

1980

## ALTERNATIVE ENERGY SOURCES FACILITIES FINANCING.

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## Official Title and Summary Prepared by the Attorney General

**ALTERNATIVE ENERGY SOURCES FACILITIES FINANCING. LEGISLATIVE CONSTITUTIONAL AMENDMENT.** Authorizes Legislature to provide for the issuance of revenue bonds to finance the acquisition, construction, and installation of alternative energy source facilities and for the lease or sale of such facilities to persons, associations, or corporations, other than municipal corporations. Provides that such revenue bonds shall not be secured by the taxing power of the state. Provides that the Legislature may, by resolution adopted by either house, prohibit or limit any proposed issuance of such bonds. Provides measure does not authorize any public agency to operate industrial or commercial enterprises. Fiscal impact on state or local governments: No direct fiscal effect. If revenue bonds are authorized in future by Legislature, indirect fiscal effects could possibly be increase in state and local bond interest costs, loss of state income tax revenues to the extent the bonds displace private financing, and increases in revenue from increased economic activity.

## FINAL VOTE CAST BY LEGISLATURE ON ACA 46 (PROPOSITION 8)

Assembly—Ayes, 62	Senate—Ayes, 27
Noes, 1	Noes, 7

## Analysis by Legislative Analyst

**Background:**

The Legislature has the authority to provide for the issuance of revenue bonds. However, the Legislature must have specific constitutional authorization to prohibit or limit the issuance of such bonds by resolution rather than by statute.

**Proposal:**

This constitutional amendment would specifically (1) state the authority of the Legislature to provide for the sale of revenue bonds to finance the acquisition, construction, and installation of facilities utilizing alternative energy sources, such as solar power, cogeneration (using waste heat from industrial processes to generate electricity), or biomass conversion (converting agricultural and forest materials to fuels), and (2) authorize the Legislature to prohibit or limit any proposed issuance of such revenue bonds by a resolution adopted by both houses. The amendment would prohibit the state from operating the facilities financed by the revenue bonds. This measure does not specify the amount of the revenue bonds that could be issued; that decision is left to future actions of the Legislature.

**Fiscal Effect:**

This measure has no direct state or local fiscal effect because the scope and nature of any revenue bonds issued under it would depend on future actions of the Legislature. Payment of principal and interest on the bonds would not be guaranteed by the state or backed by the taxing power of the state. The revenue bonds issued under this measure would be supported by revenue received from the sale or lease of the facilities acquired or constructed with the bonds.

If the Legislature authorizes the issuance of revenue bonds, the following indirect fiscal effects could occur: (1) state and local bond interest costs could possibly be increased if the sale of a large number of these new revenue bonds results in a higher overall interest rate for state and local bonds; (2) state income tax revenues could be reduced by an unknown amount if the bonds displace private financing for energy facilities. These revenue losses may be offset, to an unknown degree, by the revenue gains from economic activity resulting from the new alternative energy projects.

## Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 46 (Statutes of 1980, Resolution Chapter 1) expressly amends the Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED AMENDMENT TO ARTICLE XVI

*SEC. 14.5. The Legislature may provide for the issuance of revenue bonds to finance the acquisition, construction, and installation of facilities utilizing cogeneration technology, solar power, biomass, or any other alternative source the Legislature may deem appropriate, including the acquisition of all technological*

*facilities necessary or convenient for the use of alternative sources, and for the lease or sale of such facilities to persons, associations, or corporations, other than municipal corporations; provided, that such revenue bonds shall not be secured by the taxing power of the state; and provided, further, that the Legislature may, by resolution adopted by both houses, prohibit or limit any proposed issuance of such revenue bonds. No provision of this Constitution, including, but not limited to, Sections 1, 2, and 6, of this article, shall be construed as a limitation upon the authority granted to the Legislature pursuant to this section. Nothing contained herein shall authorize any public agency to operate any industrial or commercial enterprise.*

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**Polls are open from 7 a.m. to 8 p.m.**

### Arguments in Favor of Proposition 8

We need to break the hold of the Arab sheiks on the economy of our country.

A *yes* vote on Proposition 8 will help California kick the oil habit by making possible early development of alternative energy sources.

With passage of this amendment, the State of California can put its prestige and credibility behind the sale of revenue bonds, which in turn will be used to finance construction of new alternative energy generating facilities.

**NO TAX OBLIGATION IS INCURRED WITH PASSAGE OF THIS MEASURE.** The bonds will be retired through sale of the energy produced.

Cogeneration of electric power alone has the yearly potential to supply California with the energy equivalent of one nuclear power plant within the first year.

Other possible energy sources which could be tapped by passage of Proposition 8 include solar, biomass, wind, and small hydroelectric installations that are practical and commercially viable.

The potential is there. By the year 2000 we can bring in over 22,000 new megawatts of power through alternate sources, the equivalent of 24 Rancho Seco-sized

nuclear plants.

Proposition 8 will give enterprising Californians the financial help needed to get our society off dependency on foreign oil.

Help kick the oil habit—vote yes on Proposition 8.

**J. ROBERT HAYES**

*Member of the Assembly, 39th District*

The single most important issue facing California going into the 1980's is the development of alternative energy sources. California is fortunate in being rich in such sources as geothermal and solar energy as well as affluent agricultural, forest, and industrial wastes necessary to produce large quantities of alcohol fuels. But the development of such sources will necessitate the growth and development of large new industries. Proposition 8 will permit California to participate in this bold and necessary venture to create energy, energy independence, industry and jobs for the coming decade. I urge all Californians to support this amendment.

