

1988

Housing And Homeless Bond Act Of 1988

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Official Title and Summary Prepared by the Attorney General

HOUSING AND HOMELESS BOND ACT OF 1988. This act provides for a bond issue of three hundred million dollars (\$300,000,000) to provide funds for a housing program that includes: (1) emergency shelters and transitional housing for homeless families and individuals, (2) new rental housing for families and individuals including rental housing which meets the special needs of the elderly, disabled, and farmworkers, (3) rehabilitation and preservation of older homes and rental housing, and (4) home purchase assistance for first-time homebuyers.

Final Vote Cast by the Legislature on SB 1693 (Proposition 84)

Assembly: Ayes 54
Noes 16

Senate: Ayes 27
Noes 3

Analysis by the Legislative Analyst

Background

The state administers various housing programs to help meet the need for affordable and decent housing. Most of these programs provide either low-interest loans or grants for the construction or rehabilitation of housing for low-income persons.

Proposal

This measure authorizes the state to sell \$300 million in general obligation bonds to provide funds for six housing programs administered by the state. General obligation bonds are backed by the state, meaning that the state will use its taxing power to assure that enough money is available to pay off the bonds. The state's General Fund would be used to pay the principal and interest costs on the bonds. General Fund revenues come primarily from the state corporate and personal income taxes and the state sales tax.

The \$300 million in bond proceeds would be used entirely to assist low-income persons by providing assistance for the development or rehabilitation of affordable rental housing and temporary housing for the homeless, and by providing financial assistance to first-time home buyers. The state would use specific definitions of "low-income" and "affordable" to administer the programs.

Of the \$300 million in bond proceeds, \$260 million would be spent on four existing state programs:

Rental Housing Construction Program (\$200 Million). The state would use \$200 million to provide affordable rental housing for low-income households. Under the existing program, the state may make a variety of loans and grants to public and private developers to provide this housing. In the past, the state has made "deferred-payment" loans to develop and finance affordable rental housing and grants to reduce the amount of rent collected from low-income tenants. If the state continues to operate the program in a similar manner, the state would make loans, at no or low interest, for periods of at least 40 years. The borrowers would begin repaying principal and interest after 30 years. In return for the low-interest loans, the state would require borrowers to rent at least 30 percent of the units to low-income households at affordable rents. In some cases, the loans would not provide

enough assistance to keep rents affordable to these targeted households. In these instances, the state could make grants on an ongoing basis to ensure affordability.

Special User Housing Rehabilitation Loan Program (\$25 Million). The state would make \$25 million in loans for the purchase and rehabilitation of residential hotels. These hotels typically rent rooms to low-income individuals on a month-to-month basis. The state would lend this money at low interest rates—up to 3 percent—for periods ranging from 20 to 30 years. During that time, hotel owners could not raise rents on units rehabilitated and purchased with program loans above levels affordable to the low-income tenants. Borrowers could postpone payment of principal and interest until the end of the loan period.

Emergency Shelter Program (\$25 Million). The state would make \$25 million in grants to nonprofit agencies and local governments to provide emergency shelters for the homeless.

Migrant Housing Program (\$10 Million). The state would spend \$10 million to construct rental housing developments for migrant farmworkers and their families. The housing units would be owned by the state and operated by local governments using other state funds and rent receipts. These units would be available at affordable rents to farmworkers when they are working at local farms.

The measure also provides \$40 million for two new housing programs:

Home Purchase Assistance Program (\$25 Million). The state would provide \$25 million in loans and mortgage insurance to help low-income persons buy their first homes. This program would supplement low-interest loans provided under two existing state programs that assist California veterans and low- and moderate-income households in buying homes. The loans under the new program could be used, among other things, for: (a) additional interest-rate subsidies; (b) low-interest second mortgages; or (c) down payment assistance. The state would make the loans under this program for periods up to 30 years, and the borrowers would repay principal and

interest at the end of the loan period or when they sell or refinance their homes.

