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STATE BUDGET

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meat against the application of these principles to publicly owned utilities. In California a publicly owned utility is not subject to any control that can be properly termed "regulation," even though it does business and serves consumers beyond the territorial limits of the political body owning and operating the plant or system. It is fallacious to assume that because a utility is publicly owned that its consumers do not need protection respecting rates and service to the same extent as do those who are served by private utilities. A plant who are served by way of net return and yet the rates to different classes of consumers may be unreasonable and discriminatory. One class of consumers may be charged rates so high that they will be contributing a part of the cost of the service rendered to some other class; again the plant may be extravagantly and inefficiently operated as an analysis of operating costs and a comparison with other plants under state regulation will disclose. All classes of consumers may be paying too much for service and yet the plant may be operated at small profit. A plant or system that is efficiently and wisely operated has nothing to fear from investigation and regulation by the state whether privately or publicly owned. Inefficiency and wastefulness alone shrink from the light of publicity. State regulation of publicly owned utilities is in operation in the State of Wisconsin and other states of the Union. In Wisconsin, where the state regulates publicly owned utilities to the fullest extent, municipal operations of public utilities has attained its highest efficiency.

As regulation by the Railroad Commission of California of privately owned public utilities has resulted in securing for the patrons of those utilities improved service, just and reasonable rates, the elimination of discriminatory practices, the establishment of fair and equitable rules and regulations governing standards of service, and the creation of a tribunal to which they may appeal for the redress of their grievances, it would seem that the people of this state would be acting wisely by extending to the patrons of municipally owned utilities the same rights and safeguards enjoyed by the consumers supplied by privately owned and operating utilities.

W. A. SUTHERLAND,

Vice President Los Angeles Trust and Savings Bank, Managing Director Fidelity of Fresno Branch.

ARGUMENT AGAINST REGULATION OF PUBLICLY OWNED PUBLIC UTILITIES.

This proposes to deprive cities and other political subdivisions of control over their own public utilities, and place it with the Railroad Commission. It does not include 119 municipal water works, all in successful operation, as this would invite too much opposition. It does include light, power, heat, transportation, telegraph and telephone service, when supplied by cities or other public agencies. There are 21 cities successfully supplying light and power.

Few furnish any of the other services. The purpose of this measure is to make it difficult or impossible for cities to embark in or conduct these enterprises. It was put upon the ballot by the power company interests. The League of California Municipalities, consisting of officials of all the cities of the state, is unanimously opposed to it. It would prevent cities from installing their own electric systems without a "certificate of convenience" from the Railroad Commission. Ordinarily these are not granted when a company already occupies the field, and so a city might have difficulty in putting in a plant of its own to reduce rates, as was done by Los Angeles.

One great reason for having the Railroad Commission regulate public utilities was that they often serve several communities and should be regulated by one body and not by several. In a municipally enterprise, however, there is but one community served, and that community manages the project.

Cities can sell electricity more cheaply than private companies, chiefly because this business requires large capital, which can be obtained by the sale of municipal bonds bearing a rate of interest from 3 to 4 per cent lower than the earnings allowed the private companies by the Railroad Commission. For instance, the Southern California Edison Company is allowed to earn \$8,466,000 a year, or 8.3 per cent on its invested capital of \$102,000,000, in addition to taxes, cost of operation, depreciation, etc. The state, or the City of Los Angeles, could borrow the same sum for so much less interest that the users of electricity would save in their rates over three and one-half million dollars yearly.

The cities should be allowed to decide for themselves, as they do now, what to do with these savings. Thus Alameda, owning its electric light plant, has rates averaging 21 per cent less than those charged by the private companies in Oakland for identical services. It charges nothing for street lighting, and still had a surplus last year of \$78,000 which it applied to reducing the tax rate. Redding charges the same rates as were charged by the Pacific Gas and Electric Company before the purchase of the distributing system last January, but is making a profit sufficient to pay off the entire cost of its system in two and one-half years, and is spending that profit on building highways. Los Angeles has applied its savings almost entirely to rate reduction, and has rates approximately two-thirds of those charged in San Francisco by the Pacific Gas and Electric and Great Western Power Companies.

