

**Introduced by Senator Harman
(Principal coauthor: Senator McClintock)**

April 9, 2007

Senate Constitutional Amendment No. 8—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 1, 2, 3, 7, and 8 of, repealing Sections 9, 10, 12, and 13 of, and repealing and adding Sections 6 and 10.5 of, Article XIII B thereof, and by amending Section 8 of, and repealing Section 8.5 of, Article XVI thereof, relating to appropriations limitations.

LEGISLATIVE COUNSEL'S DIGEST

SCA 8, as introduced, Harman. Appropriations limit.

Existing provisions of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of an entity of government from exceeding its annual appropriations limit; provide for annual adjustments in that limit based on changes in the cost of living and population, calculated in a specified manner; and require 50% of the excess revenues received by the state in a fiscal year and the fiscal year immediately following it to be transferred and allocated, from a fund established for that purpose, to the State School Fund, and the remaining 50% of those excess revenues to be returned by the state by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years. An existing provision of the California Constitution provides, for purposes of adjusting the appropriations limit for any fiscal year that, in the event an emergency is declared by the Governor, an appropriation approved by a $\frac{2}{3}$ vote of the legislative body of an affected entity of government to an emergency account for expenditures related to that emergency is not an appropriations subject to limitation.

This measure would instead require that all funds collected by the state above its appropriation limit be held in a rebate account. Within 30 days of the close of the end of the fiscal year, all funds in the rebate account would be required by this measure to be rebated to the taxpayers on a pro rata basis to those who paid taxes on, or measured by, income for taxable years beginning during the prior calendar year. The measure would also provide that for purposes of adjusting the appropriation limit for any fiscal year, in the event an emergency is declared by the Governor, approval by a $\frac{4}{5}$ vote, rather than a $\frac{2}{3}$ vote, of the legislative body of an affected entity of government is required to exclude an appropriation to an emergency account for related expenditures from the appropriations limit.

This measure would delete provisions that exclude appropriations to comply with mandates of the courts or the federal government, appropriations for qualified capital outlay projects, appropriations for debt service, and certain other appropriations from the definition of “appropriations subject to limitation” and would revise other definitions, as specified.

This measure would prohibit the state from incurring general obligation bond debt greater than the total amount of state bond debt in existence when this measure becomes operative. This limit would be adjusted annually to account for changes in population and the cost of living.

This measure would prohibit bond brokers from recovering their expenses from a campaign waged in support of the bond measure through their fees and commissions on the sale of the bonds from that bond measure.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *Resolved by the Senate, the Assembly concurring,* That the
2 Legislature of the State of California at its 2007–08 Regular
3 Session commencing on the fourth day of December 2006,
4 two-thirds of the membership of each house concurring, hereby
5 proposes to the people of the State of California that the
6 Constitution of the State be amended as follows:
7 First—That Section 1 of Article XIII B thereof is amended to
8 read:
9 SEC. 1. The total annual appropriations subject to limitation
10 of the State and of each local government shall not exceed the

1 appropriations limit of the entity of government for the prior *fiscal*
2 year adjusted for the change in the cost of living and the change
3 in population, except as otherwise provided in this article.

4 Second—That Section 2 of Article XIII B thereof is amended
5 to read:

6 SEC. 2. (a) ~~(1) Fifty percent of all revenues received by the~~
7 ~~State in a fiscal year and in the fiscal year immediately following~~
8 ~~it in excess of the amount which may be appropriated by the State~~
9 ~~in compliance with this article during that fiscal year and the fiscal~~
10 ~~year immediately following it shall be transferred and allocated,~~
11 ~~from a fund established for that purpose, pursuant to Section 8.5~~
12 ~~of Article XVI.~~

