

AMENDED IN SENATE APRIL 9, 2012

**Senate Constitutional Amendment**

**No. 10**

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**Introduced by Senator Strickland**  
**(Principal coauthor: ~~Senator Wyland~~)**  
**(Coauthors: ~~Senators Anderson, Dutton, Gaines, La Malfa, Runner,~~**  
**~~and Walters~~)**  
**(Coauthors: ~~Assembly Members Gorell, Jeffries, and Wagner~~)**

March 15, 2011

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Senate Constitutional Amendment No. 10—~~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.~~ *A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 23 to Article IV thereof, and by amending Sections 1, 1.5, 2, 8, 9, and 10.5 of, and adding Sections 1.9 and 9.5 to, Article XIII B thereof, relating to government finance.*

LEGISLATIVE COUNSEL'S DIGEST

SCA 10, as amended, Strickland. ~~Expenditure limit.~~ *Government finance.*

*Existing provisions of the California Constitution place limitations on the authority of the state or an entity of local government to expend the proceeds of taxes, as defined. These provisions require the state or an entity of local government to establish an appropriations limit for each fiscal year, defined as the total annual appropriations subject to limitation. These provisions prohibit the total annual appropriations subject to limitation from exceeding the appropriations limit of the government entity for the prior year adjusted for a change in the cost*

*of living and the change in population, as defined. If the state incurs excess revenues above its appropriations limit for 2 consecutive fiscal years, the provisions require 50% of the excess revenues to be transferred and allocated to the State School Fund for elementary, high school, and community college purposes, and the remaining 50% of the excess revenues to be returned to the taxpayers pursuant to a revision of tax rates or fee schedules. If an entity of local government incurs excess revenues above its appropriations limit for 2 consecutive fiscal years, the provisions require all of the excess revenues to be returned to the taxpayers pursuant to a revision of tax rates or fee schedules. Existing law provides that appropriations for all qualified capital outlay projects are not appropriations subject to limitation under these provisions. Qualified capital outlay projects are defined by the Legislature.*

*This measure would revise and recast these provisions to provide, on and after July 1, 2013, that the appropriations limit of the state for the expenditure of the proceeds of taxes shall be the total amount of appropriations subject to limitation in the 2010–11 fiscal year.*

*The measure would require excess revenues to be allocated on an annual basis rather than biennially. In fiscal years in which the total amount of debt service exceeds a specified amount, any excess revenues of the state or an entity of local government would be appropriated for the reduction of debt, as defined. In fiscal years in which the total amount of debt service is less than that specified amount and excess revenues of the state are less than \$2,000,000,000, any excess revenues would be divided between the State School Fund and the prudent state reserve fund. In fiscal years in which the total amount of debt service is less than the specified amount and excess revenues of the state exceed \$2,000,000,000, any excess revenues would be returned to the taxpayers pursuant to a reduction of tax rates or fees, as specified. In fiscal years in which the total amount of debt service is less than the specified amount, any excess revenues of an entity of local government would be returned to the taxpayers pursuant to a reduction of tax rates or fees, as specified.*

*The measure would repeal the provision that authorizes the Legislature to define qualified capital outlay projects that are not appropriations subject to limitation under these provisions. The measure would instead define a qualified capital outlay project for purposes of these provisions. The measure would prohibit the Legislature or the people through initiative from enacting a statute that would exempt any*

*proceeds of taxes from these provisions or exempt an appropriation from the appropriations limit of the state or entity of local government. The measure would require the Controller to review the annual calculation of appropriations subject to limitation as part of an annual financial audit.*

*The California Constitution requires that a change in state statute, passed by the Legislature, that results in a taxpayer paying a higher tax be imposed in an act that is passed with the approval of not less than  $\frac{2}{3}$  of the membership of each house of the Legislature.*

*This measure would, notwithstanding that provision, require any change in state statute to be passed by not less than  $\frac{2}{3}$  of the membership of each house of the Legislature if it imposes a new or higher tax on any taxpayer; authorizes or enables imposition of a new or higher tax on any taxpayer by the state, or authorizes or enables imposition of a new or higher tax on any taxpayer by any political subdivision of the state.*

