PROPOSITION

4 AUTHORIZES BONDS FUNDING CONSTRUCTION AT HOSPITALS PROVIDING CHILDREN'S HEALTH CARE. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on the Secretary of State's website at *http://voterguide.sos.ca.gov.*

- Authorizes $1.5 billion in bonds, to be repaid from state's General Fund, to fund grants for construction, expansion, renovation, and equipping of qualifying children's hospitals.
- Designates 72 percent of funds to qualifying private nonprofit hospitals providing comprehensive services to high volumes of children eligible for governmental programs and children with special health needs eligible for the California Children's Services program, 18 percent of funds to University of California general acute care children's hospitals, and 10 percent of funds to public and private nonprofit hospitals providing services to children eligible for the California Children's Services program.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs to repay bonds averaging about $80 million annually over the next 35 years.

State Bond Cost Estimates

Authorized new borrowing	$1.5 billion
Average annual cost to pay off bonds	$80 million
Likely repayment period	35 years
Source of repayment	General tax revenues

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Children's Hospitals. State law identifies eight private nonprofit hospitals and the children's programs at the five University of California (UC) academic medical center campuses as "children's hospitals." Children's hospitals focus on treating infants and children with severe illness or injuries, or complex chronic health conditions that require specialized care. Many children receiving services in these hospitals are from low-income families. Children's hospitals receive funding from several sources. A majority of children's hospitals' funding comes from the federal-state Medicaid program (known as Medi-Cal in California), which provides health care coverage to low-income children in the state. Children's hospitals also receive funding from commercial

ANALYSIS BY THE LEGISLATIVE ANALYST CONTINUED

health insurance coverage, other government health care coverage programs, and private donations.

California Children's Services (CCS) Program. The CCS program is a state-local health care coverage program that pays for specialized treatment and other services for children with complex chronic health conditions, including many children treated at children's hospitals. (Most children in the CCS program are also enrolled in Medi-Cal.) The state approves hospitals and other medical providers to receive payment for treating children in the CCS program.

Other Hospitals Also Treat Children. Other hospitals in California that are not specifically identified as children's hospitals in state law also focus to varying degrees on children's health care. For example, some hospitals have wings or centers that specialize in treating children. These hospitals are often approved to treat children in the CCS program.

General Obligation Bonds. The state borrows money to pay for long-term capital projects by issuing general obligation bonds. The repayment of these bonds is guaranteed by the state's general taxing power. The state repays general obligation bonds from the General Fund, the state's main operating account. (For more information on the state's use of bonds, see "An Overview of State Bond Debt" later in this guide.)

Previous Children's Hospital Bond Measures. Voters have previously approved two statewide measures that authorized the state to issue general obligation bonds to pay for capital projects at children's hospitals. These bonds have been used for a variety of projects including the construction of new buildings and the renovation of existing buildings. In 2004, Proposition 61 provided $750 million in bond funding. In 2008, Proposition 3 provided $980 million in bond funding. Only the 13 hospitals specifically identified as children's hospitals in state law are eligible to receive funds under these previous measures. As of May 2018, most of the funding from the previous two measures had been committed to projects, with the remaining funds expected to be fully committed by the end of summer 2018.

PROPOSAL

Authorizes Additional Bonds for Children's Hospitals. This measure authorizes the state to sell an additional $1.5 billion in general obligation bonds for capital improvement projects at (1) the 13 children's hospitals and (2) other public or private nonprofit hospitals that treat children eligible for the CCS

ANALYSIS BY THE LEGISLATIVE ANALYST

Figure 1

Hospitals Eligible for Bond Funds
(In Millions)

Private Nonprofit Children's Hospitals—72 Percent of Funds	**$1,080**
Children's Hospital and Research Center, Oakland	$135
Children's Hospital of Los Angeles	135
Children's Hospital of Orange County	135
Earl and Loraine Miller Children's Hospital (Long Beach)	135
Loma Linda University Children's Hospital	135
Lucile Packard Children's Hospital at Stanford	135
Rady Children's Hospital, San Diego	135
Valley Children's Hospital (Madera)	135
University of California Children's Hospitals—18 Percent of Funds	**$270**
Mattel Children's Hospital at University of California, Los Angeles	$54
University Children's Hospital at University of California, Irvine	54
University of California, Davis Children's Hospital	54
University of California, San Diego Children's Hospital	54
University of California, San Francisco Children's Hospital	54
Other Hospitals—10 Percent of Funds	**$150**
Roughly 150 public or private nonprofit hospitals that provide services to children eligible for the California Children's Services program.	$150
Total	**$1,500**

