



# CITY OF LODI

# COUNCIL COMMUNICATION

SUBJECT: Review of State Ballot Proposition 126 and 134

DATE: October 17, 1990

PREPARED BY: City Clerk

**RECOMMENDED ACTION: Discussion and appropriate action**

**BACKGROUND INFORMATION:** At an earlier City Council meeting, Mayor **Pro Tempore Hinchman** requested that at a Council **meeting** prior to November 6, 1990 that a **discussion and** review be held regarding Proposition 126 and Proposition **134**.

**PROPOSITION 126** - The Alcohol Abuse and Drug Education Tax Act of **1990**.

Imposes excise tax and excise surtax on beer, wine and distilled spirits, as specified, that would **supercede** such taxes previously imposed and **would** be in lieu of all county, city or district taxes on the sale of alcoholic beverages.

Placed on Ballot **By:** ACA **38** (Cortese) .

**Arguments For:**

1. The **measure**, supported by a broad bipartisan coalition of educators, alcohol abuse experts, taxpayer advocates ■ farmers , and other **community** leaders, would help prevent alcohol abuse **among** children by allocating nearly \$1 billion to schools over a **10-year** period.
2. Funds raised by this measure could be used effectively in such programs as hiring **new** officers to increase drunk driving patrols; treating alcoholics in trauma centers and mental **health** facilities; curing alcoholics in rehabilitation and recovery programs; and stepping up the war on illegal drug use and alcohol abuse.
3. The money raised by this proposition **comes** strictly **from** a tax on beer, wine and distilled spirits; not one penny comes from income, sales **or** other taxes.

**Arguments Against:**

- 1, New tax revenues from this measure will be **deposited** in the state general fund, to be spent at the discretion of the state Legislature.
2. Nothing will be done to address the negative impacts and costs of alcohol abuse to **California** taxpayers.
3. This initiative does not guarantee funding for alcohol and drug use education, programs affected by alcohol abuse or enforcement of drunk driving laws.

League of California Cities Policy Committees' (Community Services, Public Safety, and Revenue and Taxation) position: oppose

California Chamber of Commerce's position: support

Propositions 126 and 134  
October 17, 1990  
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A copy of the full text of information concerning this proposition as contained in the **California Ballot Pamphlet** for the November 6, 1990 General Election is attached.

**PROPOSITION 134** - Alcohol Surtax Fund. Initiative Constitutional Amendment and Statute.

Imposes an additional tax on alcohol products (5 cents per 12 ounces of beer, five ounces of wine, three ounces of fortified wine, one **ounce of** distilled spirits and an additional per unit floor stock tax). Resulting revenues would be deposited in the newly created **Alcohol Surtax Fund** to be appropriated for, **among other things,** alcohol and drug abuse prevention, treatment and recovery **programs, emergency medical care, community** mental health programs, child abuse and **domestic violence prevention** training and victim service, **alcohol and drug-related law enforcement** costs. The funds are to be supplemental and not meant to replace existing funds. This measure is **also** called the Connelly initiative.

Proponent: Andrew **McGuire**.

**Arguments For:**

1. Approximately **33** percent of all mentally **ill** and homeless persons also have alcohol and drug **problems**.
2. This measure targets the heavy drinkers, the drunk drivers and alcohol abusers **who cause most** of the deaths and injuries attributable to alcohol.

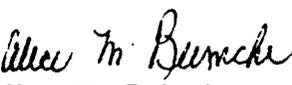
**Arguments Against:**

1. Proposition 134 continues the trend toward ballot box budgeting by **earmarking** the funds **it raises**.
2. This measure penalizes all Californians by locking in \$1.2 billion in current state spending **and** relying on tax increases to fund annual budget increases.

League of **California Cities Policy Committees'** (Community Services, **Public Safety, Revenue and Taxation**) **position:** support

California Chamber of Commerce's position: oppose

A copy of the full text of information concerning this proposition as contained in the **California Ballot Pamphlet** for the November 6, 1990 General Election is attached.

  
Alice M. Reimche  
City Clerk

AMR/jmp

Attachment

(Attachment)

**PROPOSITION 126**  
*Analysis of Impact on Cities*

**Background on Proposal:** Proposition 126, a constitutional amendment, was placed on the ballot by the Legislature (ACA 38). It is the alcohol industry's response to Proposition 134, the so-called Nickel-a-Drink initiative.

**Summary of Proposal:** Proposition 126 would increase the state tax, as of March 1, 1991 on beer (from 4 to 20 cents a gallon); specified wines (from 1 to 20 cents a gallon); fortified wines (from 2 to 20 cents a gallon); and distilled spirits (from \$2.00 to \$3.30 a gallon). This additional tax on alcoholic beverages is estimated to raise approximately \$70 million in the remainder of FY 90-91 and about \$195 in FY 91-92. The proceeds from this additional tax would be placed in the State General Fund. Under the provisions of Proposition 98, approximately 41 percent of these proceeds, once placed in the General Fund, will be required to be passed on to schools.

The measure also includes a provision that if both Propositions 126 and 134 pass, all of the provisions of the measure that receives the largest number of votes will take effect, and none of the provisions of the other measure, which received less of a majority vote, will take effect. The legal impact of this language is uncertain.

**Impacts on cities:** Because of the mandates of Proposition 98, a portion of the revenue, approximately 41 percent will go to schools. There is no guarantee that any of the remaining revenue will go towards alcohol and drug abuse related programs that would benefit cities. Since the tax on alcoholic beverages would increase by this measure, the sales tax, which is levied on the total price of alcoholic beverages, will also increase. The legislative Analyst estimates that local sales tax will increase by about 51.6 million annually. This added revenue would be forwarded to cities. Aside from the small amount in sales tax there is no guarantee that any of this money will be directed towards cities.

**Related Policies or Positions of League:** The League opposed this measure, (ACA 38), while it was being considered by the Legislature because the tax was considered to be too low and would not raise enough revenue to adequately address the problem of alcohol abuse and because 41% of all funds raised would be due to schools. The League also opposed ACA 38 because this tax increase is contained in a constitutional amendment. The League believes provisions like these do not belong in the Constitution. Constitutional amendments once in place, are more difficult to change than statutory amendments.

**Issue:** What position, if any, should the League take on proposition 126? Should the League continue to oppose Proposition 126? (This proposition has been referred to three League committees: Community Services, Public Safety, and Revenue and Taxation).

**Committee Recommendation:**

**126****Alcoholic Beverages. Taxes.  
Legislative Constitutional Amendment****Official Title and Summary:****ALCOHOLIC BEVERAGES. TAXES.  
LEGISLATIVE CONSTITUTIONAL AMENDMENT**

- Adds to Constitution, alcohol beverage excise tax rates, proceeds payable to General Fund.
- Increases taxes payable to State General Fund on alcoholic beverages, as of March 1, 1991—beer, from 4 to 20 cents per gallon; specified wines from 1 to 20 cents per gallon; fortified wines from 2 to 20 cents per gallon; distilled spirits from \$2.00 to \$3.30 per gallon.
- Amends Constitution to exclude excise surtaxes imposed by this measure from appropriations limit, as specified.
- Provides that tax rate modifications of this measure control over conflicting provisions of Propositions 134 and 138.

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

- This measure would result in additional General Fund revenues of approximately \$70 million for a portion of 1990-91 and approximately \$195 million in fiscal year 1991-92, the first full year it is in effect.
- Similarly, local sales tax revenues would increase statewide by approximately \$1.6 million annually.
- Revenues generated after fiscal year 1991-92 will depend upon the trends in alcohol sales.
- Adjustments are also made to the state's constitutional spending limit to include the additional tax revenue.

**Final Votes Cast by the Legislature on ACA 38 (Proposition 126)**

Assembly: Ayes 54	Senate: Ayes 30
Noes 18	Noes 4

## Analysis by the Legislative Analyst

### Background

Currently, the state taxes alcoholic beverages at the rate of \$2 per gallon on liquor (distilled spirits), 4 cents per gallon on beer, and 1 cent per gallon on most wines. This year, the state will collect about \$128 million from these taxes. Most of this revenue (76 percent) will come from the tax on liquor. These revenues go into the state's General Fund to pay for education, health, welfare, and other government programs.

Under existing requirements of the State Constitution (Proposition 98), public schools and community colleges are guaranteed a specific amount of funding each year from the state General Fund. This guaranteed amount increases each year. The amount of the increase is calculated using one of three different formulas. The formula used depends on state and local revenue trends and other factors.

### Proposal

This measure has two major parts:

- **Alcohol Taxes.** It increases state taxes on most alcoholic beverages.
- **Conflicts with Other Measures on this Ballot.** It contains language stating how conflicts between it and two other measures on this ballot are to be resolved.

**Alcohol Taxes.** This measure increases state taxes on most alcoholic beverages, beginning March 1, 1991. The tax on beer and most wines would increase from 4 cents and 1 cent, respectively, to 20 cents per gallon (the tax on sparkling wines, such as champagne, would remain at the current rate of 30 cents per gallon). The tax on liquor would increase from \$2 to \$3.30 per gallon. As a result, taxes would go up by 9 cents on a six-pack of beer, by 4 cents on a bottle (750 milliliters) of most wines and by 26 cents on a bottle (750 milliliters) of liquor.

