

1938

## REVENUE BOND ACT OF 1937

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### Recommended Citation

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|           |  |     |  |
|-----------|--|-----|--|
| <b>13</b> | <b>REVENUE BOND ACT OF 1937.</b> Referendum of act of Legislature (Chapter 51, Statutes 1937). Act authorizes creation and establishment of a public utilities commission within any city, city and county, county, local governmental agency, society, association, authority, or entity rendering service to the public; authorizes sale of revenue bonds to defray costs of construction or acquisition of public utilities, extensions and improvements thereto, and provides for the acquisition, production, distribution and sale of products, commodities, energy or services of such public utilities and for payment of such bonds and interest thereon. | YES |  |
|           |  | NO  |  |

(For full text of measure, see page 27, Part II)

**Argument in Favor of Revenue Bond Act of 1937 Referendum Measure**

This Garrison Revenue Bond Act was passed without dissenting vote in the Senate and by 65 to 10 in the Assembly. It makes possible the paying for public improvements solely from earnings of the improvements themselves, without recourse to taxation, under a principle adopted in England in 1753, now used in 47 States. Revenue bonds built the Boulder Dam Transmission Line and San Francisco-Oakland Bay Bridge. The largest California banks and bond houses recommended and sold those bonds to their clients.

This act does not issue a single dollar of bonds, nor authorize any community to buy or sell anything. It merely gives communities, that have authority to acquire revenue-producing projects, the right, by majority vote, to finance them out of the revenues from the project itself instead of out of taxes. Revenue bonds can never be a mortgage on homes or farms for the act itself provides that no bondholder "shall ever have the right to compel any exercise of the taxing power to pay said bond or bonds or interest thereon," and limits interest to 5 per cent.

California privately-owned gas and electric companies have been authorized to issue \$1,697,265,744.41 in stocks and bonds since 1924 without any vote of the people, or consumers who pay the bills, although interest and dividends are paid by revenues from gas and electricity just as, under this act, principal and interest of revenue bonds are paid out of revenues from publicly-owned projects. A majority vote elects governors, legislators and other public officers, passes or repeals laws (including tax laws) and amends the Constitution. The Supreme Court, by majority vote, approves or disapproves laws. Certainly, the people should have the right to authorize revenue bonds by majority vote.

General obligation bonds now in default, issued by two-thirds vote, found purchasers who depended upon the power to tax real estate,

instead of revenue from the project itself. Had revenue bonds been proposed for such defaulting projects, careful investors would not have bought them. Revenue bonds are a safeguard against economically unsound projects, and have better repayment history.

With the greater majority of voters owning no land, home owners should ardently support this Revenue Bond Act which permits public improvements without increased taxes being voted on their property.

**REVENUE BONDS:**

Make it possible to finance public improvements without mortgaging homes or farms.

Are a safeguard against unsound projects that can not pay their own way out of revenue.

The power trust started this referendum and is spending thousands of dollars to keep the people from enjoying cheaper electricity. Selfish motives of one industry should not be permitted to block the use of this beneficial legislation for all other urgently needed revenue-producing projects.

This issue is clearly the People vs. the Power Trust.

A "YES" vote is for the People; A "NO" vote is for the Power Trust.

If you want your just right to finance your needed public improvements without mortgaging your home, vote "YES" on Number 13.

**GEORGE SEHLMAYER,**  
Master, California State  
Grange.

**WALTER D. WAGNER,**  
Executive Secretary, Irrigation  
Districts Association of California.

**J. C. GARRISON,**  
Senator, Twenty-second District.

**Argument Against Revenue Bond Act of 1937  
Referendum Measure**

This dangerous act would abolish the time-tested principle which requires the vote of two-thirds of the people to approve public borrowings. It would permit the issuance of revenue bonds, **IN ANY AMOUNT**, by a bare majority of those actually going to the polls. In reality, it would mean that any district, city or county could be plunged into debt by **A SMALL MINORITY**, as only a fraction of the registered vote usually turns out for a bond election.

Every voter, when he considers Proposition No. 13, should keep this basic truth clearly in mind: Public bonds are private mortgages—mortgages on homes, farms and businesses. And California's public indebtedness, if our 6 per cent share of the federal debt is included, now aggregates \$3,661,000,000. If that stupendous total is divided by 900,000 (the number of common property taxpayers in California), the mortgage already standing against every home and farm and every piece of real estate averages more than \$4,000. Under such circumstances, **CAN WE AFFORD TO MAKE IT EASIER TO GET INTO DEBT?**

Sponsors of this proposal contend that "revenue" bonds are "different"; that they can not become an obligation against the general taxpayer. But that contention is not borne out by experience. Debt is debt, no matter by what name you call it. And **TODAY'S DEBTS MAY BE TOMORROW'S TAXES!** Essential public services would have to be maintained regardless of how the debt for them was incurred.

More than 12,000 words long, Proposition No. 13 is studded with "jokers" and inconsistencies. Not only does it seek to let down the bars to unlimited borrowing; it opens the doors to the creation of **HUNDREDS OF NEW BOARDS AND COMMISSIONS**, with dictatorial powers and arbitrary control over the expenditure of borrowed money. On the flimsy

pretext of providing public services, which already are being performed efficiently and economically, it would permit 19 different classes of districts, associations, cities, etc., to float bonds by **A BARE MAJORITY** vote to acquire, build and operate railroads, street railways, buses and all other forms of transportation, pipe lines, gas lines, electric systems, water systems, telegraph systems, wharfing services, warehouse services, heating services, et cetera.

It would remove huge blocs of taxable property from the tax rolls, thereby increasing all other taxes and endangering the revenues for schools, old age pensions, relief and general governmental purposes.

Proposition No. 13 has been condemned as dangerous and unsound by the State Farm Bureau Federation, California State Real Estate Association, Native Sons and Native Daughters of the Golden West, Agricultural Council of California, Disabled American Veterans of the World War, California Taxpayers Association, State Chamber of Commerce, many women's clubs, teachers' organizations and scores of civic groups in every section of the State.

Protect California from this new plunge into new debt and new taxes. Protect your homes against new mortgages. **VOTE "NO" ON PROPOSITION NO. 13.**

**MRS. ROBERT J. BURDETTE,**  
Pasadena, Founder, California  
Federation of Women's Clubs.

**GLENN D. WILLAMAN,**  
Los Angeles, Secretary, California  
State Real Estate Association.

**LEWIS M. FOULKE,**  
Gazelle, Siskiyou County, President,  
Common Property Taxpayers' Association of California.