*The measure would provide that any person shall have standing to enforce its provisions. The measure would provide that it shall be liberally construed. The measure would provide that its provisions are severable.*

~~(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 that is based, as provided, on the percentage change in the cost of living and the percentage change 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.~~

~~(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 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 amend these provisions to, among other things, 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.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

1     *WHEREAS, This measure shall be known and may be cited as*  
2     *the “Government Spending Limit Act of 2012”; and*

3     *WHEREAS, The Legislature finds and declares all of the*  
4     *following:*

5     *(a) The purpose of this constitutional amendment is to force*  
6     *California politicians to balance the budget by spending only what*  
7     *the state can afford.*

8     *(b) It will repair California’s broken budget system by rejecting*  
9     *the failed pattern of wasteful government spending, enormous*  
10    *deficits and debt, and higher taxes in favor of a reasonable*  
11    *spending limit that will force state and local politicians to live*  
12    *within their means, balance the budget, pay down our debt, and*  
13    *control spending without wasting additional taxpayer dollars.*

14    *(c) By doing this, we will help create jobs and foster a healthy*  
15    *economy; and*

16    *WHEREAS, The Legislature further finds and declares all of*  
17    *the following:*

18    *(a) California politicians waste too much of our tax money.*  
19    *They do not prioritize programs or cut waste. Instead, they threaten*  
20    *massive tax hikes or cuts to critical programs like law enforcement*  
21    *and schools, but they never seriously work to clean up the waste*  
22    *and inefficiencies in government. This measure allows voters to*  
23    *take control of government spending and forces the politicians to*  
24    *prioritize programs and clean up the waste and abuses before they*  
25    *ask us to pay more of our hard-earned dollars in new and higher*  
26    *taxes.*

27    *(b) More spending, debt, and higher taxes are not the answer*  
28    *to California’s budget problems. In the 10 years between 2000–01*  
29    *and 2010–11, total state spending increased by over \$39 billion.*  
30    *In 2009, our state Legislature imposed one of the largest tax*

1 *increases ever enacted by any state in American history—over \$12*  
2 *billion.*

3 *(c) However, in spite of these eye-popping tax and spending*  
4 *increases, California government continues to fail the people. The*  
5 *politicians still cannot balance our state and local budgets, in*  
6 *good or bad economic times. Instead, they use gimmicks and*  
7 *borrowing to claim budgets are balanced when they know they*  
8 *are not. In fact, as much as 85 percent of the Legislature’s*  
9 *short-term budget “fixes” are never achieved, leaving California*  
10 *taxpayers deeply in debt and the budget unbalanced year after*  
11 *year. This has resulted in billions more in deficits and long-term*  
12 *debt that our children and grandchildren will have to pay back.*  
13 *Currently, California’s debt is already estimated in excess of \$200*  
14 *billion, including billions for excessive pensions.*

15 *(d) All of these additional taxes, spending, and debt did not*  
16 *improve the lives of everyday Californians. Today, our roads are*  
17 *crumbling, our schools are failing, and our public universities are*  
18 *becoming unaffordable. Our water system is broken, our prisons*  
19 *are overflowing, and we have fewer police officers patrolling our*  
20 *streets.*

21 *(e) As the past 10 years have proven, no amount of increased*  
22 *taxes and spending will ever fix the problem because the special*  
23 *interests who control our state and their politician friends will*  
24 *simply divert any extra taxpayer dollars to their own benefit, like*  
25 *unsustainable and overly generous public employee pensions.*  
26 *California does not have a revenue problem, it has a spending*  
27 *problem. The politicians no longer represent the taxpayers, only*  
28 *the special interests who demand higher spending and taxes with*  
29 *no accountability and no assurances the money is not wasted.*

30 *(f) Since the politicians can no longer be trusted to spend*  
31 *taxpayer money wisely, it is time for Californians to once again*  
32 *take back control of their government and limit what the politicians*  
33 *can spend. In 1979, voters enacted a reasonable spending limit,*  
34 *but over time the Legislature and special interests have demolished*  
35 *that limit originally approved by the voters.*

