AMENDED IN ASSEMBLY APRIL 12, 2010

AMENDED IN ASSEMBLY MARCH 17, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

Assembly Constitutional Amendment No. 4

Introduced by Assembly Members Feuer, John A. Perez, and Bass
(Coauthor: Senator Steinberg)

December 3, 2008

Assembly Constitutional Amendment No. 4—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 8 and 9 of Article II thereof, by amending Sections 8, 10, and 12 of Article IV thereof, by amending Sections 24 and 25.5 of Article XIII thereof, by amending Section 3 of Article XIII A thereof, by adding Section 17 to Article XI thereof, *by adding Section 21 to Article XVI thereof,* and by adding Section 3.5 to Article XVIII thereof, relating to state and local finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 4, as amended, Feuer. State and local finance reform.

(1) Under the existing California Constitution, the initiative is the power of the electors to propose statutes and amendments to the state constitution and to adopt or reject them.

This measure would require that an initiative measure that would result in a net increase in state or local government costs, other than costs attributable to the issuance, sale, or repayment of bonds authorized by the measure, as jointly determined by the Legislative Analyst and Director of Finance, may not be submitted to the electors or have any effect unless and until the Legislative Analyst and the Director of Finance jointly determine that the initiative measure provides for additional revenues in an amount that meets or exceeds the net increase in costs.

The California Constitution generally vests the legislative power of the state in *the* California State Legislature.

This measure would make void a statute that would result either in a net increase in qualified state costs or a net decrease in state revenue in excess of $25,000,000 annually, as defined by statute and as adjusted for inflation, unless the statute also contains provisions that would result in state program reductions or additional state revenue as defined by statute in an amount that is equal to or greater than the net increase in qualified state costs or net decrease in state revenue subject to exceptions for the Budget Act, and statutes required to fund increased costs for education as required by the Constitution.

The California Constitution provides that the Legislature may propose to the electors both amendments and revisions to the California Constitution, and may enact statutes by passing bills.

This measure would prohibit a constitutional amendment or revision from being submitted to the electors or having any effect if that measure would create a new state program or agency or expand the scope of an existing state program or agency and cause either a net increase in state costs or a net decrease in state revenues in excess of $25,000,000 annually, as adjusted for inflation, unless the measure identifies additional revenue in an amount that is equal to or greater than the increased costs or decrease in revenue.

(2) Existing provisions of the California Constitution provide that if, following the enactment of a Budget Bill, the Governor determines that, for the fiscal year addressed by the Budget Bill, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the Budget Bill was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, the Governor may issue a proclamation declaring a fiscal emergency and cause the Legislature to assemble in special session. If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency by the 45th day following the issuance of the proclamation, the Legislature may not act on any other bill or adjourn for joint recess, until a bill or bills addressing the fiscal emergency has been passed and sent to the Governor.

This measure additionally would provide that, if the Legislature has not passed and sent to the Governor a bill or bills addressing a fiscal emergency by the 45th day following the proclamation declaring the emergency, the Governor may, by executive order, reduce or eliminate any unexpended appropriation in the Budget Act for the fiscal year that is not required by the California Constitution or federal law, in an amount not exceeding the amount of the budget discrepancy identified by the Governor. The measure would authorize the Legislature to override those actions of the Governor by a $\frac{2}{3}$ vote of the membership of each house.

(3) The California Constitution requires the Governor to submit to the Legislature by January 10 of each year a budget for the ensuing fiscal year, accompanied by a Budget Bill itemizing recommended expenditures. The Legislature is required to pass the Budget Bill by June 15. The Constitution requires that specified bills, including bills making a change in state taxes for the purpose of raising revenue, bills containing an urgency clause, and bills, including the Budget Bill, that make certain appropriations from the General Fund, be passed in each house of the Legislature by a $\frac{2}{3}$ vote.

This measure would require the Governor to submit to the Legislature by January 10 of each year a budget for the ensuing fiscal year, known as the budget year, and for the succeeding fiscal year. The measure would require the budget to contain specified information, including performance measurement standards for state agencies and programs, and a projection for anticipated state revenues. The Governor would be required to include in the budget an estimate of the amount of state funds available for the proposed expenditures, and to include revenue and expenditure projections for 3 additional fiscal years. The Governor also would be required to provide a 5-year capital infrastructure and strategic growth plan as specified by statute. If the Governor proposes to create a new state program or agency, or to expand the scope of an existing state program or agency, which would increase state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax the effect of which would reduce state revenue in the budget year or the succeeding fiscal year, the measure would require the Governor to identify state program reductions or additional revenues that is equal to or greater than the increase in costs or decrease in revenue. Under the measure, the Governor additionally would be required to provide the Legislature with updated projections of state revenue and expenditures for the budget and succeeding fiscal years at specified times during the budget process.