13 ~~(2) Fifty percent of all~~ *All* revenues received by the State in a
14 fiscal year ~~and in the fiscal year immediately following it in excess~~
15 ~~of the amount which~~ *that* may be appropriated by the State in
16 compliance with this article during that fiscal year ~~and the fiscal~~
17 ~~year immediately following it shall be returned by a revision of~~
18 ~~tax rates or fee schedules within the next two subsequent fiscal~~
19 ~~years held in a rebate account to be used for purposes of this~~
20 ~~article.~~

21 (b) *At the end of each fiscal year all funds in the rebate account*
22 *established pursuant to subdivision (a) shall be rebated to the*
23 *taxpayers of California on a pro rata basis to persons,*
24 *corporations, or other entities that paid taxes on, or measured by,*
25 *income for taxable years beginning during the prior calendar year.*
26 *The Franchise Tax Board and the Controller shall jointly undertake*
27 *any and all actions that will facilitate the timely issuance of those*
28 *rebates. This subdivision is self-executing, but statutes not in*
29 *conflict with this subdivision may be enacted to facilitate its*
30 *operation.*

31 (c) All revenues received by an entity of government, other than
32 the State, in a fiscal year ~~and in the fiscal year immediately~~
33 ~~following it~~ in excess of the amount ~~which~~ *that* may be
34 appropriated by the entity in compliance with this article during
35 that fiscal year ~~and the fiscal year immediately following it shall~~
36 ~~be returned by a revision of tax rates or fee schedules within the~~
37 ~~next two subsequent fiscal years via rebates to the taxpayers within~~
38 ~~30 days of the close of the fiscal year on an appropriate pro rata~~
39 ~~basis, minus the cost of processing the rebate, which shall be~~
40 ~~established in advance by the governing body of that entity.~~

1 Third—That Section 3 of Article XIII B thereof is amended to
2 read:

3 SEC. 3. The appropriations limit for any fiscal year pursuant
4 to ~~See: Section 1~~ shall be adjusted as follows:

5 (a) ~~In the event that~~ *If* the financial responsibility of providing
6 services is transferred, in whole or in part, whether by annexation,
7 incorporation or otherwise, from one entity of government to
8 another, then for the year in which ~~such~~ *that* transfer becomes
9 effective the appropriations limit of the transferee entity shall be
10 increased by ~~such a~~ reasonable amount ~~as the said~~ *mutually agreed*
11 *to by those* entities ~~shall mutually agree~~ and the appropriations
12 limit of the transferor entity shall be decreased by the same amount.

13 (b) ~~In the event that~~ *If* the financial responsibility of providing
14 services is transferred, in whole or in part, from an entity of
15 government to a private entity, or the financial source for the
16 provision of services is transferred, in whole or in part, from other
17 revenues of an entity of government, to regulatory licenses, user
18 charges or user fees, then for the year of ~~such~~ *the* transfer the
19 appropriations limit of ~~such~~ *that* entity of government shall be
20 decreased accordingly.

21 (c) (1) ~~In the event~~ *If* an emergency is declared by the legislative
22 body of an entity of government, the appropriations limit of the
23 affected entity of government may be exceeded provided that the
24 appropriations limits in the following three years are reduced
25 accordingly to prevent an aggregate increase in appropriations
26 resulting from the emergency.

27 (2) ~~In the event~~ *If* an emergency is declared by the Governor,
28 appropriations approved by a ~~two-thirds~~ *four-fifths* vote of the
29 legislative body of an affected entity of government to an
30 emergency account for expenditures relating to that emergency
31 shall not constitute appropriations subject to limitation. As used
32 in this paragraph, “emergency” means the existence, as declared
33 by the Governor, of conditions of disaster or of extreme peril to
34 the safety of persons and property within the State, or parts thereof,
35 caused by such conditions as attack or probable or imminent attack
36 by an enemy of the United States, fire, flood, drought, storm, civil
37 disorder, earthquake, or volcanic eruption.