36 *(g) A crucial component of controlling government spending is*  
37 *to also control government’s ability to extract additional revenues*  
38 *from taxpayers. In 1978, voters enacted a reasonable requirement*  
39 *that no tax could be imposed by the Legislature without a*  
40 *two-thirds vote. Despite that clear and unambiguous standard,*

1 *the Legislature and the special interests have attempted to*  
2 *undermine the two-thirds vote requirement for taxes by suggesting*  
3 *that it may be possible for the Legislature to raise taxes on a simple*  
4 *majority vote in some situations. Here, the voters again reaffirm*  
5 *the two-thirds vote requirement for taxes and declare that all taxes,*  
6 *however constructed or conceived, may only be authorized,*  
7 *adopted, or increased by the Legislature through a two-thirds vote*  
8 *of each house of the Legislature.*

9 *(h) The only effective way to control government spending, end*  
10 *waste, pay off our debt, and protect taxpayers is to impose a*  
11 *reasonable spending limit that will force California politicians to*  
12 *once again live within our means and check the explosive and*  
13 *ineffective growth of government spending once and for all; now,*  
14 *therefore, be it*

15 **RESOLVED BY THE SENATE, THE ASSEMBLY**  
16 **CONCURRING,** *That the Legislature of the State of California*  
17 *at its 2011–12 Regular Session commencing on the sixth day of*  
18 *December 2010, two-thirds of the membership of each house*  
19 *concurring, hereby proposes to the people of the State of California*  
20 *that the Constitution of the State be amended as follows:*

21 *First—That Section 23 is added to Article IV thereof, to read:*

22 *SEC. 23. (a) Notwithstanding any other provision of this*  
23 *Constitution or any other law, any change in state statute shall be*  
24 *enacted by an act passed by not less than two-thirds of each house*  
25 *of the Legislature if the change in state statute would do any of*  
26 *the following:*

27 *(1) Impose a new or higher tax on any taxpayer.*

28 *(2) Authorize or enable imposition of a new or higher tax on*  
29 *any taxpayer by the State.*

30 *(3) Authorize or enable imposition of a new or higher tax on*  
31 *any taxpayer by any political subdivision of the State.*

32 *(b) As used in this section, the following terms have the following*  
33 *meanings:*

34 *(1) “Change in state statute” includes, but is not limited to, all*  
35 *of the following:*

36 *(A) Bills passed by the Legislature.*

37 *(B) An addition to, or amendment or repeal of, an initiative*  
38 *statute that only becomes effective when approved by the electors.*

39 *(C) An addition, amendment, or repeal of statutory “in-lieu”*  
40 *provisions or findings of statewide concern.*

1 (D) Any and every other possible type of modification to state  
2 law, whether by addition, amendment, or repeal, that is not  
3 identified in subparagraphs (A) to (C), inclusive.

4 (2) "Political subdivision" includes any "local government"  
5 and any "special district" as those terms are defined in Section 1  
6 of Article XIII C.

7 (3) "Tax" is defined in subdivision (b) of Section 3 of Article  
8 XIII A as applied to the State and subdivision (e) of Section 1 of  
9 Article XIII C as applied to an entity of local government.

10 (c) To the extent that any other provision of this Constitution  
11 could be read, whether expressly or impliedly, as authorizing the  
12 Legislature to enact any change in state statute pursuant to  
13 paragraphs (1) to (3), inclusive, of subdivision (a) without being  
14 enacted by an act passed by not less than two-thirds of each house  
15 of the Legislature, this section shall supersede that provision.

16 (d) (1) Any change in state statute enacted by the Legislature  
17 between December 1, 2011, and the effective date of this section,  
18 that would have been prohibited if this section were in effect on  
19 the date the change in state statute was enacted, is hereby repealed  
20 as of the date of its enactment.

21 (2) Notwithstanding paragraph (1), any change in state statute  
22 that is repealed under paragraph (1) may be reenacted by the  
23 Legislature and signed into law by the Governor in compliance  
24 with the requirements of this section.

25 (e) Notwithstanding Section 32 of Article XIII, any person shall  
26 have standing to challenge a violation of this section and enforce  
27 compliance with this section. In a legal action to challenge a  
28 violation of this section, the government bears the burden of  
29 proving its compliance with this section by a preponderance of  
30 the evidence.

