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Proposition 3

GD: Hi I'm Citizen Voice President Gary Dietrich and we're talking about Proposition 3 on the California Statewide ballot. This is going to be the bond act for children's hospitals. Joining me today to talk about this are Diana Dooley who is the President and CEO of the California Children's Hospital Association and Lew Uhler who is the President of the National Tax Limitation Committee. Thanks a lot for being with us today. Let's start right in and talk about what this would do. This is a, let's see now, let me make sure we get this right, it is a big number. \$980 million dollar general obligation bond that would expand and equip children's hospitals throughout California and also the remaining 20 percent of it would go to UC hospitals, University of California, for their general acute care hospitals. Now tell us about that YES on Prop 3. Diana, why do we need it?

DD: Thank you, Gary. In the first place, \$980 million is a small bond, it is under a billion and you rarely see an under a billion dollar bond measure. The UC hospitals are the children's hospitals, I want to correct that right from the beginning. This Proposition 3 will invest in the hospitals that treat the most seriously ill and injured children in California. There are only 13. 8 are non-profit regional children's hospitals, 5 are associated with University of California teaching. They are the only hospitals that have the concentration of pediatric subspecialists that very ill and injured children need, so Proposition 3 is an investment in the pediatric safety at the place where children have to go where there is no one else for them.

GD: Okay, so the 80 percent goes to those 8 private ones and the remaining 20 percent to the 5 UC hospitals?

DD: Yes.

GD: Got it. Why do we need this, why do hospitals need to be expanded, enhanced? Why do we need that in California?

DD: The pediatric population, the children of California are growing at a rate that can't be accommodated by the current facilities and these hospitals treat the most seriously ill and injured children, children whose families need additional support when they get into these conditions, so very high percentages of the children at these hospitals are government supported. So this is a public-private partnership in the most vulnerable children in California.

GD: Lew, I'd like to give you a chance to respond right off the bat. What do you think about the whole idea of Prop 2?

LU: Well, first I'm not against children. Having 4 myself, and 8 grandchildren.

GD: Well, we're glad to hear that.

LU: So, at least we, but this is a motherhood and apple pie problem we are fighting as taxpayers. Already we have huge bond indebtedness. We have an out-of-whack state budget. This is not a good time to lay on additional bond indebtedness. Besides, these folks went to the well in '04 with Prop 61. We approved \$750 million for precisely these same hospitals. Only about half of that has been spent, there is money left there. This is not a good time to come back to the well. Furthermore, these

hospitals are the very kinds of organizations that can go out in the local community and get all kinds of voluntary support. Why should they be able to step out of line in the budget prioritization process and have a special interest bond for themselves? I think that's an abuse of the initiative process.

GD: Let's take a couple of those issues, because I know that these are some of the major sticking points between the YES and NO sides. Let's start with the cost of this thing, because apparently, the leg-analyst has said over the 30 year life of these bonds it would cost \$2 billion to repay them at an annual cost of about \$64 million per year. So I want you to take that one right off the bat, Diana. Why is this a good deal economically for California?

DD: Let me take all of them very easily because they are easy to address. The annual cost of \$64 million per year is less than one-tenth of one percent of the state budget. It is an essential investment in the lives of the most vulnerable children. It is not an abuse of the process. This measure was approved by the legislature in the assembly. It got caught up in the healthcare reform. All of the legislative leadership has supported it. We worked concurrently with the legislature and the voters by getting the signatures and filing them so it is not an abuse of the process. The funds that were approved, I want to just address that, in '04, have made a down payment on the investment that we need to make on these children.

GD: I was going to ask that. Why do we need more bonds on top of those?

DD: Right, this was a very modest request then and it is a very modest request now. The funds are completely obligated by all of the hospitals, they haven't yet been appropriated, but they are in a 10 year planning window.

GD: Okay, so the ones that were appropriated before or approved before, they are already in the pipeline? So that's why you need to go back for more?

DD: Absolutely. Just like parks or water or other school bonds this is an investment in the public's interest for the most vulnerable children.

GD: What about this argument that Lew started to raise at the end here that people could go out to the private sector for financing. If 8 out of the 13 are private, why can't they get the money from the privates?

DD: They have done that. The only way that any hospital can invest in capital is through borrowing, through operating margins, and through philanthropy. The children's hospitals have raised all that they can raise in philanthropy. They have no margins, some are operating in the red providing as much care as possible for these children and they have dedicated as much borrowing as they can. The only way to meet the needs is through the public-private partnership of Proposition 3.