38 Fourth—That Section 6 of Article XIII B thereof is repealed.

39 ~~SEC. 6. (a) Whenever the Legislature or any state agency~~
40 ~~mandates a new program or higher level of service on any local~~

1 government, the State shall provide a subvention of funds to
2 reimburse that local government for the costs of the program or
3 increased level of service, except that the Legislature may, but
4 need not, provide a subvention of funds for the following mandates:

5 (1) Legislative mandates requested by the local agency affected.

6 (2) Legislation defining a new crime or changing an existing
7 definition of a crime.

8 (3) Legislative mandates enacted prior to January 1, 1975, or
9 executive orders or regulations initially implementing legislation
10 enacted prior to January 1, 1975.

11 (b) (1) Except as provided in paragraph (2), for the 2005–06
12 fiscal year and every subsequent fiscal year, for a mandate for
13 which the costs of a local government claimant have been
14 determined in a preceding fiscal year to be payable by the State
15 pursuant to law, the Legislature shall either appropriate, in the
16 annual Budget Act, the full payable amount that has not been
17 previously paid, or suspend the operation of the mandate for the
18 fiscal year for which the annual Budget Act is applicable in a
19 manner prescribed by law.

20 (2) Payable claims for costs incurred prior to the 2004–05 fiscal
21 year that have not been paid prior to the 2005–06 fiscal year may
22 be paid over a term of years, as prescribed by law.

23 (3) Ad valorem property tax revenues shall not be used to
24 reimburse a local government for the costs of a new program or
25 higher level of service.

26 (4) This subdivision applies to a mandate only as it affects a
27 city, county, city and county, or special district.

28 (5) This subdivision shall not apply to a requirement to provide
29 or recognize any procedural or substantive protection, right, benefit,
30 or employment status of any local government employee or retiree,
31 or of any local government employee organization, that arises
32 from, affects, or directly relates to future, current, or past local
33 government employment and that constitutes a mandate subject
34 to this section.

35 (e) A mandated new program or higher level of service includes
36 a transfer by the Legislature from the State to cities, counties, cities
37 and counties, or special districts of complete or partial financial
38 responsibility for a required program for which the State previously
39 had complete or partial financial responsibility.

40 Fifth—That Section 6 is added to Article XIII B thereof, to read:

1 SEC. 6. A local government shall be required to fulfill any
2 mandate imposed by the State only to the extent that state funds
3 are appropriated to pay the local government for the cost of
4 fulfilling the mandate.

5 Sixth—That Section 7 of Article XIII B is amended to read:

6 SEC. 7. (a) Nothing in this ~~Article~~ *article* shall be construed
7 to impair the ability of the State or of any local government to
8 meet its obligations with respect to existing or future bonded
9 indebtedness.

10 (b) *Appropriations subject to limitation under this article do*
11 *not include appropriations for debt service.*

12 (c) *The State shall not incur general obligation bond debt*
13 *exceeding the total amount of outstanding debt on general*
14 *obligation bonds of the State that exists as of the date this*
15 *subdivision becomes operative. The Treasurer shall adjust this*
16 *limit annually on December 1 to reflect the percentage changes*
17 *in the population of the State and in the cost of living for the State.*
18 *This limitation of bonded indebtedness shall be enforced as follows:*

19 (1) *By January 1 of each year the Treasurer shall determine*
20 *the general obligation bond debt capacity that will be available*
21 *for that calendar year, by subtracting the bond debt on all general*
22 *obligation bonds of the State that are outstanding, or have been*
23 *authorized for sale but not yet sold, from the adjusted limitation*
24 *of bonded indebtedness set forth above.*

25 (2) *During that calendar year, the Attorney General shall*
26 *disqualify from the ballot any bond measure that requires voter*
27 *approval and is submitted for title and summary, if the general*
28 *obligation bond debt authorized by the measure, combined with*
29 *the total bond debt on all general obligation bonds of the State*
30 *that are then outstanding, or have been authorized for sale but not*
31 *yet sold, would exceed the general obligation bond debt capacity*
32 *established by the Treasurer for that calendar year under this*
33 *subdivision.*

