

**SOLANO COUNTY BOARD OF SUPERVISORS  
Legislative Committee Meeting**

**Committee**  
Supervisor Linda J. Seifert (Chair)  
Supervisor Michael J. Reagan

**Staff**  
Michelle Heppner

**October 16, 2012**

**1:00 P.M.**

Solano County Administration Center  
Sixth Floor Conference Center, Room 6003  
675 Texas Street  
Fairfield, CA 94533

**AGENDA**

- I. **Public Comment** (Items not on the agenda)
- II. **Discussion of Federal issues and consider making a recommendation (Waterman & Associates)**
  - a. Shielding Against Flood Emergencies (SAFE) Levee Act. HR 6484 (Garamendi)
  - b. Federal Legislative Update
- III. **Consider making a recommendation for a position on November 2012 Ballot Initiatives (Paul Yoder)**
  - a. November 2012 Ballot Initiatives
    - Proposition 30 - The Schools and Public Safety Act of 2012 (Governor's Initiative)
    - Proposition 31 - The Government Performance and Accountability Act
  - Attachments
    - 1. Text of Proposed Proposition 30 Page 2) and Proposition 31 (Page 6)
    - 2. Official Voter Information Guide – Includes LOA Analysis (Page 16)
    - 3. Proposition 30 – Supporters - Yes on Prop 30 Page 22)
    - 4. Proposition 30 – Opponents - No on Prop 30 (Page 25)
    - 5. Official Voter Information Guide – Includes LOA Analysis (Page 27)
    - 6. Proposition 31 – Supporters - Yes on Prop 31 Page 33)
    - 7. Proposition 31 – Opponents – Official Voter Information Guide (Page 36)
  - b. State Legislative Update
- IV. **Adjourn**

## TEXT OF PROPOSED LAWS

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## PROPOSITION 30

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds a section to the California Constitution; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

## PROPOSED LAW

THE SCHOOLS AND LOCAL PUBLIC SAFETY  
PROTECTION ACT OF 2012

## SECTION 1. Title.

This measure shall be known and may be cited as “The Schools and Local Public Safety Protection Act of 2012.”

## SEC. 2. Findings.

(a) Over the past four years alone, California has had to cut more than \$56 billion from education, police and fire protection, healthcare, and other critical state and local services. These funding cuts have forced teacher layoffs, increased school class sizes, increased college fees, reduced police protection, increased fire response times, exacerbated dangerous overcrowding in prisons, and substantially reduced oversight of parolees.

(b) These cuts in critical services have hurt California’s seniors, middle-class working families, children, college students, and small businesses the most. We cannot afford more cuts to education and the other services we need.

(c) After years of cuts and difficult choices, it is necessary to turn the state around. Raising new tax revenue is an investment in our future that will put California back on track for growth and success.

(d) The Schools and Local Public Safety Protection Act of 2012 will make California’s tax system more fair. With working families struggling while the wealthiest among us enjoy record income growth, it is only right to ask the wealthy to pay their fair share.

(e) The Schools and Local Public Safety Protection Act of 2012 raises the income tax on those at the highest end of the income scale — those who can most afford it. It also temporarily restores some sales taxes in effect last year, while keeping the overall sales tax rate lower than it was in early 2011.

(f) The new taxes in this measure are temporary. Under the California Constitution the 1/4-cent sales tax increase expires in four years, and the income tax increases for the wealthiest taxpayers end in seven years.

(g) The new tax revenue is guaranteed in the California Constitution to go directly to local school districts and community colleges. Cities and counties are guaranteed ongoing funding for public safety programs such as local police and child protective services. State money is freed up to help balance the budget and prevent even more devastating cuts to services for seniors, working families, and small businesses. Everyone benefits.

(h) To ensure these funds go where the voters intend, they are put in special accounts that the Legislature cannot touch. None of these new revenues can be spent on state bureaucracy

or administrative costs.

(i) These funds will be subject to an independent audit every year to ensure they are spent only for schools and public safety. Elected officials will be subject to prosecution and criminal penalties if they misuse the funds.

## SEC. 3. Purpose and Intent.

(a) The chief purpose of this measure is to protect schools and local public safety by asking the wealthy to pay their fair share of taxes. This measure takes funds away from state control and places them in special accounts that are exclusively dedicated to schools and local public safety in the state Constitution.

(b) This measure builds on a broader state budget plan that has made billions of dollars in permanent cuts to state spending.

(c) The measure guarantees solid, reliable funding for schools, community colleges, and public safety while helping balance the budget and preventing further devastating cuts to services for seniors, middle-class working families, children, and small businesses.

(d) This measure gives constitutional protection to the shift of local public safety programs from state to local control and the shift of state revenues to local government to pay for those programs. It guarantees that schools are not harmed by providing even more funding than schools would have received without the shift.