31 *Second—That Section 1 of Article XIII B thereof is amended to*  
32 *read:*

33 ~~Section 1.~~

34 *SECTION 1.* (a) The total annual appropriations subject to  
35 limitation of the State ~~and of each local government~~ shall not  
36 exceed the appropriations limit ~~of the entity of government~~ for the  
37 prior year adjusted for the change in the cost of living and the  
38 change in population, except as otherwise provided in this article.

39 (b) *The total annual appropriations subject to limitation of each*  
40 *entity of local government shall not exceed the appropriations*

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

4 *(c) Any person shall have standing to challenge a violation of*  
5 *this article and enforce compliance with this article. In a legal*  
6 *action to challenge a violation of this article, the government bears*  
7 *the burden of proving its compliance with this article by a*  
8 *preponderance of the evidence.*

9 *Third—That Section 1.5 of Article XIII B thereof is amended to*  
10 *read:*

11 *SEC. 1.5. The annual calculation of the appropriations limit*  
12 *under this article for the State shall be reviewed as part of an*  
13 *annual financial audit conducted by the Controller. The annual*  
14 *calculation of the appropriations limit under this article for each*  
15 *entity of local government shall be reviewed as part of an annual*  
16 *financial audit.*

17 *Fourth—That Section 1.9 is added to Article XIII B thereof, to*  
18 *read:*

19 *SEC. 1.9. (a) If, in any fiscal year, the total amount of all*  
20 *proceeds of taxes received by the State exceeds the amount that*  
21 *may be appropriated by the State in compliance with this article*  
22 *and the total amount of debt service of the State in that fiscal year*  
23 *is 5 percent or more of the appropriations limit, the excess revenue*  
24 *shall be appropriated in the subsequent fiscal year for the reduction*  
25 *of debt.*

26 *(b) If, in any fiscal year, the total amount of all proceeds of*  
27 *taxes received by an entity of local government exceeds the amount*  
28 *that may be appropriated by the entity of local government in*  
29 *compliance with this article and the total amount of debt service*  
30 *of the entity of local government in that fiscal year is 5 percent or*  
31 *more of the appropriations limit, the excess revenue shall be*  
32 *appropriated in the subsequent fiscal year for the reduction of*  
33 *debt.*

34 *Fifth—That Section 2 of Article XIII B thereof is amended to*  
35 *read:*

36 *SEC. 2. (a) ~~(1)~~ If, in any fiscal year, the total amount of all*  
37 *proceeds of taxes received by the State exceeds the amount that*  
38 *may be appropriated by the State in compliance with this article*  
39 *by less than two billion dollars (\$2,000,000,000) and the total*  
40 *amount of debt service of the State in that fiscal year is less than*

1 5 percent of the appropriations limit, the excess revenue shall be  
2 appropriated as follows:

3 (1) ~~Fifty percent of all revenues received by the State in a fiscal~~  
4 ~~year and in the fiscal year immediately following it in excess of~~  
5 ~~the amount which may be appropriated by the State in compliance~~  
6 ~~with this article during that fiscal year and the fiscal year~~  
7 ~~immediately following it~~ the excess revenue shall be transferred  
8 and allocated, from a fund established for that purpose, pursuant  
9 to Section 8.5 of Article XVI. *Notwithstanding Article XVI,*  
10 *revenues transferred and allocated pursuant to this paragraph*  
11 *shall only supplement the funding guarantee for schools, and shall*  
12 *not change the minimum funding formula or the maintenance*  
13 *factor.*

14 (2) ~~Fifty percent of all revenues received by the State in a fiscal~~  
15 ~~year and in the fiscal year immediately following it in excess of~~  
16 ~~the amount which may be appropriated by the State in compliance~~  
17 ~~with this article during that fiscal year and the fiscal year~~  
18 ~~immediately following it shall be returned by a revision of tax~~  
19 ~~rates or fee schedules within the next two subsequent fiscal years~~  
20 *the excess revenue shall be transferred to the prudent state reserve*  
21 *fund required by Section 5.5. Notwithstanding Sections 5 and 5.5,*  
22 *excess revenues transferred pursuant to this paragraph shall not*  
23 *constitute an appropriation subject to limitation.*

