

1984

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New Prison Construction Bond Act of 1984

Official Title and Summary Prepared by the Attorney General

NEW PRISON CONSTRUCTION BOND ACT OF 1984. This act provides for the construction, renovation, remodeling, and deferred maintenance of state correctional facilities pursuant to a bond issue of three hundred million dollars (\$300,000,000).

Final Vote Cast by the Legislature on SB 310 (Propositions 16 and 17)

Assembly: Ayes 64
Noes 10

Senate: Ayes 29
Noes 0

Analysis by the Legislative Analyst

Background

The state prison system consists of 12 prisons plus a number of camps and community prerelease centers. Currently the system has a designed capacity (or "beds") for about 25,700 inmates in prisons and camps plus accommodations for 1,200 inmates in community prerelease centers.

In recent years there has been a sharp increase in the number of inmates committed to the California prison system. In January 1982 there were about 28,500 inmates in the system. By January 1984 the number of inmates had increased to 39,000, or nearly 12,000 more than the designed capacity of prisons and community centers. The Department of Corrections anticipates that by July 1987 the inmate population will total about 52,000, or 25,100 more than the designed capacity of the state's prison system.

The shortage of prison capacity is being addressed in several ways. First, the Department of Corrections has resorted to "double-celling" inmates—that is, housing two inmates in a cell intended to house only one inmate. The department is also planning to contract with local governments and private organizations to add 750 beds to the community prerelease center program. Second, the Legislature has appropriated money to add approximately 3,200 additional prison beds in temporary buildings and in camps. According to the department, approximately 1,900 of these beds should be ready for occupancy by July 1984 and the balance of 1,300 should be available by December 1985. Third, the Legislature has authorized construction of 10 new permanent prisons at various locations throughout the state. These new prisons, which would add 16,450 beds to the prison system, will cost approximately \$1,086 million, according to the Department of Corrections. Of this amount, \$434 million already has been appropriated either from funds derived from the proceeds of bond sales pursuant to the 1981 Prison Construction Bond Act or from the General Fund. The Governor's Budget for 1984-85 requests an additional \$93 million from the General Fund for prison construction. Thus, approximately \$559 million will be needed to complete the 10 new prisons.

In addition, existing prison facilities are in need of substantial improvements if they are to meet minimum fire and life safety and earthquake requirements. Based on a 1980 study, renovation of existing prisons to meet these requirements would cost over \$500 million.

Proposal

This measure, the New Prison Construction Bond Act of 1984, would authorize the state to issue and sell \$300 million in state general obligation bonds. A general obligation bond is backed by the full faith and credit of the state, meaning that in issuing the bond the state pledges to its taxing power, if necessary, to assure that sufficient funds are available to pay off the bonds. The money raised by the bond sale could be used to finance the construction, renovation, remodeling and deferred maintenance of state prison facilities.

The measure does not specify how the funds would be distributed among the eligible activities (new construction, renovation, etc.). This decision would be made by the Governor and the Legislature.

Fiscal Effect

Approval of this measure would affect state and local government finances in the following ways:

1. Cost of Paying Off the Bonds

The general obligation bonds authorized by this measure would be paid off over a period of up to 20 years. Under current law the state can sell bonds at any interest rate up to 11 percent.

Given current market conditions, the bonds probably would be sold at an interest rate of about 9 percent. If the full \$300 million in bonds were sold at this rate and paid off over a 20-year period, the interest cost to the state would be approximately \$284 million. The interest cost would be more or less if the bonds were sold at interest rates above or below 9 percent. The cost of retiring the bonds would be paid by the State General Fund using revenues received in future years.

2. Other Fiscal Effects

Generally, increased borrowing tends to increase interest rates. The state and local governments could incur

higher costs under other bond finance programs if the bond sales authorized by the measure result in a higher overall interest rate on state and local bonds. These additional costs cannot be estimated.

The interest paid by the state on these bonds would be

exempt from the state personal income tax. Therefore, to the extent that the bonds were purchased by California taxpayers in lieu of taxable investments, the state would experience a loss of income tax revenue. It is not possible, however, to estimate what this revenue loss would be.

