JOHAN KLEHS & COMPANY, INC.

STRATEGY • GOVERNMENT RELATIONS

July 18, 2016

TO: Our Clients and Allied Partners

FROM: Johan Klehs

RE: California Proposition Ballot Update

Introduction

We are pleased to offer a guide to the ballot propositions on California's November 2016 general election ballot.

Propositions Qualified for the Ballot

Proposition 51- K-12 School and Community College Facilities Bond

Provides $9 billion in general obligation (GO) bonds to be allocated to educational entities as follows:

1. $3 billion for the construction of new school facilities.

2. $3 billion for the modernization of existing school facilities.

2. $500 million for school facilities at charter schools.

4. $500 million to provide facilities for career technical education programs.

5. $2 billion for acquiring, constructing, renovating, and equipping community college facilities.

Proposition 51 is the first school bond measure placed on the ballot as a voter initiated proposition.

The last school bond measure was on the 2006 ballot. In 2014, legislators attempted to place a school bond act on the ballot that called for $9 billion for school maintenance and construction. That measure was opposed by Governor Brown.

Fiscal Impact: State General Fund costs of $17.6 billion to pay off principal ($9 billion) and interest ($8.6 billion) on bonds over a period of 35 years. Annual payments would average $500 million. Annual payments would be relatively low in the initial and final few years and somewhat higher in the intervening years.

Support:

California Democratic Party
California Republican Party
California State Parent Teacher Association (PTA)
California School Boards Association
California Labor Federation (AFL-CIO)
Northern California Carpenters Regional Council
California Building Industry Association
California Business Roundtable
California Business Properties Association
California Chamber of Commerce
California Taxpayers Association
State Building and Construction Trades Council of California

Opposition:

Governor Edmund Brown
California Taxpayers and Educators Opposed to Sprawl and Developer Abuse

Proposition 52- Hospital Quality Assurance Fees

SB 239 (Hernandez) was passed in the 2013-2014 legislative session. That measure imposed a Quality Assurance Fee (QAF) on hospitals for the purpose of receiving federal Medi-Cal matching funds.

Proposition 52 amends the California Constitution requiring a 2/3rds voter approval for any changes to the hospital QAF program. Proposition 52 will insure that QAF monies maintain Medi-Cal patient funding.

Fiscal Impact: State savings from increased revenues that offset state costs for children's health coverage of around $500 million beginning in FY 2016-2017 (half-year savings) to over $1 billion annually by FY 2019-2020, likely growing between five % to 10 % annually thereafter. Increased revenues to support state and local public hospitals of around $90 million beginning in FY 2016-2017 (half-year) to $250 million annually by FY 2019-2020, likely growing between five % to 10 % annually thereafter.

Support:

California Hospital Association
California Children’s Hospital Association

California Council of Community Mental Health Agencies
California Dental Association
California Medical Association
California Democratic Party
California Republican Party
California Labor Federation (AFL-CIO)
Association of California Healthcare Districts
California Chamber of Commerce
California State Association of Counties
Additional 900 individuals and organizations

Opposition:

Service Employees International Union, United Health Care Workers West (SEIU-UHW)

Proposition 53- Public Vote on Revenue Bonds

1. Requires statewide voter approval before any revenue bonds in excess of $2 billion can be issued or sold by the state for projects that are financed, owned, operated, or managed by the state or any joint agency created by or including the state.

2. Applies retroactively to approved projects if remaining bond amount exceeds $2 billion.

3. Requires that specified project information for all state bonds be included in voter ballot pamphlet.

Fiscal Impact: Unknown.

Support:

Dean and Joan Cortopassi - Proponents and funders of the measure
Howard Jarvis Taxpayers Association

Opposition:

Governor Edmund Brown
California Chamber of Commerce
California Labor Federation (AFL-CIO)
California Democratic Party
California Republican Party
Citizens to Protect California Infrastructure
State Building and Construction Trades Council

Proposition 54- Legislative Proceedings

1. Prohibits the Legislature from passing any bill unless it has been in print and published on the Internet for at least 72 hours before the vote, except in cases of public emergency.

2. Requires the Legislature to make audiovisual recordings of all its proceedings, except closed session proceedings, and post them on the Internet.