(e) This measure guarantees that the new revenues it raises will be sent directly to school districts for classroom expenses, not administrative costs. This school funding cannot be suspended or withheld no matter what happens with the state budget.

(f) All revenues from this measure are subject to local audit every year, and audit by the independent Controller to ensure that they will be used only for schools and local public safety.

SEC. 4. Section 36 is added to Article XIII of the California Constitution, to read:

*SEC. 36. (a) For purposes of this section:*

*(1) “Public Safety Services” includes the following:*

*(A) Employing and training public safety officials, including law enforcement personnel, attorneys assigned to criminal proceedings, and court security staff.*

*(B) Managing local jails and providing housing, treatment, and services for, and supervision of, juvenile and adult offenders.*

*(C) Preventing child abuse, neglect, or exploitation; providing services to children and youth who are abused, neglected, or exploited, or who are at risk of abuse, neglect, or exploitation, and the families of those children; providing adoption services; and providing adult protective services.*

*(D) Providing mental health services to children and adults to reduce failure in school, harm to self or others, homelessness, and preventable incarceration or institutionalization.*

*(E) Preventing, treating, and providing recovery services for substance abuse.*

*(2) “2011 Realignment Legislation” means legislation enacted on or before September 30, 2012, to implement the state budget plan, that is entitled 2011 Realignment and provides for the assignment of Public Safety Services responsibilities to*

local agencies, including related reporting responsibilities. The legislation shall provide local agencies with maximum flexibility and control over the design, administration, and delivery of Public Safety Services consistent with federal law and funding requirements, as determined by the Legislature. However, 2011 Realignment Legislation shall include no new programs assigned to local agencies after January 1, 2012, except for the early periodic screening, diagnosis, and treatment (EPSDT) program and mental health managed care.

(b) (1) Except as provided in subdivision (d), commencing in the 2011–12 fiscal year and continuing thereafter, the following amounts shall be deposited into the Local Revenue Fund 2011, as established by Section 30025 of the Government Code, as follows:

(A) All revenues, less refunds, derived from the taxes described in Sections 6051.15 and 6201.15 of the Revenue and Taxation Code, as those sections read on July 1, 2011.

(B) All revenues, less refunds, derived from the vehicle license fees described in Section 11005 of the Revenue and Taxation Code, as that section read on July 1, 2011.

(2) On and after July 1, 2011, the revenues deposited pursuant to paragraph (1) shall not be considered General Fund revenues or proceeds of taxes for purposes of Section 8 of Article XVI of the California Constitution.

(c) (1) Funds deposited in the Local Revenue Fund 2011 are continuously appropriated exclusively to fund the provision of Public Safety Services by local agencies. Pending full implementation of the 2011 Realignment Legislation, funds may also be used to reimburse the State for program costs incurred in providing Public Safety Services on behalf of local agencies. The methodology for allocating funds shall be as specified in the 2011 Realignment Legislation.

(2) The county treasurer, city and county treasurer, or other appropriate official shall create a County Local Revenue Fund 2011 within the treasury of each county or city and county. The money in each County Local Revenue Fund 2011 shall be exclusively used to fund the provision of Public Safety Services by local agencies as specified by the 2011 Realignment Legislation.

(3) Notwithstanding Section 6 of Article XIII B, or any other constitutional provision, a mandate of a new program or higher level of service on a local agency imposed by the 2011 Realignment Legislation, or by any regulation adopted or any executive order or administrative directive issued to implement that legislation, shall not constitute a mandate requiring the State to provide a subvention of funds within the meaning of that section. Any requirement that a local agency comply with Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code, with respect to performing its Public Safety Services responsibilities, or any other matter, shall not be a reimbursable mandate under Section 6 of Article XIII B.

(4) (A) Legislation enacted after September 30, 2012, that has an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide

programs or levels of service required by legislation, described in this subparagraph, above the level for which funding has been provided.

(B) Regulations, executive orders, or administrative directives, implemented after October 9, 2011, that are not necessary to implement the 2011 Realignment Legislation, and that have an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service pursuant to new regulations, executive orders, or administrative directives, described in this subparagraph, above the level for which funding has been provided.

(C) Any new program or higher level of service provided by local agencies, as described in subparagraphs (A) and (B), above the level for which funding has been provided, shall not require a subvention of funds by the State nor otherwise be subject to Section 6 of Article XIII B. This paragraph shall not apply to legislation currently exempt from subvention under paragraph (2) of subdivision (a) of Section 6 of Article XIII B as that paragraph read on January 2, 2011.