The state General Fund would receive all of the revenue from the higher taxes. The measure places the new tax rates in the State Constitution. The Legislature could increase, but not reduce, taxes on alcoholic beverages in the future.

**Conflicts with Other Measures on this Ballot.** This measure contains language stating how conflicts between it and two other measures on this ballot are to be resolved.

- Proposition 134, The Alcohol Tax Act of 1990, also

would impose additional taxes on alcoholic beverages, although at rates higher than those imposed by this measure. If Proposition 134 also is approved, this measure states that all of the provisions in the measure with the largest number of votes will take effect, and none of the provisions of the other measure will take effect. The legal effect of this language is uncertain. This is because the State Constitution currently requires that only the conflicting provisions of the measure that receives the greater vote prevail.

- Proposition 136, The Taxpayers' Right to Vote Act of 1990, requires that any new or increased "special taxes" with respect to personal property be imposed on the value of the property. While the meaning of these provisions in Proposition 136 is uncertain, they may be interpreted to prohibit new per-unit special taxes on cigarettes, alcoholic beverages, and other items. However, Proposition 128 imposes a "general tax" on units (gallons) of alcoholic beverages. In addition, the measure states that it is exempt from the provisions of The Taxpayers' Right to Vote Act of 1990.

### Fiscal Effect

The higher alcohol taxes imposed by this measure would result in additional state General Fund revenues of about \$70 million in 1990-91 (part year) and about \$195 million in 1991-92 (first full year). These amounts include increased state sales tax revenue (\$2 million in 1991-92) that occurs because the sales tax is levied on the total price of alcoholic beverages, including alcoholic beverage taxes. Similarly, local sales tax revenues would increase by about \$1.6 million annually statewide. The amount of revenues after 1991-92 will depend on trends in alcohol sales. The measure increases the state's constitutional spending limit to include the additional tax revenue.

Under existing requirements of the State Constitution, public schools and community colleges may receive approximately 41 percent of the additional revenues from the taxes imposed by this measure. Whether this occurs in any year will depend upon which of the formulas used to determine the state funding guarantee is in effect that year.

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## Alcoholic Beverages. Taxes. Legislative Constitutional Amendment

### Argument in Favor of Proposition 126

#### Proposition 126: A Better Approach

Proposition 126, the Alcohol Abuse and Drug Education Act, is a far better approach to alcohol taxes than Proposition 134.

Proposition 134 doesn't direct a penny to public schools. Proposition 126 could give nearly \$1 billion over 10 years to schools. Experts agree the most effective way to stop alcohol abuse is through early education. Teaching children the dangers of alcohol consumption and stopping alcohol abuse by adults should be top priorities for California. Education is a key element in winning the war against alcohol abuse.

Proposition 126 is supported by a broad bipartisan coalition of educators, alcohol abuse experts, taxpayer advocates, farmers, and other community and industry leaders.

That's why we urge you to vote YES on the alcohol tax—Proposition 126.

#### Hundreds of Millions Available for Public School Programs

Proposition 126—the alcohol tax—could raise nearly \$1 billion in 10 years for public schools.

An ounce of prevention is worth a pound of cure. Our teachers, principals and school counselors could use this money for programs which can help prevent the problems of alcohol use by our children.

#### An Additional \$1 Billion Available for Drunk Driving and Treatment Programs

Proposition 126 raises an additional \$1 billion over 10 years which could be used for programs aimed at adults who abuse alcohol. It could be used for programs, with proper budget oversight, such as:

- Hiring new officers to increase drunk driving patrols.
- Treating alcoholics in trauma centers and mental health facilities.
- Curing alcoholics in rehabilitation and recovery programs.
- Stepping up the war on illegal drug use and alcohol abuse.

#### Without Raising Our Income Taxes

None of the money raised by Proposition 126 comes from our income,

sales or other taxes. All of this money comes from a tax on beer, wine and distilled spirits. The taxes on beer and distilled spirits will increase to the national average and wine taxes will be substantially increased.

#### No Hidden Taxpayer Costs

Proposition 134 also contains hundreds of millions of dollars in hidden costs which all taxpayers must bear. It guarantees a few privileged government programs hundreds of millions of dollars in yearly budget increases—whether they need them or not—every year, forever.

Proposition 134's budget escalators must come from the state's General Fund—from our income, sales and other taxes. The only other option is to dramatically cut budgets of other important programs—like educational services, senior care and fire protection.

Proposition 126 contains no hidden income or sales tax costs. It just increases alcohol taxes.

Proposition 126, the Alcohol Abuse and Drug Education Act, is a fiscally sound approach to the problems of alcohol abuse. It can help prevent our children from using alcohol. It can provide money for drunk driving enforcement, trauma care centers, mental health and other important programs.

It does all this by imposing a substantial, yet fiscally sound, tax increase on alcohol.

On November 6th, we urge you to vote YES on Proposition 126 and NO on Proposition 134.

#### ALFRED E. ALQUIST

*Chairman, State Senate Committee on Budget and  
Fiscal Review*

#### ED FOGLIA

*President, California Teachers Association*

#### DAVID BROWN

*President, Association of California School Administrators*

### Rebuttal to Argument in Favor of Proposition 126

#### REBUTTAL ARGUMENT TO ARGUMENT IN SUPPORT OF PROPOSITION 126

PROPOSITION 126 IS SPONSORED BY THE LIQUOR INDUSTRY. The reason they say Proposition 126 is a better approach to taxing the liquor industry than Proposition 134, the "Nickel-a-Drink" proposal, is that Proposition 126 taxes them less.

The only reason Proposition 126 is on the ballot is that the liquor industry spends \$1,000,000 each year lobbying the Legislature and has contributed over \$1,600,000 to politicians since 1988. What the liquor industry wants, the Legislature gives. That's why the Legislature has not changed the wine tax from 1¢ per gallon since 1937.

The sole purpose of Proposition 126 is to defeat Proposition 134, the "Nickel-a-Drink" Alcohol Tax Initiative. When reading the argument in favor of Proposition 126, CONSIDER THE SOURCE—IT IS THE LIQUOR INDUSTRY!

The arguments in support of Proposition 126 are false and misleading. Proposition 126 does not guarantee one penny to schools for alcohol and drug use education. It does not give any money for the enforcement of California's drunk driving laws.

Only Proposition 134 guarantees funds for alcohol related problems. Only Proposition 134 guarantees funds for education programs and enforcement of drunk driving laws.

Before voting on Proposition 126, ask yourself whom do you trust: the liquor industry or former Surgeon General C. Everett Koop who said, "Who could quarrel with a nickel-a-drink user fee . . . to help save lives."

Don't be fooled by the liquor industry.

VOTE NO ON PROPOSITION 126.

#### PATRICIA GORMAN

*President, California Emergency Nurses Association*

#### MICHAEL SPARKS

*Chairperson, California Council on Alcohol Policy*

#### CAROLE McDONALD

*Former Director, Victim Services, Mothers  
Against Drunk Drivers (MADD)*

# Alcoholic Beverages. Taxes. Legislative Constitutional Amendment

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## Argument Against Proposition 126

Proposition 126 is sponsored by the liquor industry. It is a key component of the liquor industry's campaign to defeat Proposition 134, the "Nickel-a-Drink" Alcohol Tax Initiative.

Proposition 126 places California's excise tax on alcohol in the state constitution. **TAX RATES SHOULD NOT BE IN THE CONSTITUTION!**

**CALIFORNIA HAS THE LOWEST EXCISE TAXES ON ALCOHOL IN THE NATION.** For decades, the liquor lobby has opposed every alcohol tax increase proposal before the State Legislature. Now, the liquor industry is supporting Proposition 126. **WHY?**—in the hopes of pre-empting Proposition 134, the "Nickel-a-Drink" Alcohol Tax Initiative. **PROPOSITION 126 DOES NOT EVEN BRING CALIFORNIA'S ALCOHOL TAX UP TO THE NATIONAL AVERAGE!**

### DON'T BE FOOLED COMPARE THE TWO

The liquor industry lobbied the Legislature to put Proposition 126 on the ballot.

1,168,995 California voters signed petitions to put Proposition 134 on the ballot.

Proposition 126 will deposit its new tax revenues in the State General Fund, to be spent at the discretion of the State Legislature.

Proposition 134, the "Nickel-a-Drink" Alcohol Tax Initiative, requires that its revenues be invested in programs that address alcohol related problems, including:

- Alcohol and drug abuse education.
- Enforcement of drunk driving, and other alcohol and drug-related laws.
- Emergency and trauma care treatment.
- Alcohol and drug abuse prevention and recovery programs.
- Alcohol and drug abuse programs.
- Community mental health programs.
- Programs for the innocent victims of alcohol abuse, including spousal and child abuse victims.
- Programs for infants with birth defects caused by alcohol and drug abuse during pregnancy.

Proposition 126 does nothing to address the negative impacts and costs of alcohol abuse to California taxpayers.

**PROPOSITION 126 DOES NOT GUARANTEE ONE DOLLAR FOR ALCOHOL AND DRUG USE EDUCATION OR PROGRAMS IMPACTED BY ALCOHOL ABUSE.**

Proposition 126 ignores these facts

- Alcohol costs California taxpayers \$13 billion annually.
- Alcohol is the leading cause of death among teenagers.
- California's emergency medical system is near collapse, largely because of alcohol related accidents and injuries.
- Approximately 33% of all mentally ill and homeless persons also have alcohol and drug problems.