Family Housing Demonstration Program (\$15 Million). The state would provide \$15 million in loans, at 3 percent interest, for the construction or rehabilitation of two "nontraditional" forms of housing:

- **Congregate Housing.** Twenty-five to 35 percent of the funds would be allocated for "congregate housing" developments. These projects would house 2 to 10 families within a single large unit and provide common living areas.
- **Community Housing.** The remaining funds would go to "community housing" developments, which would have 20 or more rental or cooperative units and provide various support services (such as child care, job training and placement) to the residents.

Both of these housing developments would be aimed at serving the needs of low-income single-parent households and households with both parents working outside the home. Rents or payments on units would be kept low and affordable. The state would make loans for periods ranging from 20 to 30 years, and the borrowers could postpone payment of principal and interest until the end of the loan term.

Fiscal Effect

Direct Cost of Paying Off the Bonds. The state would receive loan repayments under the four loan programs discussed above. These repayments, however, would be used for additional loans, not for repayment of the general obligation bonds. As a result, the state's General Fund would be responsible for the bond principal and interest payments, which typically would be paid off over a period of about 20 years. If all of the authorized bonds were sold at an interest rate of 7.5 percent, the cost would be about \$535 million to pay off both the principal (\$300 million) and interest (\$235 million). The average payment would be about \$25 million each year.

Borrowing Costs for Other Bonds. By increasing the amount that the state borrows, this measure may cause the state and local governments to pay more under other bond programs. These costs cannot be estimated.

State Revenues. The people who buy these bonds are not required to pay state income tax on the interest they earn. Therefore, if California taxpayers buy these bonds instead of making taxable investments, the state would collect less in income taxes. This loss of revenue cannot be estimated.

Text of Proposed Law

This law proposed by Senate Bill 1693 (Statutes of 1988, Ch. 48) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic* to indicate that they are new.

PROPOSED LAW

SECTION 1. Part 9 (commencing with Section 53150) is added to Division 31 of the Health and Safety Code, to read:

PART 9. HOUSING AND HOMELESS BOND ACT OF 1988

CHAPTER 1. GENERAL PROVISIONS

53150. *This part shall be known and may be cited as the Housing and Homeless Bond Act of 1988.*

53151. *As used in this part, the following terms have the following meanings:*

(a) "Committee" means the Housing Committee created pursuant to Section 53172.

(b) "Fund" means the Home Building and Rehabilitation Fund created pursuant to Section 53160.

CHAPTER 2. HOME BUILDING AND REHABILITATION FUND

53160. *The proceeds of bonds issued and sold pursuant to this part shall be deposited in the Home Building and Rehabilitation Fund, which is hereby created. Moneys in the fund shall be allocated and utilized in accordance with Part 8 (commencing with Section 53130), as added by Senate Bill No. 1692 of the 1987-88 Regular Session.*

CHAPTER 3. FISCAL PROVISIONS

53170. *Bonds in the total amount of three hundred million dollars (\$300,000,000), exclusive of refunding bonds issued pursuant to Section 53170.5, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation 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 of, and interest on, the bonds as the principal and interest become due and payable.*

53170.5. *Any bonds issued and sold pursuant to this chapter may be refunded by the issuance of refunding bonds in accordance with Article 17 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. Approval by the electors of the State for the issuance of these bonds shall include the approval of any bonds issued to refund any bonds originally issued or previously issued refunding bonds.*

53171. *The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the*

provisions of that law apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part.

