



# PETE RATES THE PROPOSITIONS

Sensible opinions on the California ballot propositions since 1980 by Pete Stahl

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November 2018

Pete recommends:

- 1 **YES** Affordable Housing Bonds
  - 2 **YES** Mental Health Tax for Supportive Housing
  - 3 **NO** Water Bonds
  - 4 **YES** Children’s Hospital Bonds
  - 5 **NO** Assessment Portability for Older Homeowners
  - 6 **NO** Repeal Gas Tax & Vehicle Registration Fee
  - 7 **YES** Daylight Saving Time Update
  - 8 **NO** Kidney Dialysis Fee Cap
  - 9 *GONE Split California into Three States*
  - 10 **YES** Allow Expanded Rent Control
  - 11 **NO** Ambulance Drivers On Call During Breaks
  - 12 **YES** Require All Eggs to be Cage-Free
- My Semi-Biennial Lecture on Bonds*

## Proposition 1: Affordable Housing Bonds – YES

**SUMMARY:** Authorizes \$3 billion in bonds for affordable apartments, infrastructure and infill programs, down payment assistance for low- and moderate-income first-time homebuyers, and farmworker housing. Also renews the smashingly successful Cal-Vet loan program for veterans at no net cost.

**DETAILS:** See *My Semi-biennial Lecture on Bonds*, at the end of this document, for my opinion of bonds in general.

Prop 1 divides its billions into four pots. The first pot contains \$1.8 billion for low-interest loans to developers to build and renovate about 30,000 affordable apartments. In exchange for the loans, builders must reserve apartments for households with low incomes (below 60% of the median income for the area).

The second pot holds \$450 million for the infrastructure needed to support high-density “infill” housing development near light rail stops, bus transfer

stations, and other [transit centers](#). Infrastructure supported by this bucket includes water and sewer lines, public transit systems, traffic mitigation measures, and parks.

In the third pot is \$450 million to assist about 15,000 homebuyers with low and moderate incomes (up to [120% of local median](#)), either to make a down payment on a first home, or to [build their own](#) homes. And in pot #4 is \$300 million to build both rental and owner-occupied [housing for farmworkers](#), with priority for low-income households. This will help address the displacement of about 7,500 farmworker families from labor camps and mobile home parks as those sites are developed.

The [California Budget and Policy Center](#) makes a great case for these four pots:

“This type of housing is generally not profitable to build and therefore is unlikely to be produced at significant scale by the private housing market.

Moreover, funding requirements can be used to stimulate production of housing for particularly vulnerable populations or in areas with especially serious affordability challenges. Historically, a primary source of state funding available to support affordable housing development was funding directed to local redevelopment agencies, but these were abolished in 2012 ... Thus the justification is clear for establishing new sources of state funding to support affordable housing production.”

In addition to those pots of general obligation bonds, Prop 1 reauthorizes the Cal-Vet Loan Program, which provides low-interest home and farm loans to veterans. Cal-Vet gets the money it lends from the sale of bonds.

When the veterans pay off their loans, they do so at a rate that allows Cal-Vet to pay for the bonds, the interest on the bonds, and all bureaucratic overhead. In this way, the program has been completely self-supporting since 1921, the year of Warren Harding's inauguration. Clearly the Cal-Vet program is a winner. The only catch is that the State periodically needs voters' permission to sell more bonds to fuel Cal-Vet. Hence Props 76 (June '88), 142 (Nov. '90), 206 (Nov. '96), 32 (Nov. '00), 12 (Nov. '08), and the current Prop 1.

I heartily recommend the continuation of Cal-Vet. And I recommend a vote for the rest of Prop 1 as well to address, at least in part, our state's dire housing crisis.

## Proposition 2: Mental Health Tax for Supportive Housing – YES

**SUMMARY:** In 2004, Prop 63 added a tax on incomes over \$1 million to fund mental health services. It currently generates over \$2 billion a year. Prop 2 would divert up to \$140 million a year from this stream to pay for new bonds to build housing for mental illness patients at risk of homelessness. This is a critical need and is consistent with the intent of Prop 63. But be aware that the stream will dry up in the next economic downturn, yet the bond obligation will persist, potentially depriving mental health patients of needed services.

**DETAILS:** Fourteen years ago, Prop 63 imposed a 1% tax on incomes over \$1 million, with the revenue distributed to counties for mental health services. These [services](#) include a wide array of mental health treatments; medication support; referrals to community resources, housing, employment and money management services; and assistance in obtaining medical care. Those served are homeless, incarcerated, institutionalized, or living with family. There are transitional services for released inmates, as well as children's, youth, elderly, and family support services.

One way counties could provide even better care is to build [permanent supportive housing](#) for those chronically homeless due to mental illness. Permanent supportive housing pairs housing with case management, mental and physical healthcare, and employment services to build independent living skills and break the cycle of homelessness. Everyone agrees we need to build more. The Legislature authorized [exactly that](#) in 2016, using Prop 63 revenue to fund it. Yay! But it turns out Prop 63 money **cannot be used** for construction, only for services. Boo.

