

1996

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## Youthful and Adult Offender Local Facilities Bond Act of 1996.

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**Official Title and Summary Prepared by the Attorney General**

### **YOUTHFUL AND ADULT OFFENDER LOCAL FACILITIES BOND ACT OF 1996.**

- This act provides for a bond issue of seven hundred million dollars (\$700,000,000) to provide funds for construction, renovation, remodeling, and replacement of local juvenile and adult correctional facilities.
- Appropriates money from state General Fund to pay off bonds.

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

- General Fund costs of about \$1.25 billion to pay off both the principal (\$700 million) and interest (\$550 million) on the bonds.
- The average payment for principal and interest would be about \$50 million per year.
- Counties would incur unknown increased costs, potentially millions of dollars annually, to operate additional facilities constructed with these bond funds.

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### **Final Votes Cast by the Legislature on AB 3116 (Proposition 205)**

Assembly: Ayes 61      Senate: Ayes 27  
              Noes 0               Noes 6

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## Analysis by the Legislative Analyst

### BACKGROUND

California's 58 counties house juveniles and adults, who have been arrested for a crime, are awaiting trial, or are serving time for committing a crime. Juveniles are housed in juvenile halls or other county detention facilities, such as ranches and camps. Adult offenders are housed in county jails.

**Juvenile Facilities.** Generally, counties supervise juvenile offenders either at home or in juvenile halls, ranches, or camps. Statewide, there are more than 50,000 juvenile offenders under the supervision of county probation departments. This includes 6,000 juveniles who are detained in juvenile halls operated by 43 counties, and about 4,000 juvenile offenders who are housed in ranches and camps operated by 23 counties. Almost all of the juvenile halls report overcrowding.

Since 1988, the voters have approved \$100 million in general obligation bonds for renovating, constructing, and acquiring new juvenile facilities. The funds from these bonds have been fully committed for various projects. A March 1995 assessment of California's juvenile halls, ranches, and camps conducted for the California Department of the Youth Authority, identified the need for more than \$350 million to upgrade and develop new juvenile facilities.

**Adult Facilities.** In 1995, more than 1.1 million adults were booked into California jails. California's jails house on an average day more than 70,000 adults either awaiting trial or serving a sentence. Almost all of the jails in the state have reported overcrowding. In 27 counties with overcrowded jail conditions, courts have imposed limits on the number of people that can be held at any one time. As a result, some people must be released in the event that the jail population on a given day would exceed the specified limit. Jails in these counties account for more than 70 percent of the state's total jail beds.

New criminal laws have resulted in larger numbers of persons awaiting trial and, as a consequence, there has been less available space to house persons who have been sentenced. As a result, many inmates in jail serve only a fraction of their sentence. In 1995, more than 21,000 persons per month were released from jails, who otherwise would have been incarcerated, because of a lack of space. The Board of Corrections reports that the need for jail space will continue to increase, and that by the year 2000, there will be a need for an additional 30,000 beds.

Since 1981, the voters have authorized the state to sell about \$1.6 billion in general obligation bonds to raise

money to expand and improve county jail facilities. All of this money is fully committed for various projects.

### PROPOSAL

This measure authorizes the state to sell \$700 million in general obligation bonds for county juvenile and adult detention facilities. The money raised from the bond sales would be used for the construction, renovation, remodeling, and replacement of local facilities that are used to treat, rehabilitate, and punish juvenile offenders (\$350 million) and adult offenders (\$350 million).

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

The amount of money a county would be eligible to receive would be determined by the Legislature and the Governor. However, the measure provides that in order for a county to receive bond monies for either juvenile or adult facilities, it would be required to provide matching funds equal to 25 percent of the project's costs (this provision could be modified or waived by the Legislature). In addition, a county would have to identify the county's (or group of counties acting together) plan for providing services for juvenile and adult offenders ranging from prevention through detention. The plan must also show that the county has used, to the greatest practical extent, alternatives to detention. In addition, the plan must identify how the county will maximize all funding sources—local, state, and federal—for providing services to offenders.