**PROPOSITION 126 DOES NOT GUARANTEE ONE DOLLAR FOR ENFORCEMENT OF DRUNK DRIVING LAWS.**

Before voting for Proposition 126, ask yourself this question:

### WHOM DO YOU TRUST?

The liquor industry, which is sponsoring Proposition 126.

OR

The following groups which are supporting Proposition 134, the "Nickel-a-Drink" Alcohol Tax Initiative:

- The California Association of Highway Patrolmen
- The California Council on Alcohol Problems
- The California Council of Churches
- California Consortium for the Prevention of Child Abuse
- The American College of Emergency Physicians, California Chapter
- The California Nurses Association
- The California Police Chiefs Association
- California Council of Community Mental Health Agencies
- The California Council on Children and Youth

Don't be fooled by the deceptive arguments of the alcohol industry. **SAY "NO" TO THE ALCOHOL INDUSTRY'S ATTEMPT TO PRE-EMPT THE "NICKEL-A-DRINK" INITIATIVE.**

VOTE "NO" on PROPOSITION 126.

VOTE "YES" on PROPOSITION 134.

**STEVEN G. MADISON**

*President, Board of Directors*

*California Consortium for the Prevention of Child Abuse*

**DR. DONALD M. BOWMAN**

*Executive Director, California Council on Alcohol Problems*

**CHIEF DONALD J. BURNETT**

*President, California Police Chiefs Association*

## Rebuttal to Argument Against Proposition 126

Voters should compare Propositions 126 and 134. We're sure you'll agree: Proposition 126 is a better approach.

### SPENDS WHAT IT RAISES

Proposition 126 only spends what it actually raises in alcohol taxes—nearly \$200 million annually.

Proposition 134, in the first year, spends three times more money than it raises.

### NO IMPACT ON OTHER TAXES

Proposition 126 has **NO** hidden income or sales tax increases.

Proposition 134 guarantees a few government programs more money every year, forever. *Proposition 134's annual budget escalators must be paid for by our income and sales taxes.* The other option: cut other important programs' budgets—like firefighting, senior care and transportation.

### MONEY FOR SCHOOLS

Proposition 126 could give nearly \$1 billion over 10 years to public schools—the most effective place for prevention education. Educators—like the California Teachers Association and California School Administrators—support Proposition 126.

Proposition 134 directs **NO** money to public schools.

### FAIR TO CONSUMERS

Proposition 126 increases beer and liquor taxes to the national average.

Proposition 134 increases alcohol taxes to twice the national average—that's unfair to consumers.

### BUDGET CONTROLS

Proposition 126 will receive strong budget and spending controls. Programs receiving Proposition 126 money must justify annually that our tax dollars are spent efficiently.

Proposition 134 programs get more money every year—whether they need it or not. No citizens or government group will oversee Proposition 134 expenditures. Money can be spent on office equipment and salaries.

Vote for the better alcohol tax proposition.

YES ON PROPOSITION 126

NO ON PROPOSITION 134

**JERRY PIERSON**

*Secretary/Treasurer, California Council of Police and Sheriffs (Cal-COPS)*

**SALLY DAVIS**

*Former Director, State Department of Drug and Alcohol Programs*

**KIRK WEST**

*President, California Chamber of Commerce*

## PROPOSITION 134 Analysis of Impact on Cities

**Background on Proposal:** Proposition 134 is an initiative statute and constitutional amendment (increased revenues outside the Appropriations limit) that addresses the need for additional revenue for drug and alcohol problems. It is referred to as the Nickel-a-Drink initiative. Proposition 134 is a competing measure to Proposition 126.

**Summary of Proposal:** Proposition 134 would raise the surtax on beer from 4 to 57 cents a gallon, on most wines from 1 cent to \$1.29 a gallon and on distilled spirits from \$2.00 to \$8.40 per gallon. It is estimated that Proposition 134 would generate approximately \$360 million in the remainder of fiscal year 1990-91 and \$760 million in 1991-92. The measure guarantees that the current level of state funding would remain at the current levels for existing state programs in the areas of health, mental health, law enforcement, social service and drug and alcohol abuse prevention and treatment, with annual adjustments for population and cost increases. The revenue raised from the surtax would be in addition to this state funding. Surtax revenue would be devoted to emergency medical and trauma care treatment, law enforcement, mental health and other health and social services. Local and state law enforcement would receive twenty-one percent of the proceeds from Proposition 134. Fifty percent of the 21 percent would be distributed to cities, based on their population, and fifty percent distributed to counties. This money would be for the enforcement of laws prohibiting DUI of alcoholic beverages or any other drug and for the enforcement of alcohol- and other drug-related laws. Amounts will also be devoted to city and county recreation and park programs that address alcohol and other drug impacts on public parks and facilities. State and local sales tax revenue would also increase.

**Impact on cities:** Under Proposition 134, twenty one percent of the revenues would be devoted to local programs as stated above. Another lesser amount would be available for parks and recreation programs. A statewide emergency medical air transportation network would be developed. Local sales taxes would increase as a result of Proposition 134 because of the increased cost of alcoholic beverages. The measure would presumably result in decreased drug and alcohol abuse in cities.

**Related Policies or Positions of League:** The League has existing policies supporting the need for increased drug prevention and enforcement programs, both at the state and local levels. The League also supports additional financial assistance from the state for such programs. The League generally has opposed earmarking go state funds, similar to the provision of Proposition 134 to guarantee current levels of state funding for a variety of state programs.

**Issue:** What position, if any, should the League take on Proposition 134? Is this an appropriate way to raise revenue for anti-drug programs? Are there potential problems with using the sales tax approach outweighed by the need for increased funding at the local level? How should the League resolve two possible conflicting policies -- namely the support for increased funding at the state and local level for drug-related programs with opposition to earmarking of state funds. (This measure also is being reviewed by the Community Services Committee and Revenue and Taxation Committee).

**Committee Recommendation:**

134

## Alcohol Surtax. Constitutional Amendment. Initiative Statute

### Official Title and Summary:

#### ALCOHOL SURTAX. CONSTITUTIONAL AMENDMENT. INITIATIVE STATUTE

- Establishes Alcohol Surtax Fund in State Treasury.
- Imposes surtax of five cents per 12 ounces beer; 5 ounces most wines, 1 ounce distilled spirits.
- Imposes additional per unit floor stock tax.
- Proceeds deposited into Alcohol Surtax Fund.
- Guarantees 1989-90 nonsurtax funding with required annual adjustments, and appropriates Surtax Fund revenues for increased funding for alcohol and drug abuse prevention, treatment and recovery programs (24%); emergency medical care (25%); community mental health programs (15%); child abuse and domestic violence prevention training and victim services (15%); alcohol and drug related law enforcement costs, other programs (21%).

### Summary of Legislative Analyst's

#### Estimate of Net State and Local Government Fiscal Impact:

- Surtax would increase tax on beer from 4 cents to 57 cents per gallon, most wines from 1 cent to \$1.29 per gallon, and distilled spirits from \$2 to \$8.40 per gallon.
- The surtax would result in additional state revenues of approximately \$360 million in 1990-91 and \$760 million in 1991-92, depending on alcohol sales.
- State General Fund revenues could increase or decrease several million dollars due to effect on sales tax revenues and revenues from existing alcoholic beverage taxes.
- Local sales tax revenue would increase by several million dollars.
- The guarantee for 1989-90 level nonsurtax funding, with required annual adjustments, for various health, mental health, criminal justice and other programs could increase costs by \$180 million in 1990-91 and over \$300 million in 1991-92; possibly additional tens of millions of dollars in subsequent years.
- These costs would have to be funded from revenues other than surtax.
- Expenditure of surtax revenues for prevention and treatment programs could result in future savings.

### Analysis by the Legislative Analyst

#### Background

Currently, the state taxes alcoholic beverages at the rate of \$2 per gallon on liquor (distilled spirits), 4 cents per gallon on beer, and 1 cent per gallon on most wines. This year, the state will collect about \$128 million from these taxes. Most of the revenue (76 percent) will come from the tax on liquor. These revenues go into the state's General Fund to pay for education, health, welfare, and other government programs.

#### Proposal

This measure has four major parts:

- **Alcohol Surtax.** It imposes a surtax—a tax collected in addition to the existing state alcohol tax—on beer, wine, and liquor.
- **Requirements for Spending the Surtax Revenues.** It creates the Alcohol Surtax Fund into which all surtax revenues would be deposited. It also specifies how this money would be spent.
- **Guaranteed Funding Level for Existing State Programs.** In addition to specifying how the new revenues from the surtax would be spent, the measure establishes a guaranteed funding level for certain existing state programs. Specifically, it requires the state to keep the funding for a broad

variety of health, mental health, law enforcement, social services, and drug and alcohol abuse prevention and treatment programs at their 1989-90 funding levels plus annual adjustments for population and cost increases.

- **Conflict With Another Measure on This Ballot.** It contains language stating how a conflict with another measure on this ballot is to be resolved.

**Alcohol Surtaxes.** This measure adds surtaxes to the existing state tax on beer, wine, and liquor beginning January 1, 1991. The new surtaxes would increase the state tax on beer from 4 cents to 57 cents per gallon, the tax for most wines would increase from 1 cent to \$1.29 per gallon, and the tax on liquor would increase from \$2 to \$8.40 per gallon. As a result, taxes would go up by 30 cents on a six-pack of beer, by 25 cents on a bottle (750 milliliters) of most wines, and by \$1.27 on a bottle (750 milliliters) of liquor.