Prop 2 to the rescue! Prop 2 will allow Prop 63

revenue to pay for construction and renovation of permanent supportive housing for people with mental illness who are homeless or at grave risk of becoming homeless. Prop 2 will do this by dedicating up to \$140 million a year from the Prop 63 stream to pay off construction bonds. This amounts to roughly 6% of the current stream. It's a great idea that deserves your support.

And there's a twist. In my [2004 rating of Prop 63](#), I predicted the revenue stream would explode:

“By not indexing the \$1 million floor on the new bracket, Prop 63 will result in huge increases in its earmarked funds down the road. The Legislative Analyst projects \$750 million in 2005-6, and \$800 million in 2006-7. But over time inflation will make more and more of us millionaires, and soon crank that figure into the stratosphere. Economic recovery and, dare I suggest, another bubble, would only increase it further. Will the legislature be allowed to use any of that windfall for emergencies or other, equally deserving programs? Not one dime.”

Guess what! Revenue from that tax is now \$2.24 billion, which is **three times** what it was the first year. My prediction came true. (I'll collect my award now. What, there's no award?)

You might think this avalanche of cash is not a problem. But the counties that are supposed to spend this windfall have not planned for it. And you can't blame them, because the Prop 63 tax is among the most unreliable income streams imaginable.

Think about it: How do folks make over \$1 million? Not in salary, unless they're Stephen Curry or Scarlett Johansson. No, they make it in stocks, real estate, and

other volatile investments. Now, what will happen to that investment income when the next market downturn inevitably happens? You guessed it: The income will disappear. And the Prop 63 tax revenue will likewise disappear.

County mental health agencies know they can't depend on the current, high level of Prop 63 funding indefinitely. They must plan their long-term programs prudently, and save surpluses for a rainy day.

The result is that counties are sitting on **\$2.5 billion** in unspent Prop 63 money. Los Angeles County has accumulated \$737 million, San Diego County \$185 million, Alameda County \$105 million, and even tiny

Alpine County (population: 1,120) has \$7 million just sitting there. Prop 63 allows the state is to claw back unused funds after three years, but so far the state **has declined** to do so.

Prop 2 is a wonderful opportunity to make good use of those unspent billions. We should commit up to \$140 million every year to build badly needed supportive housing. But bear in mind that the volatility of the Prop 63 revenue stream means that, sometime down the road, that \$140 million may represent not just 6%, but 12%, 18%, or more of the stream. When that happens, we'll be glad the counties have saved so much for that inevitable rainy day.

### Proposition 3: Water Bonds – NO

**SUMMARY:** Authorizes \$9 billion in bonds for water supply and quality, fish and wildlife habitat, flood protection, groundwater recharge, and other programs. There's a lot to like. But there's also a lot to dislike, starting with \$750 million to repair a Central Valley canal damaged by agribusiness irresponsibly overpumping groundwater. Prop 3 is a self-serving initiative sponsored by moneyed interests, not part of a long-term legislative program to plan our water needs.

**DETAILS:** See *My Semi-biennial Lecture on Bonds*, at the end of this document, for my opinion of bonds in general.

Prop 3 has funding for projects that will secure safe water and prevent future catastrophes such as floods, water shortages, and habitat destruction. Some Prop 3 projects have provisions to help disadvantaged communities maintain water quality, to help avoid the type of crisis that has afflicted **Flint, MI**. It all sounds great.

And yet it's opposed by the Sierra Club, the League of Women Voters, Assembly Speaker **Anthony Rendon**, and every major newspaper outside the San Joaquin Valley, from liberal to conservative. I'll let them tell you why themselves (adding my own **emphasis**).

*Sacramento Bee:* "Since 2000, voters have approved about **\$31 billion** in general obligation bonds for water and environmental projects, the LAO says. As of June, about **one-third was still available**, including \$4 billion that was in Proposition 68, approved by voters in June and put together by the Legislature after public hearings."

*San Francisco Chronicle:* "Unlike the recently passed [Prop 68], Proposition 3 **did not go through the legislative process**. ... This scheme was devised as an **initiative** that is being funded, in part, by individuals and

entities that are going to be receiving a share of the bond money. The **pay-to-play** aspect in itself should give voters ample reason to reject Prop. 3."

*San Diego Union-Tribune:* "More than half the **money** raised to promote the measure came from **business groups and farmers seeking specific improvements**, especially to the 152-mile-long Friant-Kern Canal in the Central Valley. That's why \$750 million in the bond is set aside for canal repairs. This **pay-to-play** approach to ballot initiatives is not new, but it should still not be rewarded."

*Sierra Club:* "[Last June's] Proposition 68 went through five legislative committees, with each providing an opportunity for the **public to engage** in the process and offer suggestions. It also went through votes by both houses of the legislature, receiving a two-thirds vote in each house. ... This in contrast to the process for [Prop 3], which was negotiated **behind closed doors**, includes **giveaways to large corporations and polluters**."

