

October 20, 2017

**Legislative Analyst Office's (LAO) report on Proposed Initiative #17-0019, "The California Healthcare Roadblock Removal Act."**

**Key Points and Takeaways**

California Proposed Initiative #17-0019, "The California Healthcare Roadblock Removal Act" was submitted to the Office the Attorney General of California (OAG) in August 2017. Current law requires the Office of Legislative Analyst and the California Department of Finance to submit to the Attorney General (AG) their analysis of the proposed initiative. Now the analysis is complete, the AG has 15 days – and in this case until October 23, 2017 – to either issue a title and summary for the proposed initiative and permit signatures to be gathered or declare it a flawed proposal and return it to the proponents as not meeting legal requirements of a ballot initiative.

The LAO and DOF joint analysis describes the California Healthcare Roadblock Removal Act (CHRRA) as a measure that "*amends the State Constitution to (1) create a new special fund whose purpose is to fund healthcare-related goods and services; (2) allow the Legislature to pass tax increases with a simple majority vote-rather than a two-thirds vote-as long as the revenues from the new taxes are dedicated to the new special fund; (3) exempt state revenues placed in the fund from any appropriations limit, revenue limit, or spending formula.*"

The analysis goes on to state that "*the measure, on its own, would not create any new healthcare programs, establish any new taxes, increase existing taxes, or divert existing state revenues to the fund. Rather, the measure is designed to make it easier for the Legislature in the future to raise new state revenues or redirect existing state revenues to pay for state healthcare expenditures-such as, for example, on a single-payer healthcare program.*" LAO/DOF Analysis of proposed Healthcare Roadblock Removal Act, October 9, 2017, Page 3.

This is not good news for California businesses and taxpayers because this eliminates constitutional taxpayer protections and remove the current two-thirds vote requirement for new taxes if the tax revenues are deposited in the proposed Healthy California Trust Fund (HCTF). It would also open the door for other special interests who wish to fund pet projects through a ballot initiative using the CHRRA formula and drop billions on taxpayers in new taxes passed by a simple majority vote.

The report notes that the proposed initiative, that has not yet been cleared for circulation for signatures to qualify for the November 2018 General Election ballot, does not in itself call for a tax increase. The LAO/DOF analysis notes that the ballot initiative only opens the door for future legislative actions to raise hundreds of billions of dollars in new state taxes on business and individuals when considering SB 562 universal single payer legislation: "*A single-payer program similar to that envisioned in SB 562 could cost around \$400 billion annually and require new state tax revenues in the low hundreds of billions of dollars.*" LAO/DOF Analysis of proposed California Healthcare Roadblock Removal Act, October 9, 2017, Page 2.

The LAO/DOF analysis specifically states that CHRRA "*Makes Passage of Tax Increases Easier. By lowering the proportion of votes needed for the Legislature to pass tax increases whose revenues are*

*placed in the HCTF, the measure makes it easier for the Legislature to pass tax increases as long as these new revenues are used to pay for healthcare-related goods and services. These monies could be used to fund new state healthcare programs or healthcare program expansions.” LAO/DOF Analysis of proposed California Healthcare Roadblock Removal Act, October 9, 2017, Page 4.*

Most worrisome, this section of the analysis goes on to state, “*The funds could also be used, however, to replace existing state funding for healthcare programs and create more room under the state’s spending limit. This would free up state funds that could then be spent on non-healthcare programs.*” This means more money can be spent the Legislature on other favored programs.

Finally, the report seems to see a positive result of the CHRRA if adopted by voters. “*The measure’s exemption of these new revenues from various existing constitutional provisions would ensure that: ( 1) spending from these new resources would not be constrained by the state’s existing spending limit and (2) the state would not have to dedicate a portion of the new revenues to education, debts, and reserves. The above constitutional changes would allow and facilitate potentially large increases in new tax revenues dedicated to healthcare spending.*” LAO/DOF Analysis of proposed California Healthcare Roadblock Removal Act, October 9, 2017, Page 4-5. Again, this would be very bad news for those that would be taxed hundreds of billions to fund future mammoth health care programs like universal single payer.

The LAO/DOF conclusions mean that it is likely that the California Healthcare Roadblock Removal Act is going to get the green light from the Attorney General to proceed to the signature gathering stage.

Stay tuned to for new updates on actions concerning the CHRRA as they become available.