**How Surtax Revenues Will be Spent.** The measure requires the state to spend the revenues from the surtax for the following purposes:

- **Alcohol and Drug Abuse Prevention and Treatment.** Twenty-four percent of the revenues would be used for alcohol and drug abuse prevention and treatment services.

- **Emergency Medical and Trauma Care Treatment.** Twenty-five percent of the revenues would be used for emergency medical and trauma care treatment.
- **Mental Health.** Fifteen percent of the revenues would be used for locally implemented community mental health programs.
- **Various Health and Social Services.** Fifteen percent of the revenues would be used for prevention, treatment, and health services for certain women, children, and disabled persons.
- **Law Enforcement-Related Programs.** Twenty-one percent of the revenues would be used for various enforcement programs and a statewide emergency medical air transportation network.

The measure requires that the surtax revenues only be used to increase the level of services for these programs above those paid for by the state in 1989-90. The legislature and the Governor would have to specify how the revenues would be divided among the specific programs within each of the general categories described above.

**Guaranteed Funding Level for Existing State Programs.** The measure requires the state to keep spending for the five program areas described above at the 1989-90 level with annual adjustments for population and cost increases. The state could not use revenues from the surtax to pay for these guaranteed funding levels; instead, it would have to use other state money. In 1989-90, the state spent more than \$2 billion on these programs. As a result of the guarantee provided in this measure, the state would be required to spend at least this amount in the future, plus additional amounts to cover population and cost increases.

**Conflict With Another Measure on This Ballot.** Proposition 136 (the Taxpayers' Right to Vote Act of 1990), also on this ballot, imposes new voter

approval requirements for new or increased special taxes enacted through the initiative process. Proposition 136 also requires that any special taxes imposed on personal property be imposed on the value of the property. This measure (Proposition 134) states that it would not be affected by the section of the State Constitution to which these new requirements would be added.

#### Fiscal Effect

**Revenue From the New Surtaxes.** The alcohol surtaxes imposed by this measure would result in additional state revenues of approximately \$260 million in 1990-91 (part year) and \$760 million in 1991-92 (first full year). The amount of surtax revenues after 1991-92 would depend on trends in alcohol sales. All of the revenues raised by the measure would be used to increase services in the areas described above.

**Effects on Revenue From Existing Taxes.** This measure also could increase or decrease state General Fund revenues by several million dollars each year, due to its effects on sales tax revenues and revenues from the existing alcoholic beverage taxes. Local sales tax revenues would increase by several million dollars statewide.

**Costs of the Guaranteed Funding Level.** The requirement to keep spending for a variety of health, mental health, criminal justice, and other programs at their 1989-90 level, plus adjustments for population and cost increases could initially raise state costs by about \$180 million in 1990-91 and by over \$300 million in 1991-92. This latter amount could grow by tens of millions of dollars in each subsequent year. These costs would be funded by regular (nonsurtax) state revenues.

**Impact on Program Expenditures.** Spending the surtax revenues on prevention and treatment programs could result in future state and local savings in various governmental programs.

**134****Alcohol Surtax. Constitutional Amendment.  
Initiative statute****Argument in Favor of Proposition 134****PROPOSITION 134 IS THE "NICKEL-A-DRINK" ALCOHOL TAX INITIATIVE.**

Proposition 134 increases the excise tax on alcohol equal to a "nickel-a-drink" and invests the proceeds to fight alcohol related problems. Specifically, Proposition 134 earmarks the revenues from the "Nickel-a-Drink" Alcohol Tax Initiative for:

- Alcohol and drug abuse education.
- Enforcement of drunk driving, and other alcohol and drug related, laws.
- Emergency and trauma care treatment.
- Alcohol and drug abuse prevention and recovery programs.
- Community mental health programs.
- Programs for innocent victims of alcohol abuse, including spousal and child abuse victims.
- Programs for infants with birth defects caused by drinking and drug use during pregnancy.

The idea for a nickel-a-drink "user fee" originated with former Surgeon General C. Everett Koop who said: "Who could quarrel with a nickel-a-drink user fee. . . . to help save lives."

Who quarrels with a nickel-a-drink user fee? **THE LIQUOR INDUSTRY!** The liquor industry's motive for opposing Proposition 134 is twofold: preserve its profits AND the nation's lowest overall tax on alcoholic beverages.

You should vote YES on Proposition 134 because:

- Alcohol costs California taxpayers over \$13 billion annually.
- Alcohol is the leading cause of death among teenagers.
- California's emergency medical care system is near collapse, largely because of alcohol related accidents and injuries.
- About 68% of alcohol is consumed by only 11% of the people.
- Approximately 33% of all mentally ill and homeless persons also have alcohol and drug problems.
- California has the lowest alcohol taxes in the nation. For instance, the tax on wine has been 1¢ per gallon since 1937; it has not changed for 53 years.

**BEFORE VOTING ON PROPOSITION 134, ASK YOURSELF THIS SIMPLE QUESTION:**

**WHOM DO YOU TRUST?**

The liquor industry or the supporters of Proposition 134, which include:

CALIFORNIA CHAPTERS, MOTHERS AGAINST DRUNK DRIVING (MADD);

THE CALIFORNIA ASSOCIATION OF HIGHWAY PATROLMEN  
THE CALIFORNIA COUNCIL ON ALCOHOL PROBLEMS  
THE CALIFORNIA COUNCIL OF CHURCHES  
THE CALIFORNIA CONSORTIUM FOR THE PREVENTION OF CHILD ABUSE  
THE AMERICAN COLLEGE OF EMERGENCY PHYSICIANS—CALIFORNIA CHAPTER  
THE CALIFORNIA PEACE OFFICERS' ASSOCIATION  
THE CALIFORNIA POLICE CHIEFS ASSOCIATION  
THE CALIFORNIA COUNCIL OF COMMUNITY MENTAL HEALTH AGENCIES  
THE CALIFORNIA COUNCIL ON CHILDREN AND YOUTH

For the vast majority of the Californians, who drink moderately or not at all, the "nickel-a-drink" tax will cost less than 25 cents a week. Proposition 134 targets the heavy drinkers—the drunk drivers and alcohol abusers who cause most of the deaths and injuries attributable to alcohol. Proposition 134 will provide \$760 million annually for programs that address alcohol related problems in California.

**PLEASE REMEMBER ALSO TO VOTE NO ON PROPOSITIONS 128 AND 136. Both are sponsored by the liquor industry as part of its campaign to defeat Proposition 134.**

**VOTE YES ON PROPOSITION 134, THE "NICKEL-A-DRINK" ALCOHOL TAX INITIATIVE.**

**DR. DONALD M. BOWMAN**  
*Executive Director,*  
*California Council on Alcohol Problems*

**MICHAEL P. TRAINOR, M.D.**  
*President, American College of Emergency Physicians,*  
*State Chapter of California*

**THOMAS A. NOBLE**  
*President, California Association of Highway Patrolmen*

**Rebuttal to Argument in Favor of Proposition 134****IT'S NOT WHAT IT CLAIMS!**

Proposition 134 is not just a "nickel" alcohol tax, it requires spending more than it raises.

**EVERYONE PAYS**

- Proposition 134's author testified that *automatic budget increases* could be \$50 to \$100 million annually.
- The Legislative Analyst says Proposition 134 could spend *tens to hundreds of millions of dollars* more than it raises each year.
- A Senate Committee reports *mandated spending could be \$2 billion more* than provided by alcohol taxes within a few years.

**THIS SHORTFALL MUST BE PAID BY THE GENERAL FUND—BY YOUR INCOME AND SALES TAXES.** Up to \$200 per family yearly plus any alcohol surtaxes you pay

**FALSE PROMISES—MISPLACED PRIORITIES**

Proposition 134 fails to deliver on the promoters' promises. The guaranteed spending plan *misses the mark:*

- California Teachers Association *opposes* Proposition 134 because no money is directed to public schools for alcohol abuse programs.
- Less than half the spending goes to alcohol abuse programs. Proposition 134 *spends nearly as much on litter control as on abuse prevention communications.*

- Police and firefighters oppose Proposition 134 because *three times more goes to private physician subsidies than to drunk driving enforcement.*

**BAD GOVERNMENT**

Proposition 134 requires *automatic spending increases annually* above the alcohol tax.

There is *no annual review* or oversight to ensure spending increases are needed.

Wasteful or unneeded programs *cannot be cut* by the Legislature or Governor.

It *never expires*, so spending hikes increase forever.

Proposition 134 is a bad law all of us will pay for. Vote "NO" on 134.

**MARC KERN, Ph.D.**  
*Addiction Alternatives Research & Treatment Center*

**ROBERT B. HAMILTON**  
*President, California State Fireman's Assn.*

**DANA W. REED**  
*Former Director, Calif. Dept. of Traffic Safety*

## Alcohol Surtax. Constitutional Amendment, Initiative Statute

# 134

### Argument Against Proposition 134

**VOTE NO on Proposition 134. This is not just an alcohol tax.**

Despite its claims, Proposition 134:

- Locks in spending of \$1.9 billion in its first year (\$1.2 billion in current general fund monies, plus new alcohol taxes of \$730 million) and **DICTATES ANNUAL BUDGET INCREASES** that we all pay.
- Threatens tax increases—for all taxpayers—to fund annual budget increases (the only alternative is to cut important state programs).
- Directs no monies to public schools for prevention programs.
- Spends most funds on programs not related to alcohol or drug problems.