This measure would require that each house of the Legislature, on or before May 1 of each year, refer the Budget Bill and bills implementing the Budget Bill to a joint committee of the Legislature, which must report recommendations to each house by June 20. This measure would require the Legislature, by June 25, to pass and present to the Governor the Budget Bill. The measure also would provide that, if a Budget Bill is not passed and presented to the Governor by June 25, Members of the Legislature would forfeit any salary and travel and living expenses from that date until the date the Budget Bill is passed and presented to the Governor.

The measure also would limit the use of unanticipated revenues, as defined pursuant to annual determinations made by the Director of Finance, for specified purposes.

Appropriations in a Budget Bill, as defined, would be exempted from the ⅔-vote requirement that applies to appropriations from the General Fund. A Budget Bill, and any budget implementation bills, would go into effect immediately upon their enactment.

Under the existing California Constitution, the referendum is the power of the electors to approve or reject statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the state.

This measure would expressly include statutes enacting the Budget Bill among those exceptions to the power of referendum.

~~(4) The measure would permit any nonrecurring revenues, as defined by statute, to be expended only to pay for one-time expenditures.~~

~~(5)~~

(4) The existing California Constitution requires the approval of ⅔ of the membership of each house of the Legislature to pass a bill that would make a change in state taxes for the purposes of increasing revenues derived from those taxes.

This measure would further require that a bill imposing a fee that would fund a program, service, or activity previously funded by a tax, which was either repealed or reduced in the same fiscal year or a prior fiscal year, be passed by a ⅔ vote of both legislative houses.

~~(6)~~

(5) The California Constitution authorizes the existence of local governments that can make and enforce ordinances and regulations that are not in conflict with general laws. The California Constitution also requires that general ad valorem property revenues be allocated to local jurisdictions in each county in the manner as provided in statute.

This measure would authorize local government agencies, in the manner provided for by statute, to adopt and implement a Countywide

Strategic Action Plan, and, upon adoption of the plan in a county, would authorize the county board of supervisors to place on the ballot a measure to impose an additional countywide sales and use tax, the revenues of which would be distributed as provided pursuant to statute and the Countywide Strategic Action Plan. This measure would prohibit the state from reallocating the proceeds of a non-ad valorem tax that is imposed by a local government agency, would specify that general ad valorem property tax revenues are required to be allocated to jurisdictions in the county in which those revenues are collected, and would prohibit the direction by statute of the expenditure of those revenues for any specific purpose or purposes.

~~(7)~~

(6) The California Constitution prohibits the Legislature from modifying the manner in which ad valorem property tax revenues are allocated by law so as to reduce, for any fiscal year, the percentage of the total amount of property tax revenues in a county that is allocated among all of the local agencies in that county below the percentage of the total amount of those revenues that would be allocated among those agencies for the same fiscal year under the statutes in effect on November 3, 2004. This prohibition may be suspended for a fiscal year under specified conditions.

This measure would limit the suspension authority to the 2009–10 fiscal year. The measure would, except for specified purposes, also prohibit the Legislature from reallocating or directing the expenditure of property tax revenues that are allocated to a community redevelopment agency under constitutional provisions that authorize the expenditure by the agency of incremental property tax revenues in a redevelopment project area.

~~(8)~~

(7) This measure provides that it would become operative on January 1, 2011.

Vote: ⅔. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

First—The People of the State of California find and declare all of the following:

(a) Throughout its history, California has led the way in technology, education, and quality of life. California thrives because its people value innovation, diversity, and creativity in how they work, think, and live.

(b) California's future as a world leader depends on continuing to improve public services that are vital to its people: outstanding public schools; reliable police, fire, and emergency services; affordable and available healthcare; and modern infrastructure.

(c) This task is not the job of any one political party or ideology. It is the shared responsibility of every Californian. In particular, California's elected leaders have an obligation to continually evaluate the effectiveness of these services and to strive to deliver the best possible results while minimizing waste, fraud, and abuse of taxpayer dollars.

(d) The adoption of a state budget should play a key role in setting priorities, making choices about how tax dollars are spent, and ensuring that the people and their elected leaders understand the objectives and the consequences of budget decisions.

