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PROP 38 SAYS IT WILL PAY FOR ITSELF

CALIFORNIA HAS HEARD THAT BEFORE

The state's stem-cell bonds show why promised research royalties should not be confused with guaranteed repayment.

1. CALIFORNIA ALREADY BORROWED BILLIONS FOR MEDICAL RESEARCH.

Propositions 71 and 14 authorized a combined $8.5 billion in bonds for stem-cell research. The original $3 billion authorization alone was estimated to cost approximately $6 billion with interest.

2. ROYALTIES HAVE REPAID ONLY A TINY FRACTION.

California has received approximately $15.6 million in stem-cell research royalties since 2020, plus a comparatively small amount before then. That $15.6 million equals about one-half of 1% of the original $3 billion bond authorization - and about one-quarter of 1% of its estimated cost with interest.

3. PROP 38 MAKES THE SAME FUNDAMENTAL BET.

The Yes campaign claims its $8.4 billion bond will "fully pay for itself with no cost to the state or taxpayers." But repayment depends on research producing successful discoveries, approved treatments, commercial sales and substantial licensing revenue. None of those outcomes is guaranteed.

4. TAXPAYERS PAY WHETHER ROYALTIES MATERIALIZE OR NOT.

California would owe an estimated $500 million to $600 million annually for approximately 20 years. Those payments would come from the state General Fund whether royalty revenue arrives quickly, decades later or never.

5. THE LEGISLATIVE ANALYST DOES NOT GUARANTEE REPAYMENT.

The independent Legislative Analyst says California "could recover part or all" of Proposition 38's cost - but cautions that the amount is uncertain and recovery could take decades. That is very different from the Yes campaign's promise of "no cost" to taxpayers.

BOTTOM LINE

Medical research can produce valuable science without producing enough royalty revenue to repay billions in bonds. Proposition 38 may change the royalty formula, but it cannot guarantee the discoveries or commercial success required to pay taxpayers back.

TEN PERCENT OF REVENUE THAT MAY NEVER MATERIALIZE IS NOT A REPAYMENT PLAN.

Sources: California Legislative Analyst's Office; California Institute for Regenerative Medicine; California Stem Cell Report; official texts of Propositions 14 and 38.

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