34 (3) *During that calendar year, the Legislature and the Governor*
35 *shall not approve any bond measure that requires voter approval*
36 *if the general obligation bond debt authorized by the measure,*
37 *combined with the total bond debt on all general obligation bonds*
38 *of the State that are then outstanding, or have been authorized for*
39 *sale but not yet sold, would exceed the general obligation bond*

1 *debt capacity established by the Treasurer for that calendar year*
2 *under this subdivision.*

3 (4) *In any calendar year, the Treasurer shall not sell any bonds,*
4 *authorized by a measure, if the general obligation bond debt*
5 *authorized by the measure, combined with the total bond debt on*
6 *all general obligation bonds of the State that are then outstanding,*
7 *or have been authorized for sale but not yet sold, would exceed*
8 *the general obligation bond debt capacity established by the*
9 *Treasurer for that calendar year under this subdivision.*

10 (d) *A bond broker shall not impose any fee or commission on*
11 *the sale of bonds pursuant to a state general obligation bond*
12 *measure for the purpose of recovering any expense associated*
13 *with a campaign in support of the passage of the bond measure.*

14 Seventh—That Section 8 of Article XIII B thereof is amended
15 to read:

16 SEC. 8. As used in this article and except as otherwise
17 expressly provided herein:

18 (a) “Appropriations subject to limitation” of the State means
19 any authorization to expend during a fiscal year the proceeds of
20 taxes levied by or for the State, exclusive of state subventions for
21 the use and operation of local government (other than subventions
22 made pursuant to Section 6) and further exclusive of refunds of
23 taxes, benefit payments from retirement, unemployment insurance,
24 and disability insurance funds.

25 (b) “Appropriations subject to limitation” of an entity of local
26 government means any authorization to expend during a fiscal
27 year the proceeds of taxes levied by or for that entity and the
28 proceeds of state subventions to that entity (other than subventions
29 made pursuant to Section 6) exclusive of refunds of taxes.

30 (c) “Proceeds of taxes” ~~shall~~ include, but *are not to be* restricted
31 to, all tax revenues and the proceeds to an entity of government,
32 from (1) regulatory licenses, user charges, and user fees to the
33 extent that those proceeds exceed the costs reasonably borne by
34 that entity in providing the regulation, product, or service, and (2)
35 the investment of tax revenues. With respect to any local
36 government, “proceeds of taxes” ~~shall~~ include subventions received
37 from the State, other than pursuant to Section 6, and, with respect
38 to the State, proceeds of taxes ~~shall~~ exclude ~~such~~ *those* subventions.

1 (d) “Local government” means any city, county, city and county,
 2 school district, special district, authority, or other political
 3 subdivision of or within the State.

4 (e) (1) “Change in the cost of living” for the State, a school
 5 district, or a community college district means the percentage
 6 change in the California ~~per capita personal income~~ *Consumer*
 7 *Price Index* from the preceding year.

8 (2) “Change in the cost of living” for an entity of local
 9 government, other than a school district or a community college
 10 district, shall be either (A) the percentage change in *the* California
 11 ~~per capita personal income~~ *Consumer Price Index* from the
 12 preceding year, or (B) the percentage change in the local
 13 assessment roll from the preceding year for the jurisdiction due to
 14 the addition of local nonresidential new construction. Each entity
 15 of local government shall select its change in the cost of living
 16 pursuant to this paragraph annually by a recorded vote of the
 17 entity’s governing body.

18 (f) (1) “Change in population” of any entity of government,
 19 other than the State, a school district, or a community college
 20 district, shall be determined by a method prescribed by the
 21 Legislature.

22 ~~“Change~~

23 (2) “*Change* in population” of a school district or a community
 24 college district shall be the percentage change in the average daily
 25 attendance of the school district or community college district from
 26 the preceding fiscal year, as determined by a method prescribed
 27 by the Legislature.