### FISCAL EFFECT

**Costs of Paying Off the Bonds.** For these types of bonds, the state makes principal and interest payments from the state's General Fund, typically over a period of about 25 years. If the \$700 million in bonds were sold at an interest rate of 6 percent, the cost would be about \$1.25 billion to pay off both the principal (\$700 million) and the interest (\$550 million). The average payment for principal and interest would be about \$50 million per year.

**Cost to Operate the Local Facilities.** Counties will incur increased costs to operate additional facilities constructed with these bond funds. The additional operating costs are unknown, but could be millions of dollars annually.

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For text of Proposition 205 see page 86

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### Argument in Favor of Proposition 205

Proposition 205 is supported by the California State Sheriffs' Association, California Police Chiefs Association, California District Attorneys Association, Crime Victims United and other leading crime victims groups throughout the state.

#### HERE'S WHY—

Proposition 205 is urgently needed to keep violent criminals out of our schools and neighborhoods and keep them behind bars—where they belong.

Proposition 205 provides the critical funding to build new or upgrade existing county jails. Without it, thousands of convicted criminals will be released early.

26 California counties are under federal court orders to release criminals because of *massive* jail overcrowding. Criminals laugh at a system that does little to hold them accountable for their actions while the public fears for its safety.

Because of these federal court orders, many counties routinely release criminals after they have served only a fraction of their sentences.

In one large California county, the average jail term for a one year sentence is *only 51 days!* This is outrageous!

California spends billions each year on police and prosecutors to put criminals behind bars. When their hard work results in a jail sentence, we do not want these criminals released because of a lack of jail space.

California's tough new "Three Strikes" law is working to remove violent criminals from our streets. Since its passage, California has had three years of declining crime rates. But without adequate county jail space, criminals who have already received their first and second strikes could be released early. The same California citizens who led the nation by passing "Three Strikes and You're Out" should support Proposition 205. "Three Strikes and You're Out" puts violent career criminals in prison and jail for longer sentences, Proposition 205 will ensure that unelected federal judges don't order the early release of those criminals due to a lack of facilities.

**VOTE YES ON PROPOSITION 205.**

**JIM BRULTE**

*Assemblyman, Rancho Cucamonga*

**HARRIET C. SALARNO**

*Founder, Justice for Murder Victims*

**BRAD GATES**

*Sheriff, Orange County*

### Rebuttal to Argument in Favor of Proposition 205

Don't be deceived by the proponents' hysterical rhetoric. Of course we all want to keep criminals off the street. Proposition 205 won't do it.

"Three strikes" is designed to lock up career criminals. Only convicted felons qualify. Felons are housed in state prisons, not in county jails. They are only in county jail if they can't make bail while awaiting trial.

Who serves time in county jails? Petty thieves and muggers, drunk drivers, deadbeat dads, small-time drug dealers, prostitutes, barroom brawlers, people whose traffic tickets go to warrant, etc. Some are dangerous, some aren't. In fact, 50% of all crime is related to drug use, including simple possession of controlled substances.

We believe that only criminals who are violent and dangerous to others should be locked up. To save taxpayers money, nonviolent convicts should be placed under house arrest and monitored electronically. Those guilty of violating peoples' rights should have to pay

those they have wronged (restitution). Paying restitution is far more important than jailing a criminal, because a debt is owed first to the victim, then to "society."

If there was no victim (such as in drug possession), then no crime was committed, and the person should be released. Law enforcement should concentrate on arresting truly dangerous thugs, like murderers, rapists and armed robbers. If only these types of criminals were locked up, we wouldn't need more jail cells.

Proposition 205 doesn't do much for public safety. It means more bond debt that taxpayers can't afford. Please vote NO.