(D) The State shall not submit to the federal government any plans or waivers, or amendments to those plans or waivers, that have an overall effect of increasing the cost borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, except to the extent that the plans, waivers, or amendments are required by federal law, or the State provides annual funding for the cost increase.

(E) The State shall not be required to provide a subvention of funds pursuant to this paragraph for a mandate that is imposed by the State at the request of a local agency or to comply with federal law. State funds required by this paragraph shall be from a source other than those described in subdivisions (b) and (d), ad valorem property taxes, or the Social Services Subaccount of the Sales Tax Account of the Local Revenue Fund.

(5) (A) For programs described in subparagraphs (C) to (E), inclusive, of paragraph (1) of subdivision (a) and included in the 2011 Realignment Legislation, if there are subsequent changes in federal statutes or regulations that alter the conditions under which federal matching funds as described in the 2011 Realignment Legislation are obtained, and have the overall effect of increasing the costs incurred by a local agency, the State shall annually provide at least 50 percent of the nonfederal share of those costs as determined by the State.

(B) When the State is a party to any complaint brought in a federal judicial or administrative proceeding that involves one or more of the programs described in subparagraphs (C) to (E), inclusive, of paragraph (1) of subdivision (a) and included in the 2011 Realignment Legislation, and there is a settlement or judicial or administrative order that imposes a cost in the form of a monetary penalty or has the overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, the State shall annually provide at least 50 percent of the nonfederal share of those costs as determined by the State. Payment by the

State is not required if the State determines that the settlement or order relates to one or more local agencies failing to perform a ministerial duty, failing to perform a legal obligation in good faith, or acting in a negligent or reckless manner.

(C) The state funds provided in this paragraph shall be from funding sources other than those described in subdivisions (b) and (d), ad valorem property taxes, or the Social Services Subaccount of the Sales Tax Account of the Local Revenue Fund.

(6) If the State or a local agency fails to perform a duty or obligation under this section or under the 2011 Realignment Legislation, an appropriate party may seek judicial relief. These proceedings shall have priority over all other civil matters.

(7) The funds deposited into a County Local Revenue Fund 2011 shall be spent in a manner designed to maintain the State's eligibility for federal matching funds, and to ensure compliance by the State with applicable federal standards governing the State's provision of Public Safety Services.

(8) The funds deposited into a County Local Revenue Fund 2011 shall not be used by local agencies to supplant other funding for Public Safety Services.

(d) If the taxes described in subdivision (b) are reduced or cease to be operative, the State shall annually provide moneys to the Local Revenue Fund 2011 in an amount equal to or greater than the aggregate amount that otherwise would have been provided by the taxes described in subdivision (b). The method for determining that amount shall be described in the 2011 Realignment Legislation, and the State shall be obligated to provide that amount for so long as the local agencies are required to perform the Public Safety Services responsibilities assigned by the 2011 Realignment Legislation. If the State fails to annually appropriate that amount, the Controller shall transfer that amount from the General Fund in pro rata monthly shares to the Local Revenue Fund 2011. Thereafter, the Controller shall disburse these amounts to local agencies in the manner directed by the 2011 Realignment Legislation. The state obligations under this subdivision shall have a lower priority claim to General Fund money than the first priority for money to be set apart under Section 8 of Article XVI and the second priority to pay voter-approved debts and liabilities described in Section 1 of Article XVI.

(e) (1) To ensure that public education is not harmed in the process of providing critical protection to local Public Safety Services, the Education Protection Account is hereby created in the General Fund to receive and disburse the revenues derived from the incremental increases in taxes imposed by this section, as specified in subdivision (f).

(2) (A) Before June 30, 2013, and before June 30 of each year from 2014 to 2018, inclusive, the Director of Finance shall estimate the total amount of additional revenues, less refunds, that will be derived from the incremental increases in tax rates made in subdivision (f) that will be available for transfer into the Education Protection Account during the next fiscal year. The Director of Finance shall make the same estimate by January 10, 2013, for additional revenues, less refunds, that will be received by the end of the 2012–13 fiscal year.

(B) During the last 10 days of the quarter of each of the first

three quarters of each fiscal year from 2013–14 to 2018–19, inclusive, the Controller shall transfer into the Education Protection Account one-fourth of the total amount estimated pursuant to subparagraph (A) for that fiscal year, except as this amount may be adjusted pursuant to subparagraph (D).

(C) In each of the fiscal years from 2012–13 to 2020–21, inclusive, the Director of Finance shall calculate an adjustment to the Education Protection Account, as specified by subparagraph (D), by adding together the following amounts, as applicable:

(i) In the last quarter of each fiscal year from 2012–13 to 2018–19, inclusive, the Director of Finance shall recalculate the estimate made for the fiscal year pursuant to subparagraph (A), and shall subtract from this updated estimate the amounts previously transferred to the Education Protection Account for that fiscal year.