GD: Lew, I'm going to give you a chance to respond to that, is there another way to put more beds together for the kids than through the bond measure?

LU: Well, we've got the Shriner's Hospital, we've got all kinds of idiosyncratic philanthropic spirit in California and we need to appeal to that. This is a clear special interest no-nonsense kind of initiative that is for the administrators, for the doctors, for the architects, for the contractors, for the pharmaceutical companies, for the medical equipment companies, etc. That's where the money is going. So let's rip away this children's hospital mantle that protects them.

GD: So the administrators get a chunk of this?

LU: Oh! Everybody gets a chunk of this. When you read the fine print, you can see that they can spend it any way they want and I'll tell you, this is an abuse of the initiative process that have special interest. We've got others on the ballot, the natural gas people, and all the rest, are trying to get billions out of California taxpayers for their own personal interest. Let them stand in line in the legislature where they should be where priorities for public funding can be established.

GD: Before we get off the funding thing, Diana, real quick response to the funding issue.

DD: That is just mean spirited and untrue. To attack the people who work in children's hospitals for the care of the most vulnerable children in California is just mean spirited and untrue. Nobody, this is not a special interest. The legislature has approved it. It is a priority. The bonds have to be voted upon by the people and the people can set this priority to take care of the most vulnerable children.

GD: Now, the opponents have another thing, and I am going to throw this out because some people are going to call it a red herring, others are going to call it legitimate, but they are going to call it a "back door way" of compensating hospitals for treating illegal immigrants. I want you to respond to that because it is such a hot button issue in our state today.

DD: It is completely false and it is wrong of them to use that argument. It is completely false. There is not one penny of Proposition 3 money that can be used for any operating, for any salary, for any administrator, for the care of 1 child. This is all funds for capital investment for building the infrastructure. It is supervised by the state treasurer, the health facilities, financing authority does audits, they go out, they look at the projects, they approve the projects. The taxpayers are completely protected and it is an essential investment. It has to be made.

GD: Lew, say a word about this illegal alien thing. What's that argument all about?

LU: First, let me just say, that I am not being mean spirited. I want that to be clear. I am doing this for no compensation, where she happens to be a compensated member of the...

GD: Let's not get personal about this, let's just stick to the issue.

LU: But the point is, is that on behalf of the taxpayers of this state, we are trying to get information out about what they are going to pay. And the irony is, while this is allegedly for the children, guess who over the next 30 years is going to pay for this? The children are going to pay for it and the definitions used in this measure as to how the money is going to be spent clearly allows for all kinds of non-bricks and mortar expenditures, operating expenditures, etc.

DD: That is completely not true.

LU: It uses the words, for the financing, for equipment, for other kinds of things other than brick and mortar. That's what the wording says.

GD: And you are saying it's only for equipment and buildings.

DD: Yes, its capital. It's absolutely only things that can be amortized in a capital budget. That's just not true. And, the taxpayer's groups oppose any government spending. They don't want roads, they don't want schools, they don't want...

LU: We want plenty of roads, I can tell you that.

GD: Let's stick to the children's hospitals. Let's quickly wrap this up by talking, we could talk, friends, you never thought there was so much passion about children's hospital bonds did you, but there is. Now let me talk real quickly about the supporters and opponents of this and give you a chance to respond to these. Those in support of Prop 3 including the American Academy of Pediatrics, in California, the California Medical Association, the California Teachers' Association in support. Those opposed, National Tax Limitation Committee, of course, the American Conservative Union, People's Advocate. I want to give both of you a chance to respond to those, YES and NO. Tell us about your feeling about that.

DD: Our endorsements go across, in addition to the medical leaders and children's leaders, we have Children Now, Children Defense, the California Chamber of Commerce, chamber of commerces all over California in support of this, former governor Pete Wilson, the California Democratic party. Taking care of children is not a partisan issue.

GD: Lew, supporters and opponents on this one.

LU: We love children, but the children's hospitals, like other institutions ought to set their priorities before the legislature and stand in line and not abuse the initiative process as a special interest in California.

DD: They don't have anybody opposed. There is no organized opposition and no financed opposition. There isn't even a campaign against it. There are some individuals and groups.

GD: We've got to wrap this up, Diane Dooley, President and CEO of the California Children's Hospital Association and Lew Uhler who is the President of the National Tax Limitation Committee. Thanks so much from us, I know we can talk a lot more about it. Well that's it for Proposition 3 friends, thanks for joining us. You can find out more on citizenvoice.org.

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