

Assembly Constitutional Amendment

No. 34

Introduced by Assembly Member Anderson

February 19, 2010

Assembly Constitutional Amendment No. 34—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by repealing and adding Article XIII B thereof, and by amending Section 8.5 of Article XVI thereof, relating to expenditure limits.

LEGISLATIVE COUNSEL'S DIGEST

ACA 34, as introduced, Anderson. Expenditure limit.

(1) Existing provisions of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of any entity of state or local government from exceeding its adjusted annual appropriations limit. These provisions also 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 a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

This measure would repeal those provisions, and instead would limit total state General Fund and special fund expenditures to an annual increase of no more than the increase in the cost of living, as specified, multiplied by the percentage increase in state population. The measure would require excess revenues to be allocated in prescribed amounts to a reserve account, to the State School Fund, and to personal income taxpayers. In addition, the measure would prohibit the expenditure of revenue resulting from any changes in state taxes or fees enacted into

law for the purpose of increasing revenue, as determined by the Director of Finance, for a period of 12 months following the date on which the changes in state taxes or fees become operative and would deem those revenues, during this period, not to be General Fund revenues.

(2) Existing provisions of the California Constitution require that whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state is required to provide a subvention of funds to reimburse the local government for the costs of the program or increased level of service, with specified exceptions.

This measure would prohibit the filing of a claim for reimbursement for any mandate if no claim for that reimbursement is filed within a 2-year period following the effective date of the mandate. The measure would repeal specified procedures for payment of local government mandate claims.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *Resolved by the Assembly, the Senate concurring,* That the
2 Legislature of the State of California at its 2009–10 Regular
3 Session commencing on the first day of December 2008, two-thirds
4 of the membership of each house concurring, hereby proposes to
5 the people of the State of California that the Constitution of the
6 State be amended as follows:

7 First—That Article XIII B thereof is repealed.

8 Second—That Article XIII B is added thereto, to read:

9

10

ARTICLE XIII B

11

EXPENDITURE LIMIT

12

13 SECTION 1. (a) (1) The total expenditures made in a fiscal
14 year from the General Fund of the State and state special funds
15 may not increase from the amount of those total expenditures in
16 the prior fiscal year by more than the percentage increase in the
17 cost of living multiplied by the percentage increase in the state
18 population. However, if the total expenditures in the prior fiscal
19 year are less than the amount of allowable expenditures for that
20 year, then the amount of total expenditures for the next fiscal year
21 may equal, but not exceed, the amount of allowable expenditures
22 for the prior fiscal year.

1 (2) As used in this section, “percentage change in the cost of
2 living,” as applied to determine the expenditure limit for a fiscal
3 year, means the percentage change from April 1 of the prior year
4 to April 1 of the current year in the California Consumer Price
5 Index for all items, as determined by the Department of Industrial
6 Relations or its successor. For purposes of this calculation, “current
7 year” means the calendar year in which the fiscal year commences.

8 (b) The expenditure limit in subdivision (a) may be exceeded
9 for a fiscal year for purposes of an emergency, but any such excess
10 spending is not part of the expenditure base for the purposes of
11 determining the amount of allowable expenditures pursuant to
12 subdivision (a) for the next fiscal year. As used in this subdivision,
13 “emergency” means the existence, as declared by the Governor,
14 of conditions of disaster or of extreme peril to the safety of persons
15 and property within the State, or parts thereof, caused by such
16 conditions as attack or probable or imminent attack by an enemy
17 of the United States, fire, flood, drought, storm, civil disorder,
18 earthquake, or volcanic eruption.

19 (c) Any revenue that may not be expended in the current fiscal
20 year due to the expenditure limitation in this section shall be
21 allocated as follows:

22 (1) To the Special Reserve Account, which is hereby created in
23 the General Fund of the State, to the extent that this account
24 contains an amount less than or equal to 10 percent of the total
25 amount of allowable expenditures for the current fiscal year.
26 Notwithstanding any other provision of this section, money in the
27 reserve account may be expended in an amount equal to the amount
28 by which revenues reported by the Department of Finance pursuant
29 to this paragraph during the fiscal year fall below the final estimates
30 for that year provided in the Final Budget Summary published by
31 the Department of Finance or its successor document. Any funds
32 expended from the Special Reserve Account pursuant to this
33 paragraph are part of the expenditure base for the purposes of
34 determining the amount of allowable expenditures pursuant to
35 subdivision (a) for the next fiscal year. Subject to the 10-percent
36 restriction set forth in this paragraph, any unexpended balance in
37 the reserve account, including any interest earnings, shall carry
38 over from one year to the next.

39 (2) Revenue that exceeds the amount that may be deposited into
40 the reserve account shall be allocated as follows:

1 (A) Fifty percent shall be transferred and allocated, from a fund
2 established for that purpose, pursuant to Section 8.5 of Article
3 XVI.

4 (B) Fifty percent shall be paid as a rebate to all personal income
5 taxpayers in proportion to their tax liability for the tax year that
6 encompasses the first half of the current fiscal year in which the
7 excess exists.

8 (d) If the financial responsibility for providing services is
9 transferred, in whole or in part, from the state government to an
10 entity of local government, then the amount of allowable spending
11 in the year that the transfer is implemented shall be reduced by an
12 amount equal to the cost of providing the transferred services, to
13 prevent an effective increase in the level of allowable state
14 spending. For the purposes of this section, a transfer of financial
15 responsibility for providing services does not include any mandate
16 of a program or level of service for which reimbursement is
17 required by Section 4.