(ii) In June 2015 and in every June from 2016 to 2021, inclusive, the Director of Finance shall make a final determination of the amount of additional revenues, less refunds, derived from the incremental increases in tax rates made in subdivision (f) for the fiscal year ending two years prior. The amount of the updated estimate calculated in clause (i) for the fiscal year ending two years prior shall be subtracted from the amount of this final determination.

(D) If the sum determined pursuant to subparagraph (C) is positive, the Controller shall transfer an amount equal to that sum into the Education Protection Account within 10 days preceding the end of the fiscal year. If that amount is negative, the Controller shall suspend or reduce subsequent quarterly transfers, if any, to the Education Protection Account until the total reduction equals the negative amount herein described. For purposes of any calculation made pursuant to clause (i) of subparagraph (C), the amount of a quarterly transfer shall not be modified to reflect any suspension or reduction made pursuant to this subparagraph.

(3) All moneys in the Education Protection Account are hereby continuously appropriated for the support of school districts, county offices of education, charter schools, and community college districts as set forth in this paragraph.

(A) Eleven percent of the moneys appropriated pursuant to this paragraph shall be allocated quarterly by the Board of Governors of the California Community Colleges to community college districts to provide general purpose funding to community college districts in proportion to the amounts determined pursuant to Section 84750.5 of the Education Code, as that code section read upon voter approval of this section. The allocations calculated pursuant to this subparagraph shall be offset by the amounts specified in subdivisions (a), (c), and (d) of Section 84751 of the Education Code, as that section read upon voter approval of this section, that are in excess of the amounts calculated pursuant to Section 84750.5 of the Education Code, as that section read upon voter approval of this section, provided that no community college district shall receive less than one hundred dollars (\$100) per full time equivalent student.

(B) Eighty-nine percent of the moneys appropriated pursuant to this paragraph shall be allocated quarterly by the Superintendent of Public Instruction to provide general purpose

funding to school districts, county offices of education, and state general-purpose funding to charter schools in proportion to the revenue limits calculated pursuant to Sections 2558 and 42238 of the Education Code and the amounts calculated pursuant to Section 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read upon voter approval of this section. The amounts so calculated shall be offset by the amounts specified in subdivision (c) of Section 2558 of, paragraphs (1) through (7) of subdivision (h) of Section 42238 of, and Section 47635 of, the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read upon voter approval of this section, that are in excess of the amounts calculated pursuant to Sections 2558, 42238, and 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read upon voter approval of this section, provided that no school district, county office of education, or charter school shall receive less than two hundred dollars (\$200) per unit of average daily attendance.

(4) This subdivision is self-executing and requires no legislative action to take effect. Distribution of the moneys in the Education Protection Account by the Board of Governors of the California Community Colleges and the Superintendent of Public Instruction shall not be delayed or otherwise affected by failure of the Legislature and Governor to enact an annual budget bill pursuant to Section 12 of Article IV, by invocation of paragraph (h) of Section 8 of Article XVI, or by any other action or failure to act by the Legislature or Governor.

(5) Notwithstanding any other provision of law, the moneys deposited in the Education Protection Account shall not be used to pay any costs incurred by the Legislature, the Governor, or any agency of state government.

(6) A community college district, county office of education, school district, or charter school shall have sole authority to determine how the moneys received from the Education Protection Account are spent in the school or schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs. Each community college district, county office of education, school district, and charter school shall annually publish on its Internet Web site an accounting of how much money was received from the Education Protection Account and how that money was spent.

(7) The annual independent financial and compliance audit required of community college districts, county offices of education, school districts, and charter schools shall, in addition to all other requirements of law, ascertain and verify whether the funds provided from the Education Protection Account have been properly disbursed and expended as required by this section. Expenses incurred by those entities to comply with the additional audit requirement of this section may be paid with funding from the Education Protection Account, and shall not be considered administrative costs for purposes of this section.

(8) Revenues, less refunds, derived pursuant to subdivision (f) for deposit in the Education Protection Account pursuant to this section shall be deemed “General Fund revenues,” “General Fund proceeds of taxes,” and “moneys to be applied by the State for the support of school districts and community college districts” for purposes of Section 8 of Article XVI.

(f) (1) (A) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of 1/4 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this State on and after January 1, 2013, and before January 1, 2017.

(B) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, an excise tax is hereby imposed on the storage, use, or other consumption in this State of tangible personal property purchased from any retailer on and after January 1, 2013, and before January 1, 2017, for storage, use, or other consumption in this state at the rate of 1/4 percent of the sales price of the property.

(C) The Sales and Use Tax Law, including any amendments enacted on or after the effective date of this section, shall apply to the taxes imposed pursuant to this paragraph.