**JON PETERSEN**

*Treasurer, Libertarian Party of California*

**RONALD PAYNE**

*National Guard Military Policeman, Madera*

**TED BROWN**

*Insurance Adjuster/Investigator, Pasadena*

**Argument Against Proposition 205**

California's bond debt now approaches \$25 BILLION. Taxpayers must pay \$3 billion EVERY YEAR. Now Sacramento politicians want to add more. Proposition 205 is too expensive! \$700 million in bonds means a total of \$1.2 BILLION in principal and interest over 25 years. As usual, taxpayers have to pay . . . and pay . . . and pay some more!

Of course we all want to be safe, but Proposition 205 will not make us safer. It just throws money at the crime problem without addressing why the crime rate has gone up.

Crime is rampant due in part to government's "war on drugs." It's similar to the Prohibition era of the 1920's. Alcohol prohibition didn't work then; it just created gangsters and shootouts in the streets. And drug prohibition doesn't work today.

Drug laws are the problem, not the solution. If drugs were legal, the price would drop and most addicts would no longer have to steal to support their habits. Without the high profit margin, drug dealers would go out of business and no longer be on the streets trying to hook kids on these substances. Finally, the violence caused by dealers fighting over territory would be eliminated.

Law enforcement authorities generally agree that over 0% of prisoners are in jail due to drug-related crimes. Get rid of the drug laws and there would be no need for any new jails. Indeed, real criminals (like burglars and rapists) could serve their full sentences, instead of being released after a few days due to overcrowding. There should also be more use of house arrest and electronic monitoring of non-violent convicts.

Proponents mention the "three strikes and you're out" law for causing more jail overcrowding. But those convicted under "3 strikes" serve time in state prisons, not county jails. "Three strikes" has been striking some of the wrong people. Californians want violent felons to be locked up for life. Instead, the third strike can be any felony—and just about anything can be called a felony, even possession of a marijuana joint. This kind of legal misapplication is helping to clog our jails. Building more cells will just oil the system.

Juvenile halls don't need expanding, as many kids who are there don't need to be. Ending the drug war would go a long way to opening up space. Some youths are jailed for status offenses such as being a runaway or out after curfew. These offenses shouldn't even be illegal. These kids should be released to their parents, not locked up. All they learn in juvenile hall is how to commit violent crimes. Violent juvenile criminals should be treated the same as adults—and be allowed due process like trial by jury. They can start serving their sentences with other juveniles but at 18 they should be transferred to state prison.

We need alternatives to the present failed system. Throwing another \$1.2 BILLION at it won't make our streets safer. Vote NO on Proposition 205.

**GAIL LIGHTFOOT**

*Chair, Libertarian Party of California*

**DOUGLAS F. WEBB**

*Criminal Defense Attorney, Del Mar*

**TED BROWN**

*Insurance Adjuster/Investigator, Pasadena*

**Rebuttal to Argument Against Proposition 205**

It is unbelievable the opponents of Proposition 205 argue the solution to California's crime problem is to legalize drugs so we won't need jails.

The opponents of Proposition 205 think the best way to win the war on crime is to stop fighting it. Sensible people realize we need to build jails to keep criminals off our streets. We also need to prevent federal courts from ordering the release of criminals into our communities. Proposition 205 will do this by providing badly needed money for local jails and juvenile halls.

California has seen dramatic and frightening increases in juvenile crime in recent years. In the past, most juvenile crime consisted of petty theft and truancy. But today, we are dealing with large numbers of serious and

violent juvenile offenders. Between 1985 and 1994 juvenile arrests for violent crime rose 82 percent!

Half of Proposition 205's funds will be devoted to construction and expansion of juvenile halls.

We need to protect our citizens and children by keeping criminals off the streets. We need enough jail space in our local communities to do that.

If you want safe streets, parks and schools, vote for Proposition 205.

**BILL LOCKYER**

*Senator, Hayward*

**PAULA BOLAND**

*Assemblymember, Granada Hills*

on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

78699. The State Water Resources Control Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purposes of carrying out this division. The amount of the request shall not exceed the amount of the unsold bonds which the committee, by resolution, has authorized to be sold for the purpose of carrying out this division. The State Water Resources Control Board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the State Water Resources Control Board in accordance with this division.