*San Jose Mercury News:* "The nearly \$8.9 billion bond was **crafted behind-the-scenes**, contains critical elements that **could directly harm the environment** and turns important water policies on their head. The bond substantially benefits **billionaire stakeholders** and is a bad water deal for Californians."

*Chronicle:* "One of the egregious examples cited by the Sierra Club, which opposes the initiative, is the \$750 million for repairs of the Friant-Kern Canal. As the environmental organization noted, the damage was caused by subsidence caused by overpumping of aquifers. Such costs are **traditionally covered by the beneficiaries**. Instead, Prop. 3 **shifts the burden to taxpayers**."

*Sierra Club:* "The Oroville Dam is part of the State Water Project, with contractors who operate under a beneficiary pays model. Funding for repairs for the dam

should come from these contractors, including the Metropolitan Water District of Southern California.”

*Mercury News*: “The proposition also would **shift money away from critical environmental investments**. It would **raid cap-and-trade funds** designed to reduce greenhouse gas emissions, and divert the money to unspecified water projects. This would **undermine programs that lower emissions and improve air quality** and public health for millions of Californians.”

*League of Women Voters*: “This measure has a number of **fatal flaws**, including **shifting the cost** for water from the end users to California taxpayers; **reducing state money** available for other critical state programs like education, affordable housing, and healthcare; and **failing to provide for adequate project oversight** and financial accountability.”

## Proposition 4: Children’s Hospital Bonds – YES

**SUMMARY:** Authorizes \$1.5 billion in bonds for construction, renovation, furnishing and equipping private and public children’s hospitals throughout the state. These hospitals are a key part of California’s healthcare system, serving low-income and uninsured children with severe conditions. It makes sense to use public funding to expand their facilities and modernize their equipment.

**DETAILS:** See *My Semi-biennial Lecture on Bonds*, at the end of this document, for my opinion of bonds in general.

Prop 4 will grant over \$1 billion to eight private, nonprofit children’s hospitals across the state, \$270 million to five UC children’s hospitals, and \$150 million to smaller hospitals that provide care for children with complex chronic health conditions. The money will build, renovate, furnish and equip these hospitals. In particular, Prop 4 will help the hospitals retrofit older buildings to meet state-mandated **seismic safety standards** by 2030.

Prop 4 is essentially a rerun of two identical, successful bond measures that passed in 2004 and 2008. I opposed the earlier measures because public funding of private hospitals, some religious, struck me as “school vouchers for health care.” Here’s **what I wrote** then:

“Usually, when the state issues bonds, it can expect in return a school, a bridge, or a sewage treatment plant. What will the state get for the \$784 million in [this proposition]? Nada. Any new construction becomes property of the private children's hospitals...”

California is essentially a desert, with most areas receiving **less than 18 inches** of rain a year. Water storage and delivery systems are the key to our survival, and protecting the supply and quality are job one. But that doesn’t mean we should throw money at the problem indiscriminately.

In *My Semi-Biennial Lecture on Bonds*, I warn that rejecting a bond can send a message to the Legislature that we disapprove of the proposed projects. That’s not a risk here. It will be obvious to the Legislature, and to astute voters, that we disapprove of the secretive process, the corrupt distribution of benefits, and the lack of oversight. I’ll give the *Chronicle* the last word: “This is no way to spend taxpayer dollars. Voters should reject Prop 3 on both principle and substance.”

“In essence, [this proposition] asks the state to fund private entities with public money. I have real trouble endorsing a measure that gives so much long-term, interest-burdened money irrevocably to private institutions.”

This is still a powerful argument. I wouldn’t blame anyone for following it and voting “no.” The **League of Women Voters** uses essentially this rationale in its opposition of Prop 4:

“State funds should not be used to support private facilities. This principle stands even when, as is the case in this measure, the facilities serve severely ill children.”

However, I have reconsidered in light of the following:

The eight private hospitals that will receive the bulk of Prop 4 bond money are *de facto* part of the public healthcare system. They **treat one million children, two-thirds** of whose families are on Medi-Cal public insurance. Unless the state plans to expand public hospitals to take their place (it doesn’t), we have an obligation to help these private hospitals provide the best care possible.

The language of Prop 4 requires grants to “contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and **indigent, underserved, and uninsured children**.” In other words, your tax dollars must be used for public benefit; they won’t be paying for Rolls Royces for the hospitals’ executive directors.

Regarding religious affiliations: There is only one such hospital among the eight, Loma Linda University

Children's Hospital near San Bernardino. Its stated [mission](#) is "to continue the teaching and healing ministry of Jesus Christ." You might think this means the hospital discriminates against non-Christians, suppresses unions, or limits access to [abortion](#), contraception, or AIDS-related information and services. However, after searching hard, I have found **no evidence** that any of this is true. (Please let me know if I've missed something.) In my ratings of the 2004 and 2008 propositions, I likened these bonds to taxpayer-funded school vouchers used at a religious school that prohibits unions and the teaching of evolution. It turns out that was an inapt comparison.