53172. (a) *Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this part, the Housing Committee is hereby created. For purposes of this part, the Housing Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Treasurer, the Director of Finance, the Director of the Department of Housing and Community Development, and the Executive Director of the California Housing Finance Agency, or their designated representatives. A majority of the committee may act for the committee.*

(b) *For purposes of the State General Obligation Bond Law, the Department of Housing and Community Development is designated as the "board" for programs administered by the department and the California Housing Finance Agency is designated as the "board" for programs administered by the agency.*

53173. *The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Part 8 (commencing with Section 53130) as added by Senate Bill No. 1692 of the 1987-88 Regular Session, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.*

53174. *There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds maturing each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.*

53175. *Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this part, an amount that will equal the total of the following:*

(a) *The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.*

(b) *The sum which is necessary to carry out the provisions of Section 53176, appropriated without regard to fiscal years.*

53176. *For the purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus interest that the amounts would have earned in the*

Argument in Favor of Proposition 84

Homelessness. It's a California tragedy. Over 100,000 Californians are homeless and the number grows daily.

Who are they?

Many are frail elderly, Vietnam veterans, families with small children, single mothers, mentally ill, disabled men and women.

They all have one thing in common. They can't find affordable housing.

Anyone can end up without shelter.

Serious illness or injury, low wages, a sudden layoff, a house fire, mental illness, loss of a spouse. Any of these can spell devastation for someone barely able to balance the cost of food, clothing, medical bills and shelter.

The forecasts are unsettling.

While the holes in the safety net of low-income housing are getting bigger and homelessness grows, federal housing subsidies are ending.

California, the sixth largest economic power in the world, has a severe shortage of affordable homes and rental units. Homeless shelters throughout the state are overcrowded and turning people away.

There is something we can do.

Simply stated, Proposition 84 is the most important action to fight homelessness in 10 years. After a decade of neglect, this responsible and effective measure can help communities and citizens groups solve local housing problems.

This program will produce 33,000 new emergency shelter beds, 22,000 rehabilitated residential hotel units, 8,000 rental units for low-income tenants and 300 farm-worker housing units.

And Proposition 84 contains provisions for child care, job training and other support services to help break the cycle of homelessness and hopelessness.

This bond act will do a lot of good.

For many in need of emergency shelter: a bed in a secure place and the chance to stop the humiliation of living on the street, to seek out new or improved employment.

For the elderly: the chance to live in an affordable home or apartment without fear of eviction or premature nursing home institutionalization.

For single parents and couples with children: the chance to leave a neighbor's couch or the family car to find decent housing, child care and jobs.

For the growing number of homeless children: the chance to go to school regularly.

For veterans: the chance for job training, affordable rental housing and the possibility of owning a home.

Proposition 84 is the right thing to do and the right way to do it.

Help bring the homeless inside. Help restore their sense of community and family. Help break the cycle of hopelessness that threatens so many Californians.

Please vote "yes" on Proposition 84.

DAVID ROBERTI

State Senator, 23rd District

Senate President pro Tempore

PETER T. CHACON

Executive Director, Vietnam Veterans of California

CARL JONES

Director, Congress of California Seniors, Inc.

Rebuttal to Argument in Favor of Proposition 84

If you vote for this measure you may temporarily feel like a nice person, but don't think that you will solve the problems of the poor or homeless. Government efforts to help the poor inevitably produce the opposite result. Today's government-subsidized housing becomes tomorrow's human-demoralizing slum. The proponents of this measure hope to pull at your heartstrings, but they do not, and cannot, show you that government housing subsidies make any significant dent in the problems of the poor or homeless. In fact, government housing projects typically destroy potentially repairable homes, and then erect instant slums in their place.

Studies have found that exclusionary zoning and onerous building codes and regulations add up to 25% to the cost of new construction and can delay and even discourage new residential building. These are the major causes of housing shortages, not a lack of government spending.

In June of this year voters approved \$1.7 BILLION in bonds. This ballot proposes \$3.3 billion more—\$5 billion just this year alone! At this rate, before these bonds are paid off in 20 years, we will have a bonded indebtedness of \$100 BILLION and annual payments of \$9 BILLION, a quarter of today's entire state budget. Politicians know that voters don't want their taxes raised. They have chosen instead to address genuine humanitarian concerns by mortgaging ours and our children's future for programs which won't work to solve the problems which the politicians have created.

VOTE NO ON 84!