San Francisco has a municipal railway, charging a 5-cent fare, which keeps down the rate on the private system. In Los Angeles, where there is no municipally owned line, the fare has been raised to 6 cents.

Vote "No" on this amendment.

MAYOR LOUIS BARTLETT, Berkeley.
President, League of California Municipalities.

STATE BUDGET. Initiative measure amending Section 34 and repealing Section 29, Article IV of Constitution. Requires Governor to submit to legislature, within first thirty days of each regular session, budget containing itemized statement of all proposed expenditures and estimated revenues for each fiscal year of next biennial period, with comparison, item by item, for each year of existing biennial period. Prescribes procedure for passage of budget bill; permits referendum against items thereof except those for usual current expenses; prohibits other appropriations, with certain exceptions, until such passage. Authorizes Governor to reduce or eliminate any item of appropriation.

YES

NO

Sufficient qualified electors of the State of California present to the secretary of state this petition and request that a proposed measure, as hereinafter set forth, be submitted to the people of the State of California for their approval or rejection, at the next ensuing general

election. The proposed measure is as follows: The people of the State of California do enact as follows:

Section thirty-four of article four of the constitution of the State of California is hereby amended to read as follows:

PROPOSED AMENDMENT.
(Proposed changes in provisions are printed
in black-faced type.)

Article IV.

Sec. 34. The governor shall, within the first thirty days of each regular session of the legislature and prior to its recess, submit to the legislature, with an explanatory message, a budget containing a complete plan and itemized statement of all proposed expenditures of the state provided by existing law or recommended by him, and of all its institutions, departments, boards, bureaus, commissions, officers, employees and other agencies, and of all estimated revenues, for each fiscal year of the ensuing biennial period; together with a comparison, as to each item of revenues and expenditures, with the actual revenues and expenditures for the first fiscal year of the existing biennial period and the actual and estimated revenues and expenditures for the second fiscal year thereof. If the proposed expenditures for the ensuing biennial period shall exceed the estimated revenues therefor, the governor shall recommend the sources from which the additional revenue shall be provided. The governor, and also the governor-elect, shall have the power to require any institution, department, board, bureau, commission, officer, employee or other agency to furnish him with any information which he may deem necessary in connection with the budget or to assist him in its preparation. The budget shall be accompanied by an appropriation bill covering the proposed expenditures, to be known as the budget bill. The budget bill shall be introduced immediately into each house of the legislature by the respective chairmen of the committees having to do with appropriations, and shall be subject to all the provisions of section fifteen of this article. The governor may at any time amend or supplement the budget and propose amendments to the budget bill before or after its enactment, and each such amendment shall be referred in each house to the committee to which the budget bill was originally referred. Until the budget bill has been finally enacted, neither house shall place upon final passage any other appropriation bill, except emergency bills recommended by the governor, or appropriations for the salaries, mileage and expenses of the senate and assembly. No bill making an appropriation of money, except the budget bill, shall contain more than one item of appropriation, and that for one single and certain purpose to be therein expressed. In any appropriation bill passed by the legislature, the governor may reduce or eliminate any one or more items of appropriation of money while approving other portions of the bill, whereupon the effect of such action and the further procedure shall be as provided in section sixteen of this article. Section twenty-nine of this article is hereby repealed. In case of conflict between this section and any other portion of this constitution, the provisions of this section shall govern, except that any item of appropriation in the budget act, other than for the usual current expenses of the state, shall be subject to the referendum. The legislature shall enact all laws necessary or desirable to carry out the purposes of this section, and may enact additional provisions not inconsistent herewith.

EXISTING PROVISIONS.

Section twenty-nine of article four which is to be repealed and section thirty-four of article four which is amended read as follows:

(Provisions proposed to be repealed are printed in italics.)

Sec. 29. The general appropriation bill shall contain no item or items of appropriation other than such as are required to pay the salaries of the state officers, the expenses of the government, and of the institutions under the exclusive control and management of the state.

