PROPOSITION

3 CHILDREN'S HOSPITAL BOND ACT. GRANT PROGRAM. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY PREPARED BY THE ATTORNEY GENERAL

CHILDREN'S HOSPITAL BOND ACT. GRANT PROGRAM. INITIATIVE STATUTE.

- Authorizes $980,000,000 in bonds, to be repaid from state's General Fund, to fund the construction, expansion, remodeling, renovation, furnishing and equipping of children's hospitals.
- Designates that 80 percent of bond proceeds go to hospitals that focus on children with illnesses such as leukemia, cancer, heart defects, diabetes, sickle cell anemia and cystic fibrosis.
- Requires that qualifying children's hospitals provide comprehensive services to a high volume of children eligible for governmental programs and meet other requirements.
- Designates that 20 percent of bond proceeds go to University of California general acute care hospitals.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- State cost of about $2 billion over 30 years to pay off both the principal ($980 million) and the interest ($933 million) costs of the bonds. Payments of about $64 million per year.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Children's hospitals focus their efforts on the health care needs of children by providing diagnostic, therapeutic, and rehabilitative services to injured, disabled, and sick infants and children. Many children receiving services in these hospitals are from low-income families and have significant health care needs.

Proposition 61, which voters approved at the November 2004 statewide general election, authorized the sale of $750 million in general obligation bonds to provide funding for children's hospitals. The eligibility criteria for hospitals to receive funds under Proposition 61 is the same under this measure. As of June 1, 2008, about $403 million of the funds from Proposition 61 had been awarded to eligible hospitals.

PROPOSAL

This measure authorizes the state to sell $980 million in general obligation bonds for capital improvement projects at children's hospitals. The measure specifically identifies the five University of California children's hospitals as eligible bond fund recipients. There are additional children's hospitals that are likely to meet other eligibility criteria specified in the measure, which are based on hospitals' performance in the 2001–02 fiscal year. These criteria include providing at least 160 licensed beds for infants and children. Figure 1 lists these children's hospitals.

Figure 1
Children's Hospitals Eligible for Bond Funds

Specifically Identified as Eligible—20 Percent of Total Funds
Mattel Children's Hospital at University of California, Los Angeles
University Children's Hospital at University of California, Irvine
University of California, Davis Children's Hospital
University of California, San Diego Children's Hospital
University of California, San Francisco Children's Hospital
Likely to Be Eligible Hospitals—80 Percent of Total Funds
Rady Children's Hospital, San Diego (formerly Children's Hospital and Health Center, San Diego)
Children's Hospital Los Angeles
Children's Hospital and Research Center at Oakland
Children's Hospital of Orange County
Loma Linda University Children's Hospital
Lucile Salter Packard Children's Hospital at Stanford
Miller's Children's Hospital, Long Beach
Children's Hospital Central California

For more information regarding general obligation bonds, please refer to the section of this ballot pamphlet entitled "An Overview of State Bond Debt."

The money raised from the bond sales could be used for the construction, expansion, remodeling, renovation, furnishing, equipping, financing, or refinancing of children's hospitals in the state. Eighty percent of the monies would be available to nonprofit children's hospitals and the remaining 20 percent would be available to University of California children's hospitals. The monies provided could not exceed the total cost of a project, and funded projects would have to be completed "within a reasonable period of time."

Children's hospitals would have to apply in writing for funds. The California Health Facilities Financing Authority (CHFFA), an existing state agency, would be required to develop the grant application. It must process submitted applications and award grants within 60 days. The CHFFA's decision to award a grant would be based on several factors, including whether the grant would contribute toward the expansion or improvement of health care access for children who are eligible for governmental health insurance programs, or who are indigent, underserved, or uninsured; whether the grant would contribute toward the improvement of child health care or pediatric patient outcomes; and whether the applicant hospital would promote pediatric teaching or research programs.

FISCAL EFFECTS

The cost of these bonds to the state would depend on the interest rates obtained when they were sold and the time period over which this debt would be repaid. If the $980 million in bonds authorized by this measure were sold at an interest rate of 5 percent and repaid over 30 years, the cost to the state General Fund would be about $2 billion to pay off both the principal ($980 million) and the interest ($933 million). The average payment for principal and interest would be about $64 million per year. Administrative costs would be limited to CHFFA's actual costs or 1 percent of the bond funds, whichever is less. We estimate these costs will be minor.