78700. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this division includes the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

78701. Notwithstanding any provision of this division or the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this division that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or to take any other action with respect to the investment and use of bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

78702. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this division are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 2. Section 13459.5 is added to the Water Code, to read:

13459.5. Unallocated funds remaining in the Agricultural Drainage Water Account in the 1986 Water Conservation and Water Quality Bond Fund on November 6, 1996, shall be

transferred to the Drainage Management Subaccount, created by Section 78641, of the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund for the purposes of subdivision (b) of Section 78645.

SEC. 3. Section 14058 of the Water Code is amended to read:

14058. (a) The sum of thirty million dollars (\$30,000,000) of the money in the fund shall be deposited in the Water Reclamation Account and, notwithstanding Section 1334C of the Government Code, is hereby continuously appropriated to the board for the purposes of this section.

(b) The board may enter into contracts with local public agencies having authority to construct, operate, and maintain water reclamation projects, for loans to aid in the design and construction of eligible water reclamation projects. The board may loan up to 100 percent of the total eligible cost of design and construction of an eligible reclamation project.

(c) Any contract for an eligible water reclamation project entered into pursuant to this section may include such provisions as determined by the board and shall include both of the following provisions:

(1) An estimate of the reasonable cost of the eligible water reclamation project.

(2) An agreement by the local public agency to proceed expeditiously with, and complete, the eligible water reclamation project; commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the local public agency's share of the cost of the project, including principal and interest on any state loan made pursuant to this section.

(d) Loan contracts may not provide for a moratorium on payments of principal or interest.

(e) Any loans made from the fund may be for a period of up to 20 years. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, with that rate to be computed according to the true interest cost method. When the interest rate so determined, is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(f) All money repaid to the state pursuant to any contract executed under this chapter shall be deposited in the General Fund as reimbursement for the payment of principal and interest on bonds authorized to be issued under this chapter. Water Recycling Subaccount, created by Section 78621, of the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund, for the purposes set forth in subdivision (b) of Section 78621.

## Proposition 205: Text of Proposed Law

This law proposed by Assembly Bill 3116 (Statutes of 1996, Chapter 160) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

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

### PROPOSED LAW

SECTION 1. Title 4.95 (commencing with Section 4498) is added to Part 3 of the Penal Code, to read:

#### TITLE 4.95. YOUTHFUL AND ADULT OFFENDER LOCAL FACILITIES BOND ACT OF 1996

##### CHAPTER 1. GENERAL PROVISIONS

4498. This title shall be known and may be cited as the Youthful and Adult Offender Local Facilities Bond Act of 1996.

4498.1. The Legislature finds and declares all of the following:

(a) It is the intent of the Legislature to provide funding for the capital construction of local facilities for the treatment, rehabilitation, and punishment of juvenile offenders. Counties do not have sufficient options for providing a continuum of care for juvenile offenders that provides for all of the following:

(1) Effecting swift, certain, and effective correctional treatment and penalties for all juvenile offenders.

(2) Treating offenders whose criminality results from substance abuse or mental disorders.

(3) Requiring community service when appropriate.

(4) Ensuring appropriate supervision in secure and nonsecure settings.

(5) Promoting integrated service provisions for governmental and community-based organizations.

(6) Providing alternatives to commitment to the Youth Authority.

(b) Public safety is a primary function and consideration of government. As evidenced by the overwhelming support for Proposition 184, the "Three Strikes Initiative," on the November 8, 1994, general election ballot, the people of the State of California are demanding that violent, serious, and repeat felons be incarcerated with longer sentences. The passage of Proposition 184 is expected to adversely impact the capacity of local correctional facilities, creating a serious safety risk.

(c) Numerous county adult and juvenile facilities throughout California are dilapidated and overcrowded, and expansion of available bed capacity is critical. Capital improvements are necessary to protect the life and safety of persons confined or employed in these facilities, and to upgrade health and sanitary conditions to avoid threatened closures or the imposition of court-ordered sanctions.

4498.2. As used in this title, the following terms have the following meanings:

(a) "Committee" means the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee created pursuant to Section 4499.