3. Authorizes any person to record legislative proceedings by audio or video means, except closed session proceedings.

4. Allows recordings of legislative proceedings to be used for any legitimate purpose, without payment of any fee to the State.

Fiscal Impact: Increased costs to state government of potentially $1 million to $2 million initially and about $1 million annually for making additional legislative proceedings available in audiovisual form on the Internet.

Support:

Charles Munger, Jr., Physicist and Political Philanthropist
California Forward
California Common Cause
League of Women Voters of California
League of California Cities
California NAACP
California Business Roundtable
Californians Aware
National Federation of Independent Business, California
California Chamber of Commerce
California Black Chamber of Commerce
Howard Jarvis Taxpayers Association
California Taxpayers Association
California Business Properties Association
La Raza Roundtable de California

Opposition:

California Labor Federation (AFL-CIO)

Proposition 55- Tax Extension to Fund Education and Healthcare

Extends for another 12 years the temporary personal income tax increases enacted in 2012 on earnings over $250,000 (for single filers; over $500,000 for joint filers; over $340,000 for heads of household).

Revenues are allocated as follows:

1. 89% to K-12 schools.

2. 11% to California Community Colleges.

3. Up to $2 billion in certain years for healthcare programs.

Bars the use of education revenues for administrative costs, but provides local school governing board's the discretion to decide, in open meetings and subject to annual audit, how revenues are to be spent.

Proposition 55 extends the provisions of Proposition 30 to 2030. Without this extension, the income tax increases approved under Proposition 30 phase out starting in 2018. As a result, school funding would be cut and the state would experience a deficit.

Fiscal impact: Increased state revenues annually from 2019 through 2030 in the $5 billion to $11 billion range initially. Amounts could vary based on stock market and economic trends. Increased revenues would be allocated under constitutional formulas to schools and community colleges, budget reserves and debt payments, and health programs, with remaining funds available for other state purposes

Support:

Alameda-Contra Costa Medical Association
Association of California Health Districts
Association of California School Administrators
Blue Shield of California
California Academy of Preventative Medicine
California Children's Hospital Association
California Democratic Party
California Teachers Association (CTA)
California Federation of Teachers (AFT)
California Hospital Association
California Medical Association
California Professional Firefighters
California School Boards Association
California School Employees Association
California State PTA
Children Now
Consumer Federation of California
Faculty Association of California Community Colleges
League of Women Voters of California
Planned Parenthood Affiliates of California
Service Employees International Union Local 1000
California Labor Federation (AFL-CIO)

Opposition:

Howard Jarvis Taxpayers Association
National Federation of Independent Business
California Republican Party

Proposition 56- Tobacco Tax Increase

1. Increases cigarette taxes by $2.00 per pack, with equivalent increase on other tobacco products and electronic cigarettes containing nicotine.

2. Allocates funds to tobacco use prevention/control programs, tobacco-related disease research and law enforcement, University of California physician training, dental disease prevention programs, and administration.

3. Exempts these funds from the Proposition 98 school funding guarantee.

Fiscal impact: Net increase in cigarette tax revenues of $1.1 billion to $1.6 billion starting in FY 2017-2018.

Support:

California Medical Association
American Heart Association
American Cancer Society
American Lung Association
California Dental Association
California Hospital Association
Service Employees International Union Local 1000
California Labor Federation (AFL-CIO)
Blue Shield of California
California Democratic Party

Opposition:

California Republican Party
The tobacco industry in general

Proposition 57- Juvenile Criminal Proceedings and Sentencing

Allows parole consideration for felons convicted of non-violent crimes who have served their basic sentences and have passed screening for public security to be paroled. About 7,000 inmates will immediately eligible for parole. An additional 25,000 nonviolent felons could seek early release and parole.

This proposition dictates that judges, not prosecutors, will decide whether or not a juvenile can be tried as an adult in court.

Fiscal impact: Net state savings could range from tens of millions of dollars to low hundreds of millions of dollars annually primarily due to a reduction in the prison population from additional paroles granted and credits earned.

Support:

Governor Edmund Brown
California Labor Federation (AFL-CIO)
California Democratic Party

Opposition:

San Diego Mayor Kevin Faulconer
California Republican Party

Proposition 58- English Language Education

In 1998, the voters passed Proposition 227, known as the “English for the Children Act”. Proposition 58 changed how California schools taught "Limited English Proficient" (LEP) students. Proposition 227 required that classes be taught predominantly in English shortening the time that LEP students were in special classes before moving to regular classes.