(D) This paragraph shall become inoperative on January 1, 2017.

(2) For any taxable year beginning on or after January 1, 2012, and before January 1, 2019, with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (1) of subdivision (a) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over two hundred fifty thousand dollars (\$250,000) but not over three hundred thousand dollars (\$300,000), the tax rate is 10.3 percent of the excess over two hundred fifty thousand dollars (\$250,000).

(ii) For that portion of taxable income that is over three hundred thousand dollars (\$300,000) but not over five hundred thousand dollars (\$500,000), the tax rate is 11.3 percent of the excess over three hundred thousand dollars (\$300,000).

(iii) For that portion of taxable income that is over five hundred thousand dollars (\$500,000), the tax rate is 12.3 percent of the excess over five hundred thousand dollars (\$500,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on the date it becomes effective.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this

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paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.

(D) This paragraph shall become inoperative on December 1, 2019.

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(3) For any taxable year beginning on or after January 1, 2012, and before January 1, 2019, with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (1) of subdivision (c) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over three hundred forty thousand dollars (\$340,000) but not over four hundred eight thousand dollars (\$408,000), the tax rate is 10.3 percent of the excess over three hundred forty thousand dollars (\$340,000).

(ii) For that portion of taxable income that is over four hundred eight thousand dollars (\$408,000) but not over six hundred eighty thousand dollars (\$680,000), the tax rate is 11.3 percent of the excess over four hundred eight thousand dollars (\$408,000).

(iii) For that portion of taxable income that is over six hundred eighty thousand dollars (\$680,000), the tax rate is 12.3 percent of the excess over six hundred eighty thousand dollars (\$680,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on the date it becomes effective.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.

(D) This paragraph shall become inoperative on December 1, 2019.

(g) (1) The Controller, pursuant to his or her statutory authority, may perform audits of expenditures from the Local Revenue Fund 2011 and any County Local Revenue Fund 2011, and shall audit the Education Protection Account to ensure that those funds are used and accounted for in a manner consistent with this section.

(2) The Attorney General or local district attorney shall expeditiously investigate, and may seek civil or criminal penalties for, any misuse of moneys from the County Local Revenue Fund 2011 or the Education Protection Account.

SEC. 5. Effective Date.

Subdivision (b) of Section 36 of Article XIII of the California Constitution, as added by this measure, shall be operative as of July 1, 2011. Paragraphs (2) and (3) of subdivision (f) of Section 36 of Article XIII of the California Constitution, as added by this measure, shall be operative as of January 1, 2012. All other provisions of this measure shall become operative the day after

the election in which it is approved by a majority of the voters voting on the measure provided.

SEC. 6. Conflicting Measures.

In the event that this measure and another measure that imposes an incremental increase in the tax rates for personal income shall appear on the same statewide ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes than a measure deemed to be in conflict with it, the provisions of this measure shall prevail in their entirety, and the other measure or measures shall be null and void.

SEC. 7. This measure provides funding for school districts and community college districts in an amount that equals or exceeds that which would have been provided if the revenues deposited pursuant to Sections 6051.15 and 6201.15 of the Revenue and Taxation Code pursuant to Chapter 43 of the Statutes of 2011 had been considered "General Fund revenues" or "General Fund proceeds of taxes" for purposes of Section 8 of Article XVI of the California Constitution.

**PROPOSITION 31**

This initiative measure is submitted to the people of California in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure amends and adds sections to the California Constitution and adds sections to the Education Code and the Government Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

**PROPOSED LAW**

The Government Performance and Accountability Act

SECTION 1. Findings and Declarations

The people of the State of California hereby find and declare that government must be:

1. Trustworthy. California government has lost the confidence of its citizens and is not meeting the needs of Californians. Taxpayers are entitled to a higher return on their investment and the public deserves better results from government services.

2. Accountable for Results. To restore trust, government at all levels must be accountable for results. The people are entitled to know how tax dollars are being spent and how well government is performing. State and local government agencies must set measurable outcomes for all expenditures and regularly and publicly report progress toward those outcomes.

3. Cost-Effective. California must invest its scarce public resources wisely to be competitive in the global economy. Vital public services must therefore be delivered with increasing effectiveness and efficiency.

4. Transparent. It is essential that the public's business be public. Honesty and openness promote and preserve the integrity of democracy and the relationship between the people and their government.

5. Focused on Results. To improve results, public agencies need a clear and shared understanding of public purpose. With this measure, the people declare that the purpose of state and local governments is to promote a prosperous economy, a quality environment, and community equity. These purposes are advanced by achieving at least the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health.

6. Cooperative. To make every dollar count, public agencies must work together to reduce bureaucracy, eliminate duplication, and resolve conflicts. They must integrate services and adopt strategies that have been proven to work and can make a difference in the lives of Californians.