(b) "Fund" means the 1996 Youthful Offender Local Facilities Bond Fund or the 1996 Adult Offender Local Facilities Bond Fund, created pursuant to Section 4498.3.

##### CHAPTER 2. PROGRAM

4498.3. Of the proceeds of bonds issued and sold pursuant to this title, three hundred fifty million dollars (\$350,000,000) shall be deposited in the 1996 Youthful Offender Local Facilities Bond Fund, which is hereby created, and three hundred fifty million dollars (\$350,000,000) shall be deposited in the 1996 Adult Offender Local Facilities Bond Fund, which is hereby created.

4498.4. (a) Moneys in the 1996 Youthful Offender Local Facilities Bond Fund shall be used for the construction, renovation to increase or maintain capacity, remodeling, and replacement of local facilities for the treatment, rehabilitation, and punishment of juvenile offenders, and may be used for capital improvements, rehabilitation, or renovation performed by local juvenile community service work crews. Up to 1½ percent of moneys in the fund may be used by the Board of Corrections for administration of this title.

(b) In order to be eligible to receive money for the purposes specified in this section, a county shall apply in the manner and form prescribed by the Board of Corrections.

(c) Allocation of funds shall be subject to future appropriation by the Legislature, and shall be made based on the following criteria:

(1) County matching funds of at least 25 percent are provided as determined by the Legislature, except that this requirement may be modified or waived by the Legislature by statute where it determines that it is necessary to facilitate the expeditious and equitable construction of local correctional facilities. The greater the percentage of matching funds that a county provides, the higher priority the county shall be given for allocation of moneys.

(2) The county, or a group of counties acting together, has developed a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and detention of juvenile offenders. The plan shall identify how the county will maximize all funding sources (local criminal justice, local social services, federal and state programs, and education) for providing appropriate services for juvenile offenders. The plan shall demonstrate that the county has utilized, to the greatest extent practicable, alternatives to detention. The plan also shall identify the capital needs for fully providing the services outlined in the county model.

(d) Counties that have begun to plan, construct, or renovate facilities after January 1, 1995, but prior to the enactment of this title, remain eligible to receive state matching funds.

(e) Counties that contract with private providers for treatment or other services for offenders are eligible to apply for moneys from the fund.

4498.5. (a) Moneys in the 1996 Adult Offender Local Facilities Bond Fund shall be used for the construction, renovation to increase or maintain capacity, remodeling, and replacement of local facilities for the treatment, rehabilitation, and punishment of adult offenders. Up to 1½ percent of moneys in the fund may be used by the Board of Corrections for administration of this title.

(b) In order to be eligible to receive money for the purposes specified in this section, a county shall apply in the manner and form prescribed by the Board of Corrections.

(c) Allocation of funds shall be subject to future appropriation by the Legislature, and shall be made based on the following criteria:

(1) County matching funds of at least 25 percent are provided as determined by the Legislature, except that this requirement may be modified or waived by the Legislature by statute where it determines that it is necessary to facilitate the expeditious and equitable construction of local correctional facilities. The greater the percentage of matching funds that a county provides, the higher priority the county shall be given for allocation of moneys.

(2) The county, or a group of counties acting together, has developed a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and incarceration of adult offenders. The plan shall identify how the county will maximize funding sources (local criminal justice, local social services, federal and state programs, and education) for providing appropriate services for adult offenders. The plan shall demonstrate that the county has utilized, to the greatest extent practicable, alternatives to jail incarceration. The plan also shall identify the capital needs for fully providing the services outlined in the county model.

(d) Counties that have begun to plan, construct, or renovate facilities after January 1,

1995, but prior to the enactment of this title, remain eligible to receive state matching funds.

(e) Counties that contract with private providers for treatment or other services for offenders are eligible to apply for moneys from the fund.

