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STATE INDEBTEDNESS

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STATE INDEBTEDNESS. Assembly Constitutional Amendment 33.		
Amends Constitution Article XVI section 1. Prohibits Legislature creating State indebtedness over three hundred thousand dollars unless authorized by majority vote of people and unless providing for its retirement within forty years; requires bonds issued mature	YES	
19 serially, first maturity being three years from issuance, but permits first maturity of bonds for revenue-producing utilities in fifteen years. Declares section shall not limit or prohibit issuance of bonds authorized but not sold, or to refund outstanding bonded indebtedness, or seventy-year bonds for acquisition, development or distribution of waters and water resources, including electric energy.	NO	

(For full text of measure, see page 43, part II)

Argument Against Assembly Constitutional Amendment No. 33

UNCERTAINTIES HAVE ARISEN REGARDING THE POSSIBLE LEGAL INTERPRETATION AND EFFECT OF CERTAIN CLAUSES IN THIS PROPOSED AMENDMENT, WHICH WERE INSERTED AS REVISIONS TO THE ORIGINAL DRAFT, DURING THE CLOSING DAYS OF THE LEGISLATIVE SESSION. ITS SPONSORS, AUTHORS, AND OTHER MEMBERS OF THE LEGISLATURE WHO ORIGINALLY APPROVED IT THEREFORE HAVE WITHDRAWN THEIR SUPPORT, AND ARE NOT ASKING THE VOTERS TO APPROVE IT IN ITS PRESENT FORM.

Several months after this amendment to the present Article XVI of the State Constitution was passed by the Legislature the question was raised as to whether the technical language of certain clauses in it clearly expressed the original intent and understanding of the Legislature, and since that time a number of eminent attorneys have expressed divergent and directly opposite opinions as to how these might be interpreted.

Obviously, if the voters have any doubt as to the exact meaning or possible legal interpretation of important sections in a proposed amendment to the Constitution of the State of California, affecting their existing constitutional rights, the only proper course is for them to vote NO at this time, and thus return the proposed amendment to the Legislature to be framed in such language that its meaning will be perfectly clear.

Since there has developed this difference of opinion among legal authorities, it must follow that there will be confusion and lack of clear understanding among the voters, and that no one could properly ask for their approval of the measure in its present uncertain form.

The intent of those who drafted and sponsored the amendment, and the information

upon which action was taken by members of the Legislature who approved it, was that it provided the following changes in the present Article XVI of the State Constitution.

1. Reduction of the maximum life of future State bond issues from seventy-five years (its existing provision) to forty years, with the exception of bonds issued for the acquisition, development or distribution of water and water resources, including electric energy, which are limited to a life of seventy years.

2. Provision that future State bonds shall be serial bonds, maturing in substantially equ annual, or semiannual installments.

3. Provision that future State bonds, when issued, may be made subject to call at a specified date before maturity, at some specified figure above their par value.

The purpose of this amendment was to retain the present long recognized restrictions contained in section 1, Article XVI of the Constitution, including the one which prohibits the Legislature from creating indebtedness or liabilities of the State in excess of \$ 00,000, except by a law which must be submitted to the people, and receive approval by a majority of the voters, and to make only the changes outlined above.

Since it is now the opinion of several competent attorneys that some of its clauses inserted during the closing hours of the session might be interpreted as removing those fundamental limitations on some of the most important classes of bonds, thus taking away the present constitutional right of the people to vote on them, the only safe course which the authors and sponsors of the proposal can recommend at this time is to vote NO, in spite of the fact that the office of the Attorney General and other legal authorities have given opposite opinions.

B. J. FEIGENBAUM.
MICHAEL J. BURNS.

liable and for which the credit of the State has been loaned, or in the payment of any amounts provided to be paid to the State under any contract for the purchase, use or storage of water or the purchase or use of electricity or electric power. Such tax shall in all cases be sufficient to reimburse the State or to prevent loss to the State by reason of such default of a State agency and to pay the costs of collection. Such tax shall in all cases be levied at the time of the next general tax levy following such default. The lien of such tax shall be paramount and superior to all special assessments and to all taxes levied for any purpose.

Sec. 5. All legislation enacted under the provisions of this article shall be subject to and limited by the provisions of section 1 of Article XVI of this Constitution, and section 1 of Article IV thereof relating to the referendum, as they now exist or may hereafter be amended, except that the Legislature may include such projects as it may deem necessary in one act.

Sec. 6. For the purposes of this article, the phrase "State agency" means and includes any county, city and county, municipality, or other public corporation or public district.

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19

YES	
NO	

Assembly Constitutional Amendment No. 33—A resolution to propose to the people of the State of California an amendment to the Constitution of said State by amending section 1 of Article XVI thereof, relating to incurrence and retirement of bonded indebtedness by the State.

