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Loans by State for Energy Conservation Improvements in Residential Structures

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Loans by State for Energy Conservation Improvements in Residential Structures

Ballot Title

LOANS BY STATE FOR ENERGY CONSERVATION IMPROVEMENTS IN RESIDENTIAL STRUCTURES. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Adds section 12 to Article XVI to authorize Legislature to provide program of state loans at lower than prevailing interest rates to finance installation of energy insulation, solar heating or cooling systems in residential structures. Financial impact: No direct state or local fiscal effect.

FINAL VOTE CAST BY LEGISLATURE ON SCA 45 (PROPOSITION 12)

Assembly—Ayes, 55	Senate—Ayes, 27
Noes, 19	Noes, 3

Analysis by Legislative Analyst

PROPOSAL:

This proposal would remove a legal conflict between the Constitution and the loan program authorized by Chapter 264 of the Statutes of 1976, which could be financed by bonds authorized pursuant to Proposition 3 on this ballot, or any similar state loan program. Proposition 3 would authorize the sale of \$25 million in state general obligation bonds for state loans to finance installations of energy insulation or solar heating or cooling systems in residential structures. Chapter 264 of the Statutes of 1976 specifically provides that these loans may be made at interest rates which are lower

than prevailing market rates charged by banks and conventional lending institutions.

However, the Constitution currently prohibits a gift of public money to a private party, and the proposed program of loans at interest rates lower than prevailing market rates may constitute such a gift. This proposal would remove this constitutional problem by expressly permitting such a program of state loans.

FISCAL EFFECT:

This proposal will have no direct state or local fiscal effect. Any costs would depend on the financing terms of any loan program which is implemented.

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Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 45 (Statutes of 1976, Resolution Chapter 61) expressly adds a section to the Constitution; therefore, the new provisions to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XVI

SEC. 12. The Legislature may provide for a program of state loans, which may bear interest at less than prevailing market rates, for financing installations of energy insulation or solar heating or cooling systems in residential structures.

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Argument in Favor of Proposition 12

This Proposition would expressly authorize the Legislature to provide for a program of state loans, which may bear interest at less than prevailing market rates, for financing the installation of energy insulation and solar heating or cooling systems in residential structures.

This Proposition, Proposition 12, is a companion measure to Proposition 3 on this ballot. Proposition 3, if approved, will authorize the State to sell \$25 million in general obligation bonds to finance the Residential Energy Conservation Loan Program. This program, as set out in Proposition 3, provides for a state offering of low interest loans for the installation of such energy saving devices.

A "yes" vote on both Proposition 3 and Proposition 12 will result in lower than prevailing interest rates for

loans utilized to install either solar energy systems or home insulation.

Because of the high initial cost of solar energy systems, this low interest loan program will provide an invaluable economic stimulus to an important alternative energy market. Individuals who purchase solar heating and cooling devices will realize substantial savings in their utility bills, and help to conserve our dwindling supply of fossil fuels.

We the undersigned urge a "yes" vote on Proposition 12.

JERRY SMITH
Member of the Senate, 12th District

VICTOR CALVO
Member of the Assembly, 21st District

RICHARD MAULLIN
Chairman, Energy Resources Conservation and Development Commission

Rebuttal to Argument in Favor of Proposition 12

Section 6 of Article XVI of the State Constitution prohibits the Legislature from giving or binding the credit of the state in aid of any person or corporation.

That Section prevents the Legislature from engaging in political favoritism with taxpayers' money. Proposition 12 changes this important Section in the

Constitution and opens the door to fiscal irresponsibility.

Let's keep government spending free from political favoritism. Vote "NO" on Proposition 12.

H. L. "BILL" RICHARDSON
Member of the Senate, 19th District

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12

Argument Against Proposition 12

If you liked Proposition 3, you're going to just love Proposition 12.

Proposition 3 authorizes a \$25 million bond issue to buy air conditioners for private individuals. Proposition 12 would add this incredible boondoggle to the State Constitution!

It stands to reason that if virtually no one in the State of California can afford a solar-powered air conditioner now, the government is not going to be able to provide "Welfare Air" for everyone. It's a fact of life.

Government can cool some of the people some of the time, but it can't cool all of the people all of the time.

Proposition 12 is like raising taxes to ship snowballs to the Eskimos. It's taking from "them that don't got it" to give to "them that don't need it." Let's restore a semblance of sanity to California's fiscal policy. Vote "NO" on Proposition 12.

H. L. "BILL" RICHARDSON
Member of the Senate, 19th District

Rebuttal to Argument Against Proposition 12

Proposition 12, a companion measure to Proposition 3, authorizes the Legislature to sell bonds to finance the low interest loan program for the purpose of installing energy saving devices in homes. The program offers the financial incentive to invest in the devices but at no cost to California taxpayers. A self-supporting loan fund will be created with all administrative costs paid for out of the bond revenues. As the initial loans are paid off, new loans can be granted at no cost to the taxpayers. A similar loan program in California is the Cal-Vet program, which in its 54 year history has never had to rely on taxpayers' support.

This is not a solar air conditioning program as alleged, but instead, an encouragement to invest in energy

saving devices, such as insulation and solar heating, which provide benefits for people of all income levels.

Proposition 12 doesn't threaten California's fiscal well being, rather it continues the state's tradition of sound bond programs into an area of energy conservation and proven technical know-how.

To promote responsible energy use, vote yes on Proposition 12.

JERRY SMITH
Member of the Senate, 12th District

VICTOR CALVO
Member of the Assembly, 21st District

RICHARD MAULLIN
*Chairman, Energy Resources Conservation
and Development Commission*