(e) In recent years, however, this process has become bogged down by political bickering and special interests seeking undue influence.

(f) California needs to change the state budget process to give policymakers the tools needed to restore and maintain public trust, and to hold them accountable by requiring them to forfeit their pay when they fail to approve a budget on time.

(g) The changes to the state budget process proposed by this measure will ensure the long-term fiscal health of California by requiring the Governor and the Legislature to use the best practices of other states and successful businesses to improve results and create accountability as follows:

(1) Planning ahead: The state will be guided by plans that consider long-term costs and revenue forecasts so that decisionmakers and the public understand the future implications of today's fiscal choices.

(2) Focusing on priorities and results: Budget decisions will be guided by what programs are trying to achieve and changes needed to reach specific goals, including changes to strategy, management, and resources.

(3) Creating a culture of accountability: Lawmakers will spend more time reviewing what the public is getting for its money and making changes to policies and programs to improve results.

(4) Ending partisan budget gridlock: A simple majority vote to pass the budget—while preserving the two-thirds vote to raise taxes and ensuring that higher fees are not used to supplant tax revenue—will both prevent costly delays in enacting a budget and increase accountability for budget decisions.

(5) Managing volatile revenue: Temporary spikes in revenue cannot be relied upon to expand basic services but instead must be used, after meeting the minimum funding guarantee for education, for one-time purposes, such as paying down debt or saving for periods of declining revenue.

(6) Paying our own way: In hard economic times, it is incumbent upon the people of California to make sure that the state has the money to pay for new programs before committing to them. Under this measure, major new and expanded programs will be financed through efficiencies—dollars redirected from lower priorities or new revenue. Policymakers will be required to link a policy choice over a new program or tax cut with the decision about how to pay for it.

Second—That Section 8 of Article II thereof is amended to read:

SEC. 8. (a) The initiative is the power of the electors to propose statutes and amendments to the Constitution and to adopt or reject them.

(b) An initiative measure may be proposed by presenting to the Secretary of State a petition that sets forth the text of the proposed statute or amendment to the Constitution and is certified to have been signed by electors equal in number to 5 percent in the case of a statute, and 8 percent in the case of an amendment to the Constitution, of the votes for all candidates for Governor at the last gubernatorial election.

(c) The Secretary of State shall then submit the measure at the next general election held at least 131 days after it qualifies or at any special statewide election held prior to that general election. The Governor may call a special statewide election for the measure.

(d) An initiative measure embracing more than one subject may not be submitted to the electors or have any effect.

(e) An initiative measure may not include or exclude any political subdivision of the State from the application or effect of its provisions based upon approval or disapproval of the initiative measure, or based upon the casting of a specified percentage of votes in favor of the measure, by the electors of that political subdivision.

(f) An initiative measure may not contain alternative or cumulative provisions wherein one or more of those provisions would become law depending upon the casting of a specified percentage of votes for or against the measure.

(g) An initiative measure that would result in a net increase in state or local government costs, other than costs attributable to the issuance, sale, or repayment of bonds authorized by the measure, as jointly determined by the Legislative Analyst and *the* Director of Finance, may not be submitted to the electors or have any effect unless and until the Legislative Analyst and the Director of Finance jointly determine that the initiative measure provides for additional revenues in an amount that meets or exceeds the net increase in costs.

Third—That Section 9 of Article II thereof is amended to read:

SEC. 9. (a) The referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling elections, statutes enacting the budget bill, and statutes providing for tax levies or appropriations for usual current expenses of the State.

(b) A referendum measure may be proposed by presenting to the Secretary of State, within 90 days after the enactment date of the statute, a petition certified to have been signed by electors equal in number to 5 percent of the votes for all candidates for Governor at the last gubernatorial election, asking that the statute or part of it be submitted to the electors. In the case of a statute enacted by a bill passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, the petition may not be presented on or after January 1 next following the enactment date unless a copy of the petition is submitted to the Attorney General pursuant to subdivision (d) of Section 10 before January 1.

(c) The Secretary of State shall then submit the measure at the next general election held at least 31 days after it qualifies or at a special statewide election held prior to that general election. The Governor may call a special statewide election for the measure.

Fourth—That Section 8 of Article IV thereof is amended to read:

SEC. 8. (a) At regular sessions no bill other than the budget bill may be heard or acted on by committee or either house until the 31st day after the bill is introduced unless the house dispenses with this requirement by rollcall vote entered in the journal, three-fourths of the membership concurring.