And there's that seismic safety mandate, instituted after the tragic collapse of a hospital in the [1971 Sylmar earthquake](#) and recently strengthened. The state has an obligation to help these beneficial institutions meet expensive, state-imposed standards. In the end, we'll all be safer for it.

## Proposition 5: Assessment Portability for Older Homeowners – NO

**SUMMARY:** Today, homeowners older than 55 can transfer their artificially low property assessments to homes of equal or lower value in certain counties, once in their lifetimes. Prop 5 would increase the savings, and extend the scheme to homes of any value, anyplace in California, any number of times. By granting an enormous tax break to property owners, Prop 5 will exacerbate financial inequality. And by dropping the lower-value restriction, it will defeat the intent of the original law: to encourage older empty-nesters to downsize, making their larger houses available for younger, growing families.

**DETAILS:** I usually [oppose](#) propositions that add new property reassessment exemptions as a protest against the fundamental inequity of Prop 13. It's unfair, I argue, for your property tax bill to depend more on **how long** you've owned your property than **how much** it's really worth. Each time we grant an exemption from reassessment—for people who downsize out of empty-nest houses, or who inherit property from parents or grandparents, or who live in historic buildings, or who fire-proof or earthquake-proof their homes, or install rainwater capture systems—we make the lunacy of Prop 13 more palatable, and thus postpone the day when California implements a more equitable property tax system.

Prop 5 is another entry in this long line of exceptions, but **far more sinister**. Prop 5 would grant **enormous property tax discounts** to homeowners who are disabled or older than 55 every time they move. Unlike the

The eight private hospitals have not been shy about supporting Prop 4. They've contributed **\$1.3 million** apiece to build a campaign war chest of over \$10 million. Their return on investment will be huge, of course: they'll each be in line to receive \$135 million in bond money, **100 times** what they put in. You might think this is unseemly, but I expect the hospitals are unapologetic. Nonprofits understand how fundraising works. To raise \$100, the average charity must spend **between \$30 and \$40**, typically on inefficient junk mail, robocalls, and donor events. Think of Prop 4 as the most efficient fundraising these deserving charities will ever conduct, at **just \$1** to raise \$100. And as a bonus, the junk mail and robocalls you receive from this campaign will end the day after the election!

previous exemptions, Prop 5 will cause **real damage** to public coffers – the Legislative Analyst estimates **\$1 billion a year** over time. There is no plausible justification for this blatant giveaway.

Look on pp. 35-36 of your [Proposition Fun Book](#). You'll see that, **under current law**, an older, longtime homeowner of a \$600,000 house who downsizes to a \$450,000 home will pay just \$2,200 in property taxes, a savings of \$2,750, or **56%** compared to the full assessment rate of \$4,950. It's a great deal, perhaps sufficient incentive to downsize. **Under Prop 5**, the same older homeowner would pay even less: just \$1,650, an annual savings of \$3,300, or **66%** over full assessment.

Does dear, old Aunt Bertha, on her fixed income, need the additional tax relief Prop 5 offers? No, she does not. (*Stop pinching my ear, Aunt Bertha! Ow!*) Under current law, her property tax stays the same, and she has that nifty \$150,000 profit in the bank. Prop 5 is unnecessary.

The truly sinister part of Prop 5 is what happens when a qualifying homeowner moves to a **more expensive** home. Under current law, such a move triggers full assessment, and deservedly higher taxes: \$7,700 on a \$700,000 house. Prop 5, however, would grant a discounted tax bill of \$3,300, for a savings of \$4,400, or **57%**. What justification is offered for this? None whatsoever. Sure, Aunt Bertha would love to move to Beverly Hills, but there's no reason we should subsidize her with 4.4 grand a year in tax breaks. (*Hey, careful, Aunt Bertha. Watch where you swing that cane!*)

Prop 5 is **tax relief for the wealthy**. Combined with earlier exemptions for inheritance, Prop 5 will create a landed gentry of families who pay virtually no property tax, and carry that tax immunity with them from house to house, across generations. Sooner than you may think, we'll be living in a two-tier society: property owners and the dispossessed.

The official argument in favor of Prop 5 focuses on the frail elderly and severely disabled. It could conceivably merit your support if those were truly the primary beneficiaries of the measure. But let's get real. 56 is the new 40. These are not feeble empty-nesters looking to downsize; they're energetic high-earners

looking to move up. Prop 5 has nothing to do freeing seniors of limited means from oppressive tax bills, and everything to do with freeing large paychecks to pay bigger mortgages.

Prop 5 was placed on the ballot by Realtors' Association, which wants to stimulate big real estate sales to generate big commissions. They have funded the Yes on 5 campaign to the tune of **\$10 million**, which is a tiny fraction of what their brokers and agents will reap if it passes. Prop 5 is just another cynical, self-benefiting buy-a-law. Do not encourage this behavior by voting for it.

