

Introduced by Senator Wyland

August 30, 2010

Senate Constitutional Amendment No. 33—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

SCA 33, as introduced, Wyland. Expenditure limit.

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 the entity's 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 prohibit total expenditures of state General Fund and special fund revenues from annually increasing by more than the annual percentage increase in the cost of living, multiplied by the annual percentage increase in state population. The measure would require excess General Fund revenues to be allocated in prescribed amounts first to a reserve account, and then, to the extent excess revenues remain, to the State School Fund and to personal income taxpayers.

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 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7 First—That Article XIII B thereof is repealed.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
EXPENDITURE LIMIT

11

12

13 SECTION 1. (a) (1) The total expenditures made for a fiscal
14 year from General Fund revenues and state special fund revenues,
15 in the aggregate, shall not increase from the amount of those total
16 expenditures for the immediately preceding fiscal year by more
17 than the percentage increase in the cost of living multiplied by the
18 percentage increase in the state population. If the total expenditures
19 made for the immediately preceding fiscal year were less than the
20 total amount of allowable expenditures for that year, then the total
21 expenditures made for the current fiscal year may not exceed the
22 total amount of allowable expenditures for the immediately
23 preceding fiscal year.

24 (2) As used in this section, “percentage change in the cost of
25 living” means the percentage change from April 1 of the prior year
26 to April 1 of the current year in the California Consumer Price
27 Index for all items, as determined by the Department of Industrial
28 Relations or its successor. For purposes of this calculation, “current
29 year” means the calendar year in which the fiscal year commences.

30 (3) As used in this section, “percentage change in state
31 population” means the change in population of the State as
32 determined by the Department of Finance, or its successor agency,
33 revised, as necessary, to reflect the periodic census conducted by
34 the United States Department of Commerce, or its successor
35 agency.

36 (b) The expenditure limit in subdivision (a) may be exceeded
37 for a fiscal year in an emergency as described in this subdivision,
38 but any such excess expenditures are not part of the expenditure
39 base for the purposes of determining the total amount of allowable
40 expenditures for the next fiscal year pursuant to subdivision (a).

1 As used in this subdivision, “emergency” means the existence, as
2 declared by the Governor, of conditions of disaster or extreme
3 peril to the safety of persons and property within the State, or parts
4 thereof, caused by conditions such as an attack or a probable or
5 imminent attack by an enemy of the United States, or fire, flood,
6 drought, storm, civil disorder, earthquake, or volcanic eruption.

7 (c) For purposes of implementing subdivision (d) for each fiscal
8 year, the Department of Finance, or its successor agency, shall do
9 all of the following:

10 (1) Estimate, no less frequently than quarterly, the total amount
11 of revenues that will be received during the fiscal year for deposit
12 in the General Fund or in a special fund. The department shall
13 publish the final estimate made for a fiscal year pursuant to this
14 paragraph in a final budget summary.

15 (2) Determine the total amount of revenues received during the
16 fiscal year for deposit in the General Fund or in a special fund.

17 (3) Determine the balance of the General Fund and of each
18 special fund as of the end of the fiscal year.

19 (d) If the total amount of revenues received during the fiscal
20 year for deposit in the General Fund and in state special funds
21 exceeds the total amount of allowable expenditures for that fiscal
22 year, the amount of that excess shall be attributed in proportionate
23 shares to the General Fund and to each special fund, by multiplying
24 the balance of each of those funds at the end of the fiscal year by
25 the percentage by which the total revenues received exceed the
26 total amount of allowable expenditures for that fiscal year. That
27 portion of the excess amount attributed to each special fund shall
28 be transferred to a reserve in that special fund subject to
29 expenditure in a subsequent fiscal year. The amount of these excess
30 revenues attributable to the General Fund shall be allocated from
31 the General Fund as follows:

32 (1) To the Special Reserve Account, which is hereby created in
33 the General Fund, to the extent that this account contains an amount
34 no greater than 10 percent of the total amount of allowable
35 expenditures for the fiscal year. Notwithstanding any other
36 provision of this section, funds in the reserve account may be
37 expended in an amount equal to the amount by which the total
38 amount of revenues determined by the Department of Finance to
39 have been received during the fiscal year for deposit in the General
40 Fund is less than the department’s final estimate of that amount

1 made pursuant to paragraph (1) of subdivision (c) for that fiscal
2 year. Any funds expended from the Special Reserve Account
3 pursuant to this paragraph are part of the expenditure base for the
4 purpose of determining the total amount of allowable expenditures
5 for the next fiscal year pursuant to subdivision (a). Subject to the
6 10-percent restriction set forth in this paragraph, any unexpended
7 balance in the reserve account, including any interest earnings,
8 shall carry over from one fiscal year to the next.