24 (b) *If, in any fiscal year, the total amount of all proceeds of*  
25 *taxes received by the State exceeds the amount that may be*  
26 *appropriated by the State in compliance with this article by two*  
27 *billion dollars (\$2,000,000,000) or more and the total amount of*  
28 *debt service of the State in that fiscal year is less than 5 percent*  
29 *of the appropriations limit, the excess revenue shall be refunded*  
30 *to the taxpayers by a reduction of tax rates or fees within the next*  
31 *two subsequent fiscal years.*

32 ~~(b) All revenues~~

33 (c) *If, in any fiscal year, the total amount of all proceeds of*  
34 *taxes received by an entity of local government, other than the*  
35 *State, in a fiscal year and in the fiscal year immediately following*  
36 *it in excess of the amount which may be appropriated by the entity*  
37 *in compliance with this article during that fiscal year and the fiscal*  
38 *year immediately following it exceeds the amount that may be*  
39 *appropriated by the entity of local government in compliance with*  
40 *this article and the total amount of debt service of the entity of*

1 *local government in that fiscal year is less than 5 percent of the*  
 2 *appropriations limit, the excess revenue shall be returned to the*  
 3 *taxpayers by a ~~revision~~ reduction of tax rates or ~~fee schedules~~ fees*  
 4 *within the next two subsequent fiscal years.*

5 *Sixth—That Section 8 of Article XIII B thereof is amended to*  
 6 *read:*

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

9 (a) “Appropriations subject to limitation” of the State means  
 10 any authorization to expend during a fiscal year the proceeds of  
 11 taxes levied by or for the State, exclusive of state subventions for  
 12 the use and operation of local government (other than subventions  
 13 made pursuant to Section 6) and further exclusive of refunds of  
 14 taxes, benefit payments from retirement, unemployment insurance,  
 15 and disability insurance funds.

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

21 (c) ~~Proceeds~~ (1) *With respect to the State, “proceeds of taxes”*  
 22 *shall include, but not be restricted to, all tax revenues and the*  
 23 *proceeds to an entity of government, the State from (1) regulatory*  
 24 *licenses, user charges, and user fees to the extent that those*  
 25 *proceeds exceed the costs reasonably borne by that entity the State*  
 26 *in providing the regulation, product, or service, and (2) the*  
 27 *investment of tax those revenues and proceeds. “Proceeds of*  
 28 *taxes” shall not include, subventions to local governments, other*  
 29 *than subventions made pursuant to Section 6. With*

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

39 (d) “Local government” or “entity of local government” means  
 40 any city, county, city and county, *charter city, charter county,*

1 *charter city and county, school district, community college district,*  
2 *special district, authority, or any other political subdivision of or*  
3 *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 California per capita personal income from the preceding  
7 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 California per  
11 capita personal income from the preceding year, or (B) the  
12 percentage change in the local assessment roll from the preceding  
13 year for the jurisdiction due to the addition of local nonresidential  
14 new construction. Each entity of local government shall select its  
15 change in the cost of living pursuant to this paragraph annually by  
16 a recorded vote of the entity’s governing body.

17 (f) (1) “Change in population” of any entity of *local*  
18 *government, other than the State, a school district, or a community*  
19 *college district a school district or a community college district,*  
20 shall be determined by a method prescribed by the Legislature,  
21 *provided that the determination shall be revised, as necessary, to*  
22 *reflect the periodic census conducted by the United States*  
23 *Department of Commerce or any other department of the federal*  
24 *government that should succeed to the duties of the United States*  
25 *Department of Commerce.*

26 “Change

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

32 “Change

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

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

4 Any determination of population pursuant to this ~~subdivision~~  
5 *paragraph*, other than that measured by average daily attendance,  
6 shall be revised, as necessary, to reflect the periodic census  
7 conducted by the United States Department of Commerce, or  
8 ~~successor~~ *any other department of the federal government that*  
9 *should succeed to the duties of the United States Department of*  
10 *Commerce.*