(b) The Legislature may make no law except by statute and may enact no statute except by bill. No bill may be passed unless it is read by title on three days in each house except that the house may dispense with this requirement by rollcall vote entered in the journal, two-thirds of the membership concurring. No bill may be passed until the bill with amendments has been printed and distributed to the Members. No bill may be passed unless, by rollcall vote entered in the journal, a majority of the membership of each house concurs.

(c) (1) Except as provided in paragraphs (2) and (3), a statute enacted at a regular session shall go into effect on January 1 next following a 90-day period from the date of enactment of the statute and a statute enacted at a special session shall go into effect on the 91st day after adjournment of the special session at which the bill was passed.

(2) A statute, other than a statute establishing or changing boundaries of any legislative, congressional, or other election district, enacted by a bill passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, shall go into effect on January 1 next following the enactment date of the statute unless, before January 1, a copy of a referendum petition affecting the statute is submitted to the Attorney General pursuant to subdivision (d) of Section 10 of Article II, in which event the statute shall go into effect on the 91st day after the enactment date unless the petition has been presented to the Secretary of State pursuant to subdivision (b) of Section 9 of Article II.

(3) Statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, urgency statutes, and statutes enacting a budget bill or a budget

implementation bill shall go into effect immediately upon their enactment.

(d) Urgency statutes are those necessary for immediate preservation of the public peace, health, or safety. A statement of facts constituting the necessity shall be set forth in one section of the bill. In each house the section and the bill shall be passed separately, each by rollcall vote entered in the journal, two-thirds of the membership concurring. An urgency statute may not create or abolish any office or change the salary, term, or duties of any office, or grant any franchise or special privilege, or create any vested right or interest.

(e) (1) A statute that would result in either a net increase in qualified state costs or a net decrease in state revenue in excess of twenty-five million dollars ($25,000,000) annually, as defined by statute, as adjusted for inflation pursuant to the California Consumer Price Index, is void unless the statute having that fiscal effect also contains provisions that would result in state program reductions or additional state revenue, or both, as defined by statute, in an amount that is equal to or greater than the net increase in qualified state costs or net decrease in state revenue.

(2) Paragraph (1) does not apply to the following:

(A) The budget act or a statute enacting a budget implementation bill.

(B) An appropriation that is in satisfaction of the requirements of Section 8 of Article XVI.

Fifth—That Section 10 of Article IV thereof is amended to read:

SEC. 10. (a) Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if it is signed by the Governor. The Governor may veto it by returning it with any objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by rollcall vote entered in the journal, two-thirds of the membership concurring, it becomes a statute.

(b) (1) Any bill, other than a bill which would establish or change boundaries of any legislative, congressional, or other election district, passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, that is not returned within 30 days after that date becomes a statute.

(2) Any bill passed by the Legislature before September 1 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after September 1 that is not returned on or before September 30 of that year becomes a statute.

(3) Any other bill presented to the Governor that is not returned within 12 days becomes a statute.

(4) If the Legislature by adjournment of a special session prevents the return of a bill with the veto message, the bill becomes a statute unless the Governor vetoes the bill within 12 days after it is presented by depositing it and the veto message in the office of the Secretary of State.

(5) If the 12th day of the period within which the Governor is required to perform an act pursuant to paragraph (3) or (4) is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday.

(c) Any bill introduced during the first year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even-numbered year except bills that would take effect immediately upon enactment and bills passed after being vetoed by the Governor.

(d) The Legislature shall not present any bill to the Governor after November 15 of the second calendar year of the biennium of the legislative session.

(e) The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. The Governor shall append to the bill a statement of the items reduced or eliminated with the reasons for the action. The Governor shall transmit to the house originating the bill a copy of the statement and reasons. Items reduced or eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills.

(f) (1) If, following the enactment of the budget bill for the 2004–05 fiscal year or any subsequent fiscal year, the Governor determines that, for that fiscal year, General Fund revenues will decline substantially below the estimate of General Fund revenues upon which the budget bill for that fiscal year, as enacted, was based, or General Fund expenditures will increase substantially above that estimate of General Fund revenues, or both, the Governor may issue a proclamation declaring a fiscal emergency and shall thereupon cause the Legislature to assemble in special session for this purpose. The proclamation shall identify the nature of the fiscal emergency, including the amount of the budget discrepancy, and shall be submitted by the Governor to the Legislature, accompanied by proposed legislation to address the fiscal emergency. When the Governor issues a proclamation declaring a fiscal emergency, the Legislature shall pass and present to the Governor a bill or bills to address the fiscal emergency.