## **Proposition 6: Repeal Gas Tax & Vehicle Registration Fee – NO**

**SUMMARY:** Repeals the 2017 increases in fuel taxes and vehicle registration, slashing \$5 billion a year from revenues dedicated to road, bridge and highway repairs and mass transit. Requires voter approval, instead of the current two-thirds supermajority of the Legislature, for future increases to fuel taxes and license/registration fees. Prop 6 would accelerate the rot of our roadways and starve mass transit systems. As the L. A. Times says, "It's hard to overstate how destructive Proposition 6 would be for California."

**DETAILS:** It would be cool if California had been built around the horse, or the trolley, or the bicycle, or the electric scooter. But it wasn't. It was built around the automobile. For better and for worse, cars and trucks are integral to the fabric of the state. Infrastructure to support motor vehicles—roads, highways, bridges—is essential to nearly everything Californians do, from getting to school and work to getting our groceries from the market and our shipments from Amazon.

Prop 6 would repeal a set of **fuel taxes and usage fees** enacted in 2017. These include increases of 12 cents a gallon on gasoline and 20 cents a gallon plus 4% on diesel fuel; a new "transportation improvement fee" on vehicle registrations ranging from \$25 on rusty, old clunkers to \$175 on shiny, new luxury cars; and a \$100 annual fee on electric cars in lieu of gas taxes. The total value of these is about \$5 billion a year.

Under the 2017 act, for the first time, per-gallon taxes are indexed to inflation. This is significant when you consider that this is the first increase in 23 years. Over that time, the per-gallon tax has lost 60% of its value. Prop 6 would repeal the indexing provision as well.

The state constitution requires essentially all revenue from the new taxes and fees to be spent on transportation. Current allocations are about two-thirds for highway and road repairs, one-third for mass transit and other programs. There is a **\$130 billion backlog** of transportation maintenance projects across the state. The \$5 billion raised annually will put a dent in that backlog (and fewer dents in your car! Ha ha).

The taxes and fees that Prop 6 would repeal are essentially user fees. It makes sense for drivers who use roadways to pay for their maintenance. And drivers should be glad to subsidize mass transit systems in order to reduce traffic and wear on roads and highways.

Prop 6 would be shooting ourselves in the foot. Damaged roads hurt productivity, efficiency, and car suspensions. Without decent roads and reliable bridges, life in California slows to a crawl. I wish we weren't so dependent on cars and roads, but, for better and for worse, this is how the state has evolved. Let's behave responsibly and pay for what we need.

## Proposition 7: Daylight Saving Time Update – YES

**SUMMARY:** Prop 7 updates the 1949 Daylight Saving Time proposition to conform to current federal law. It's useful housekeeping. Prop 7 also theoretically allows the Legislature, by two-thirds vote, to eliminate

DST entirely or petition to make it year-round. But, given the complete absence of urgency or consensus on the matter, don't expect that to happen.

### DETAILS:

I think that I shall never see  
A poem that explains to me,  
With reasoning express'd as rhyme,  
The case for Daylight Saving Time.  
Why, twice a year, near equinox,  
We all must readjust our clocks,  
To make us drowsy in the Spring,  
And feel Fall's early-sunset sting.  
In pre-dawn gloom of March embark;  
November, trudge home in the dark.  
This proposition, I confess,  
Won't fix the Daylight Saving mess.  
Instead, it merely will retool  
Our state's old Daylight Saving rule.  
Don't fear the Legislature will  
Enact an ill-considered bill  
Adopting a new paradigm  
Of year-round Daylight Saving Time.  
That would require a two-thirds vote,  
The odds of which are quite remote.  
Poems are made by fools like me,  
But this won't alter DST.

## Proposition 8: Kidney Dialysis Fee Cap – NO

**SUMMARY:** Caps the amount private dialysis clinics may charge to private insurance plans, based on poorly-defined "health care quality improvement costs" and actual costs of service. Prop 8 is a clumsy effort to force dialysis clinic giants DaVita and Fresenius to spend more on worker wages and benefits. This may be a worthy goal, but Prop 8 is so ham-handed it will instead cause clinics to close, workers to be laid off, and thousands of patients to lose local access to critical, life-extending dialysis.

**DETAILS:** Cockroaches? Really? That's the best you can do?

The people pushing Prop 8 want us to vote for their measure in order to exterminate the [insect vermin](#) they claim are [crawling](#) all over your local dialysis center. Unfortunately, this proposition won't squish that problem, or any other problem the proponents hope to eliminate.

Prop 8 was splatted onto your ballot by a [labor union](#) looking to [retaliate](#) against dialysis giants DaVita and Fresenius. These companies, which operate hundreds of clinics across the state, have resisted worker unionization.

Prop 8 gets back at the companies by threatening their revenues. Prop 8 would dictate that dialysis clinics

charge no more than what it costs to provide direct patient care and quality improvement, plus a 15% markup. Administrative costs (i.e., management) are pointedly missing. Allowable costs may only include staff wages and benefits, drugs and medical supplies, facilities and accounting systems. And cans of Raid, I assume.

DaVita and Fresenius would thus be forced to spend more on workers, supplies, and systems if they want more revenue. And they'll have just 15% above those allowable expenses for administration, advertising, and profit.