28 ~~“Change~~

29 (3) “*Change* in population” of the State shall be ~~determined by~~
 30 ~~adding (1) the percentage change in the State’s population~~
 31 ~~multiplied by the percentage of the State’s budget in the prior fiscal~~
 32 ~~year that is expended for other than educational purposes for~~
 33 ~~kindergarten and grades one to 12, inclusive, and the community~~
 34 ~~colleges, and (2) the percentage change in the total statewide~~
 35 ~~average daily attendance in kindergarten and grades one to 12,~~
 36 ~~inclusive, and the community colleges, multiplied by the percentage~~
 37 ~~of the State’s budget in the prior fiscal year that is expended for~~
 38 ~~educational purposes for kindergarten and grades one to 12,~~
 39 ~~inclusive, and the community colleges from the preceding year.~~

40 Any

1 (4) Any determination of population pursuant to this subdivision,
2 other than that measured by average daily attendance, shall be
3 revised, as necessary, to reflect the periodic census conducted by
4 the United States Department of Commerce, or successor
5 department.

6 (g) “Debt service” means appropriations required to pay the
7 cost of interest and redemption charges, including the funding of
8 any reserve or sinking fund required in connection therewith, on
9 indebtedness existing or legally authorized as of January 1, 1979,
10 or on bonded indebtedness thereafter approved according to law
11 by a vote of the electors of the issuing entity voting in an election
12 for that purpose.

13 (h) The “appropriations limit” of each entity of government for
14 each fiscal year is that amount which total annual appropriations
15 subject to limitation may not exceed under Sections 1 and 3.
16 ~~However, the “appropriations limit” of each entity of government~~
17 ~~for fiscal year 1978–79 is the total of the appropriations subject~~
18 ~~to limitation of the entity for that fiscal year. For fiscal year~~
19 ~~1978–79, state subventions to local governments, exclusive of~~
20 ~~federal grants, are deemed to have been derived from the proceeds~~
21 ~~of state taxes.~~

22 (i) Except as otherwise provided in Section 5, “appropriations
23 subject to limitation” do not include local agency loan funds or
24 indebtedness funds, investment (or authorizations to invest) funds
25 of the State, or of an entity of local government in accounts at
26 banks or savings and loan associations or in liquid securities.

27 (j) *“Bond debt” refers, as applicable, to the principal and*
28 *interest remaining to be paid on general obligation bonds of the*
29 *State that have been sold, including refunding bonds, and to the*
30 *principal and interest estimated by the Treasurer to be payable*
31 *on general obligation bonds of the State that have been authorized*
32 *for sale but not yet sold.*

33 Eighth—That Section 9 of Article XIII B thereof is repealed.

34 ~~SEC. 9. “Appropriations subject to limitation” for each entity~~
35 ~~of government do not include:~~

36 ~~(a) Appropriations for debt service.~~

37 ~~(b) Appropriations required to comply with mandates of the~~
38 ~~courts or the federal government which, without discretion, require~~
39 ~~an expenditure for additional services or which unavoidably make~~
40 ~~the provision of existing services more costly.~~

1 ~~(e) Appropriations of any special district which existed on~~
2 ~~January 1, 1978, and which did not as of the 1977–78 fiscal year~~
3 ~~levy an ad valorem tax on property in excess of 12½ cents per~~
4 ~~\$100 of assessed value; or the appropriations of any special district~~
5 ~~then existing or thereafter created by a vote of the people, which~~
6 ~~is totally funded by other than the proceeds of taxes.~~

7 ~~(d) Appropriations for all qualified capital outlay projects, as~~
8 ~~defined by the Legislature.~~

9 ~~(e) Appropriations of revenue which are derived from any of~~
10 ~~the following:~~

11 ~~(1) That portion of the taxes imposed on motor vehicle fuels~~
12 ~~for use in motor vehicles upon public streets and highways at a~~
13 ~~rate of more than nine cents (\$0.09) per gallon.~~

