Section 17000), Chapter 16 (commencing with Section 17100), Chapter 17 (commencing with Section 17200), Chapter 18 (commencing with Section 17300), Chapter 19 (commencing with Section 17400), and Chapter 20 (commencing with Section 17500), of Part 10, shall be transferred to the State School Building Lease-Purchase Fund and may be apportioned by the State Allocation Board for the purposes of the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 22 (commencing with Section 17700) of Part 10).

(b) Any unsold bonds, authorized for issuance under Chapter 9 (commencing with Section 16400), Chapter 10 (commencing with Section 16500), Chapter 11 (commencing with Section 16600), Chapter 12 (commencing with Section 16700), Chapter 13 (commencing with Section 16800), Chapter 15 (commencing with Section 17000), Chapter 16 (commencing with Section 17100), Chapter 17 (commencing with Section 17200), Chapter 18 (commencing with Section 17300), Chapter 19 (commencing with Section 17400), and Chapter 20 (commencing with Section 17500), of Part 10 may be sold by the Treasurer, upon authorization by the State School Building Finance Committee for the purposes of the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Chapter 22 (commencing with Section 17700) of Part 10).

Secretary of State
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