Proposition 58 repeals Proposition 227 (1998).

This proposition provides for more of a transitional learning experience in which students start learning in their native tongue and transition to English at a rate decided by their parents and teachers.

According to the Superintendent of Public Instruction, during FY 2014-2015, there were 1.392 million English learners in California’s public schools. The English learners constitute 22.3 % of the total enrollment in California public schools.

A total of 2,672,128 students (English learners and Fluent English Proficient) speak a language other than English at home. This number represents about 42.9 % of the state’s public school enrollment. Children of immigrants generally learn English and assimilate faster into society than their parents do.

The majority of English learners (73 %) are enrolled in the elementary grades K-6. The remaining learners (27 %) are enrolled in the secondary grades. English learner data is collected for 60 language groups. 94 % of the English learners speak the following languages:

Spanish
Vietnamese

Filipino (Pilipino or Tagalog)
Mandarin (Putonghua)
Cantonese
Arabic
Hmong
Korean
Punjabi
Russian

The goal of the English learner classes has been two-fold:

1. Ensure that English learners acquire full proficiency in English as rapidly and effectively as possible and attain parity with native speakers of English.

2. Ensure that English learners, within a reasonable period of time, achieve the same rigorous grade-level academic standards that are expected of all students.

Support:

Governor Edmund Brown
California Teachers Association (CTA)
Los Angeles Chamber of Commerce
United Teachers Los Angeles (UTLA)
United Way of Greater Los Angeles
Los Angeles Unified School District
San Francisco Unified School District
California Labor Federation (AFL-CIO)
California Democratic Party

Opposition:

Ron Unz, Author of Proposition 227 (1998)
California Republican Party

<u>Proposition 59</u> – Overturn the *Citizens United* U.S Supreme Court Decision

In 2012, the U.S Supreme Court heard *Citizens United v. Federal Election Commission*. The court ruled in favor of *Citizens United* stating that political contributions are a form of protected free speech under the First Amendment. The ruling stated that the government could not limit corporations or unions from spending money to support or oppose individual candidates in elections.

The effect of *Citizens United* was to blow the caps off of many political contribution limits unleashing the floodgates of political contributions into the political process. Another case where an effort at campaign reform has resulted in *increasing* rather than *decreasing* the cost of running for public office.

Proposition 59 is a non-binding advisory question asking the voters to decide whether or not the U.S. Supreme Court should overturn the *Citizens United* decision. If passed, this measure will have no effect on the U.S. Supreme Court or in reducing the cost of political campaigns.

In July 2014, Howard Jarvis Taxpayers Association filed a lawsuit challenging the legality of an advisory measure on the ballot. The California State Supreme Court ordered supporters to withdraw the initiative from the ballot while court review was pending. In January 2016, the State Supreme Court ruled that an advisory measure was constitutional and could be placed on the ballot

Support:

California Democratic Party
California Labor Federation (AFL-CIO)
American Sustainable Business Council

Opposition:

None at this time

<u>Proposition 60</u>- Condoms in Pornographic Films

This proposition is another classic "Only in California" ballot measure …

1. Requires performers in pornographic films to use condoms during filming of sexual intercourse.

2. Requires producers of pornographic films to pay for performer vaccinations, testing, and medical examinations related to sexually transmitted infections.

3. Requires producers to obtain a state health license at the beginning of filming and to post condom requirement at film sites.

4. Imposes liability on producers for violations, on certain distributors, on performers if they have a financial interest in the violating film, and on talent agents who knowingly refer performers to noncomplying producers.

5. Permits the state, performers, or any California resident to enforce violations of this proposition.

This proposition is similar to Measure B passed by the voters of Los Angeles County in 2012.

Support:

AIDS Healthcare Foundation

Opposition:

Free Speech Coalition
California Republican Party

Proposition 61- State Prescription Drug Pricing Standards

Prohibits state agencies from paying more for a prescription drug than the lowest price paid for the same drug by the U.S Department of Veterans Affairs. Proposition 61 exempts certain purchases of prescription drugs funded through Medi-Cal.

Fiscal Impact: Unknown.