Sec. 34. No bill making an appropriation of money, except the general appropriation bill, shall contain more than one item of appropriation,

and that for one single and certain purpose, to be therein expressed.

Sections fifteen and sixteen of article four, referred to in the proposed amendment, read as follows:

Sec. 15. No law shall be passed except by bill. Nor shall any bill be put upon its final passage until the same, with the amendments thereto, shall have been printed for the use of the members; nor shall any bill become a law unless the same be read on three several days in each house, unless, in case of urgency, two-thirds of the house where such bill may be pending, shall, by a vote of yeas and nays, dispense with this provision. Any bill may originate in either house, but may be amended or rejected by the other; and on the final passage of all bills they shall be read at length, and the vote shall be by yeas and nays upon each bill separately, and shall be entered on the journal, and no bill shall become a law without the concurrence of a majority of the members elected to each house.

Sec. 16. Every bill which may have passed the legislature shall, before it becomes a law, be presented to the governor. If he approve it, he shall sign it; but if not, he shall return it, with his objections, to the house in which it originated, which shall enter such objections upon the journal and proceed to reconsider it. If after such reconsideration, it again pass both houses, by yeas and nays, two-thirds of the members elected to each house voting therefor, it shall become a law, notwithstanding the governor's objections. If any bill shall not be returned within ten days after it shall have been presented to him (Sundays excepted), the same shall become a law in like manner as if he had signed it, unless the legislature, by adjournment, prevents such return, in which case it shall not become a law, unless the governor, within thirty days after such adjournment (Sundays excepted), shall sign and deposit the same in the office of the secretary of state, in which case it shall become a law in like manner as if it had been signed by him before adjournment. If any bill presented to the governor contains several items of appropriation of money, he may object to one or more items, while approving other portions of the bill. In such case he shall append to the bill at the time of signing it, a statement of the items to which he objects, and the reasons therefor, and the appropriation so objected to shall not take effect unless passed over the governor's veto, as hereinbefore provided. If the legislature be in session the governor shall transmit to the house in which the bill originated a copy of such statement and the items so objected to shall be separately reconsidered in the same manner as bills which have been disapproved by the governor.

ARGUMENT IN FAVOR OF THE STATE BUDGET AMENDMENT.

The proposed amendment to the constitution providing for a state budget was initiated by the Commonwealth Club of California, whose chief object is the public welfare. This club financed the placing of the measure on the ballot because it is convinced that the budget system is the most vital need of the state at this time.

Government is a business, and the state should be run on business principles. The administrative machinery is definitely established, and the cost of running various departments should be accurately estimated and expenditures conform to such estimates. Under the budget system, every state department would submit in advance its estimated requirements and these estimates would be correlated by trained economists under the direction of the Governor. The extravagant and wasteful practice of having the legislature appropriate specific amounts for definite purposes without consideration of available funds to meet these costs would be done away with, and the taxpayers would know fairly accurately just what the state will spend in any year and where the funds will go.

The budget system will save the taxpayer money, because all state appropriations will be handled in a business way, duplications pro-

and extravagance avoided. The proposed measure will also enable the Governor to reduce appropriation to meet the financial condition of the treasury, which under our present system he can not do. Frequently a worthy measure is vetoed because the legislature passes a bill carrying an appropriation for which sufficient funds are not available. Under present conditions the Governor is compelled to veto the act, no matter how meritorious, because of the excessive appropriation, whereas, if he had the power given by the proposed constitutional amendment, he could approve the bill with a modified appropriation to meet the condition of the treasury.

The federal government has adopted the budget system and has already saved many millions, and during the next fiscal year it is expected this system will effect a saving to the United States of approximately two billion dollars. Thirty-nine states have already adopted some form of the budget system, of which twenty-two states follow the executive type plan outlined for California. Three states, Maryland, Massachusetts and West Virginia, amended

their constitutions to permit of the budget system, and similar measures will appear on the ballots of several additional states this year. It is only by amending our constitution that California can establish the budget system. The Maryland budget plan, used as a model for California, was adopted in 1916 by a vote of two to one, and in 1918 Massachusetts adopted a similar constitutional amendment by a vote of almost the same majority.