14 ~~(2) Sales and use taxes collected on that increment of the tax~~
15 ~~specified in paragraph (1).~~

16 ~~(3) That portion of the weight fee imposed on commercial~~
17 ~~vehicles which exceeds the weight fee imposed on those vehicles~~
18 ~~on January 1, 1990.~~

19 ~~Ninth—That Section 10 of Article XIII B thereof is repealed.~~

20 ~~SEC. 10: This Article shall be effective commencing with the~~
21 ~~first day of the fiscal year following its adoption.~~

22 ~~Tenth—That Section 10.5 of Article XIII B thereof is repealed.~~

23 ~~SEC. 10.5. For fiscal years beginning on or after July 1, 1990,~~
24 ~~the appropriations limit of each entity of government shall be the~~
25 ~~appropriations limit for the 1986–87 fiscal year adjusted for the~~
26 ~~changes made from that fiscal year pursuant to this article, as~~
27 ~~amended by the measure adding this section, adjusted for the~~
28 ~~changes required by Section 3.~~

29 ~~Eleventh—That Section 10.5 is added to Article XIII B thereof,~~
30 ~~to read:~~

31 ~~SEC. 10.5. For fiscal years beginning on or after the effective~~
32 ~~date of this section, the appropriations limit of each entity of~~
33 ~~government shall be the appropriations limit for the 2007–08 fiscal~~
34 ~~year adjusted for the changes made from that fiscal year pursuant~~
35 ~~to this article, as amended by the measure adding this section,~~
36 ~~adjusted for the changes required by Section 3.~~

37 ~~Twelfth—That Section 12 of Article XIII B thereof is repealed.~~

38 ~~SEC. 12: “Appropriations subject to limitation” of each entity~~
39 ~~of government shall not include appropriations of revenue from~~
40 ~~the Cigarette and Tobacco Products Surtax Fund created by the~~

1 ~~Tobacco Tax and Health Protection Act of 1988. No adjustment~~
2 ~~in the appropriations limit of any entity of government shall be~~
3 ~~required pursuant to Section 3 as a result of revenue being~~
4 ~~deposited in or appropriated from the Cigarette and Tobacco~~
5 ~~Products Surtax Fund created by the Tobacco Tax and Health~~
6 ~~Protection Act of 1988.~~

7 Thirteenth—That Section 13 of Article XIII B thereof is
8 repealed.

9 SEC. 13. ~~“Appropriations subject to limitation” of each entity~~
10 ~~of government shall not include appropriations of revenue from~~
11 ~~the California Children and Families First Trust Fund created by~~
12 ~~the California Children and Families First Act of 1998. No~~
13 ~~adjustment in the appropriations limit of any entity of government~~
14 ~~shall be required pursuant to Section 3 as a result of revenue being~~
15 ~~deposited in or appropriated from the California Children and~~
16 ~~Families First Trust Fund. The surtax created by the California~~
17 ~~Children and Families First Act of 1998 shall not be considered~~
18 ~~General Fund revenues for the purposes of Section 8 of Article~~
19 ~~XVI.~~

20 Fourteenth—That Section 8 of Article XVI thereof is amended
21 to read:

22 SEC. 8. (a) From all state revenues there shall first be set apart
23 the moneys to be applied by the State for support of the public
24 school system and public institutions of higher education.

25 (b) Commencing with the 1990–91 fiscal year, the moneys to
26 be applied by the State for the support of school districts and
27 community college districts shall be not less than the greater of
28 the following amounts:

29 (1) The amount ~~which~~ *that*, as a percentage of General Fund
30 revenues ~~which~~ *that* may be appropriated pursuant to Article XIII B,
31 equals the percentage of General Fund revenues appropriated for
32 school districts and community college districts, respectively, in
33 fiscal year 1986–87.

