

Taxpayers Bear the Risk of Revenue Bonds, So Taxpayers Should Have The Right To Vote

MYTH: "Private investors bear the financial risk for revenue bonds, not the state or its General Fund."

FACT: Wall Street's major credit rating agencies (*Moody's, Fitch, and Standard & Poor's*) have a history of threatening to downgrade governments' overall credit rating if they default on their revenue bond loans. Governments are left with little choice but to use taxpayer funds to repay revenue bonds to avoid default and credit downgrading.

Taxpayer Bailouts and Credit Rating Downgrades

State revenue bonds give enormous power to unaccountable and unelected state bureaucrats to issue debt — putting ALL California taxpayers at financial risk...



Stockton, CA **BAILOUT**

A city financing authority issued revenue bonds for a hockey arena avoiding a public vote. Later, Stockton pledged taxpayer dollars from the city's General Fund to backstop the authority's debts for the hockey arena.



State of Rhode Island **BAILOUT**

The Rhode Island Economic Development Corporation sold \$75 million in revenue bonds and loaned the money to a video game company started by former major league pitcher Curt Schilling, which went bankrupt. The State of Rhode Island is in the process of repaying the revenue bonds to avoid a credit rating downgrade.



Scranton, PA **BAILOUT**

Scranton refused to honor a "taxpayer guarantee" for a parking authority's revenue bonds, so the city lost access to capital markets and credit. Scranton was unable to make payroll and purchase fuel for police cars. This forced the city to use taxpayer funds to repay the parking authority's debt.



Harrison, NJ **CREDIT RATING DOWNGRADE**

When Harrison could not honor its promise to guarantee the revenue bond debts connected with the construction of the Red Bull soccer stadium, its credit rating was cut eight notches in a single year.

Proposition 53 will give voters a voice on state revenue bond projects costing more than \$2 billion, closing a loophole that allows politicians to issue massive new debt without statewide voter approval.

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