program. As shown in Figure 1, the measure provides 72 percent of the bond funds—roughly $1.1 billion—to the eight private nonprofit children's hospitals. Each of these eight hospitals may apply for an equal share of this funding. The measure provides 18 percent of the bond funds—$270 million—to the five UC children's hospitals. Each UC children's hospital may apply for an equal share of this funding. The measure makes available the remaining 10 percent of bond funds—$150 million—to roughly 150 other public or private nonprofit hospitals that provide services to children who are eligible for the CCS program. The measure does not set aside specific shares of this portion of bond funds for individual hospitals.

Use of Funds. The measure allows for the money raised from bond sales to be used for various purposes, including "construction, expansion, remodeling, renovation, furnishing, equipping, financing, or refinancing of eligible hospitals in the state." The measure requires that the funds provided not exceed the total cost of a project and funded projects be completed within a "reasonable period of time."

Application Process. Children's hospitals eligible to receive bond funds under this measure would apply for funds to the California Health Facilities Financing Authority (CHFFA), an existing state agency.

ANALYSIS BY THE LEGISLATIVE ANALYST CONTINUED

CHFFA would decide whether to award a grant based on several factors. Some of these factors include whether:

- The grant would contribute toward the expansion or improvement of health care access for children who are eligible for governmental health insurance programs or who are low-income, underserved, or uninsured.
- The grant would contribute to the improvement of child health care or pediatric patient outcomes.
- The applicant hospital would promote pediatric teaching or research programs.

FISCAL EFFECTS

State Bond Repayment Costs. This measure would allow the state to borrow $1.5 billion by selling additional general obligation bonds to investors, who would be repaid, with interest, using the state's general tax revenues. The cost of these bonds would depend on various factors—such as the interest rates in effect at the time they are sold, the timing of bond sales, and the time period over which they are repaid. We estimate that the cost to taxpayers to repay the bonds would total $2.9 billion to pay off both the principal ($1.5 billion) and interest ($1.4 billion). This would result in average repayment costs of **about $80 million annually over the next 35 years**. This amount is less than one-tenth of 1 percent of the state's current General Fund budget. Administrative costs, paid from the bond funds, would be limited to CHFFA's actual costs or 1 percent of the bond funds, whichever is less.

Visit *http://www.sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2018-ballot-measure-contribution-totals/* for a list of committees primarily formed to support or oppose this measure. Visit *http://www.fppc.ca.gov/transparency/top-contributors/nov-18-gen.html* to access the committee's top 10 contributors.

If you desire a copy of the full text of the state measure, please call the Secretary of State at (800) 345-VOTE (8683) or you can email *vigfeedback@sos.ca.gov* and a copy will be mailed at no cost to you.

★ ARGUMENT IN FAVOR OF PROPOSITION 4 ★

There are eight California not-for-profit Children's Hospitals and five more University of California Children's Hospitals. *Over two million times each year, seriously ill children receive highly specialized care in a California Children's Hospital. No matter what a family can pay.*

Children with complex medical conditions and life threatening diseases. Cancer. Sickle Cell. Cystic Fibrosis.

We perform 97% of all pediatric organ transplants, 96% of all pediatric heart surgeries, and 76% of all pediatric cancer treatments.

With each new research breakthrough, new life-saving technology, the finest pediatric specialists, cures happen every single day at California's Children's Hospitals. Today, 85% of children with leukemia leave our hospitals cured.

As premier pediatric research centers, we are making breakthroughs that keep every California child healthy without ever needing to walk through our doors.

Because of our success, the demand on us grows. *We've become regional hubs, with children now referred to us from many other hospitals in California.*

Proposition 4 asks voters to consider investing less than $40 per year for each patient we see . . . money to help us build more capacity to cure more California children.

14 years ago, Californians supported our first bond. We have honored that trust ever since. Every dollar has been spent on building new facilities, modernizing older ones, adding more beds and purchasing the best and most advanced medical technology . . . curing more children.