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

18 (h) The "appropriations limit" of each entity of *local government*  
19 *and of the State* for each fiscal year is that amount ~~which that~~ total  
20 annual appropriations subject to limitation may not exceed under  
21 Sections 1 and 3. ~~However, the "appropriations limit" of each~~  
22 ~~entity of government for fiscal year 1978-79 is the total of the~~  
23 ~~appropriations subject to limitation of the entity for that fiscal year.~~  
24 ~~For fiscal year 1978-79, state subventions to local governments,~~  
25 ~~exclusive of federal grants, are deemed to have been derived from~~  
26 ~~the proceeds of state taxes.~~

27 (i) Except as otherwise provided in Section 5, "appropriations  
28 subject to limitation" do not include local agency loan funds or  
29 indebtedness funds, investment (or authorizations to invest) funds  
30 of the State, or of an entity of local government in accounts at  
31 banks or savings and loan associations or in liquid securities.

32 (j) "*Debt*" means the total amount of outstanding general  
33 obligation bonds or other bonded indebtedness of the State or of  
34 an entity of local government, including interest and redemption  
35 charges, approved according to law by a vote of the electors of  
36 the issuing entity.

37 *Seventh—That Section 9 of Article XIII B thereof is amended to*  
38 *read:*

39 SEC. 9. "Appropriations subject to limitation" for each entity  
40 of *local government and for the State* do not include:

1 (a) Appropriations for debt service.

2 (b) Appropriations required to comply with mandates of the  
3 courts or the federal government which, without discretion, require  
4 an expenditure for additional services or ~~which that~~ unavoidably  
5 make the provision of existing services more costly.

6 (c) Appropriations of any special district ~~which that~~ existed on  
7 January 1, 1978, and ~~which that~~ did not as of the 1977–78 fiscal  
8 year levy an ad valorem tax on property in excess of 12½ cents  
9 (\$0.125) per ~~\$100~~ *one hundred dollars (\$100)* of assessed value;  
10 or the appropriations of any special district then existing or  
11 thereafter created by a vote of the people, which is totally funded  
12 by other than the proceeds of taxes.

13 (d) Appropriations for all qualified capital outlay projects, ~~as~~  
14 ~~defined by the Legislature.~~ *As used in this subdivision, an*  
15 *appropriation for a “qualified capital outlay project” means an*  
16 *appropriation for a fixed asset, including land and construction,*  
17 *with a useful life of 10 or more years and a value that equals or*  
18 *exceeds one hundred thousand dollars (\$100,000).*

19 (e) Appropriations of revenue ~~which that~~ are derived from any  
20 of the following:

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

24 (2) Sales and use taxes collected on that increment of the tax  
25 specified in paragraph (1).

26 (3) That portion of the weight fee imposed on commercial  
27 vehicles ~~which that~~ exceeds the weight fee imposed on those  
28 vehicles on January 1, 1990.

29 *Eighth—That Section 9.5 is added to Article XIII B thereof, to*  
30 *read:*

31 *SEC. 9.5. Any statute enacted pursuant to Section 8 of Article*  
32 *II or Article IV shall not do any of the following:*

33 (a) *Exempt or have the effect of exempting any appropriation*  
34 *from the appropriations limit of the State or of an entity of local*  
35 *government.*

36 (b) *Exempt or have the effect of exempting any proceeds of taxes*  
37 *from this article.*

38 *Ninth—That Section 10.5 of Article XIII B thereof is amended*  
39 *to read:*

1 SEC. 10.5. (a) For fiscal years beginning on or after July 1,  
 2 ~~1990~~ 2013, the appropriations limit for the State shall be the total  
 3 amount of appropriations subject to limitation in fiscal year  
 4 2010–11 adjusted for changes in population and changes in the  
 5 cost of living from that fiscal year pursuant to this article.

6 (b) The appropriations limit of each entity of local government  
 7 shall be the appropriations limit for the 1986–87 fiscal year  
 8 adjusted for the changes made from that fiscal year pursuant to  
 9 this article, as amended by the measure adding this section, adjusted  
 10 for the changes required by Section 3.