7. Closer to the People. Many governmental services are best provided at the local level, where public officials know their communities and residents have access to elected officials. Local governments need the flexibility to tailor programs to the needs of their communities.

8. Supportive of Regional Job Generation. California is composed of regional economies. Many components of economic vitality are best addressed at the regional scale. The State is obliged to enable and encourage local governments to collaborate regionally to enhance the ability to attract capital investment into regional economies to generate well-paying jobs.

9. Willing to Listen. Public participation is essential to ensure a vibrant and responsive democracy and a responsive and accountable government. When government listens, more people are willing to take an active role in their communities and their government.

10. Thrifty and Prudent. State and local governments today spend hundreds of millions of dollars on budget processes that do not tell the public what is being accomplished. Those same funds can be better used to develop budgets that link dollars to goals and communicate progress toward those goals, which is a primary purpose of public budgets.

SEC. 2. Purpose and Intent

In enacting this measure, the people of the State of California intend to:

1. Improve results and accountability to taxpayers and the public by improving the budget process for the state and local governments with existing resources.

2. Make state government more efficient, effective, and transparent through a state budget process that does the following:

a. Focuses budget decisions on what programs are trying to accomplish and whether progress is being made.

b. Requires the development of a two-year budget and a review of every program at least once every five years to make sure money is well spent over time.

c. Requires major new programs and tax cuts to have clearly identified funding sources before they are enacted.

d. Requires legislation—including the Budget Act—to be public for three days before lawmakers can vote on it.

3. Move government closer to the people by enabling and encouraging local governments to work together to save money, improve results, and restore accountability to the public through the following:

a. Focusing local government budget decisions on what programs are trying to accomplish and whether progress is being made.

b. Granting counties, cities, and schools the authority to develop, through a public process, a Community Strategic Action Plan for advancing community priorities that they cannot achieve by themselves.

c. Granting local governments that approve an Action Plan flexibility in how they spend state dollars to improve the outcomes of public programs.

d. Granting local governments that approve an Action Plan the ability to identify state statutes or regulations that impede progress and a process for crafting a local rule for achieving a state requirement.

e. Encouraging local governments to collaborate to achieve goals more effectively addressed at a regional scale.

f. Providing some state funds as an incentive to local governments to develop Action Plans.

g. Requiring local governments to report their progress annually and evaluate their efforts every four years as a condition of continued flexibility—thus restoring accountability of local elected officials to local voters and taxpayers.

4. Involve the people in identifying priorities, setting goals, establishing measurements of results, allocating resources in a budget, and monitoring progress.

5. Implement the budget reforms herein using existing resources currently dedicated to the budget processes of the state and its political subdivisions without significant additional funds. Further, establish the Performance and Accountability Trust Fund from existing tax bases and revenues. No provision herein shall require an increase in any taxes or modification of any tax rate or base.

SEC. 3. Section 8 of Article IV of the California Constitution 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 3 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 *other than a bill containing an urgency clause that is passed in a special session called by the Governor to address a state of emergency declared by the Governor arising out of a natural disaster or a terrorist attack* may be passed until the bill with amendments has been **printed in print** and distributed to the members *and available to the public for at least 3 days*. 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) of this subdivision, 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, and urgency statutes 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.

SEC. 4. Section 9.5 is added to Article IV of the California Constitution, to read:

*SEC. 9.5. A bill passed by the Legislature that (1) establishes a new state program, including a state-mandated local program described in Section 6 of Article XIII B, or a new agency, or expands the scope of such an existing state program or agency, the effect of which would, if funded, be a net increase in state costs in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, or (2) reduces a state tax or other source of state revenue, the effect of which will be a net decrease in State revenue in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, is void unless offsetting state program reductions or additional revenue, or a combination thereof, are provided in the bill or another bill in an amount that equals or exceeds the net increase in state costs or net decrease in state revenue. The twenty-five-million-dollar (\$25,000,000) threshold specified in this section shall be adjusted annually for inflation pursuant to the California Consumer Price Index.*

SEC. 5. Section 10 of Article IV of the California Constitution 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 June 30 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after June 30 that is not returned on or before July 31 of that year becomes a statute. In addition, 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) of this subdivision is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday.

(c) (1) 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~~ June 30 of the second year of the biennium except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes bills that take effect immediately, and bills passed after being vetoed by the Governor.

(2) No bill may be introduced or considered in the second year of the biennium that is substantially the same and has the same effect as any introduced or amended version of a measure that did not pass the house of origin by January 31 of the second calendar year of the biennium as required in paragraph (1).