JUNE R. GENIS

Libertarian Candidate for State Assembly, 20th District

MICHAEL TEJEDA

Businessman

DAVID M. GRAPPO

Attorney

Argument Against Proposition 84

Public housing projects quickly become the ugliest, worst maintained, and most blighted part of any neighborhood in which they are found. England is selling its public housing to the tenants, recognizing that public housing projects are not only inefficiently managed by government bureaucracies but demoralizing to the occupants. Those senior citizen housing projects which are planned and operated by churches and other private organizations are more attractive, more responsive to the needs of senior citizens, and less costly to operate. A White House commission, after studying the problem of housing, recently urged the use of direct subsidies to individuals for housing rather than pouring any more money into public housing projects.

There are alternative solutions to housing shortages. One is to stop the massive influx of illegal immigrants into California, competing for low-cost housing with our citizens who have lived, worked, and paid taxes in this country all their lives.

Another alternative is to chop in half federal spending on "defense," by pulling our troops out of Germany, Japan, and Korea, our ships out of the Persian Gulf, and all

the other spots in the world where we are trying to maintain the roies of world policeman and world banker. By abandoning our policies of worldwide intervention and the arms race in space we could balance the budget, start paying off the national debt, and free up hundreds of BILLIONS of dollars for construction and mortgage loans. Interest rates would drop back to where they were in the '50s, at 4% or 5% for mortgage loans. The construction industry would boom, providing jobs and housing for all.

There is no surplus in the state budget this year. The \$27 MILLION needed to pay off these bonds will have to come from a tax increase or a cut somewhere else in future state budgets.

Payments of principal and interest on outstanding bonds totaled \$515 MILLION in the 1987-88 budget. Bonds already authorized but not yet sold will add \$372 MILLION when sold. The nine bond issues on this ballot would add \$295 MILLION, for a total of \$1.1 BILLION each year. On a pay-as-you-go basis \$1.1 BILLION would finance all of the projects in the nine bond issues. schools, prisons, housing, etc. in only three years.

Vote NO on the housing bonds!

WILLIAM MCCORD
Retired State Administrator

Rebuttal to Argument Against Proposition 84

Proposition 84 is the right thing to do, and the right way to do it. Mr. McCord's opposition suggests no solutions. It is also inaccurate.

This bond act is *not* a public housing program. Churches and private organizations will be eligible to build, own and manage low-income housing financed under this bond act. Private and public, nonprofit and profit-motivated sponsors will all participate in building the housing.

Apartments built under the bond act will *not* be managed by government bureaucracies, but in most cases will be run by private management companies.

In addition to housing and temporary shelters, this bond act provides child care, job training and other support services for families and single parents. This innovative program is supported by housing experts as the way to fight homelessness on a permanent rather than "band aid" basis.

Mr. McCord's scare tactics are an attempt to cover the truth. This bond act will help thousands of people at a minimal cost to taxpayers. The annual debt service will be approximately \$1 per Californian per year.

Support for Proposition 84 is widespread. Nearly 100 public and private organizations throughout California have joined the fight against homelessness by supporting the Housing and Homeless Bond Act. They include: the Congress of California Seniors, the Vietnam Veterans of California, the California Council of Churches, the California Homeless Coalition, the Salvation Army, Jewish Family Services, Catholic Charities, and the League of Women Voters of California.

Please join us in support of Proposition 84.

PATTI WHITNEY-WISE
Director, California Council of Churches
DAVID P. RILEY
Lieutenant Colonel, the Salvation Army
SHELLY HANCE
Cochairperson, California Homeless Coalition

set annually by the board at 50 percent of the interest rate computed by the true interest cost method on bonds most recently issued pursuant to this chapter. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, with that rate to be computed according to the true interest cost method. When the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent. The interest rate set for each contract shall be applied throughout the contract's repayment period. There shall be a level annual repayment of principal and interest on loans.

(5) The board in considering eligible projects shall give preference to technologies which treat drainage water where the board finds that the technology is readily available and economically feasible for the agency.