11 *Tenth—This measure shall be liberally construed to promote*  
 12 *its objectives to the fullest extent possible. If this measure is found*  
 13 *to be inconsistent with any other provision of the California*  
 14 *Constitution, whether expressly or impliedly, this measure shall*  
 15 *be controlling.*

16 *Eleventh—If any section, subdivision, paragraph, sentence,*  
 17 *clause, phrase, or word of this measure is for any reason held to*  
 18 *be invalid by a decision of any court of competent jurisdiction,*  
 19 *that decision shall not affect the validity of the remaining portions*  
 20 *of the measure. The People of California hereby declare that the*  
 21 *people would have passed this measure and each and every section,*  
 22 *subdivision, paragraph, sentence, clause, phrase, and word not*  
 23 *declared invalid or unconstitutional without regard to whether*  
 24 *any portion of this measure would be subsequently declared*  
 25 *invalid.*

26 ~~Resolved by the Senate, the Assembly concurring, That the~~  
 27 ~~Legislature of the State of California at its 2011–12 Regular~~  
 28 ~~Session commencing on the sixth day of December 2010,~~  
 29 ~~two-thirds of the membership of each house concurring, hereby~~  
 30 ~~proposes to the people of the State of California that the~~  
 31 ~~Constitution of the State be amended as follows:~~

32 ~~First—That Article XIII B thereof is repealed:~~

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

34  
 35 **ARTICLE XIII B**  
 36 **EXPENDITURE LIMIT**  
 37

38 ~~SECTION 1. (a) (1) The total expenditures made in a fiscal~~  
 39 ~~year from the General Fund of the State and state special funds~~  
 40 ~~shall not exceed the expenditure limit for that fiscal year, computed~~

1 by multiplying the sum of one plus the percentage change in the  
2 cost of living and the percentage change in the state population by  
3 the total expenditures from the General Fund and state special  
4 funds for the immediately preceding fiscal year. However, if the  
5 total expenditures in the prior fiscal year are less than the amount  
6 of the expenditure limit for that year, then the expenditure limit  
7 for the next fiscal year may equal, but not exceed, the amount of  
8 the expenditure limit for the prior fiscal year.

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

16 (b) The expenditure limit in subdivision (a) may be exceeded  
17 for a fiscal year in an emergency, but any such excess spending  
18 shall not be part of the expenditure base for purposes of  
19 determining the amount of the expenditure limit pursuant to  
20 subdivision (a) for the next fiscal year. As used in this subdivision,  
21 “emergency” means the existence, as declared by the Governor,  
22 of conditions of disaster or of extreme peril to the safety of persons  
23 and property within the State, or parts thereof, caused by such  
24 conditions as attack or probable or imminent attack by an enemy  
25 of the United States, fire, flood, drought, storm, civil disorder,  
26 earthquake, or volcanic eruption.

27 (c) Any revenue that may not be expended in the current fiscal  
28 year due to the expenditure limit in this section shall be allocated  
29 as follows:

30 (1) To the Special Reserve Account, which is hereby created in  
31 the General Fund of the State, to the extent that this account  
32 contains an amount less than or equal to 10 percent of the amount  
33 of the expenditure limit for the current fiscal year. Notwithstanding  
34 any other provision of this section, money in the Special Reserve  
35 Account may be expended in an amount equal to the amount by  
36 which revenues reported by the Department of Finance as being  
37 received by the State during the fiscal year fall below the final  
38 revenue estimates for that fiscal year, as provided in the Final  
39 Budget Summary published by the Department of Finance or its  
40 successor document. Any funds expended from the Special Reserve

1 Account pursuant to this paragraph are part of the expenditure base  
2 for the fiscal year in which the expenditure is made, for the  
3 purposes of determining the expenditure limit pursuant to  
4 subdivision (a) for the next fiscal year. Subject to the 10-percent  
5 restriction set forth in this paragraph, any unexpended balance in  
6 the reserve account, including any interest earnings, shall carry  
7 over from one year to the next.

8 (2) Revenue that exceeds the amount that may be deposited into  
9 the Special Reserve Account shall be allocated as follows:

10 (A) Fifty percent shall be transferred to a fund that is allocated  
11 as provided in Section 8.5 of Article XVI.