(2) If the Legislature fails to pass and send to the Governor a bill or bills to address the fiscal emergency by the 45th day following the issuance of the proclamation, the Legislature shall not act on any other bill, nor may the Legislature adjourn for a joint recess, until that bill or those bills have been passed and sent to the Governor.

(3) A bill addressing the fiscal emergency declared pursuant to this section shall contain a statement to that effect. For purposes of this subdivision, a bill that contains the statement required by this paragraph shall thereby be deemed to address the fiscal emergency.

(4) If the Legislature has not passed and sent to the Governor a bill or bills to address a fiscal emergency by the 45th day following the issuance of the proclamation, the Governor may, by executive order, reduce or eliminate any unexpended appropriation in the budget act for that fiscal year to the extent that the appropriation is not required by this Constitution or by federal law. The total amount of the reduction or elimination of appropriations shall not exceed the amount of the budgetary discrepancy identified by the Governor pursuant to paragraph (1).

(5) If the Legislature is in session when the Governor issues an executive order pursuant to paragraph (4), it may, within 20 days following the date the order is issued, override all or part of the executive order by a resolution passed by rollcall vote entered in the journal, two-thirds of the membership of each house concurring. If the Legislature is not in session when the Governor issues the executive order, the Legislature may, within 30 days following the date the order is issued, reconvene and override all or part of the executive order by resolution in the manner described above. An executive order, or a part thereof, that is not overridden by the

Legislature shall take effect the day after the period to override the executive order has expired.

Sixth—That Section 12 of Article IV thereof is amended to read:

SEC. 12. (a) (1) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature a budget for both the ensuing fiscal year, known as the budget year, and for the succeeding fiscal year. The budget shall contain itemized statements, provisional language, performance measurement standards for state agencies and programs, recommended state expenditures, and a projection of anticipated state revenues, including ~~nonrecurring revenue as defined by statute~~ *revenues anticipated to be one-time revenue*. The budget shall also contain an estimate of the total resources available for the state expenditures recommended for the budget year and the succeeding fiscal year. The budget shall also contain a projection of anticipated state expenditures and anticipated state revenues for the three fiscal years following the fiscal year succeeding the budget year, and budget-related plans and proposals for those three fiscal years. If, for the budget year and the succeeding fiscal year, recommended expenditures exceed estimated revenues, the Governor shall recommend reductions in expenditures or the sources from which the additional revenues should be provided, or both. The recommendations shall include an estimate of the long-term impact that expenditure reductions or additional revenues will have on the economy of California. Together with the budget, the Governor shall submit to the Legislature any legislation necessary to implement appropriations contained in the budget, together with a five-year capital infrastructure and strategic growth plan, as specified by statute.

(2) If the Governor's budget proposes to create a new state program or agency, or to expand the scope of an existing state program or agency, as defined by statute, which would result in a net increase in state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax, which would result in a net decrease in state revenue in the budget year or the succeeding fiscal year, the proposal shall be accompanied by a statement identifying state program reductions or sources of additional state revenue, or both, in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenue.

(3) After submitting a budget for the budget year and the succeeding fiscal year, the Governor shall submit to the Legislature updated projections of state revenue and state expenditures for each of those fiscal years according to the following schedule:

(A) May 15 of each year.

(B) Immediately following the report of recommendations by the joint committee pursuant to paragraph (3) of subdivision (c).

(C) October 15 of each year.

(b) The Governor and the Governor-elect may require a state agency, officer, or employee to furnish whatever information is deemed necessary to prepare the budget.

(c) (1) The budget shall be accompanied by a budget bill itemizing recommended expenditures for the budget year.

(2) The budget bill and any legislation necessary to implement appropriations contained in the budget bill shall be introduced immediately in each house by the persons chairing the committees that consider the budget.

(3) On or before May 1 of each year, after the appropriate committees of each house of the Legislature have considered the budget bill and bills implementing the budget bill, each house of the Legislature shall refer the budget bill and bills implementing the budget bill to a joint committee of the Legislature. The joint committee shall report its recommendations to each house no later than June 20 of each year. This paragraph does not preclude the referral of one or more of these bills to policy committees in addition to the joint committee.