18 SEC. 2. Notwithstanding Section 1, revenue resulting from
19 any changes in state taxes or fees enacted into law for the purpose
20 of increasing revenue collected pursuant thereto, whether by
21 increased rates or changes in methods of computation, as
22 determined by the Director of Finance, shall not be expended for
23 a period of 12 months following the date on which the changes in
24 state taxes or fees become operative. During that 12-month period,
25 any revenue collected as a result of the changes in state taxes or
26 fees shall be held in a separate account in the General Fund and
27 shall be deemed not to be General Fund revenues for any purpose
28 of this Constitution.

29 SEC. 3. (a) As used in Section 7.5 of Article IV, “the
30 percentage increase in the appropriations limit for the State
31 established pursuant to Article XIII B” means the percentage
32 change in California per capita personal income from the prior
33 year, plus (1) the percentage change in the State’s population
34 multiplied by the percentage change in the State’s budget in the
35 prior fiscal year that is expended for other than educational
36 purposes for kindergarten and grades 1 to 12, inclusive, and the
37 community colleges, and (2) the percentage change in the total
38 statewide average daily attendance in kindergarten and grades 1
39 to 12, inclusive, and the community colleges, multiplied by the
40 percentage of the State’s budget in the prior fiscal year that is

1 expended for educational purposes for kindergarten and grades 1
2 to 12, inclusive, and the community colleges.

3 (b) As used in Section 8 of Article XVI, “change in the cost of
4 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
5 Article XIII B” means the percentage change in California per
6 capita personal income from the prior year.

7 SEC. 4. (a) Whenever the Legislature or any state agency
8 mandates a new program or higher level of service on any local
9 government, the State shall provide a subvention of funds to
10 reimburse the local government for the costs of that program or
11 increased level of services, except that the Legislature may, but is
12 not required to, provide that subvention of funds for the following
13 mandates:

14 (1) A legislative mandate requested by the local government
15 affected.

16 (2) Legislation defining a new crime or changing an existing
17 definition of a crime.

18 (3) A legislative mandate enacted prior to January 1, 1975, or
19 an executive order or regulation initially implementing legislation
20 enacted prior to January 1, 1975.

21 (b) A claim may not be filed for reimbursement pursuant to
22 subdivision (a) for any mandate if more than two years have passed
23 since the effective date of the mandate and no claim for that
24 reimbursement was filed in that period.

25 (c) For the purposes of this section, “local government” means
26 a city, county, city and county, school district, special district,
27 authority, or other political subdivision of or within the State.

28 Third—That Section 8.5 of Article XVI thereof is amended to
29 read:

30 SEC. 8.5. (a) In addition to the amount required to be applied
31 for the support of school districts and community college districts
32 pursuant to Section 8, the Controller shall during each fiscal year
33 transfer and allocate all revenues available pursuant to
34 *subparagraph (A) of paragraph*—~~(2)~~ of subdivision—~~(a)(c)~~ of
35 Section—~~2~~ 1 of Article XIII B to that portion of the State School
36 Fund restricted for elementary and high school purposes, and to
37 that portion of the State School Fund restricted for community
38 college purposes, respectively, in proportion to the enrollment in
39 school districts and community college districts respectively.

1 (1) With respect to funds allocated to that portion of the State
2 School Fund restricted for elementary and high school purposes,
3 no transfer or allocation of funds pursuant to this section shall be
4 required at any time that the Director of Finance and the
5 Superintendent of Public Instruction mutually determine that
6 current annual expenditures per student equal or exceed the average
7 annual expenditure per student of the 10 states with the highest
8 annual expenditures per student for elementary and high schools,
9 and that average class size equals or is less than the average class
10 size of the 10 states with the lowest class size for elementary and
11 high schools.

12 (2) With respect to funds allocated to that portion of the State
13 School Fund restricted for community college purposes, no transfer
14 or allocation of funds pursuant to this section shall be required at
15 any time that the Director of Finance and the Chancellor of the
16 California Community Colleges mutually determine that current
17 annual expenditures per student for community colleges in this
18 State equal or exceed the average annual expenditure per student
19 of the 10 states with the highest annual expenditures per student
20 for community colleges.

21 ~~(b) Notwithstanding the provisions of Article XIII B, funds~~
22 ~~allocated pursuant to this section shall not constitute appropriations~~
23 ~~subject to limitation.~~

24 ~~(e) From any funds transferred to the State School Fund pursuant~~
25 ~~to subdivision (a), the Controller shall each year allocate to each~~
26 ~~school district and community college district an equal amount~~
27 ~~per enrollment in school districts from the amount in that portion~~
28 ~~of the State School Fund restricted for elementary and high school~~
29 ~~purposes and an equal amount per enrollment in community college~~
30 ~~districts from that portion of the State School Fund restricted for~~
31 ~~community college purposes.~~

32 ~~(d) —~~

33 (c) All revenues allocated pursuant to subdivision (a) shall be
34 expended solely for the purposes of instructional improvement
35 and accountability as required by law.

36 ~~(e) —~~

37 (d) Any school district maintaining an elementary or secondary
38 school shall develop and cause to be prepared an annual audit

- 1 accounting for ~~such~~ *those* funds and shall adopt a School
- 2 Accountability Report Card for each school.

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