The State Treasurer's Office administers all state bond funds, but testified to the Senate and Assembly Health Committees that "this program in particular has been very successful."

We take great professional pride in what we do. As human beings we are privileged to witness the innocent strength in children, the love in their families, the resolve in our staffs, the generosity of our benefactors, and the triumph of the human spirit.

We invite you to join the millions of California voters who have supported Children's Hospitals.

We can all vote Yes on Proposition 4—Building to Cure More Children.

JAMES STEIN, M.D., Pediatric Surgeon

MARIA MINON, M.D., Chief Medical Officer

ROBERTO GUGIG, M.D., Pediatric Gastroenterologist

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 4 ★

Over many decades, I have submitted arguments against ballot measures to ensure that voters receive some counter-considerations.

THE UNFAIR PROPERTY TAX SYSTEM

One objection to any measure proposing an increase in property taxes is that the property tax system in California is unfair (as explained in the primary argument).

CHANGING THE SYSTEM TO MAKE IT MORE FAIR

Our property tax system could be changed, for example, to periodically reassess all real property but automatically lower the tax rate so that overall tax revenue does not increase just because real estate values go up.

Of course, one difficulty in making any change is that different persons and businesses have different VESTED INTERESTS in maintaining the status quo.

LOOKING MORE BROADLY AT IMPROVING HEALTH CARE

As to this particular measure (borrowing money to further subsidize children hospitals), I suggest we first look at improving the entire health care system.

While there are many outstanding professionals providing health care in America (and California), the USA spends the most but is far from the top of international rankings in health care outcomes. In addition, millions of Californians do not even have basic health care coverage.

ASKING THE CANDIDATES FOR STATE OFFICES

Perhaps the candidates for state office in November—including for Governor—have some ideas for improving health care in California. Let's ask.

GARY WESLEY

★ ARGUMENT AGAINST PROPOSITION 4 ★

This is another general obligation bond measure. It asks voters' permission for the State of California to borrow more money by selling "bonds" that would need to be repaid with interest (*potentially through higher property taxes*) usually over many decades.

I say "*potentially*" because sometimes bond proceeds are used for financing but repaid by program recipients—such as homeowners under the former Cal-Vet home-farm loan program.

Bond measures present several questions:

1. How far in debt is the government already?
2. What is the expected total cost of the measure to the public?
3. Are the proposed uses for the money specified?
4. Are the proposed uses justified—given other things that may be needed or desired?
5. Should voters continue to finance projects through higher property taxes when California's property tax system is so unfair?

CALIFORNIA'S PROPERTY TAX SYSTEM IS UNFAIR

In 1978, California voters approved a voter initiative then-known as Proposition 13. The initiative added provisions to the California Constitution that prevented the *"re-assessment"* of real property unless and until the property changes hands or is substantially rebuilt.

Proposition 13 has protected real property owners from steep tax increases based on higher property values; however, it has also created a system in which new homeowners pay 10–20 times more than their neighbors whose property has like value but was obtained long ago.

In addition, because business property can be and is often leased (instead of sold), Proposition 13 has led to a massive shift of the overall property tax burden from businesses to homeowners.

The proponents of a ballot measure should bear the burden of explaining why it is worthy of support—given the full cost, available alternatives and other needs and wants.

In this case, the proponents should use their REBUTTAL to answer questions 1–5 above.

GARY WESLEY

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 4 ★

Proposition 4 helps over 2 million sick children every year. It has nothing to do with property taxes or Proposition 13. We asked the experts and here's what they said:

Joe Harn, El Dorado County Auditor-Controller states,

"Not one dollar for Proposition 4 will come from property taxes. Not one dollar for any previous children's hospital bond has come from property taxes. Every State Treasurer, State Controller, County Assessor, or Tax Collector (in either political party) will testify to that fact. I am recognized as one of California's most conservative and tight-fisted County Auditor-Controllers. You can protect Proposition 13 and vote Yes on Proposition 4."

Jon Coupal, President of the Howard Jarvis Taxpayers Association says,

"Proposition 13 has protected homeowners for over 40 years. This measure does NOT threaten the protections afforded California homeowners by Proposition 13 at all."

Please Vote Yes on Proposition 4.

ANN-LOUISE KUHNS, President
California Children's Hospital Association