34 (2) The amount required to ensure that the total allocations to
35 school districts and community college districts from General Fund
36 proceeds of taxes appropriated pursuant to Article XIII B and
37 allocated local proceeds of taxes shall not be less than the total
38 amount from these sources in the prior fiscal year, ~~excluding any~~
39 ~~revenues allocated pursuant to subdivision (a) of Section 8.5,~~
40 adjusted for changes in enrollment and adjusted for the change in

1 the cost of living pursuant to paragraph (1) of subdivision (e) of
2 Section 8 of Article XIII B. This paragraph shall be operative only
3 in a fiscal year in which the percentage growth in *the California*
4 ~~per capita personal income~~ *Consumer Price Index* is less than or
5 equal to the percentage growth in ~~per capita~~ General Fund revenues
6 plus one half of one percent.

7 (3) (A) The amount required to ensure that the total allocations
8 to school districts and community college districts from General
9 Fund proceeds of taxes appropriated pursuant to Article XIII B
10 and allocated local proceeds of taxes shall equal the total amount
11 from these sources in the prior fiscal year, ~~excluding any revenues~~
12 ~~allocated pursuant to subdivision (a) of Section 8.5~~, adjusted for
13 changes in enrollment and adjusted for the *percentage* change in
14 ~~per capita~~ General Fund revenues.

15 (B) In addition, an amount equal to one-half of one percent
16 times the prior year total allocations to school districts and
17 community colleges from General Fund proceeds of taxes
18 appropriated pursuant to Article XIII B and allocated local proceeds
19 of taxes, ~~excluding any revenues allocated pursuant to subdivision~~
20 ~~(a) of Section 8.5~~, adjusted for changes in enrollment.

21 (C) This paragraph (3) shall be operative only in a fiscal year
22 in which the percentage growth in *the California* ~~per capita personal~~
23 ~~income~~ *Consumer Price Index* in a fiscal year is greater than the
24 percentage growth in ~~per capita~~ General Fund revenues plus ~~one~~
25 ~~half~~ *one-half* of one percent.

26 (c) In any fiscal year, if the amount computed pursuant to
27 paragraph (1) of subdivision (b) exceeds the amount computed
28 pursuant to paragraph (2) of subdivision (b) by a difference that
29 exceeds one and one-half percent of General Fund revenues, the
30 amount in excess of one and one-half percent of General Fund
31 revenues shall not be considered allocations to school districts and
32 community colleges for purposes of computing the amount of state
33 aid pursuant to paragraph (2) or ~~3~~ (3) of subdivision (b) in the
34 subsequent fiscal year.

35 (d) In any fiscal year in which school districts and community
36 college districts are allocated funding pursuant to paragraph (3)
37 of subdivision (b) or pursuant to subdivision ~~(h)~~ (g), they shall be
38 entitled to a maintenance factor, equal to the difference between
39 (1) the amount of General Fund moneys ~~which~~ *that* would have
40 been appropriated pursuant to paragraph (2) of subdivision (b) if

1 that paragraph had been operative or the amount of General Fund
2 moneys ~~which~~ *that* would have been appropriated pursuant to
3 subdivision (b) had subdivision (b) not been suspended, and (2)
4 the amount of General Fund moneys actually appropriated to school
5 districts and community college districts in that fiscal year.

6 (e) The maintenance factor for school districts and community
7 college districts determined pursuant to subdivision (d) shall be
8 adjusted annually for changes in enrollment, and adjusted for the
9 change in the cost of living pursuant to paragraph (1) of subdivision
10 (e) of Section 8 of Article XIII B, until it has been allocated in full.
11 The maintenance factor shall be allocated in a manner determined
12 by the Legislature in each fiscal year in which the percentage
13 growth in ~~per capita~~ General Fund revenues exceeds the percentage
14 growth in ~~the California per capita personal income~~ *Consumer*
15 *Price Index*. The maintenance factor shall be reduced each year
16 by the amount allocated by the Legislature in that fiscal year. The
17 minimum maintenance factor amount to be allocated in a fiscal
18 year shall be equal to the product of General Fund revenues from
19 proceeds of taxes and one-half of the difference between the
20 percentage growth in ~~per capita~~ General Fund revenues from
21 proceeds of taxes and in ~~the California per capita personal income~~
22 *Consumer Price Index*, not to exceed the total dollar amount of
23 the maintenance factor.