**LAWRENCE KAPILOFF**

*Member of the Assembly, 78th District*

### Rebuttal to Arguments in Favor of Proposition 8

We need to break the hold of government bureaucracy on the economy of our country.

A *NO* vote on Proposition 8 will help California kick the inflation habit by restraining the flow of "cheap money" into the financial marketplace.

A *NO* vote on Proposition 8 will help California protect its bond credit rating against high-risk private venturism.

A *NO* vote on Proposition 8 will help California avoid the burdens of another new bureaucracy and another paper-shuffling exercise in Sacramento.

A *NO* vote on Proposition 8 will help California avoid the kind of "no-win" fiscal entrapment we ex-

perienced when the Cal-Expo project went into default—leaving the Legislature no choice but to pay off the deadbeat revenue bonds or see our bond ratings deteriorate. That revenue bond issue created no legal tax obligation, either, but the taxpayers ultimately had to pick up the tab anyway!

Proposition 8 guarantees only to fuel the flames of inflation. It is neither bold nor necessary to the achievement of energy independence.

Vote *NO* on Proposition 8!

**OLLIE SPERAW**

*State Senator, 31st District*

## Argument Against Proposition 8

### VOTE "NO" ON PROPOSITION 8!

Everyone is in favor of developing more alternative energy sources and energy conservation methods, but Proposition 8 isn't the best way to do either!

This misleading proposal is potentially useless, unnecessary, highly speculative and clearly inflationary!

Its primary purpose is to make tax-exempt, low-interest loans totaling \$200,000,000 or more available to private business ventures. Yet it guarantees nothing more than another unit of paperwork bureaucracy in Sacramento!

It cannot guarantee federal tax exemption for energy-related bonds because the Internal Revenue Service has not made—and may never make—such a ruling!

It cannot guarantee low-interest loans because it does not—and cannot—compel investors to participate in so-called "public interest" projects. And it will not attract voluntary investors in speculative projects which do not offer tax-exempt earnings.

Proposition 8 cannot—and should not—allow the use of state tax moneys to guarantee loan repayments. But public funds can and will be used to provide bureaucratic support for this new program.

Proposition 8 is unnecessary to the development of alternative energy sources. Private enterprise and private investment capital already are being focused on the development of *economically feasible* energy production programs. Those with proven payoff potential will be developed without government intervention—or *despite* government intervention! Those with reasonable promise will continue to attract the attention of competent private industry.

*Proposition 8 cannot guarantee us one single kilowatt*

*of "new energy" nor one single ounce of fossil fuel conservation.*

It is a highly speculative concept of funding for private business projects to produce unspecified results that may never be capable of measurement. Proposition 8 is a clearly inflationary approach, since it is based on a "loose money" policy that would serve only to heat up the free market economy.

The public interest might justify a small dose of inflationary medicine to achieve some specific "cure," but Proposition 8 guarantees little or nothing in the way of remedy for our energy problems!

Proposition 8 is a Band-Aid approach to an enormous problem requiring major reform of existing state and federal government policy. What is needed is a comprehensive reform of rules, regulations and tax laws that are strangling free enterprise energy initiatives. An illusory \$200,000,000 political "grab bag" such as that proposed in connection with Proposition 8 will only obscure that essential need.

Proposition 8 was hastily passed by the State Legislature in order to circumvent a historic protection written into our State Constitution—a prohibition against the "gift of public funds" to private business interests—and to authorize the use of revenue bonds to help fund privately controlled projects. No evidence was presented to document either alleged need. This measure sat in the State Assembly without public hearing for nine months, then was jammed through the entire legislative process in just nine days! Why?

VOTE "NO" ON PROPOSITION 8!

OLLIE SPERAW  
State Senator, 31st District

## Rebuttal to Argument Against Proposition 8

Proposition 8, the Alternative Energy Amendment, is on the ballot because the Legislature felt it was the best of a number of options explored over a period of nine months.

No other proposal seemed to offer so much potential for rapid development. It passed the Assembly 62-1 and the Senate 27-7, with overwhelming bipartisan support.

**PROPOSITION 8 DOESN'T SPEND ANY OF YOUR TAX MONEY. IT DOESN'T OBLIGATE THE STATE. IT DOESN'T "GIVE" ONE DIME TO PRIVATE ENTERPRISE,** let alone the millions of dollars implied by the argument against.

What Proposition 8 does is harness our need to be independent of foreign oil to the profit motive and the demands of the market. Not a cent will be spent on studies. We've done enough studies. We need new energy now.

Implementation of the Alternative Energy Amendment is up to the Legislature. Proposition 8 provides the constitutional framework.

Those who look for guarantees in life find only excuses for their own timidity. Opponents of this measure are stuck like a broken record on the problems of the past.

The problems of the 80's require new vision. Proposition 8 won't mean "loose money." It will mean sound investment by private enterprise in the energy independence of California. Nothing could be more anti-inflationary.

Revenue bonds historically have qualified for an attractive IRA tax status. The alternatives listed in the amendment are proven and feasible. Proposition 8 provides the financial incentive for their development, **WITHOUT SPENDING A SINGLE TAX DOLLAR.**

Vote YES on Proposition 8.

J. ROBERT HAYES  
Member of the Assembly, 39th District

LAWRENCE KAPILOFF  
Member of the Assembly, 78th District