Support:

Alameda County Democratic Party
American Association of Retired Persons (AARP) California
California Nurses Association (CNA)
Contra Costa County Democratic Party
Los Angeles Urban League
Sacramento County Democratic Party
Santa Clara County Democratic Party
Solano County Democratic Party
Yolo County Democratic Party
National Union of Healthcare Workers (NUHW)

Opposition:

Pharmaceutical Research and Manufacturers of America (PhRMA)
Johnson & Johnson, Inc.
Bristol-Myers Squibb Company
California Life Sciences Association
AstraZeneca Pharmaceuticals L.P.
California Medical Association
California Psychiatric Association
California Chapter of the American College of Obstetricians and Gynecologists
Department of California Veterans of Foreign Wars
Vietnam Veterans of America, California State Council
American Legion
California Taxpayers Association (Cal-Tax)
California NAACP
California Republican Party

Black American Political Association of California (BAPAC)
State Building & Construction Trades Council of California
California State Association of Electrical Workers (IBEW)
California Nevada Conference of Operating Engineers
California Chamber of Commerce
California Business Roundtable
California Manufacturers & Technology Association

Proposition 62 - Death Penalty

Repeals the death penalty and replaces it with life imprisonment without possibility of parole. Applies retroactively to all persons currently on death row. States that persons found guilty of murder and sentenced to life without possibility of parole must work while in prison.

Fiscal Impact: Net reduction in state and local government costs of $150 million annually due to the elimination of the death penalty.

Support:

California Democratic Party
California Labor Federation (AFL-CIO)
American Civil Liberties Union of Southern California
California Attorneys for Criminal Justice
California Catholic Conference
California Federation of Teachers (AFT)
California NAACP
California Public Defenders Association
League of Women Voters of California
SEIU California

Opposition:

California Republican Party

Proposition 63- Ammunition Sales

1. Prohibits the possession of large-capacity ammunition magazines (more than 10 rounds), and requires their disposal by sale to dealer, destruction, or removal from state.

2. Requires individuals to pass a background check and obtain a California Department of Justice (Attorney General) permits to purchase ammunition.

3. Requires ammunition sales be made through licensed ammunition vendors and reported to the Attorney General.

4. Requires lost or stolen firearms and ammunition to be reported to law enforcement.

5. Prohibits persons convicted of stealing a firearm from possessing firearms.

6. Bans internet sales of ammunition into California.

7. Establish new procedures for enforcing laws prohibiting firearms possession by felons and violent criminals.

8. Requires the Attorney General to provide information about prohibited persons to federal National Instant Criminal Background Check System.

The Democrats are worried that Proposition 63 could push moderate Democrats to vote for Republican candidates or drive up Republican turnout in the November general election. In addition, the Legislature felt that several of the provisions of Proposition 63 were onerous and unworkable. Responding to those concerns, the Legislature passed SB 1235 (De Leon) which was signed into law by Governor Brown on July 1, 2016.

SB 1235 differed from Proposition 63 in at least two major areas:

1. Does not require purchasers of ammunition to secure a purchase permit from the Attorney General. Instead, SB 1235 allows for the simple swipe of a government ID as in the purchase of firearms when purchasing ammunition.

2. Provides various exemptions to hunters, hunting clubs, and law enforcement.

Fiscal Impact: Increased state costs in the tens of millions of dollars annually related to regulating ammunition sales, likely offset by various regulatory fees authorized by the measure.

Support:

Lieutenant Governor Gavin Newsom, Proponent of Proposition 63
Law Center to Prevent Gun Violence
California American College of Emergency Physicians
California American College of Physicians
California Democratic Party
California Federation of Teachers (AFT)
California League of Women Voters
SEIU California
Southern California Public Health Association
States United to Prevent Gun Violence
Women Against Gun Violence

Opposition:

National Rifle Association (NRA)
California Rifle & Pistol Association

California State Sheriffs Association
California Republican Party

Proposition 64 - Marijuana Legalization

For all of those high school students in 1970's and 1980's who said, "Marijuana will be legal in five years.", here it is … Proposition 64 legalizes the sale and use of marijuana in California and designates various state agencies to regulate the marijuana industry.

1. Taxes marijuana as follows:
   a. 15 % sales tax on the basic product.
   b. A cultivation tax of $9.25 per ounce for flowers and $2.75 per ounce for leaves.
   c. Provides a sales tax exceptions for qualifying medical marijuana sales and cultivation.