Text of Proposed Law

This law proposed by Senate Bill 310 (Statutes of 1984, Ch. 4) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law expressly 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

SEC. 2. Chapter 13 (commencing with Section 7200) is added to Title 7 of Part 3 of the Penal Code, to read:

CHAPTER 13. NEW PRISON CONSTRUCTION BOND ACT OF 1984

7200. *This chapter shall be known and may be cited as the New Prison Construction Bond Act of 1984.*

7201. *The State General Obligation Bond Law 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 chapter, and the provisions of that law are included in this chapter as though set out in full in this chapter except that, notwithstanding anything in the State General Obligation Bond Law, the maximum maturity of the bonds shall not exceed 20 years from the date of each respective series. The maturity of each respective series shall be calculated from the date of such*

7202. *There is in the State Treasury the 1984 Prison Construction Fund, which fund is hereby created.*

7203. *The 1984 Prison Construction Committee is hereby created. The committee shall consist of the Controller, the State Treasurer, and the Director of Finance. That committee shall be the "committee," as that term is used in the State General Obligation Bond Law.*

7204. *The committee is hereby authorized and empowered to create a debt or debts, liability or liabilities, of the State of California, in the aggregate of three hundred million dollars (\$300,000,000), in the manner provided in this chapter. That debt or debts, liability or liabilities, shall be created for the purpose of providing the fund to be used for the object and work specified in Section 7206.*

7205. *The committee may determine whether or not it is necessary or desirable to issue any bonds authorized under this chapter, and if so, the amount of bonds then to be issued and sold. The committee may authorize the Treasurer to sell all or any part of the bonds herein authorized at such time or times as may be fixed by the Treasurer.*

7206. *The moneys in the fund shall be used for the construction, renovation, remodeling, and deferred maintenance of state correctional facilities.*

7207. *All bonds herein authorized, which shall have been duly sold and delivered as herein provided, shall 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 thereon.

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

All money deposited in the fund which has been derived from premium and accrued interest on bonds sold shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

All money deposited in the fund pursuant to any provision of law requiring repayments to the state which are financed by the proceeds of the bonds authorized by this chapter shall be available for transfer to the General Fund. When transferred to the General Fund such money shall be applied as a reimbursement to the General Fund on account of principal and interest on the bonds which has been paid from the General Fund.

7208. *There is hereby appropriated from the General Fund in the State Treasury for the purpose of this chapter such an amount as will equal the following:*

(a) *Such sum annually as will be necessary to pay the principal of and the interest on the bonds issued and sold pursuant to the provisions of this chapter.*

(b) *Such sum as is necessary to carry out the provisions of Section 7209, which sum is appropriated without regard to fiscal years.*

7209. *For the purpose of carrying out the provisions of this chapter, the Director of Finance may by executive order authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund and shall be disbursed by the committee in accordance with this chapter. Any money made available under this section to the board shall be returned by the board to the General Fund from moneys received from the sale of bonds sold for the purpose of carrying out this chapter. Such withdrawals from the General Fund shall be returned to the General Fund with interest at the rate which would otherwise have been earned by those sums in the Pooled Money Investment Fund.*

7210. *All proceeds from the sale of bonds, except those derived from premiums and accrued interest, shall be available for the purpose provided in Section 7206 but shall not be available for transfer to the General Fund to pay principal and interest on bonds. The money in the fund may be expended only as herein provided.*

7211. *Money in the fund may only be expended for projects specified in this chapter pursuant to appropriations by the Legislature.*

Argument in Favor of Proposition 17

In the last decade California has enacted more public protection legislation than at any other time in the state's history. The "use a gun, go to prison" law requires that any criminal convicted of using a gun in the commission of a serious felony must be sentenced to state prison. Other mandatory sentencing laws seek to protect the elderly and disabled, while others require state prison for those convicted of forcible rape and other serious crimes.

These and other tough laws have resulted in more criminals being sentenced to state prison than ever before. IN THE PAST FOUR YEARS, THE NUMBER OF FELONS IN OUR STATE PRISONS HAS INCREASED FROM 21,300 TO MORE THAN 38,000. However, only about one-third of the convicted felons are sentenced to state prison.

WE ANTICIPATE THAT IN THE NEAR FUTURE WE WILL NEED PRISON CAPACITY OF MORE THAN 50,000. NEW PRISONS MUST BE BUILT IF WE ARE GOING TO CONTINUE TO PROTECT THE PUBLIC. The bond measure approved by the people in 1982 allowed the state to begin the first phase of a major prison construction program. This measure will provide the second phase of funding so that the state will be able to meet the demands made by increased sentences to state prison.

Our penal institutions are now dangerously overcrowded with many housed in classrooms, gymnasiums and other temporary facilities.