24 (f) For purposes of this section, “changes in enrollment” shall
25 be measured by the percentage change in average daily attendance.
26 However, in any fiscal year, there shall be no adjustment for
27 decreases in enrollment between the prior fiscal year and the
28 current fiscal year unless there have been decreases in enrollment
29 between the second prior fiscal year and the prior fiscal year and
30 between the third prior fiscal year and the second prior fiscal year.

31 ~~(h)~~

32 (g) Subparagraph (B) of paragraph (3) of subdivision (b) may
33 be suspended for one year only when made part of or included
34 within any bill enacted pursuant to Section 12 of Article IV. All
35 other provisions of subdivision (b) may be suspended for one year
36 by the enactment of an urgency statute pursuant to Section 8 of
37 Article IV, provided that the urgency statute may not be made part
38 of or included within any bill enacted pursuant to Section 12 of
39 Article IV.

40 Fifteenth—That Section 8.5 of Article XVI thereof is repealed.

1 SEC. 8.5. (a) In addition to the amount required to be applied
2 for the support of school districts and community college districts
3 pursuant to Section 8, the Controller shall during each fiscal year
4 transfer and allocate all revenues available pursuant to paragraph
5 1 of subdivision (a) of Section 2 of Article XIII B to that portion
6 of the State School Fund restricted for elementary and high school
7 purposes, and to that portion of the State School Fund restricted
8 for community college purposes, respectively, in proportion to the
9 enrollment in school districts and community college districts
10 respectively.

11 (1) With respect to funds allocated to that portion of the State
12 School Fund restricted for elementary and high school purposes,
13 no transfer or allocation of funds pursuant to this section shall be
14 required at any time that the Director of Finance and the
15 Superintendent of Public Instruction mutually determine that
16 current annual expenditures per student equal or exceed the average
17 annual expenditure per student of the 10 states with the highest
18 annual expenditures per student for elementary and high schools,
19 and that average class size equals or is less than the average class
20 size of the 10 states with the lowest class size for elementary and
21 high schools.

22 (2) With respect to funds allocated to that portion of the State
23 School Fund restricted for community college purposes, no transfer
24 or allocation of funds pursuant to this section shall be required at
25 any time that the Director of Finance and the Chancellor of the
26 California Community Colleges mutually determine that current
27 annual expenditures per student for community colleges in this
28 State equal or exceed the average annual expenditure per student
29 of the 10 states with the highest annual expenditures per student
30 for community colleges.

31 (b) Notwithstanding the provisions of Article XIII B, funds
32 allocated pursuant to this section shall not constitute appropriations
33 subject to limitation.

34 (c) From any funds transferred to the State School Fund pursuant
35 to subdivision (a), the Controller shall each year allocate to each
36 school district and community college district an equal amount
37 per enrollment in school districts from the amount in that portion
38 of the State School Fund restricted for elementary and high school
39 purposes and an equal amount per enrollment in community college

1 ~~districts from that portion of the State School Fund restricted for~~
2 ~~community college purposes.~~

3 ~~(d) All revenues allocated pursuant to subdivision (a) shall be~~
4 ~~expended solely for the purposes of instructional improvement~~
5 ~~and accountability as required by law.~~

6 ~~(e) Any school district maintaining an elementary or secondary~~
7 ~~school shall develop and cause to be prepared an annual audit~~
8 ~~accounting for such funds and shall adopt a School Accountability~~
9 ~~Report Card for each school.~~

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