4498.6. (a) The Youthful and Adult Offender Local Facilities Financing Authority is hereby created in the Board of Corrections. The composition of the authority shall be notified in future legislation. The authority shall evaluate plans prepared pursuant to paragraph (2) of subdivision (c) of Section 4498.4 and paragraph (2) of subdivision (c) of Section 4498.5, approve funding, and administer funds appropriated as specified in subdivision (c) of Section 4498.4 and subdivision (c) of Section 4498.5. Staff support to the authority shall be performed by existing Board of Corrections staff. In addition, the authority may allocate any state and federal juvenile justice grant funds that are appropriated to it by the Legislature.

(b) The Board of Corrections shall not be deemed a responsible agency, as defined in Section 21069 of the Public Resources Code, or otherwise be subject to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) for any activities undertaken or funded pursuant to this title. This subdivision does not exempt any local agency from the requirements of the California Environmental Quality Act.

4498.7. Money in the funds may only be expended for projects specified in this title as allocated in appropriations made by the Legislature.

#### CHAPTER 3. FISCAL PROVISIONS

4498.8. Bonds in the total amount of seven hundred million dollars (\$700,000,000), exclusive of refunding bonds, or so much thereof as is necessary, may be issued and sold to provide funds to be used for carrying out the purposes expressed in this title and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

4498.9. The bonds authorized by this title shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this title and are hereby incorporated in this title as though set forth in full in this title.

4499. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this title, the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee is hereby created. For purposes of this title, the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Treasurer, the Director of Finance, and the Chair of the Board of Corrections, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the Youthful and Adult Offender Local Facilities Financing Authority in the Board of Corrections is designated the "board."

4499.1. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this title in order to carry out the actions specified in Sections 4498.4 and 4498.5 and, if so, the amount of bonds to be issued and sold. Successive

issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

4499.2. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

4499.3. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this title, an amount that will equal the total of the following:

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

(b) The sum which is necessary to carry out the provisions of Section 4499.4, appropriated without regard to fiscal years.

4499.4. For the purposes of carrying out this title, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this title. Any amounts withdrawn shall be deposited in the funds created in Section 4498.3. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest the money would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this title.

4499.5. All money deposited in the funds that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

4499.6. The bonds may be refunded in accordance with Article 6 of the State General Obligation Bond Law.

4499.7. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this title. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this title. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this title.

4499.8. Notwithstanding any other provision of this title, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes subject to designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds that is required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

4499.9. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this title are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

## Proposition 206: Text of Proposed Law

This law proposed by Senate Bill 852 (Statutes of 1996, Chapter 161) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

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

### PROPOSED LAW

SEC. 2. Article 5v (commencing with Section 998.200) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

#### Article 5v. Veterans' Bond Act of 1996

998.200. This article may be cited as the Veterans' Bond Act of 1996.

998.201. (a) The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except as otherwise provided herein, is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article as though set out in full in this article. All references in this article to "herein" refer both to this article and that law.

(b) For purposes of the State General Obligation Bond Law, the Department of Veterans Affairs is designated the board.

998.202. As used herein, the following words have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) "Bond" means veterans' bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.

(c) "Bond act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) "Committee" means the Veterans' Finance Committee of 1943, established by Section 991.

(e) "Fund" means the Veterans' Farm and Home Building Fund of 1943, established by Section 988.

998.203. For the purpose of establishing a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than four hundred million dollars

(\$400,000,000) exclusive of refunding bonds, in the manner provided herein.

998.204. (a) All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

(b) There shall be collected annually in the same manner and at the same time as other state revenue is collected a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the General Fund to pay the debt service all of the money in the fund, not in excess of the amount of debt service then due and payable. If the money so transferred on the remittance dates is less than the debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans farm and home purchase bond acts pursuant to this chapter. This subdivision does not grant any lien on the fund or the moneys therein to the holders of any bonds issued under this article. For the purposes of the subdivision, "debt service" means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

998.205. There is hereby appropriated from the General Fund, for purposes of this article, a sum of money that will equal both of the following:

(a) That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.

(b) That sum necessary to carry out Section 998.206, appropriated without regard to fiscal years.

998.206. For purposes of this article, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of a sum of money not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this