For text of Proposition 3, see page 82.

★ ARGUMENT IN FAVOR OF PROPOSITION 3 ★

Parents of seriously ill children, like us, appreciate the value of California's Children's Hospitals. Our children received the specialized care they needed and couldn't get anywhere else.

Over 1 MILLION times each year, California Children's Hospitals treat children with the most serious illnesses and injuries. Children facing life-threatening diseases like LEUKEMIA, CANCER, HEART DEFECTS, SICKLE CELL ANEMIA, DIABETES, CYSTIC FIBROSIS, and countless other rare conditions are cared for at regional Children's Hospitals every day, without regard to a family's income or ability to pay.

Children are referred to these pediatric centers of excellence by other hospitals and physicians from throughout California for the specialized treatment they need. Children's Hospitals provide:

- 88% of the inpatient care for children who need heart surgery;
- 97% of all surgery for children who need organ transplants; and
- 71% of inpatient care for children with cancer.

Imagine that.

Children's Hospitals save hundreds of children's lives EVERY DAY. Many children are cured. Others have their young lives extended for many years. And all have the quality of their lives improved. Today, almost 90% OF CHILDREN BORN WITH HEART DEFECTS can be cured or helped considerably by surgery. The SURVIVAL RATE OF CHILDREN WITH LEUKEMIA IS 80%. Imagine that.

The nation's premier pediatric research centers are in Regional Children's Hospitals making them the source of medical discoveries and advancements that benefit all children. PROPOSITION 3 WILL ALLOW CHILDREN'S HOSPITALS TO PURCHASE THE LATEST MEDICAL TECHNOLOGIES and special equipment for sick babies born prematurely, seriously underweight, or with defective organs.

PROPOSITION 3 DOES NOT RAISE TAXES. The bonds are an investment in the lives of millions of children who will be cared for over the next 30 years.

Children's Hospitals do not have enough room to handle the growing number of seriously ill and injured children sent to them every day. PROPOSITION 3 FUNDS WILL HELP CHILDREN'S HOSPITALS BUILD MORE BED CAPACITY AND BUY ESSENTIAL EQUIPMENT TO ENSURE THAT ALL CALIFORNIA CHILDREN can get the same excellent care our children got.

These University and nonprofit charitable hospitals need our help! Children with Heart Disease or Cystic Fibrosis or Cancer have to be admitted over and over to a Children's Hospital to stabilize and treat their life threatening and debilitating illnesses. Children's Hospitals have the specialists to improve the quality of kids' lives, helping them stay at home and stay in school.

THE MOST SERIOUSLY ILL AND INJURED CHILDREN ARE BEING SAVED EVERY DAY AT A CHILDREN'S HOSPITAL! The doctors, nurses, and staff at Children's Hospitals are unlike any other people you will ever meet. Their lives are dedicated to a mission. And that mission is to treat children with the most serious and deadly diseases like Leukemia, Cancer, Heart Defects, Sickle Cell Anemia, Diabetes, and Cystic Fibrosis.

We can imagine a California where all seriously ill and injured children receive the same care our children got. IMAGINE WITH US. Please join our families and millions of others whose children need California's Children's Hospitals. PLEASE VOTE YES ON PROPOSITION 3.

ROBIN MEEKS, Parent
MINDY VAZQUEZ, Parent
DIANE GIBSON, Parent

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 3 ★

Our economy is in trouble. Families are struggling financially. Our state government cannot balance its books. Now is NOT the time to saddle ourselves, our children, and our grandchildren with more debt.

The campaign managers for Proposition 3 know they tug at voters' heartstrings by framing Proposition 3 as "for the children." But the direct beneficiaries are medical supply houses, pharmaceutical companies, hospital administrators, and other special interests. They will receive nearly $1 Billion of the taxpayers' money after "investing" a small amount to qualify and campaign for this initiative. *This is a terrible abuse of the initiative process.*

Those behind Prop. 3 are not telling you another important fact—that unspent funds from the earlier "children's hospital bond" (Prop. 61 in 2004) are still available. Instead of spending the money that voters have already authorized, they are demanding more—even though our economy is struggling, and competition for those dollars is fierce.

Proponents claim: "Proposition 3 does not raise taxes." Who would they have you believe pays the bill? The tooth fairy? This bond's principal and interest (nearly $2 billion over 30 years) will be paid for by our children and grandchildren. Soon, either taxes will be raised or other state expenditures, such as schools, law enforcement, or parks, will be reduced. There is no "free lunch."