#### SPENDING EXCEEDS ALCOHOL TAX

Proposition 134 penalizes all Californians—not just drinkers—by **SPENDING FAR MORE THAN THE TAX RAISES**. It locks in \$1.2 billion in current state spending—then requires annual budget increases—which all taxpayers must pay for.

These budget increases are tied to California's explosive population growth. (Read Section 32240, Proposition 134 per-capita spending level "escalator clause".)

Proposition 134 could eventually spend five times more than it raises. We will pay either through income or other tax increases or through reductions in vital state programs. **Proposition 134 specifically states NONE OF THESE MANDATORY SPENDING INCREASES CAN BE PAID BY THE ALCOHOL SURTAX.**

#### THREATENS IMPORTANT SERVICES

Proposition 134 threatens funds for programs like senior citizen nutrition, child welfare, safe food and agriculture, prisons, conservation and fire protection by creating new demands on the General Fund. The Legislative Analyst estimates these **INCREASES COULD COST \$480 MILLION IN THE NEXT TWO YEARS.**

#### OTHER TAX INCREASES

State income or sales taxes may be required because Proposition 134 costs millions more than it raises.

A Senate Budget Committee investigation found deficits could reach

\$2 billion—equal to a \$200 income tax for every California family—on top of the alcohol tax.

#### SCHOOLS GET NOTHING

Proposition 134 deprives California public schools of any right to Alcohol Surtax funds.

The best answer to alcohol abuse and illegal drug use is prevention education. Yet Proposition 134 *gives nothing to schools for prevention.*

#### NO FUNDS FOR ALCOHOL AND DRUG DEPARTMENT

Less than half of Proposition 134 spending actually goes to fight illegal drug use or alcohol abuse.

Proposition 134 scatters funds to a dozen programs, but not one cent goes to California's Department of Alcohol and Drug Programs. Only 3 percent of its \$730 million tax goes to fight drunk driving, the program that should be the Number One public safety priority in our state.

#### BLANK CHECK FOR WASTE

Even if you like higher alcohol taxes, consider that Proposition 134:

- Mandates *higher government spending every year*, whether programs work or not, whether money is needed or not.
- Requires annual increases *even if fraud, waste or abuse are proven.*
- Prohibits the Governor and Legislature from cutting these budgets, even for disasters or financial crises.
- Exempts several hundreds of millions of dollars of government spending from the state's constitutional spending limit.
- Has no expiration date, so spending increases continue forever.

We urge you to vote NO on Proposition 134. It creates many more problems than it solves.

**FRANK M. JORDAN**

*Police Chief, City and County of San Francisco*

**LARRY MCCARTHY**

*President, California Taxpayers Association*

**HERBERT E. SALINGER**

*Former Executive Director, California School Boards Association*

### Rebuttal to Argument Against Proposition 134

The opponent of the "Nickel-A-Drink" Initiative is the liquor lobby. They are spending more than \$20 million trying to confuse voters with misleading information.

The liquor lobby says "Schools get nothing."

Fact: Proposition 134 provides over \$40 million annually for alcohol abuse programs in public schools and in the community.

Liquor lobby: "Spending exceeds alcohol tax."

Fact: Proposition 134 *supplements* current funding for alcohol-related programs and services. A "safety clause" in Prop. 134 guarantees that politicians will *not* be allowed to cut back on current funding for alcohol-related programs and services when the Nickel-A-Drink funds become available. This "safety clause" is what the liquor lobby is calling the "escalator clause." Prop. 134 does not increase other taxes. Instead, \$760 million in alcohol taxes will be *added revenue* for our cities, counties and state alcohol-related programs and services.

Liquor lobby: "Only 3% goes to fight drunk driving."

Fact: Prop. 134 will provide up to \$129 million for the enforcement of drunk driving laws.

Liquor lobby: "No funds for alcohol and drug department."

Fact: Every nickel of the Nickel-A-Drink tax will be spent for *alcohol related services* and programs; services like child abuse programs, alcohol abuse education in public schools, and programs for the victims of drunk drivers.

By paying a nickel-a-drink more, people who drink alcohol can contribute to covering the costs related to their behavior. We think that's fair and respectfully urge you to vote yes on Proposition 134.

**HARRY SNYDER**

*West Coast Director, Consumers Union, U.S., Inc. Publisher of Consumer Reports*

**RIC LOYA**

*Exec. Director, CA Assoc. of School Health Educators*

**JACQUELINE MASSO**

*Santa Clara County Chapter of Mothers Against Drunk Driving (MADD)*

## Overview of November Ballot Propositions

Following are brief summaries of the 28 measures that will appear on the November ballot. The arguments pro and con are based on arguments submitted for the voters' pamphlet.

### Proposition 124

#### Public Finance.

Allows the Legislature to authorize local hospital districts to acquire and own stock of corporations that engage in any health care-related business, subject to the same obligations and liabilities as are imposed on all other stockholders in these corporations.

Placed On Ballot By: ACA 29 (Leslie).  
Chamber Position: No Position

#### Arguments For:

1. Allowing hospital districts to acquire and own stock in health-related businesses will allow district hospitals the opportunity for joint ventures and partnerships; the use of economic and innovative ways to broaden services; and the ability to compete on equal ground with private hospitals.

2. This measure grants district hospitals ways of operating more efficiently, by giving them some of the

tools their competitors already have.

#### Arguments Against:

1. No government agencies can own corporate stock and allowing hospital districts to do so sets a bad precedent.

2. Unlike private hospitals, public hospitals do not make decisions to make a profit for their investors. therefore, public hospitals do not compete with private hospitals and should not do so in order to keep the stock market private.

### Proposition 125

Motor Vehicle Fuels, Tax Revenues. Exclusive Public Mass Transit Guideways.

Authorizes use of motor vehicle fuel tax revenues for the acquisition of rail transit vehicles and rail transit equipment which operate only on exclusive public mass transit guideways.

Placed On Ballot By: ACA 32 (Costa).  
Chamber Position: Support

#### Arguments For:

1. By allowing state and local agencies flexibility to use existing rail funds for the most necessary rail capital improvements, this measure will increase efficiency.

2. By providing more seats, an additional funding source for equipment and allowing trains to run more often, the initiative will benefit rural and urban parts of the state and continue to reduce gridlock on overburdened freeways.

#### Arguments Against:

1. Since gasoline tax revenues would be reduced by the amount of reduced automobile use (resulting from increased transit utilization), taxes would have to be raised to make up for the shortfall.

2. The proposition requires millions of Californians who will never have access to the tax-funded mass transit facilities to pay for those who live on public mass transit routes.

### Proposition 126

The Alcohol Abuse and Drug Education Tax Act of 1990.

Imposes excise tax and excise surtax on beer, wine and distilled spirits, as specified, that would supercede such taxes previously imposed and would be in lieu of all county, city or district taxes on the sale of alcoholic beverages.

Placed on Ballot By: ACA 38 (Cortese).  
Chamber Position: Support

#### Arguments For:

1. The measure, supported by a broad bipartisan coalition of educators, alcohol

abuse experts, taxpayer advocates, farmers, and other community leaders, would help prevent alcohol abuse among children by allocating nearly \$1 billion to schools over a 10-year period.

2. Funds raised by this measure could be used effectively in such programs as hiring new officers to increase drunk driving patrols; treating alcoholics in trauma centers and mental health facilities; curing alcoholics in rehabilitation and recovery programs; and stepping up the war on illegal drug use and alcohol abuse.

3. The money raised by this proposi-

tion comes strictly from a tax on beer, wine and distilled spirits; not one penny comes from income, sales or other taxes.

#### Arguments Against:

1. New tax revenues from this measure will be deposited in the state general fund, to be spent at the discretion of the state Legislature.

2. Nothing will be done to address the negative impacts and costs of alcohol abuse to California taxpayers.

3. This initiative does not guarantee funding for alcohol and drug use education programs affected by alcohol abuse or enforcement of drunk driving laws.

### Proposition 127

Property Taxation. New Construction Exclusion.

Allows Legislature to exclude from "new construction" the construction or installation of seismic retrofitting improvements or improvements using earthquake-hazard relief technologies.

Qualified improvements would be defined by the Legislature.

Placed On Ballot By: SCA 33 (Rogers).  
Chamber Position: No Position

#### Arguments For:

1. As confirmed by the October 17, 1989 earthquake, it is much less expensive to strengthen buildings than to pay for the consequences of economic

disruption, demolition, rebuilding and even death.

2. The insignificant loss of property tax revenue in the short term is a small and fair price to pay for long-term earthquake safety.

#### Arguments Against:

None filed.

# Special Report

SEPTEMBER 21, 1990

CALIFORNIA CHAMBER OF COMMERCE

## Proposition 128

**Natural Environment. Public Health. Bonds.** Initiative Statute.

Also referred to as the Hayden initiative and "Big Green." Requires regulation of pesticides to ensure food and agricultural worker safety, phases out the use of cancer-causing pesticides and chemicals (thought to deplete the ozone layer) on food. Would require reduction in emissions of gases contributing to global warming and require oil spill prevention and contingency plans. Establishes an office of statewide environmental advocate, to be elected "in the same manner as the Governor" to implement the measure, and to enforce "all the laws of the State of California relating to environmental research and public health." Appropriates \$40 million for environmental research and authorizes the sale of \$300 million in general obligation bonds for ancient redwoods acquisition and forestry projects.