What will the companies actually do if Prop 8 passes? Anything and everything to preserve their profit margins, exactly as you'd expect. This includes lawsuits, accounting tricks, under-the-table deals with equipment

and pharmaceutical suppliers, inflation of IT contracts, and the **closure** of suddenly unprofitable clinics, primarily those in less populated areas.

When that happens, it won't be good for anyone: not DaVita or Fresenius, not the laid-off workers, and not the patients, who will have to travel much farther for their thrice-weekly lifesaving treatments. I'm pretty sure this isn't what the backers of Prop 8 have in mind.

I'm no opponent of labor unions. But Prop 8 is a miscalculation that will backfire horribly. Not only will the dialysis companies probably squirm out of the profit clamp, but the union will lose its leverage, and workers will suffer. Supporters and opponents of Prop 8 have spent over \$80 million on their campaigns. Imagine how much better off they'd be if instead they had spent just a fraction of that on Roach Motels.

## **Proposition 9: Split California into Three States – GONE**

Prop 9 would have split California into three states of roughly equal population. But in July, the California Supreme Court removed Prop 9 from the ballot, citing the state Constitution's prohibition on ballot initiatives that make major changes to the state's constitutional framework.

This made me sad, not because I favor the proposal, but because it's a debate we ought to have. The argument that Prop 9 is preposterous on its face ignores previous state cleaving (West Virginia, Vermont, Maine), and is symptomatic of a kind of ossification of how we see our once dynamic country. There have been no new states

and no significant amendments to the U. S. Constitution during most people's lifetimes. Understandably, many have concluded that 50 states is a magic number and that the Constitution is sacrosanct and unalterable.

We need the split-state debate so we can reexamine why we even have states, agree on what they ought to do, and evaluate whether our state government—an institution invented during the Gold Rush Era for a population of 300,000—is the best government for 40 million souls in the Internet Age. The answer may be “yes;” it may be “no.” We should have the conversation.

## **Proposition 10: Allow Expanded Rent Control – YES**

**SUMMARY:** Under current state law, rent control laws cannot apply to single-family or duplex houses, nor to units built since 1995; and they cannot limit rent increases when a new renter moves in. Prop 10 would eliminate all of these limitations, allowing (but not requiring) local rent control to cover significantly more units. Economic theory and much evidence suggest rent control usually makes housing markets worse. But in many cities, the gap between demand and supply has become unbridgeable, leading to rent gouging, evictions, and homelessness. Judiciously applied rent control can address critical problems without suppressing development of more housing. The existing limitations hamper these efforts and are arbitrary anyway. They should be repealed.

**DETAILS:** From the standpoint of economic theory, there is **no case** for rent control. Economists across the political spectrum are virtually unanimous on this, from [Paul Krugman](#) on the left to [Thomas Sowell](#) on the right to [Milton Friedman](#) wherever he fits. Rent control contorts markets, causes perverse behaviors, and degrades the quality and quantity of rental properties. It frequently achieves the very opposite of its stated goals. You can read about it in any economics textbook.

And yet.

In cities where industry is booming but buildable land is scarce, demand for housing has far outpaced supply. Rents are skyrocketing. Since 2011, rents are up **102%** in Menlo Park (home of Facebook), **92%** in Burbank (WB, Disney), **85%** in Sunnyvale (LinkedIn),

81% in Santa Clara (Intel), and 63% in Irvine (Broadcom).

Even if building permits were issued to all applicants in those cities today, it would still be many years before the housing crunch eased. In the meantime, market forces (supply and demand) will continue to exert extreme pressure on renters.

In the free market, those who lose out are at the bottom. Among low-income renters in California, 81% are classified as cost burdened by HUD standards, and 56% are **severely cost burdened**, spending more than half their income on housing. These families “may have difficulty affording necessities such as food, clothing, transportation and medical care.”

When renters of moderate income are pushed out by rent increases, they have the means to relocate and either commute to their current jobs or get new jobs elsewhere. But low-income renters often cannot afford that. So they become **homeless**. They **move into garages**, basements, or into apartments doubled up with other families. Or they live in **vehicles** or the streets. California now has the **largest homeless population** in the nation (and the third-highest per-capita rate).

Rent control is not a perfect solution. But it can keep vulnerable people in their homes by slowing rent increases. I do not advocate blanket rent control for all properties in all communities. But where intense, local market pressures threaten disastrous consequences, rent control can provide needed relief.

In California, all rent control is **local**. Of the nearly 500 cities and towns in the state, **only fifteen** have enacted rent control ordinances: nine in the Bay Area,

four in Los Angeles County, plus Thousand Oaks and Palm Springs.

Prop 10 will **not** impose rent control where it does not exist, nor will it change any existing ordinances. Instead, Prop 10 will give cities the **option** to expand rent control to cover what it can't today: single-family and duplex homes, units built since 1995, and rent increases when a new tenant moves in.