Many of the leading civic and improvement clubs of California are heartily in favor of the budget plan and the newspapers of the state, with hardly an exception, are advocating its adoption.

The budget system in business and the home makes for efficiency; it has saved hundreds of millions of dollars for the federal government and for the states now using it, and it will save millions of dollars to the voters of California if Proposition No. 12 is adopted.

ALBERT E. BOYNTON,
San Francisco, Cal.

JUDGES' SALARIES. Senate Constitutional Amendment 28 amending Section 17 of Article VI of Constitution. Eliminates present provision therein prohibiting increase or decrease of salaries of Superior Court Judges after their election or during their term of office, in counties having but one judge and in counties wherein the terms of such judges expire at the same time. In place of present provision that State shall pay half and county half of salary of each Superior Court Judge declares State shall pay three thousand dollars of such salary and county balance thereof.

	YES
	NO

Senate Constitutional Amendment No. 28 — A resolution to propose to the people of the State of California an amendment to the constitution of said state, by amending section seventeen of article six, relating to the salaries of the justices of the supreme court, the justices of the district courts of appeal, and of the judges of the superior courts.

Resolved by the senate, the assembly concurring, That the legislature of the State of California at its regular session commencing on the third day of January, one thousand nine hundred twenty-one, two-thirds of the members elected to each of the two houses of the said legislature voting therefor, hereby proposes to the people of the State of California that the constitution of said state be amended by amending section seventeen of article six to read as follows:

PROPOSED AMENDMENT.

(Proposed changes in provisions are printed in black-faced type.)

Sec. 17. The salaries of the justices of the supreme court and of the district courts of appeal shall be paid by the state. Of the salary of each judge of the superior court the state shall pay three thousand dollars; the remaining portion thereof shall be paid by the county for which the judge is elected, and in an amount to be determined by the legislature. The justices of the supreme court shall each receive an annual salary of eight thousand dollars, and the justices of the several district courts of appeal shall each receive an annual salary of seven thousand dollars; the said salaries to be payable monthly.

EXISTING PROVISIONS.

Section seventeen, article six, proposed to be amended, now reads as follows:

(Provisions proposed to be repealed are printed in italics.)

Sec. 17. *The justices of the supreme court and of the district courts of appeal, and the judges of the superior courts, shall severally, at stated times during their continuance in office, receive for their service such compensation as is or shall be provided by law. The salaries of the judges of the superior court, in all counties*

having but one judge, and in all counties in which the terms of the judges of the superior court expire at the same time, shall not hereafter be increased or diminished after their election, nor during the term for which they shall have been elected. Upon the adoption of this amendment the salaries then established by law shall be paid uniformly to the justices and judges then in office. The salaries of the justices of the supreme court and of the district courts of appeal shall be paid by the state. One half of the salary of each superior court judge shall be paid by the state; and the other half thereof shall be paid by the county for which he is elected. On and after the first day of January, A. D., one thousand nine hundred and seven, the justices of the supreme court shall each receive an annual salary of eight thousand dollars, and the justices of the several district courts of appeal shall each receive an annual salary of seven thousand dollars; the said salaries to be payable monthly.

ARGUMENT IN FAVOR OF SENATE CONSTITUTIONAL AMENDMENT NO. 28.

Affects Only Superior Courts.

This proposed amendment does not affect judges of the supreme court, nor of the appellate courts, but applies only to judges of the superior courts.

Purpose of Amendment.

The main purpose of the proposed amendment is to place salaries of superior court judges, so far as concerns the state's portion thereof, on a uniform basis.

At the present time the salaries of superior court judges vary from \$2,000 a year in some counties to \$7,000 a year in other counties. Of these salaries the state now pays one-half, that is to say, the state's share varies in different counties from \$1,000 to \$3,500.

Identical Service Required.

Yet, so far as concerns the work required of judges in different counties, the state places them all on the same basis. All are subject to being transferred or ordered by the governor from one county to another county where court work may happen to be congested. The state requires of all equal qualifications and imposes equal duties and equal responsibilities.