2. Establishes packaging, labeling, advertising, and marketing standards and restrictions for marijuana products.

3. Allows local regulation and taxation of marijuana (think local tax revenues).

4. Prohibits marketing and advertising marijuana to minors.

5. Authorizes resentencing and destruction of records for prior marijuana convictions.

6. Bans licenses for corporate or large-scale marijuana businesses until 2022. The marijuana industry is afraid that it will be taken over by big tobacco and other large national corporations- the free market at work.

Fiscal impact: Net reduced costs ranging from tens of millions of dollars to potentially exceeding $100 million annually. Additional state and local tax revenues potentially ranging from 500 million dollars to over $1 billion annually related to the production and sale of marijuana. Hope springs eternal.

Support:

California Medical Association (CMA)
National Organization for the Reform of Marijuana Laws (NORML)
California NAACP
California Democratic Party
ACLU of California
California Cannabis Industry Association
California Council of Land Trusts
Drug Policy Alliance
Blacks in Law Enforcement of America
Law Enforcement Against Prohibition (LEAP)
National Latino Officers Association

Opposition:

California Hospital Association
California Teamsters Union
California Correctional Supervisor's Association
Californians for Responsible Drug Policies
Small Growers Association
California Republican Party

Proposition 65- Carry-Out Bag Charges

Redirect monies collected from the sale of carry-out grocery bags by grocery or other retail stores to a special fund administered by the Wildlife Conservation Board. Revenue would be used for specific environmental projects.

Fiscal impact: If Proposition 67 fails, revenues from retailers to the state could be potentially in the several tens of millions of dollars annually.

Support:

Doyle Johnson, Proponent of Proposition 67
California Republican Party

Opposition:

Lieutenant Governor Gavin Newsom

Proposition 66- Death Penalty

1. Changes procedures governing state court appeals and petitions challenging death penalty convictions and sentences in attempt to speed up executions.

2. Designates the superior court for initial petitions and limits successive petitions.

3. Imposes time limits on state court death penalty reviews.

4. Requires court appointed attorneys who take noncapital appeals to accept death penalty appeals.

5. Exempts prison officials from existing regulation process for developing execution methods.

6. Authorizes death row inmate transfers among California state prisons.

7. Death row inmates must work and pay victim restitution.

There are two competing death penalty propositions on the ballot. The proposition with the highest number of votes wins.

Fiscal Impact: Increased state costs that could be in the tens of millions of dollars annually for several years related to direct appeals and habeas corpus proceeding. Potential state correctional savings that could be in the tens of millions of dollars annually.

Support:

California Republican Party

Opposition:

California Democratic Party
California Labor Federation (AFL-CIO)

Proposition 67 - Referendum to Overturn the Plastic Bag Ban

SB 270 (Padilla) was passed by the legislature in 2014 requiring the following:

1. Prohibits large grocery stores, convenience stores, liquor stores and pharmacies from providing plastic single-use carryout bags.

2. Allows single-use plastic bags for meat, bread, produce, bulk food and perishable items.

3. Mandates stores to charge 10 cents for recycled, compostable and reusable grocery bags.

4. Exempts consumers using a payment card or voucher issued by the California Special Supplemental Food Program from being charged for bags.

5. Provides $2 million to state plastic bag manufacturers for the purpose of helping them retain jobs and transition to making thicker, multi-use, recycled plastic bags.

A “yes” vote on Proposition 62 retains SB 270 as current law and a “no” vote repeals SB 270.

Support:

Governor Edmund Brown
Secretary of State Alex Padilla
California Grocers Association
California Democratic Party
California Labor Federation (AFL-CIO)
California Retailers Association
California Asian Pacific Chamber of Commerce
California League of Conservation Voters (CLCV)
Natural Resources Defense Council (NRDC)

Sierra Club California
Silicon Valley Leadership Group
UFCW Western States Council
Western Center on Law and Poverty

Opposition:

American Forest & Paper Association
American Progressive Bag Alliance
California Manufacturer's and Technology Association
Howard Jarvis Taxpayers Association
The Dow Chemical Company
Various Plastic Bag Manufactures

Please feel free to contact us if we can be of any service to you in the future.

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