Practically speaking, if Prop 10 passes, I expect no city will discard the “built since” limitation. Applying rent control to new units is self-defeating, as it destroys the financial incentive to build. However, we might see the 1995 date creep forward year-by-year, ensuring builders, say, 30 years of at-market profits before controls kick in.

On the other hand, placing rent controls on single-family or duplex houses strikes me as realistic in cities where those constitute a significant part of rental stock. The current restriction really is arbitrary, after all. And some cities may choose to regulate rent increases for new renters; this would reduce the incentive for misbehavior by landlords attempting to dislodge longtime rent-controlled tenants.

Note that Prop 10 reaffirms the existing guarantee of “a landlord’s right to a fair rate of return” on rental property (see 1954.54(b) on p. 83). This means we won’t see rents frozen, or kept so low that landlords cannot afford routine maintenance.

But in cities that choose to enact rent control, we may see the measures cover more units, extending protections to more tenants and reducing the incidence of homelessness. If you agree that **housing is a human right**, your vote for Prop 10 will help secure that right for all.

## Proposition 11: Ambulance Drivers On Call During Breaks – NO

**SUMMARY:** Private ambulance companies commonly require their ambulance crews to remain on call during work breaks. A recent court ruling suggests this is a violation of state labor law. Prop 11 would allow on-call breaks, and apply **retroactively** so the companies aren’t liable for past violations. This matter was almost settled amicably last year in the Legislature. Let’s encourage them to keep at it, and not reward the wealthier side with a winner-take-all buy-a-law.

**DETAILS:** Remember the cafeteria scene in the movie “Animal House?” Fun-loving degenerate Bluto picks a fight with stuck-up preppie Marmalard. Bluto initially has the upper hand, but soon sees he’s badly outnumbered by Marmalard and his frat brothers. So he enlists the aid of onlookers by screaming “FOOD

FIGHT!!” The onlookers don’t know anything about the original dispute, but they enter the fray anyway and make a huge mess, allowing Bluto to escape with his skin. That’s kind of what Prop 11 is.

Here’s the backstory: For many years, fun-loving private ambulance company American Medical Response (AMR) has required its ambulance crews to remain on call during their breaks. They must keep their radios on and respond to emergencies and orders to reposition. Keeping crews on call during breaks allows AMR to avoid hiring more crews or repositioning other ambulances to maintain coverage, saving AMR lots of money. So AMR, like Bluto, has the upper hand in the early going.

In 2016, the California Supreme Court ruled that, for private security guards, on-call breaks violate state labor

law. The guards must be given breaks that are off-duty and not interruptible, even for emergencies. The court ordered security companies to pay compensation to the security guards for past violations.

Seeing this, ambulance crews sued AMR with the formal complaint, “Hey, what about us?” The cases are currently winding through the courts, but everyone agrees it’s likely AMR will be ruled in violation. So now, like the Marmalard and his frat brothers, the ambulance crews and courts are ganging up on AMR.

Badly outnumbered, AMR has shouted “FOOD FIGHT!” by placing Prop 11 on the ballot, hoping to enlist the aid of millions of voters. If Prop 11 passes, it will change state labor law to allow on-call breaks for ambulance personnel. Further, Prop 11 will let AMR off the hook for **past** violations by **retroactively** legalizing past on-call breaks. (It’s unclear whether this will stand up in court.) This means AMR would not have to compensate crews for past practice as the security companies have had to.

What a mess. Most voters have no idea what started this dispute, and are likely to support any measure that

claims (as [Prop 11 does](#)) to improve public safety. AMR will probably escape with its skin, at the expense of employees who were denied proper breaks.

Now, I can see approving a measure to clarify labor law going forward. But the retroactive provision is too much. AMR wrote Prop 11, spent **\$1 million** to gather qualifying signatures, and is now pouring **\$22 million** into the campaign. For that kind of money, AMR apparently figures it deserves law custom-tailored to its needs. But that’s unfair to the crews.

It turns out there is plenty of common ground between labor and management here. They almost settled the matter in the Legislature last year. [Assembly Bill 263](#), which would have legalized on-call breaks, passed the Assembly with the support of both AMR and the ambulance workers’ union. But in the Senate it got hung up on whether to compensate crews for past violations of labor laws. Soooooooo close.

Let’s force these parties back to the bargaining table to negotiate the compromise they nearly had last year. Don’t blindly award everything to AMR just because they spent all that money asking us to throw food.

## Proposition 12: Require All Eggs to be Cage-Free – YES

**SUMMARY:** Requires egg-laying hens to be fully cage-free by 2022. Breeding pigs must be given 24 square feet of floor space, and veal calves 43. Bans sale of all products not produced in compliance, regardless of whether they were raised in California or elsewhere. Prop 12 is the next logical step in humane treatment of farm animals.

**DETAILS:** [Prop 2](#) of 2008 required California farmers to provide enough space for egg-laying fowl, pregnant pigs, and veal calves so that they can turn around and extend their limbs without hitting another animal. The measure was remarkably narrow in scope, applying only to sows while pregnant (not after giving birth), calves for veal (not beef or dairy), and hens kept for eggs (not meat). Far from being an animal-rights activist’s dream, Prop 2 was a modest step, aimed at only the worst abuses in the meat and egg industry. It passed with 63% of the popular vote, and became operative in 2015.