(4) No later than June 25 of each year, the Legislature shall pass the budget bill and bills implementing the budget bill, and shall present these bills to the Governor. Notwithstanding any other provision of this Constitution, including Sections 4 and 8 of Article II and Section 4 and subdivision (c) of Section 12 of this article, in any year in which the budget bill is not passed by the Legislature and presented to the Governor by midnight on June 25, Members of the Legislature shall forfeit any salary or reimbursement for travel or living expenses during any regular or special session for the period from midnight on June 25 until the day that the budget bill is passed and presented to the Governor. No salary or reimbursement for travel or living expenses forfeited pursuant to this paragraph shall be paid retroactively.

(5) Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the budget year, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature.

(d) No bill except a budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose. Appropriations from the General Fund of the State, except appropriations for the public schools or appropriations made in a budget bill, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.

(f) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature shall not send to the Governor for consideration, nor shall the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, a total amount that, when combined with all appropriations from the General Fund for that fiscal year made as of the date of the budget bill's passage, and the amount of any General Fund moneys transferred to the Budget Stabilization Account for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues for that fiscal year estimated as of the date of the budget bill's passage. That estimate of General Fund revenues shall be set forth in the budget bill passed by the Legislature.

(g) The Legislature shall establish an oversight process for evaluating and improving the performance of all programs undertaken by the State, or by local entities on behalf of the State, based on performance standards established pursuant to statute. Within one year of the operative date of the measure adding this subdivision, the Legislature shall establish a schedule of review for all state programs, whether managed by a state or local agency. The review schedule shall be designed so that the relationship between similar state programs may be examined. The review process shall result in recommendations in the form of legislation that improves or terminates programs. Each state program shall be reviewed at least once every 10 years.

~~(h) Any nonrecurring revenue, as defined by statute, shall be expended only for one-time expenditures.~~

~~(i)~~

(h) For purposes of this section and Section 8:

(1) A "budget bill" is a bill that makes appropriations for the support of the government of the State for an entire fiscal year, including a bill that contains only provisions amending or augmenting an enacted bill that made appropriations for the support of the government of the State for an entire fiscal year.

(2) A "budget implementation bill" is a bill enacted by a statute that is identified in the budget bill as containing only changes in law necessary to implement a specific provision of the budget bill.

Seventh—That Section 17 is added to Article XI thereof, to read:

SEC. 17. (a) Local agencies in a county may, as provided for by statute, adopt and implement a Countywide Strategic Action Plan that includes making effective use of existing resources and providing for the means whereby additional revenue would accelerate progress toward community goals. A Countywide Strategic Action Plan shall provide for the sharing of local tax revenues between local agencies within the county that is in addition to any other authority conferred by this Constitution for the sharing of local tax revenues between local agencies.

(b) In a county where a Countywide Strategic Action Plan is adopted, the board of supervisors may, with the approval of a majority of its membership, adopt an ordinance to place on the ballot at a countywide election a measure to impose a countywide sales and use tax that is in addition to any other sales and use tax or any transactions and use tax imposed within the county. Any tax measure placed on the ballot pursuant to this subdivision is approved if it receives the affirmative vote of a majority of the voters voting on the proposition.

(c) Notwithstanding any provision of law, the proceeds, net of refunds, of an additional local sales and use tax imposed in a county pursuant to subdivision (b) shall be distributed by the county pursuant to statute and as provided in the Countywide Strategic Action Plan.

(d) Proceeds of an additional local sales and use tax imposed pursuant to subdivision (b) that are distributed to a school district or a community college district shall not be considered allocated local proceeds of taxes for purposes of Section 8 of Article XVI.

(e) For purposes of this section, "local government agency" means any local government as defined in Section 1 of Article XIII C.

Eighth—That Section 24 of Article XIII thereof is amended to read:

SEC. 24. (a) The Legislature may not impose taxes for local purposes but may authorize local governments to impose them.

Moneys appropriated from state funds to a local government for its local purposes may be used as provided by law.

Moneys subvened to a local government under Section 25 may be used for state or local purposes.

(b) The proceeds of any non-ad valorem tax or an assessment levied or imposed by a county, city, city and county, including a charter city or county, any special district, or any other local or regional governmental entity, belong exclusively to the entity that imposed the tax or assessment and may not be reallocated by statute. Ad valorem property tax revenues allocated pursuant to Section 1 of Article XIII A shall be allocated exclusively among the jurisdictions within the county in which they are collected in compliance with Section 25.5, and shall not be directed by statute for expenditure for a particular purpose or purposes.