**Proponents:** Tom Hayden, Uoyd Connelly, Albert H. Meyerhoff, Bob

**Mulholland, Michael Picker. Carl Pope and John K. Van de Kamp.**

**Chamber Position: Oppose**

**Arguments For:**

1. In 1985 the National Center for Health Statistics issued a study stating that overall medical costs for cancer in California exceed \$7 billion a year. The initiative will save billions of dollars in health care and energy costs by protecting Californians from toxic chemical pollution of air, water and food.

2. While phasing out chemicals that destroy the ozone layer, cancer-causing pesticides on food, and toxic-chemical contamination in drinking and coastal waters, the initiative will provide \$40 million for research on safer substitutes.

**Arguments Against:**

1. New regulations would cause food prices to escalate by 30 percent; electricity by 20 percent; and gasoline by 60 cents per gallon.

2. The measure includes the equivalent of 12 pieces of legislation; there are too many important issues to be voted on together.

3. The initiative would give broad authority over all environmental issues to a single individual, would create the potential for thousands of new lawsuits against state and local governments, and would force businesses to comply with hundreds of new government regulations.

4. Many provisions in this initiative duplicate existing law, depend on scientific applications yet to be developed or mimic legislation that failed last year. For example: supporters propose to cancel all cancer-causing ingredients by January 1996, and the California Department of Food and Agriculture already is reviewing all pesticides to eliminate those known to cause cancer; the initiative requires scientists to produce an alternative to CFCs and halons (blamed for the opening in the ozone layer) by 1997, and there seem to be no viable options to these refrigerants, coolants and solvents at this time.

## Proposition 129

**Crimes. Taxation. Bonds. Initiative Constitutional Amendment and Statute.**

Appropriates \$561 million in 1991 to state and local governments for drug enforcement and treatment, and for gang-related purposes, with additional funds allocated in subsequent years.

**Raises funds** by conforming state corporate tax laws with federal tax laws and authorizing the sale of \$740 million in general obligation bonds for drug abuse, confinement and treatment facilities. Includes Proposition 115

provisions related to criminal justice and removes right to privacy in state Constitution that limits criminal defendants' rights to those granted by the U.S. Supreme Court through its interpretation of the federal Constitution.

**Proponent:** John Van de Kamp.

**Chamber Position:** Oppose

**Arguments For:**

1. The initiative provides funding for needed drug enforcement agents.

2. It clarifies ambiguous language in current law that protects a woman's right to an abortion in California.

3. Closing state corporate tax loopholes will raise \$220 million to fight

drugs every year for the next eight years.

**Arguments Against:**

1. Corporate tax loopholes already have been closed as part of the budget-balancing process this year; no new funds remain.

2. Earmarking new tax dollars is bad public policy.

3. The need for the initiative is questionable since voters just approved a \$450 million bond act for prisons in June.

## Proposition 130

**Forest Protection. Timber Harvesting. Bond Act. Initiative Statute.**

Authorizes issuance of \$742 million in general obligation bonds to fund a 10-year state acquisition program and limited logging moratorium, permitting public acquisition of designated ancient forests providing wildlife habitat.

Requires state-funded compensation, a retraining program for loggers displaced by new regulations, wildlife surveys and mitigation measures. Among other

provisions, the measure limits timber-cutting practices, logging sites and burning of forest residues.

**Proponent:** Thomas Lippe.

**Chamber Position:** Oppose

**Arguments For:**

1. The proposition prevents global warming by preserving big trees which absorb carbon dioxide and provides jobs by guaranteeing a lasting timber supply.

2. The measure was written by forestry experts and is supported by more than 100 environmental and civic organizations.

**Arguments Against:**

1. By reducing timber harvesting by 70 percent, the measure puts more than 100,000 Californians out of work.

2. The initiative politicizes the timber harvest approval process, results in a buildup of hazardous forest debris (which could lead to catastrophic fires) and significantly increases consumer prices for new homes, timber and paper products.

## Proposition 131

**Government Officials. Ethics. Campaign Financing. Initiative Constitutional Amendment and Statute.** Limits terms of statewide elected officials and members of the Legislature. Statewide elected officials could serve no more than eight successive years in office; state legislators and members of the Board of Equalization could serve no more than 12 successive years. Limits gifts to elected state and local officials, prohibits honoraria and the use of public resources for personal or campaign purposes, and enlarges conflict of interest remedies against legislators and statewide officeholders. Establishes campaign-contribution limits for elective offices and provides for partial public funding for candidates to state office who agree to the limits specified.

Expands the restrictions on lobbying activities by former elected officials. Proponents: John Van de Kamp, John R. Phillips and Tom McEnery. Chamber Position: **Oppose** Arguments For:

1. Proposition 131 gives people with different viewpoints, including women and minorities, the opportunity to run for political office.

2. The initiative puts an end to special interest contributions by placing strict limits on contributions.

3. Proposition 131 establishes voluntary public financing, at no cost to the taxpayer, for campaigns that provide matching funds for candidates who run for office, thereby ending candidates' dependence on powerful lobbyists and wealthy interests.

Arguments Against:

1. With the creation of a tax-funded

campaign fund, Proposition 131 will shift to political campaigns millions in tax dollars now used for education, prisons and health care. The programs must continue to be funded or vital services will be cut.

2. The measure doesn't limit campaign spending; it allows for tax dollars to be matched with contributions.

3. The Department of Finance and legislative analyst estimate state general fund revenue will drop by \$12 million because Proposition 131 permits a tax return checkoff of \$5 to go for campaign funding.

## Proposition 132

**Marine Resources. Initiative Constitutional Amendment.** Proposes to establish a Marine Protection Zone within three miles of Southern California coastal waters between Point Arguello and the Mexican border. Between January 1, 1991 and December 31, 1993, the use of gill nets or trammel nets in the zone would be subject to an additional permit with fees ranging from \$250 in 1991 to \$1,000 in 1993. Starting January 1, 1994, use of gill or trammel nets within the zone would be prohib-

ited. Revenues from permit fees provide compensation to fishermen for the loss of permits after January 1, 1994.

Proponent: Doris Allen.

Chamber Position: **No Position**

Arguments For:

1. According to the U.S. Marine Mammal Commission, 72 percent of all fish species caught in gill nets have no commercial or economic value.

2. Gill nets broken free of their fishing boats (ghost nets) take 400 years to biodegrade and have already been banned along the coasts of Canada, Oregon and Washington.

Arguments Against:

1. This measure will increase California's imports of fish from other nations.

2. Gill nets are used safely offshore Oregon, Washington, Canada and central and southern California; they are used in San Francisco Bay, Tomales Bay, Humboldt Bay and the Klamath River.

## Proposition 133

**Drug Enforcement and Prevention. Taxes. Prison Terms. Initiative Statute.** Increases state sales and use taxes one-half cent for four years beginning with the 1991-92 fiscal year. Deposits money in a "safe streets fund" to be used for anti-drug education (42 percent), anti-drug law enforcement (40 percent), prisons and jails (10 percent) and drug treatment (8 percent). Seeks to prohibit early release of persons convicted twice or murder, manslaughter, rape or other sexual assault; mayhem; sale, possession for sale, transportation or manufacturing of large amounts of drugs; selling drugs to minors on school grounds or playgrounds; or using minors to sell drugs.

Proponent: Leo McCarthy.

Chamber Position: **Oppose**

Arguments For:

1. Proposition 133 provides more funding for anti-drug education and law enforcement programs and takes away early release and good behavior credits for repeat violent crime offenders.

2. The half cent sales tax money would be used specifically for purposes stated above and not be diverted for anything else.

3. This measure, endorsed by many major law enforcement organizations in the state, will put thousands more police officers on the street.

Arguments Against:

1. Earmarking statewide sales tax funds is bad public policy.

2. The sales tax is traditionally

considered a revenue source for the general fund. Because Proposition 133 earmarks the funds it raises, other programs will have to be cut to comply with the Proposition 98 guarantee that K-14 education receive 42 percent of general fund monies.

3. After four years, this proposed sales tax may be revoked, but the programs must continue to be funded, much to the detriment of other state programs, such as care for the elderly, health care and higher education.

# Special Report"

SEPTEMBER 21, 1990

CALIFORNIA CHAMBER OF COMMERCE

## Proposition 134

Alcohol Surtax Fund. Initiative Constitutional Amendment and statute.

Imposes an additional tax on alcohol products (5 cents per 12 ounces of beer, five ounces of wine, three ounces of fortified wine, one ounce of distilled spirits and an additional per unit floor stock tax). Resulting revenues would be deposited in the newly created Alcohol Surtax Fund to be appropriated for, among other things, alcohol and drug abuse prevention, treatment and recovery

programs, emergency medical care, community mental health programs, child abuse and domestic violence prevention training and victim service, alcohol and drug-related law enforcement costs. The funds are to be supplemental and not meant to replace existing funds. This measure is also called the Connelly initiative.