9 (2) Revenue that exceeds the amount that may be deposited into
10 the reserve account shall be allocated as follows, which allocations
11 shall not be part of the expenditure base for the purpose of
12 determining the total amount of allowable expenditures for the
13 next fiscal year pursuant to subdivision (a):

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

17 (B) Fifty percent shall be paid as a rebate to all personal income
18 taxpayers in shares determined in proportion to each taxpayer's
19 tax liability for the tax year that encompasses the first half of the
20 fiscal year for which the excess exists.

21 (e) If the financial responsibility for providing services is
22 transferred, in whole or in part, from the state government to an
23 entity of local government, then the total amount of allowable
24 expenditures in the fiscal year that the transfer is implemented
25 shall be reduced by an amount equal to the cost of providing the
26 transferred services, to prevent an effective increase in the total
27 amount of allowable expenditures. For the purposes of this
28 subdivision, a transfer of financial responsibility for providing
29 services does not include any mandate of a program or level of
30 service for which reimbursement is required by Section 3.

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

1 to 12, inclusive, and the community colleges, multiplied by the
2 percentage of the State’s budget in the prior fiscal year that is
3 expended for educational purposes for kindergarten and grades 1
4 to 12, inclusive, and the community colleges.

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

9 SEC. 3. (a) Whenever the Legislature or any state agency
10 mandates a new program or higher level of service on any local
11 government, the State shall provide a subvention of funds to
12 reimburse that local government for the costs of the program or
13 increased level of service. However, the Legislature may, but is
14 not required to, provide a subvention of funds for the following
15 mandates:

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

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

19 (3) Legislative mandates enacted prior to January 1, 1975, or
20 executive orders or regulations initially implementing legislation
21 enacted prior to January 1, 1975.

22 (b) (1) Except as provided in paragraph (2), for the 2005–06
23 fiscal year and every subsequent fiscal year, for a mandate for
24 which the costs of a local government claimant have been
25 determined in a preceding fiscal year to be payable by the State
26 pursuant to law, the Legislature shall either appropriate, in the
27 annual Budget Act, the full payable amount that has not been
28 previously paid, or suspend the operation of the mandate for the
29 fiscal year for which the annual Budget Act is applicable in a
30 manner prescribed by law.

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

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

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

39 (5) This subdivision shall not apply to a requirement to provide
40 or recognize any procedural or substantive protection, right, benefit,

1 or employment status of any local government employee or retiree,
2 or of any local government employee organization, that arises
3 from, affects, or directly relates to future, current, or past local
4 government employment and that constitutes a mandate subject
5 to this section.

6 (c) A mandated new program or higher level of service includes
7 a transfer by the Legislature from the State to cities, counties, cities
8 and counties, or special districts of complete or partial financial
9 responsibility for a required program for which the State previously
10 had complete or partial financial responsibility.

11 Third—That Section 8.5 of Article XVI thereof is amended to
12 read:

13 SEC. 8.5. (a) In addition to the amount required to be applied
14 for the support of school districts and community college districts
15 pursuant to Section 8, the Controller shall during each fiscal year
16 transfer and allocate all revenues available pursuant to
17 *subparagraph (A) of paragraph* ~~† (2) of subdivision~~ ~~(a) (d) of~~
18 ~~Section 2 I of Article XIII B~~ to that portion of the State School
19 Fund restricted for elementary and high school purposes, and to
20 that portion of the State School Fund restricted for community
21 college purposes, respectively, in proportion to the enrollment in
22 school districts and community college districts respectively.

23 (1) With respect to funds allocated to that portion of the State
24 School Fund restricted for elementary and high school purposes,
25 no transfer or allocation of funds pursuant to this section shall be
26 required at any time that the Director of Finance and the
27 Superintendent of Public Instruction mutually determine that
28 current annual expenditures per student equal or exceed the average
29 annual expenditure per student of the 10 states with the highest
30 annual expenditures per student for elementary and high schools,
31 and that average class size equals or is less than the average class
32 size of the 10 states with the lowest class size for elementary and
33 high schools.

34 (2) With respect to funds allocated to that portion of the State
35 School Fund restricted for community college purposes, no transfer
36 or allocation of funds pursuant to this section shall be required at
37 any time that the Director of Finance and the Chancellor of the
38 California Community Colleges mutually determine that current
39 annual expenditures per student for community colleges in this
40 State equal or exceed the average annual expenditure per student

1 of the 10 states with the highest annual expenditures per student
2 for community colleges.

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

6 ~~(e)~~

7 (b) From any funds transferred to the State School Fund pursuant
8 to subdivision (a), the Controller shall each year allocate to each
9 school district and community college district an equal amount
10 per enrollment in school districts from the amount in that portion
11 of the State School Fund restricted for elementary and high school
12 purposes and an equal amount per enrollment in community college
13 districts from that portion of the State School Fund restricted for
14 community college purposes.

15 ~~(d)~~

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

19 ~~(e)~~

20 (d) Any school district maintaining an elementary or secondary
21 school shall develop and cause to be prepared an annual audit
22 accounting for ~~such~~ those funds and shall adopt a School
23 Accountability Report Card for each school.