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its fiftieth regular session commencing on the second day of January, 1933, 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 the State of California be amended by amending section 1 of Article XVI thereof to read as follows:

(This proposed amendment expressly amends an existing section of the Constitution; therefore EXISTING PROVISIONS proposed to be DELETED are printed in STRIKE-OUT TYPE; and NEW PROVISIONS proposed to be INSERTED are printed in BLACK-FACED TYPE.)

PROPOSED AMENDMENT TO THE CONSTITUTION.

Section 1. The Legislature shall not, in any manner, create any debt or debts, liability or liabilities, which shall, singly or in the aggregate with any previous debts or liabilities, exceed the sum of three hundred thousand dollars, except in case of war to repel invasion or suppress insurrection, unless the

same shall be authorized by law for some single object or work to be distinctly specified therein, which law shall provide ways and means, exclusive of loans, for the payment of the interest of such debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within ~~seventy-five~~ **forty** years of the time of the contracting thereof, **except as hereinafter provided**, and shall be irrevocable until the principal and interest thereon shall be paid and discharged; ~~and such law may make provision for a sinking fund to pay the principal of such debt or liability to commence at a time after incurring of such debt or liability of not more than a period of one-fourth of the time of maturity of such debt or liability; but no such law shall take effect until, at a general election, it shall have been submitted to the people and shall have received a majority of all the votes cast for and against it at such election; and all moneys raised by authority of such law shall be applied only to the specific object therein stated or to the payment of the debt thereby created, and such law shall be published in at least one newspaper in each county, or city and county, if one be published therein, throughout the State, for three months next preceding the election at which it is submitted to the people. The Legislature may, at any time after the approval of such law by the people, if no debt shall have been contracted in pursuance thereof, repeal the same.~~

Except as hereinafter otherwise provided, bonds issued in accordance with the authorization of the Legislature pursuant to this section shall not be for a longer time than forty years. Bonds so issued shall be in the form of serial bonds maturing in substantially equal semiannual or annual installments. The authorization must provide that the date of first maturity of any bonds issued under this section shall be not later than three years from and after the date of issuance of such bonds; except that where bonds are issued for the construction or improvement of revenue-producing utilities, as hereinafter defined, the date of first maturity shall be not later than fifteen years from and after the date of issuance of such bonds. The words "revenue-producing utilities" as used herein shall be deemed to mean such utilities as those from which revenue is customarily or may be derived from charges, rates or rentals imposed upon or collected from users, consumers, or customers thereof, together with such works, facilities and appliances used or useful in connection therewith or incidental thereto.

The Legislature may provide in the authorization that bonds issued thereunder may at the option of the State be subject to call by the issuing authority at some date before maturity and at some figure above the par value thereof, which date and figure must be set forth in the original proposal submitted to the people for approval as aforesaid.

Nothing in this section contained shall be construed to limit or prohibit the issuance of bonds for the purpose of refunding a valid outstanding bonded indebtedness, and nothing in this section contained shall be construed to limit or prohibit the issuance of bonds authorized in accordance with law prior to the taking effect of this section but not yet sold or issued at said time.

Nothing in this section shall be construed to limit or prohibit the issuance by the State of California of bonds for not to exceed a period of seventy years for the acquisition, development or distribution of waters and water resources, including electric energy.

STOCK OWNERSHIP BY CITIES IN MUTUAL WATER COMPANIES.

20 **Assembly Constitutional Amendment 2.** Adds section 31c to Article IV of Constitution. Provides that any city of fifth or sixth class may acquire and hold stock of any mutual water company for purpose of furnishing supply of water for public or municipal purposes or for use of city's inhabitants; declares that the holding of such stock shall entitle city to all rights, and subject city to all obligations, given or imposed by law to or upon other holders of stock in such company.

YES	
NO	

Assembly Constitutional Amendment No. 2—A resolution proposing to the people of the State of California an amendment to the Constitution of said State by adding to Article IV thereof a new section to be numbered 31c, authorizing any city of the fifth or sixth class to acquire and hold stock in mutual water corporations.

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its fiftieth regular session commencing on the second day of January, 1933, two-thirds of all the members elected to each of the two houses of the Legislature voting in favor thereof, hereby proposes that the Constitution of said State be amended by adding to Article IV thereof a new section to be numbered 31c, and to read as follows:

(This proposed amendment does not expressly amend any existing section of the Constitution, but adds a new section thereto; therefore, the provisions

thereof are printed in BLACK-FACED TYPE to indicate that they are NEW.)

PROPOSED AMENDMENT TO THE CONSTITUTION.

Sec. 31c. Nothing contained in this Constitution shall preclude any city of the fifth or sixth class from acquiring or holding shares of the capital stock of any mutual water company or corporation when said stock is so acquired or held for the purpose of furnishing a supply of water for public or municipal purposes, or for the use of the inhabitants of the city, and the city is hereby authorized to acquire and hold such stock, and said holding of such stock shall entitle such holder thereof to all the rights, powers and privileges, and subjects such holder to the obligations and liabilities, as are given or are imposed by law to or upon other holders of stock in the mutual water corporation in which such stock is so held.