Proponent: Andrew McGuire.  
Chamber Position: Oppose  
Arguments For:

1. Approximately 33 percent of all mentally ill and homeless persons also have alcohol and drug problems.

2. This measure targets the heavy drinkers, the drunk drivers and alcohol abusers who cause most of the deaths and injuries attributable to alcohol.

Arguments Against:

1. Proposition 134 continues the trend toward ballot box budgeting by earmarking the funds it raises.

2. This measure penalizes all Californians by locking in \$1.2 billion in current state spending and relying on tax increases to fund annual budget increases.

## Proposition 135

Pesticide Regulation. Initiative statute.

Proposes to expand the state program for monitoring pesticide residue in produce and processed foods. Mandates review of cancer-causing pesticides, establishes state training and information programs for pesticide users, creates new and modifies existing pesticide-related state advisory panels, creates a state-appointed advocate to coordinate pesticide policies and provides for state disposal of unregistered pesticides. Appropriates \$5 million annually through 1995 for pesticide research. Provides that, in the

case of competing pesticide-related initiatives on the ballot, the pesticide-enforcement provisions of the measure receiving the most votes supersede similar provisions of the other. Sponsored by the agricultural community as an alternative to the Hayden initiative, it is known as CAREFUL.

Proponents: David L. Moore, Joel Nelsen, Dennis H. Merwin, Bob L. Vice and Leland H. Ruth.

Chamber Position: Support  
Arguments For:

1. Doctors, scientists and nutritionists agree the best cancer prevention is a healthful diet rich in fresh fruits and vegetables.

2. By providing \$25 million to develop safe alternative pest control methods, Proposition 135 can help provide an affordable and wholesome food supply.

3. Proposition 135 establishes 15 new programs for food safety and environmental protection.

Arguments Against:

1. Most of Proposition 135 repeats what is already California law.

2. The cost of pesticide testing will be shifted from the pesticide industries to the taxpayer.

3. The measure delays urgently needed pesticide reform by creating a slow and ambiguous process.

## Proposition 136

State, Local Taxation. Initiative Constitutional Amendment.

Requires that any new tax or any increases in existing state general or special taxes be approved by two-thirds of each house of the Legislature. New taxes or tax increases enacted by the initiative would require majority vote of voters voting for general taxes, a two-thirds vote for special taxes. Among other things, restricts use of local special taxes to purposes for which they were imposed, limits tax rate on new state

personal property taxes and extends to charter counties power of voters to increase local general taxes by majority vote. Provides for new state and local ad valorem, sales and transaction taxes on real property. Provides for temporary exception for state and local taxes for disaster relief. Also known as the Taxpayers Right to Vote Initiative. Proponents: Joel Fox and Richard Gann.

Chamber Position: Support  
Arguments For:

1. By giving taxpayers the right to vote, Proposition 136 will make it more

difficult for politicians to use special taxes as a means of getting around the tax limitations of Proposition 13.

2. Each year individual California households pay tax increases of more than \$1,350; this measure protects individuals from such increases.

Arguments Against:

1. Proposition 136 makes it nearly impossible to raise excise taxes, such as those on alcohol and cigarettes, and eliminates accountability to taxpayers.

2. The initiative tries to wipe out any other measure on the ballot which does not follow its special interest rules.

## Proposition 137

Initiative and Referendum Process. Initiative Constitutional Amendment.

Requires voter approval of any statute that "provides the manner in which statewide or local initiative or referendum petitions are circulated, presented

or certified." Also requires voter approval of any statute that prescribes the manner in which initiatives and referenda are submitted to voters.

Proponent: Joel Fox.

Chamber Position: No Position

Argument For:

The measure is necessary to protect

people's votes before any changes are made in the initiative process.

Argument Against:

This initiative would prevent the Legislature from passing laws to protect the people - stopping misleading initiative campaign practices - without costly barriers and years of delay.

## Proposition 138

**Forestry Program Timber Harvesting. Bond Act. Initiative Statute.** Authorizes a \$300 million general obligation bond issue to support a loan/grant program. Limits timber cutting practices and requires state-approved timber and wildlife management plan on timberlands exceeding 5,000 acres. Mandates wildlife resources and timberland studies, allows state acquisition of specified timberlands and bars forced purchase of others for a 10-year period. Introduced as an alternative to Proposition 130. Sponsored by the timber industry.

**Proponent:** George A. Craig.  
**Chamber Position:** Support

### Arguments For:

1. This measure strikes a balance between environmental, human and economic concerns by banning clearcutting, enacting a massive tree-planting program, imposing strict forest management regulations, keeping timber harvest decisions away from politicians and expanding state parks.

2. Timber harvest reductions under Proposition 138 are far less than those that would be caused by Proposition 130.

3. The measure is supported by licensed professional foresters, wildlife biologists and other experts in forestry.

### Arguments Against:

1. Proposition 138 abolishes the forest reforms and protections of Proposition 130.

2. The measure increases the chance of global warming by allowing the increased destruction of forests.

3. This proposition is opposed by more than 100 environmental groups, including the Sierra Club, Planning and Conservation League, Audubon Society chapters and the California League of conservation voters.

## Proposition 139

**Prison Inmate Labor. Tax Credit. Initiative Constitutional Amendment** and statute.

Permits state prison and county jail officials to contract with public entities, profit or non-profit organizations, businesses and entities for prison labor, except in strikes or lockouts. Adds statutes requiring the state prison director to establish joint venture programs for employment of inmates. Inmate wages would be comparable to non-inmate wages for similar work and be subject to deductions for taxes, room and board, lawful restitution fines or victim compensation, and family support. Allows inmate employers a 10 percent tax credit against specified state taxes.

**Proponent:** George Deukmejian.  
**Chamber Position:** Support

### Arguments For:

1. Prison inmates employed in the program will reimburse the state or county for a portion of their room and board; pay federal, state and local taxes; and provide restitution to crime victims.

2. Studies show that such programs keep inmates out of prison once they are back in society. For every inmate not returning to prison, taxpayers would save \$20,000 a year and there would be fewer crime victims.

3. Inmate employment supports the emerging California industries and creates jobs now being exported overseas.

4. The inmate labor program is patterned after a California youth authority program resulting in \$227,000

paid to victims. \$345,000 toward room and board costs, \$181,000 for income taxes and a lower rate of repeat offenders returning to the system. This four-year-old program has had no security problems.

### Arguments Against:

1. Private employment of prisoners could lead to competition with labor unions and small business owners for workforce retention.

2. The initiative has no provision for job training.

## Proposition 140

**Terms of Office. Legislators Retirement. Legislative Operating Costs. Initiative Constitutional Amendment.** Limits state senators, all statewide elected officers (except the Insurance Commissioner), and members of the Board of Equalization to two terms. Also limits members of the Assembly to three terms, and requires legislators to participate in federal Social Security and precludes accrual of other pension and retirement benefits resulting from legislative service. In addition, it would limit the Legislature's expenditures for compensation and for operating and equipment costs to amount specified in the measure.

**Proponent:** Peter F. Schabarum, J.G. Ford, Jr. and Lewis K. Uhler.

**Chamber Position:** No Position

### Arguments For:

1. Proposition 140 means there will be no more lifetime legislators who have developed cozy relationships with special interests.

2. The measure ends extravagant pensions for legislators.

3. Limiting terms will create more competitive elections.

### Arguments Against:

1. By preventing legislators from returning to office after two terms, Proposition 140 in effect takes away from voters their right to select whom (ever they) wish to represent them.

2. The measure treats everyone the

same; the competent and dedicated are lumped together with those who are not.

3. Proposition 140's retirement provisions hurt qualified officeholders who are not rich and have to provide economic security for their families.

## Proposition 141

**Toxic Chemical Discharge. Public Agencies. Legislative Statute.** Extends the requirements and civil penalty provisions of Proposition 65 to federal, state and local government agencies and water systems serving the public. The warning requirements are effective November 1991, and prohibitions against discharges are effective July 1992. Restrictions not applicable to public sewage treatment plants. Provides exemptions to drinking water require-

ment, covering such cases as chemicals that are present due to storm water runoff and chemicals put into drinking water for public health purposes. Also exempts chemical releases resulting from public agency's response to an emergency, such as firefighting.  
**Placed On Ballot By:** SB 65 (Kopp).  
**Chamber Position:** No Position  
**Arguments For:**

1. Public agencies and public officials should be accountable for the same provisions that Proposition 65 requires for the private sector.

2. The business community bears the burden and expense of added restrictions to offset emissions of unregulated public agencies.

### Arguments Against:

1. Drinking water already is regulated extensively to protect public health.  
2. Proposition 141 may lead to water shortages because it makes no allowances for the beneficial use of chlorine.

## Proposition 142

**Veterans' Bond Act of 1990.** Provides for a bond issue of \$400 million to provide farm and home aid for California veterans.  
**Placed On Ballot By:** SB 2755 (Rogers).  
**Chamber Position:** support

### Arguments For:

1. Since its beginning in 1921, the Cal-Vet home and farm loan program has been entirely self-supporting and financially safe and sound.

2. The loans generate thousands of jobs, millions of dollars in payroll and economic opportunities for all the industries.

### Arguments Against:

1. A recession will cause many of the veterans who own homes and farms under Cal-Vet to default, leaving taxpayers to foot the bill.

2. The economy can be revived only by cutting back the size of government, reducing taxes and eliminating burdensome agencies trying to make jobs.