In these troubled economic times, Californians cannot afford big new spending and the massive debt that comes with it. *Vote NO on Prop. 3.*

LEWIS K. UHLER, President
National Tax Limitation Committee
TED GAINES, California State Assemblyman
JAMES V. LACY, Director
American Conservative Union

Arguments printed on this page are the opinions of the authors and have not been checked for accuracy by any official agency.

★ ARGUMENT AGAINST PROPOSITION 3 ★

At a time when California is already deeply in debt, when its residents' ability to pay off bonded debt is questionable and its credit rating causes bond interest rates to soar, adding bonded indebtedness for anything but the most essential infrastructure is unwise to the point of absurdity.

But even if more bond debt were not an issue, this measure is badly flawed. This nearly $1 billion bond measure is another abuse of the initiative process in that it has been bought and paid for by the special interests (hospitals, their administrators, and staffs), who will benefit directly, personally, and monetarily from its passage.

And this is not the first time that these same special interests have turned to the initiative process. In 2004 they sponsored a carbon copy of this initiative for $750 million. They are back again, this time for even *more*. And yet hundreds of millions of dollars from the earlier bond (Prop. 61) remain unspent. Remember, these are not impoverished institutions. Several are part of the well-funded University of California system, and the others have substantial private and foundation support.

This gigantic spending initiative is framed as helping "children's hospitals," using "children" as the justification for circumventing the normal legislative process by which state spending priorities are better determined. Yet a careful reading of the definition of "children's hospital" reveals that 80% of the money may go to *any* acute hospital so long as it treats children, among other patients. It appears that a driving force behind this measure is to provide a backdoor way of compensating hospitals for treating indigents (including illegal aliens) who don't pay their way through the front door.

While this bond measure represents that the proceeds will be used for capital improvements, the definitions are so loose that it appears funds can flow to finance or reimburse just about any project a creative grant-writer is nimble enough to "sell" to the bond fund decision-makers. And "selling" isn't tough, because the decision-makers are all part of the same team—and nearly $10 million of the bond funds are available for "administrative costs," i.e., paying grant writers and others.

Any one of the acute general hospitals that qualifies under this measure may receive a grant of up to $98 million. Is it any wonder that the hospitals which stand to benefit directly from this measure have been eager to fund the signature-gathering and the campaign for this measure?

Proponents hope you will react emotionally to their framing of this measure: it's "for the children." Don't be swayed by the labeling. You have a chance to stop this special-interest abuse of the initiative process and discourage others from misusing it in the future.

And remember who will pay the bill for the bond over the next 30 years: your children and grandchildren. If you really want to help them, don't saddle them with more debt of this kind.

LEWIS K. UHLER, President
National Tax Limitation Committee
EDWARD 'TED' COSTA, President
People's Advocate
JON FLEISCHMAN, Publisher
Flashreport.org

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 3 ★

The opponents of our Children's Hospitals say, "bonded indebtedness for anything but the most essential infrastructure is unwise."

We ask you, what is more essential than investing in hospitals where over one million times each year California children are treated for traumatic injuries and illnesses like cancer, leukemia, heart defects, sickle cell anemia, and cystic fibrosis? What infrastructure is more vital than the technology and facilities for neonatal care and organ transplants for children?

Proposition 3 is an investment in the health of California children whose lives will be saved over the next 30 years.

The university and nonprofit charitable Children's Hospitals that meet the strict eligibility standards of Proposition 3 are 100% dedicated to the most seriously ill and injured kids in California. Children's Hospital Bond funds are rigorously accounted for and controlled by the State Treasurer. And Proposition 3—with principal and interest—is one of the smallest bonds ever.

These opponents cross the line when they attack the integrity of the people who have dedicated their lives to saving our children. These three men recklessly argue that the people who do this good work will "benefit directly, personally, and monetarily" from the bond. Their whole argument is mean-spirited, hypocritical, and untrue. Proposition 3 is a sound investment with a return that is . . . priceless.

Parents of seriously ill children, like us, appreciate the value of California's Children's Hospitals. Our children received the specialized care they needed and couldn't get anywhere else.

Please vote Yes on 3.

ROBIN MEEKS, Parent
MINDY VAZQUEZ, Parent
DIANE GIBSON, Parent