Since then, it’s become apparent that the space requirements in Prop 2 are too vague to figure out, and enforcement has been a Keystone Kops-like farce of finger-pointing. Prop 12 hopes to fix those problems and move the ball forward on humane food production.

Prop 12 will clarify the space requirements, specifying 24 square feet for breeding pigs and 43 for

veal calves. It will also require egg-laying hens to be completely cage-free by 2022, with 1.0 to 1.5 square feet per bird. To clear up the confusion about enforcement, Prop 12 names the state Departments of Food and Agriculture and Public Health as responsible agencies.

After Prop 2 passed, egg farmers understandably threatened to move out of state to avoid the new requirements. To prevent this, in 2010, the Legislature banned the sale of whole eggs from out-of-state farms that didn’t abide by Prop 2. Prop 12 will go further, requiring all raw eggs (including [liquid eggs](#)), pork, and veal sold in the state to comply with the new space regulations, regardless of where they’re produced.

Other states are already gearing up for the fight. A congressman from Iowa has introduced federal legislation that would nullify the out-of-state provision, and lawsuits are on the horizon. If those are successful, you may see both “humanely raised” and “conventional” (“inhumane”?) products at your market, much as you see organic and conventional produce today. We can deal with it.

You might believe that the ballot box is **not the place** to regulate enclosure sizes. That may be so. But the [Dept. of Food and Agriculture](#), which **does** regulate such things, is not the place to gauge **shifting public opinion** on what constitutes animal cruelty. In truth, the Legislature is the proper place for this. But the

Legislature is beholden to [agribusiness](#) interests, and may never listen to [humane animal treatment](#) groups. So it's up to us.

What will Prop 12 do to prices? They'll go up. Both here and out of state, farmers will be forced to reduce their inventory or expand their livestock buildings. And it won't be cheap to convert hen barns to cage-free ([\\$40 per bird](#), by one estimate) and remodel mammal enclosures to larger sizes. As of late 2016, California egg prices were about [9% higher](#) than what they would have

been without Prop 2, according to [one study](#). My wild guess is we'll stay in the range of 9% to 12%. You can substitute your own prediction.

How large is the benefit? Is it a net win? That's the fundamental question behind Prop 12. **How much** are we willing to pay to ensure humane treatment of these creatures? I believe that Prop 2 has been worth it so far. Prop 12, at a smaller incremental cost, will be as well.

## My Semi-Biennial Lecture on Bonds

When California wants to finance a large project, it asks the voters for permission to take out a loan. Props 1 through 4 are just such requests. If voters approve, the state may take out loans for the projects by selling general obligation bonds, which are paid back with interest over 30 or 40 years. The bond payments come out of the state's main budget, the General Fund (except for Prop 2, which would be repaid from a special fund, and part of Prop 1, which would be repaid by program participants). So when we vote on bond measures, we are really voting on whether the projects in question ought to be added to the state's budget.

**"Wait a minute!"** I hear you cry. "What about those interest payments? Won't we end up paying more for interest than for the bonds themselves?" This may once have been the case, but with today's low interest rates each dollar of bond money will cost [only 40 cents](#) in interest, accounting for inflation. (See details on p. 72 of your ballot pamphlet.)

"Okay," you admit, "but loans are still more expensive than pay-as-you-go." This is true. Still, loans are the only way to buy a house, or a car, or anything else that you need immediately but can't pay for yet. It's worth paying the premium of interest to get the funding **now**.

"Well and good," you continue. "But there are **\$14 billion** in bonds on this ballot. Isn't that too much to borrow?" For you, yes, but the State of California can handle it. Bond payments today amount to [less than](#)

[5%](#) (and shrinking) of the General Fund, down from a high of nearly 6% nine years ago. Props 1-4 won't appreciably increase that figure. Accounting for Prop 1-4 and all bonds previously authorized by voters, the Legislative Analyst predicts the debt ratio may rise slightly until 2022, then continue its decline.

Props 1-4 will fund long-lived, tangible acquisitions, such as apartment buildings, reservoirs, wastewater recycling facilities, wildlife habitats, and hospitals. It's sensible to make extended payments for things that will be used far into the future.

Remember, too, that California's population continues to grow by [hundreds of thousands](#) of people every year. Borrowing makes particular sense if you know your income will go up in the future. As the state grows, over time the General Fund will grow too.

There is one last reason to vote for a bond measure. In addition to being formal requests for permission to take out loans, bond measures are also looked upon as referenda on the merits of the proposed projects. If a bond measure fails, legislators are likely to believe that the public feels the project is not worthy of receiving state funding. By voting no, you may have meant, "Yes on the project but no on the bonds," but your message to Sacramento will read, "No on the project." So if you vote down a bond measure just because you don't like bonds, you may well have killed forever the project the bonds were to have funded.

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