The courts of the state have issued orders to discontinue double celling at several institutions and are now reviewing the temporary housing program. WE MUST HAVE THE NECESSARY FUNDING TO BUILD ADDITIONAL PRISON FACILITIES OR THE COURT MAY PRECLUDE THE CONFINEMENT OF ADDITIONAL FELONS. THIS BOND MEASURE WILL COST LESS THAN \$2 PER YEAR FOR EACH CITIZEN OF THIS STATE. THIS IS A SMALL PRICE TO PAY TO BETTER PROTECT YOUR FAMILY AND YOUR HOME.

IF YOU FAVOR INCREASED PUBLIC SAFETY, VOTE YES ON PROPOSITION 17.

GEORGE DEUKMEJIAN
Governor

ROBERT PRESLEY
State Senator, 36th District
Author of Proposition 17

JOSEPH MONTOYA
State Senator, 26th District

Rebuttal to Argument in Favor of Proposition 17

The proponents of Proposition 17 would have us believe that if we would only authorize the \$300 million bond we will be safe from crime. This is not so. Crime continues to remain a serious problem for Californians in spite of the fact that we are locking up more people than ever before.

The proponents of Proposition 17 do *not* tell us what it will cost to operate these new prisons. It costs \$14,000 per prisoner per year, and this will not be paid for by the bond but will have to come out of the State General Fund. In the near future that will cost at least \$700 million per year over and above the cost of construction. The expenditure of this money will hurt the budgets of education, health, environmental programs and human services.

California's prisons are dangerously overcrowded. However, we disagree that the solution to that problem is further construction. Estimates from the Department of

Corrections clearly show that if we build all the prisons this bond and the bond passed by the voters last June would pay for, the prisons would still be overcrowded by 9,000 people. We cannot build our way out of the overcrowding problem.

There are currently several proposals before the Legislature that could solve the overcrowding problem without costing taxpayers millions. The Legislature must seriously look at those measures instead of asking for more money.

Vote no on Proposition 17. Let the Legislature know we will not waste more money on prison construction.

PATRICIA MARRONE
on behalf of the Friends Committee on Legislation

REV. JOHN DECKENBACK
on behalf of the California Church Council

Argument Against Proposition 17

Once again the Legislature is asking for bond money to build prisons. Just last June they got \$495 million from us and now they want another \$300 million. This does not include the money they are spending out of the General Fund. We must say no to more money for prisons.

Figures from the Department of Corrections clearly show that we cannot build our way out of the prison overcrowding problem. According to them, even if we spent \$1.1 billion on construction we would still be overcrowded by 9,000 prisoners.

The prison population continues to grow so fast that California would have to build one 500-person prison every 60 days, which would cost between \$11 and \$49 million per prison. If we take the current construction costs and divide them among the taxpayers it will cost us over \$100 apiece—and this does not include the costs of operating the prisons, which are even higher over the long run. Taxpayer dollars must be spent in better ways.

The Legislature keeps asking for more money for prisons, but what are they doing with the money they already got from us? Since the last bond measure not one new prison has been built. Meantime the prison crisis continues to worsen.

The Legislature has been looking at several proposals to ease overcrowding that would not necessitate more construction. These proposals must be pushed forward instead of coming to us for more money.

The habit of spending will not solve the problem of prison overcrowding.

Vote no on Proposition 17.

PATRICIA MARRONE
on behalf of the Friends Committee on Legislation

REV. JOHN DECKENBACK
on behalf of the California Church Council

Rebuttal to Argument Against Proposition 17

California is currently in the first phase of a prison construction program; however, previously the state *had not built a new prison in almost 20 years*. A prison system built to accommodate the needs of the late 60's cannot begin to meet the needs of protecting society in the 80's.

California has implemented numerous alternatives to prison incarceration, with little success; however, none of the alternatives offers society the protection afforded by locking up the violent offender. *It is a plain truth that robbers, rapists and burglars cannot prey on society when they are incarcerated.*

Removing criminals from the community is working. The crime rate is going down. Now is not the time to revert to the practice of putting more criminals on probation.

The electorate in 1982 approved phase I of a prison construction program. This measure will provide the

needed funding to complete phase II. Proposition 17 is the best method to provide more cell capacity by spreading the payment for construction over the entire life of the prison rather than bearing the entire cost in the first year.

This bond measure will cost less than \$2.00 per year for each citizen of this state. This is obviously a small price to pay for increased public safety.

If you favor increased public safety, vote "yes" on Proposition 17.

JOSEPH MONTOYA
State Senator, 26th District

GEORGE DEUKMEJIAN
Governor

ROBERT PRESLEY
*State Senator, 36th District
Author of Proposition 17*