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

16 (d) If the financial responsibility for providing services is  
17 transferred, in whole or in part, from the state government to an  
18 entity of local government, then the amount of the expenditure  
19 limit in the year that the transfer is implemented shall be reduced  
20 by an amount equal to the cost of providing the transferred services,  
21 to prevent an effective increase in the level of allowable state  
22 spending. For the purposes of this section, a transfer of financial  
23 responsibility for providing services does not include any mandate  
24 of a program or level of service for which reimbursement is  
25 required by Section 3.

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

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

5 ~~SEC. 3. (a) Whenever the Legislature or any state agency~~  
6 ~~mandates a new program or higher level of service on any local~~  
7 ~~government, the State shall provide a subvention of funds to~~  
8 ~~reimburse the local government for the costs of that program or~~  
9 ~~increased level of services, except that the Legislature may, but is~~  
10 ~~not required to, provide that subvention of funds for the following~~  
11 ~~mandates:~~

12 ~~(1) A legislative mandate requested by the local government~~  
13 ~~affected.~~

14 ~~(2) Legislation defining a new crime or changing an existing~~  
15 ~~definition of a crime.~~

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

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

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

26 ~~(d) (1) For any fiscal year for a mandate for which the costs of~~  
27 ~~a local government claimant have been determined in a preceding~~  
28 ~~fiscal year to be payable by the State pursuant to law, the~~  
29 ~~Legislature shall either appropriate, in the annual Budget Act, the~~  
30 ~~full payable amount that has not been previously paid, or suspend~~  
31 ~~the operation of the mandate for the fiscal year for which the annual~~  
32 ~~Budget Act is applicable in a manner prescribed by law.~~

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

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

38 ~~(4) This subdivision shall not apply to a requirement to provide~~  
39 ~~or recognize any procedural or substantive protection, right, benefit,~~  
40 ~~or employment status of any local government employee or retiree,~~

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

5 (e) Ad valorem property tax revenues shall not be used to  
6 reimburse a local government for the costs of a new program or  
7 higher level of service.

8 Third—That Section 8.5 of Article XVI thereof is amended to  
9 read:

10 SEC. 8.5. (a) In addition to the amount required to be applied  
11 for the support of school districts and community college districts  
12 pursuant to Section 8, the Controller shall during each fiscal year  
13 transfer and allocate all revenues available pursuant to  
14 subparagraph (A) of paragraph (2) of subdivision (c) of Section 1  
15 of Article XIII B to that portion of the State School Fund restricted  
16 for elementary and high school purposes, and to that portion of  
17 the State School Fund restricted for community college purposes,  
18 respectively, in proportion to the enrollment in school districts and  
19 community college districts respectively.

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

31 (2) With respect to funds allocated to that portion of the State  
32 School Fund restricted for community college purposes, no transfer  
33 or allocation of funds pursuant to this section shall be required at  
34 any time that the Director of Finance and the Chancellor of the  
35 California Community Colleges mutually determine that current  
36 annual expenditures per student for community colleges in this  
37 State equal or exceed the average annual expenditure per student  
38 of the 10 states with the highest annual expenditures per student  
39 for community colleges.

1     ~~(b) From any funds transferred to the State School Fund pursuant~~  
2 ~~to subdivision (a), the Controller shall each year allocate to each~~  
3 ~~school district and community college district an equal amount~~  
4 ~~per enrollment in school districts from the amount in that portion~~  
5 ~~of the State School Fund restricted for elementary and high school~~  
6 ~~purposes and an equal amount per enrollment in community college~~  
7 ~~districts from that portion of the State School Fund restricted for~~  
8 ~~community college purposes.~~

9     ~~(e) All revenues allocated pursuant to subdivision (a) shall be~~  
10 ~~expended solely for the purposes of instructional improvement~~  
11 ~~and accountability as required by law.~~

12     ~~(d) Any school district maintaining an elementary or secondary~~  
13 ~~school shall develop and cause to be prepared an annual audit~~  
14 ~~accounting for those funds and shall adopt a School Accountability~~  
15 ~~Report Card for each school.~~