## Proposition 143

**Higher Education Facilities Bond Act of November 1990.** Provides for a bond issue of \$450 million to fund construction/improvement of facilities for the University of California, the California State University, the California community colleges, Hastings College of the Law, the California Maritime Academy, and off-campus facilities of the California State

University approved by university trustees on or before July 1, 1990.  
**Placed On Ballot By:** AB 2479 (Nolan).  
**Chamber Position:** Support  
**Arguments For:**

1. This measure will accommodate increases in student enrollments, adapt higher education to new technology, strengthen the state's economy, and improve earthquake safety.

2. Higher education fuels innovations and technological breakthroughs,

keeping California on the cutting edge of new industries.

### Arguments Against:

1. Construction for this measure could be paid for out of the billions already set aside for the universities in the state budget.

2. Private businesses could be encouraged to donate buildings as tax-deductible contributions.

## Proposition 144

**New Prison Construction Bond Act of 1990-B.** Provides for a bond issue of \$450 million to provide funds to relieve overcrowding in the state's prisons and California Youth Authority facilities

through new construction.  
**Placed On Ballot By:** AB 524 (Murray).  
**Chamber Position:** Support  
**Argument For:**

1. Overcrowding is a serious threat to public and prison staff safety.

2. This measure will provide funds to remove the criminal element from the

neighborhoods and keep it behind bars.

### Argument Against:

1. Funds for prisons reduce allocations for programs to help reduce future criminal behavior.

2. Prisons do not deter crime or rehabilitate offenders.

## Proposition 145

**California Housing Bond Act of 1990.** Provides a housing program addressing the housing crisis in California by authorizing the use of funds from the First-Time Home Buyers Bond Act of 1982, under which the voters of this state authorized a bond issue of \$200 million to provide financial assistance to first-

time homebuyers, providing for a bond issue of \$125 million to fund a housing and earthquake safety program.  
**Placed On Ballot By:** SB 2456 (Maddy).  
**Chamber Position:** Support  
**Arguments For:**

1. Housing prices in California have doubled in the last decade and this measure will make homeownership a

reality for many families again.

2. Many live in unsafe, unhealthy housing.

### Arguments Against:

1. The measure subsidizes persons making over \$80,000 a year.

2. Proposition 145 costs all taxpayers \$30 million a year for the next 30 years to pay off the bonds.

# Special Report

CALIFORNIA CHAMBER OF COMMERCE

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## Proposition 146

**School Facilities Bond Act of 1990.** Authorizes a bond issue of \$800 million to provide capital outlay for construction or improvement of public schools. Placed On Ballot By: AB 236 (Clute). Chamber Position: Support

### Arguments For:

1. Overcrowding hurts learning.
2. The bonds are cost-effective and will help schools throughout California.

### Arguments Against:

1. Proposition 146 ignores the possibility of shifting half of public school enrollment into private schools

through a voucher system.

2. The bonds, when sold, will raise \$72 million annually for payment of principal and interest.

## Proposition 147

**County Correctional Facility Capital Expenditure and Juvenile Facility Bond Act of 1990.** Authorizes issuance of \$225 million in general obligation bonds for the construction, reconstruction, remodeling, replacement and deferred maintenance of county correctional facilities, juvenile facilities, and youth centers and shelters. Placed On Ballot By: SB 1094 (Presley).

### Chamber Position: Support

### Arguments For:

1. There is an immediate need for \$39 million in fire, health and safety repairs, renovations and replacement of existing juvenile halls and camps.
2. Youth centers and shelters are in need of more than \$100 million, which can be funded by this measure.
3. Counties are encouraged to match funds for additional construction, and are required to demonstrate adequacy of care for mentally ill and inebriated

inmates.

### Arguments Against:

1. As long as the government owns and operates jails, their building and upkeep should be a regularly budgeted expenditure.
2. California's capacity to issue bonds is exceeding safe levels.

## Proposition 148

**Water Resources Bond Act of 1990.** Provides for a bond issue of \$380 million to provide funds for a water resources program. Makes changes in the Water Conservation Pond Law of 1988 relating to administrative fees and the California Safe Drinking Water Bond Law of 1976 relating to loans. Placed On Ballot By: AB 1312 (Filante).

### Chamber Position: Support

### Arguments For:

1. Providing urgently needed funding is crucial to ensure California's future is environmentally and economically sound.
2. Proposition 148 ensures safe drinking water, helps clean up rivers and streams, expands use of existing water supplies, provides assistance to drought-stricken areas and builds critical flood control projects.

### Arguments Against:

1. The control and cleanup of pollution in state waters should be borne by commercial farming and industry.
2. The water projects will cost about \$684 million in principal and interest over 20 years.

## Proposition 149

**California Park, Recreation and Wildlife Enhancement Act of 1990.** Authorizes issuance of \$437 million in general obligation bonds for the acquisition, development, rehabilitation or restoration of real property for wildlife, park, beach, recreation, coastal, historic and

museum purposes.

Placed On Ballot By: AB 145 (Costa).

### Chamber Position: Oppose

### Argument For:

1. Through improving local parks in every community, expanding/improving state parks, protecting important wildlife habitat, and benefiting the coast and rivers, this measure meets California's

increased demands for recreation and protects the environment.

### Argument Against:

Almost \$3 billion is already committed to state and local parks, and half the money has not been spent yet; if this measure were passed, the total allocation for California's parks would be nearly \$5 billion.

## Proposition 150

**County Courthouse Facility Capital Expenditure Bond Act of 1990.** Authorizes issuance of \$200 million in general obligation bonds for the construction, reconstruction, remodeling, replacement and deferred maintenance of county courthouse facilities. Placed On Ballot By: AB 2180 (W. Brown).

### Chamber Position: Support

### Arguments For:

1. Limited county courthouse facilities have resulted not only in overcrowding, but long delays in bringing criminals to justice.
2. The bond money will be issued to counties that comply with strict standards, and the County Courthouse Facility Capital Expenditure Finance Committee will strictly implement and

oversee the program.

### Arguments Against:

1. The courthouses are overcrowded, not for the lack of facilities, but because the justice system tries to control people.
2. The measure will indenture children and more than double the cost of capital improvements through the interest paid to bond holders.

# Special Report

SEPTEMBER 21, 1990

CALIFORNIA CHAMBER OF COMMERCE

## Proposition 151

### Child Care Facilities Financing Act of 1990,

Authorizes sale of \$30 million in general obligation bonds to provide funds for child care facilities.

Placed On Ballot By: SB 78 (Watson).

Chamber Position: Support.

#### Argument For:

in California 15 to 2.5 million children need child care outside the home; only 25 percent are in child care licensed to meet health and safety standards and less than 10 percent are in care that is directly subsidized.

#### Argument Against:

Taxpayers should not pay high bond interest rates to provide child care facilities.

## California Chamber Positions on November Ballot Measures

Ballot No.	Title	Position
proposition 124	Public Finance.	No Position
Proposition 125	Motor Vehicle Fuels. Tax Revenues. Exclusive Public Mass Transit Guideways.	Support
Proposition 126	The Alcohol Abuse and Drug Education Tax Act of 1990.	Support
Proposition 127	Property Taxation. New Construction Exclusion.	No Position
Proposition 128	Natural Environment. Public Health. Bonds. Initiative Statute.	Oppose
Proposition 129	Crimes. Taxation. Bonds. Initiative Constitutional Amendment and Statute.	Oppose
Proposition 130	Forest Protection. Timber Harvesting. Bond Act. Initiative Statute.	oppose
Proposition 131	Government officials. Ethics. Campaign Financing. Initiative Constitutional Amendment and Statute.	Oppose
Proposition 132	Marine Resources. Initiative Constitutional Amendment.	No Position
Proposition 133	Drug Enforcement and Prevention. Taxes. Prison Terms. Initiative Statute.	Oppose
Proposition 134	Alcohol Surtax Fund. Initiative Constitutional Amendment and Statute.	Oppose
Proposition 135	Pesticide Regulation. Initiative Statute.	Support
Proposition 136	State, Local Taxation. Initiative Constitutional Amendment.	Support
Proposition 137	Initiative and Referendum Process. Initiative Constitutional Amendment.	No Position
Proposition 138	Forestry Program. Timber Harvesting. Bond Act. Initiative Statute.	Support
Proposition 139	Prison Inmate Labor Tax Credit. Initiative Constitutional Amendment and Statute.	Support
Proposition 140	Terms of Office. Legislators Retirement. Legislative Operating Costs. Initiative Constitutional Amendment.	No Position
Proposition 141	Toxic Chemical Discharge. Public Agencies. Legislative Statute.	No Position
Proposition 142	Veterans. Bond Act of 1990.	Support
Proposition 143	Higher Education Facilities Bond Act of November 1990.	Support
Proposition 144	New Prison Construction Bond Act of 1990-B.	Support
Proposition 145	California Housing Bond Act of 1990.	Support
Proposition 146	School Facilities Bond Act of 1990.	Support
Proposition 147	County Correctional Facility Capital Expenditure and Juvenile Facility Bond Act of 1990.	Support
Proposition 148	Water Resources Bond Act of 1990.	Support
Proposition 149	California Park, Recreation and Wildlife Enhancement Act of 1990.	Oppose
Proposition 150	County Courthouse Facility Capital Expenditure Bond Act of 1990.	Support
Proposition 151	Child Care Facilities Financing Act of 1990.	Support