(d) (1) The Legislature may not present any bill to the Governor after November 15 of the second calendar year of the biennium of the legislative session. On the first Monday following July 4 of the second year of the biennium, the Legislature shall convene, as part of its regular session, to conduct program oversight and review. The Legislature shall establish an oversight process for evaluating and improving the performance of programs undertaken by the State or by local agencies implementing state-funded programs on behalf of the State based on performance standards set forth in statute and in the biennial Budget Act. Within one year of the effective date of this provision, a review schedule shall be established for all state programs whether managed by a state or local agency implementing state-funded programs on behalf of the State. The schedule shall sequence the review of similar programs so that relationships among program objectives can be identified and reviewed. The review process shall result in recommendations

in the form of proposed legislation that improves or terminates programs. Each program shall be reviewed at least once every five years.

(2) The process established for program oversight under paragraph (1) shall also include a review of Community Strategic Action Plans adopted pursuant to Article XI A for the purpose of determining whether any state statutes or regulations that have been identified by the participating local government agencies as state obstacles to improving results should be amended or repealed as requested by the participating local government agencies based on a review of at least three years of experience with the Community Strategic Action Plans. The review shall assess whether the Action Plans have improved the delivery and effectiveness of services in all parts of the community identified in the plan.

(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 and shall be submitted by the Governor to the Legislature, accompanied by proposed legislation to address the fiscal emergency. *In response to the Governor's proclamation, the Legislature may 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 may 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 paragraphs (2) and (4), the inclusion of this statement shall be deemed to mean conclusively that the bill addresses the fiscal emergency. A bill addressing the fiscal emergency declared pursuant to this section that contains a statement to that effect, and is passed and sent to the Governor by the 45th day following the issuance of the proclamation declaring the fiscal emergency, shall take effect immediately upon enactment.*

(4) (A) *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 declaring*

*the fiscal emergency, the Governor may, by executive order, reduce or eliminate any existing General Fund appropriation for that fiscal year to the extent the appropriation is not otherwise required by this Constitution or by federal law. The total amount of appropriations reduced or eliminated by the Governor shall be limited to the amount necessary to cause General Fund expenditures for the fiscal year in question not to exceed the most recent estimate of General Fund revenues made pursuant to paragraph (1).*

(B) *If the Legislature is in session, it may, within 20 days after the Governor issues an executive order pursuant to subparagraph (A), override all or part of the executive order by a 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 shall have 30 days to reconvene and override all or part of the executive order by resolution by the vote indicated 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. Subsequent to the 45th day following the issuance of the proclamation declaring the fiscal emergency, the prohibition set forth in paragraph (2) shall cease to apply when (i) one or more executive orders issued pursuant to this paragraph have taken effect, or (ii) the Legislature has passed and sent to the Governor a bill or bills to address the fiscal emergency.*

(C) *A bill to restore balance to the budget pursuant to subparagraph (B) may be passed in each house by rollcall vote entered in the journal, a majority of the membership concurring, to take effect immediately upon being signed by the Governor or upon a date specified in the legislation, provided, however, that any bill that imposes a new tax or increases an existing tax must be passed by a two-thirds vote of the Members of each house of the Legislature.*

SEC. 6. Section 12 of Article IV of the California Constitution is amended to read:

SEC. 12. (a) (1) Within the first 10 days of each odd-numbered calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing two fiscal year years, containing itemized statements for recommended state expenditures and estimated total state revenues resources available to meet those expenditures. *The itemized statement of estimated total state resources available to meet recommended expenditures submitted pursuant to this subdivision shall identify the amount, if any, of those resources that are anticipated to be one-time resources. The two-year budget, which shall include a budget for the budget year and a budget for the succeeding fiscal year, shall be known collectively as the biennial budget. Within the first 10 days of each even-numbered year, the Governor may submit a supplemental budget to amend or augment the enacted biennial budget.*

(b) *The biennial budget shall contain all of the following elements to improve performance and accountability:*

(1) *An estimate of the total resources available for the expenditures recommended for the budget year and the succeeding fiscal year.*

(2) *A projection of anticipated expenditures and anticipated*

revenues for the three fiscal years following the fiscal year succeeding the budget year.

(3) A statement of how the budget will promote the purposes of achieving a prosperous economy, quality environment, and community equity, by working to achieve at least the following goals: increasing employment; improving education; decreasing poverty; decreasing crime; and improving health.

(4) A description of the outcome measures that will be used to assess progress and report results to the public and of the performance standards for state agencies and programs.

(5) A statement of the outcome measures for each major expenditure of state government for which public resources are proposed to be appropriated in the budget and their relationship to the overall purposes and goals set forth in paragraph (3).

(6) A statement of how the State will align its expenditure and investment of public resources with that of other government entities that implement state functions and programs on behalf of the State to achieve the purposes and goals set forth in paragraph (3).