Ninth—That Section 25.5 of Article XIII thereof is amended to read:

SEC. 25.5. (a) On or after November 3, 2004, the Legislature shall not enact a statute to do any of the following:

(1) (A) Except as otherwise provided in subparagraph (B), modify the manner in which ad valorem property tax revenues are allocated in accordance with subdivision (a) of Section 1 of Article XIII A so as to reduce for any fiscal year the percentage of the total amount of ad valorem property tax revenues in a county that is allocated among all of the local agencies in that county below the percentage of the total amount of those revenues that would be allocated among those agencies for the same fiscal year under the statutes in effect on November 3, 2004. For purposes of this subparagraph, "percentage" does not include any property tax revenues referenced in paragraph (2).

(B) For only the 2009–10 fiscal year and subject to subparagraph (C), subparagraph (A) may be suspended if all of the following conditions are met:

(i) The Governor issues a proclamation that declares that, due to a severe state fiscal hardship, the suspension of subparagraph (A) is necessary.

(ii) The Legislature enacts an urgency statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, that contains a suspension of subparagraph (A) for that fiscal year and does not contain any other provision.

(iii) No later than the effective date of the statute described in clause (ii), a statute is enacted that provides for the full repayment to local agencies of the total amount of revenue losses, including interest as provided by law, resulting from the modification of ad valorem property tax revenue allocations to local agencies. This full repayment shall be made not later than the end of the third fiscal year immediately following the fiscal year to which the modification applies.

(C) A suspension of subparagraph (A) shall not result in a total ad valorem property tax revenue loss to all local agencies within a county that exceeds 8 percent of the total amount of ad valorem property tax revenues that were allocated among all local agencies within that county for the fiscal year immediately preceding the fiscal year for which subparagraph (A) is suspended.

(2) (A) Except as otherwise provided in subparagraphs (B) and (C), restrict the authority of a city, county, or city and county to impose a tax rate under, or change the method of distributing revenues derived under, the Bradley-Burns Uniform Local Sales and Use Tax Law set forth in Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code, as that law read on November 3, 2004. The restriction imposed by this subparagraph also applies to the entitlement of a city, county, or city and county to the change in tax rate resulting from the end of the revenue exchange period, as defined in Section 7203.1 of the Revenue and Taxation Code as that section read on November 3, 2004.

(B) The Legislature may change by statute the method of distributing the revenues derived under a use tax imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law to allow the State to participate in an interstate compact or to comply with federal law.

(C) The Legislature may authorize by statute two or more specifically identified local agencies within a county, with the approval of the governing body of each of those agencies, to enter into a contract to exchange allocations of ad valorem property tax revenues for revenues derived from a tax rate imposed under the Bradley-Burns Uniform Local Sales and Use Tax Law. The exchange under this subparagraph of revenues derived from a tax rate imposed under that law shall not require voter approval for the continued imposition of any portion of an existing tax rate from which those revenues are derived.

(3) Except as otherwise provided in subparagraph (C) of paragraph (2), change for any fiscal year the pro rata shares in which ad valorem property tax revenues are allocated among local agencies in a county other than pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring.

(4) Extend beyond the revenue exchange period, as defined in Section 7203.1 of the Revenue and Taxation Code as that section read on November 3, 2004, the suspension of the authority, set forth in that section on that date, of a city, county, or city and county to impose a sales and use tax rate under the Bradley-Burns Uniform Local Sales and Use Tax Law.

(5) Reduce, during any period in which the rate authority suspension described in paragraph (4) is operative, the payments to a city, county, or city and county that are required by Section 97.68 of the Revenue and Taxation Code, as that section read on November 3, 2004.

(6) Restrict the authority of a local entity to impose a transactions and use tax rate in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code), or change the method for distributing revenues derived under a transaction and use tax rate imposed under that law, as it read on November 3, 2004.

(b) On and after the effective date of the measure adding this subdivision, the Legislature shall not enact a statute to borrow, reallocate, or restrict or otherwise direct the expenditure for any purpose or purposes of revenues derived from taxes on ad valorem real property or tangible personal property allocated to a community redevelopment agency pursuant to Section 16 of Article

XVI, except for the purpose of (1) making payments to affected taxing entities pursuant to Sections 33607.5 and 33607.7 of the Health and Safety Code, or successor statutes requiring community redevelopment agency payments to taxing entities; or (2) increasing, improving, or preserving the supply of low- and moderate-income housing available at affordable housing cost.