(6) No single project may receive more than twenty million dollars (\$20,000,000) in loan proceeds from the board.

(d) The board may make loans to local agencies, at the interest rates authorized under this section and under any terms and conditions as may be determined necessary by the board, for purposes of financing feasibility studies of projects potentially eligible for funding under this section. No single potential project shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 3 percent of the total amount of bonds authorized to be expended for purposes of this section may be expended for this purpose. A loan for a feasibility study shall not decrease the maximum amount of any other loan which may be made under this section.

SEC. 4. Section 13999.3 of the Water Code is amended to read:

13999.3. (a) There is in the State Treasury the 1984 State Clean Water Bond Fund, which fund is hereby created. There shall be established in the fund a Clean Water Construction Grant Account for the purpose of implementing Section 13999.8, a Small Communities Assistance Account for the purpose of implementing Section 13999.9, a Water Reclamation Account for the purpose of implementing Section 13999.10 and a Water Conservation Account for the purpose of implementing Section 13999.11.

(b) From time to time, the board may modify existing accounts in the fund, or may establish other accounts in the fund, and in all other bond funds administered by the board, which the board determines are appropriate or necessary for proper administration.

SEC. 5. Section 13999.5 of the Water Code is amended to read:

13999.5. (a) The committee is hereby authorized and empowered to create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of three hundred twenty-five million dollars (\$325,000,000), in the manner provided in this chapter. The 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 this section and in Sections 13999.6, 13999.8, 13999.9, 13999.10, 13999.11, and 13999.14.

(b) The board is authorized to enter into contracts with municipalities having authority to construct, operate, and maintain treatment works and reclamation projects, for grants and loans to the municipalities to aid in the construction of eligible projects and eligible water reclamation projects and may adopt rules and regulations necessary to carry out the provisions of this chapter.

(c) As approved by the Legislature annually in the Budget Act, the board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out the purposes of this division, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on the collection, treatment, and disposal of waste under a comprehensive cooperative plan.

(d) As approved by the Legislature annually in the Budget Act, the board may expend bond funds necessary for administration of this chapter.

(e) Not more than 5 percent of the money deposited in the fund total amount of the bonds authorized to be issued under this chapter may be used for purposes of subdivisions (c) and (d).

(f) As approved by the Legislature annually in the Budget Act, the department may direct grants and loans to any public agency or, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out voluntary, cost-effective capital outlay water conservation programs.

(g) The board may expend funds necessary to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

SEC. 6. Section 13999.10 of the Water Code is amended to read:

13999.10. (a) The sum of twenty-five million dollars (\$25,000,000) of the money in the fund shall be deposited in the Water Reclamation Account and is appropriated for loans to municipalities for eligible water reclamation projects which will provide water for beneficial uses.

The board may loan a municipality up to 100 percent of the total eligible costs of design and construction of a reclamation project.

(b) Any contract for an eligible water reclamation project entered into pursuant to this section may include such provisions as determined by the board and shall include both of the following provisions:

(1) An estimate of the reasonable cost of the eligible water reclamation project.

(2) An agreement by the municipality to proceed expeditiously with, and complete, the eligible water reclamation project; commence operation of the project in accordance with applicable provisions of law; provide for payment of the municipality's share of the cost of the project, including principal and interest on any state loan made pursuant to this section; and, if appropriate, apply for and make reasonable efforts to secure federal assistance, other than that available pursuant to the federal Clean Water Act, for the state-assisted project.

(c) Loan contracts may not provide for a moratorium on payments of principal or interest.

(d) (1) Any loans made from the Water Reclamation Account shall be for a period of up to 25 years with an interest rate set annually by the board at 50 percent of the average interest rate paid by the state on general obligation bonds in the calendar year immediately preceding the year in which the loan agreement is executed. All principal and interest from loans shall be returned to the Water Reclamation Account for new loans. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, with that rate to be computed according to the true interest cost method. When the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(2) All principal and interest from loans shall be returned to the Water Reclamation Account for new loans.