(c) For purposes of this section, the following definitions apply:

(1) "Ad valorem property tax revenues" means all revenues derived from the tax collected by a county under subdivision (a) of Section 1 of Article XIII A, regardless of any of this revenue being otherwise classified by statute.

(2) "Local agency" has the same meaning as specified in Section 95 of the Revenue and Taxation Code as that section read on November 3, 2004.

Tenth—That Section 3 of Article XIII A thereof is amended to read:

Section 3. From and after the effective date of this article, any changes in state taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation, or imposition of a new tax, must be imposed by an act passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed. In addition, any bill that imposes a fee shall be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature if revenue from the fee would be used to fund a program, service, or activity that was previously funded by revenue from a tax that is repealed or reduced in the same fiscal year or in a prior fiscal year.

Eleventh—That Section 21 is added to Article XVI thereof, to read:

SEC. 21. (a) On or before May 31 of each year the Director of Finance shall do all of the following:

(1) Estimate General Fund revenues for the current fiscal year and report that estimate to the Legislature and to the Governor.

(2) Estimate the current-year General Fund revenue impact of tax legislation adopted subsequent to the enactment of the budget bill and not included in the estimate required pursuant to

subdivision (f) of Section 12 of Article IV. The director shall report that estimate to the Legislature and to the Governor.

(3) Estimate the amount of the General Fund reserve for economic uncertainty as of June 30 of the current fiscal year and report that estimate to the Legislature and to the Governor. If the amount of the reserve for economic uncertainty is a negative number, an amount of any unanticipated revenues equal to that negative amount shall remain in the General Fund and shall not be expended pursuant to subdivision (c).

(b) "Unanticipated revenues" are the lesser of the following amounts:

(1) The estimate of General Fund revenues reported pursuant to paragraph (1) of subdivision (a) minus the estimate of General Fund revenues for the current fiscal year set forth in the budget bill pursuant to subdivision (f) of Section 12 of Article IV, which result shall be augmented by the amount estimated pursuant to paragraph (2) of subdivision (a).

(2) The amount reported pursuant to paragraph (3) of subdivision (a).

(c) Unanticipated revenues may be used only as follows, in the order specified:

(1) First, unanticipated revenues shall be appropriated to satisfy any additional obligation created by Section 8 resulting from the unanticipated revenues.

(2) Second, any remaining unanticipated revenues shall be transferred to the Budget Stabilization Account in an amount sufficient to fully fund the applicable maximum amount set forth in subdivision (c) of Section 20.

(3) Third, any remaining unanticipated revenues shall be appropriated to retire outstanding budgetary indebtedness. For purposes of this paragraph, "budgetary indebtedness" means any of the following:

(A) Unfunded prior fiscal year General Fund obligations pursuant to Section 8.

(B) Any repayment obligation created by the suspension of subparagraph (A) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII.

(C) Any repayment obligation created by the suspension of subdivision (a) of Section 1 of Article XIX B.

(D) Unfunded obligations for reimbursements required by Section 6 of Article XIII B.

(E) Repayment of bonded indebtedness authorized pursuant to Section 1.3.

(4) Fourth, any remaining unanticipated revenues shall be used for any of the following one-time purposes:

(A) Returned to taxpayers within the current or immediately following fiscal year by a one-time revision of tax rates or fee schedules.

(B) Appropriated for one-time infrastructure or other capital outlay purposes.

(C) Appropriated to retire outstanding general obligation indebtedness.

~~Eleventh—That~~

Twelfth—That Section 3.5 is added to Article XVIII thereof, to read:

SEC. 3.5. A constitutional amendment or revision proposed by the Legislature that would create a new state program or agency, or expand the scope of an existing state program or agency, as defined by statute, which would result in either a net increase in state costs or a net decrease in state revenue in excess of twenty-five million dollars ($25,000,000) annually, as defined by statute and adjusted for inflation pursuant to the California Consumer Price Index, shall not be submitted to the electors or have any effect unless the constitutional amendment or revision also contains provisions that would result in additional revenue in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenue.

~~Twelfth—That~~

Thirteenth—That the amendments to the California Constitution made by this measure shall become operative on January 1, 2011.

~~Thirteenth—If~~

Fourteenth—That if any of the provisions of this measure or the applicability of any provision of this measure to any person or circumstance is found to be unconstitutional or otherwise invalid, the finding shall not affect the remaining provisions or applications of this measure to other persons or circumstances, and to that extent the provisions of this measure are deemed to be severable.

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