(e) Funds available under this section may be used for loans pursuant to subdivisions (f), (g), and (h) of Section 13999.8 if the Clean Water Construction Grant Account is depleted. All principal and interest on any such loans shall be repaid to the Water Reclamation Account.

(f) No single project may receive more than ten million dollars (\$10,000,000) from the board.

SEC. 7. Section 13999.17 is added to the Water Code, to read:

13999.17. (a) Notwithstanding any other provision of this chapter and to the extent permitted by federal and state law, the money in the fund may be used to rebate to the federal government all arbitrage profits required by the Federal Tax Reform Act of 1986 or any amendment thereof or supplement thereto. To the extent that the money in the fund may not be used for that purpose due to restraints of federal or state law, any rebates required shall be paid from the General Fund or from other sources as required by the Legislature.

(b) Notwithstanding any other provision of law, or rule or regulation, the board may enter into contracts, or procure those services and equipment, which may be necessary to ensure prompt and complete compliance with any provisions relating to the fund imposed by either the Federal Tax Reform Act of 1986 or the federal act.

SEC. 8. Section 13999.18 is added to the Water Code, to read:

13999.18. Notwithstanding any other provision of this chapter, and as approved by the Legislature, the board may share in the cost of the construction of treatment works under subdivision (b) of Section 510 of the Federal Water Quality Act of 1987. That participation may be approved only if the board determines that treatment works in Mexico, in conjunction with any defensive treatment works constructed under the Federal Water Pollution Control Act, are not sufficient to protect the residents of the City of San Diego and surrounding areas, including Imperial County, from water pollution originating in Mexico. No project in which the board participates shall receive more than ten million dollars (\$10,000,000) in loan proceeds from the board.

Proposition 84: Text of Proposed Law

Continued from page 29

Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this part.

53176.5. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of carrying out the provisions of this chapter. The amount of the request shall not exceed the amount of unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents which are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated to the

board in accordance with this chapter.

53177. All money deposited in the fund which is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

53178. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this part are "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Proposition 85: Text of Proposed Law

Continued from page 33

remodeled, or rehabilitated with grants received pursuant to this chapter shall be dedicated to public library direct service use for a period of not less than 20 years following completion of the project, or the useful life of the building, whichever is longer.

(b) If the facility, or part thereof, acquired, constructed, remodeled, or rehabilitated with grants received pursuant to this chapter ceases to be used for public library direct service prior to the expiration of the period specified in subdivision (a), the board shall be entitled to recover from the grant recipient or the recipient's successor in the maintenance of the facility, an amount which bears the same ratio to the value of the facility, or the appropriate part thereof, at the time it ceased to be used from public library direct service as the amount of the grant bore to the cost of the facility or appropriate part thereof. For purposes of this subdivision, the value of the facility, or the appropriate part thereof, shall be determined by the mutual agreement of the parties, or through an action brought for that purpose in the superior court.

(c) The board may release the grant recipient or the recipient's successor in the maintenance of the facility from its obligation under subdivision (a), and waive the requirements of subdivision (b), if the board determines that so doing would not diminish the quality of public library service in the community served by the facility.

(d) Notwithstanding subdivision (f) of Section 16724 of the Government Code, moneys recovered pursuant to subdivision (b) shall be deposited in the fund, and shall be available for the purpose of awarding grants for other projects.

Article 3. Fiscal Provisions

19970. Bonds in the total amount of seventy-five million dollars

(\$75,000,000) (exclusive of refunding bonds), or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation 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 of, and interest on, the bonds as the principal and interest become due and payable.

19971. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

19972. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this chapter, the California Library Construction and Renovation Finance Committee is hereby created. For purposes of this chapter, the California Library Construction and Renovation Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the State Librarian, the Director of Finance, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the California Library Construction and Renovation Board is designated the "board."

19973. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order