(7) A public report on progress in achieving the purposes and goals set forth in paragraph (3) and an evaluation of the effectiveness in achieving the purposes and goals according to the outcome measures set forth in the preceding year's budget.

(c) If, for the budget year and the succeeding fiscal year, collectively, 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. To the extent practical, the recommendations shall include an analysis of the long-term impact that expenditure reductions or additional revenues would have on the state economy. Along with the biennial budget, the Governor shall submit to the Legislature any legislation required to implement appropriations contained in the biennial budget, together with a five-year capital infrastructure and strategic growth plan, as specified by statute.

(d) If the Governor's budget proposes to (1) establish a new state program, including a state-mandated local program described in Section 6 of Article XIII B, or a new agency, or expand the scope of an existing state program or agency, the effect of which would, if funded, be a net increase in state costs in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or in any succeeding fiscal year, or (2) reduce a state tax or other source of state revenue, the effect of which will be a net decrease in state revenue in excess of twenty-five million dollars (\$25,000,000) in that fiscal year or any succeeding fiscal year, the budget shall propose offsetting state program reductions or additional revenue, or a combination thereof, in an amount that equals or exceeds the net increase in state costs or net decrease in state revenue. The twenty-five-million-dollar (\$25,000,000) threshold specified in this subdivision shall annually be adjusted for inflation pursuant to the California Consumer Price Index.

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

(e) (f) (1) The biennial budget and any supplemental budget

shall be accompanied by a budget bill itemizing recommended expenditures for the budget year and the succeeding fiscal year. A supplemental budget bill shall be accompanied by a bill proposing the supplemental budget.

(2) The budget bill and other bills providing for appropriations related to the budget bill or a supplemental budget bill, as submitted by the Governor, 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, each house shall refer the budget bill to a joint committee of the Legislature, which may include a conference committee, which shall review the budget bill and other bills providing for appropriations related to the budget bill and report its recommendations to each house no later than June 1 of each year. This shall not preclude the referral of any of these bills to policy committees in addition to a joint committee.

(3) (4) The Legislature shall pass the budget bill and other bills providing for appropriations related to the budget bill by midnight on June 15 of each year. Appropriations made in the budget bill, or in other bills providing for appropriations related to the budget bill, for the succeeding fiscal year shall not be expended in the budget year.

(4) (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 fiscal budget year or the succeeding fiscal year for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature.

(4) (g) No bill except the budget bill or the supplemental 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 and appropriations in the budget bill, the supplemental budget bill, and in other bills providing for appropriations related to the budget bill, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) (h) (1) Notwithstanding any other provision of law or of this Constitution, the budget bill, the supplemental budget bill, and other bills providing for appropriations related to the budget bill may be passed in each house by rollcall vote entered in the journal, a majority of the membership concurring, to take effect immediately upon being signed by the Governor or upon a date specified in the legislation. Nothing in this subdivision shall affect the vote requirement for appropriations for the public schools contained in subdivision (4) (g) of this section and in subdivision (b) of Section 8 of this article.

(2) For purposes of this section, "other bills providing for appropriations related to the budget bill or a supplemental budget bill" shall consist only of bills identified as related to the budget in the budget bill or in the supplemental budget bill passed by the Legislature.

(3) For purposes of this section, "budget bill" shall mean the bill or bills containing the budget for the budget year and the succeeding fiscal year.

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

(g) (j) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature ~~may~~ shall not send to the Governor for consideration, nor ~~may~~ shall the Governor sign into law, a budget bill for the budget year or for the succeeding fiscal year that would appropriate from the General Fund, for ~~that~~ each fiscal year of the biennial budget, 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, transfers, and balances available from the prior fiscal year for that fiscal year estimated as of the date of the budget bill’s passage. ~~That~~ The estimate of General Fund revenues, transfers, and balances shall be set forth in the budget bill passed by the Legislature. The budget bill passed by the Legislature shall also contain a statement of the total General Fund obligations described in this subdivision for each fiscal year of the biennial budget, together with an explanation of the basis for the estimate of General Fund revenues, including an explanation of the amount by which the Legislature projects General Fund revenues for that fiscal year to differ from General Fund revenues for the immediately preceding fiscal year.

(h) (k) Notwithstanding any other provision of law or of this Constitution, including subdivision (e) (f) of this section, Section 4 of this article, and Sections 4 and 8 of Article III, in any year in which the budget bill is not passed by the Legislature by midnight on June 15, there shall be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for Members of the Legislature during any regular or special session for the period from midnight on June 15 until the day that the budget bill is presented to the Governor. No salary or reimbursement for travel or living expenses forfeited pursuant to this subdivision shall be paid retroactively.

SEC. 7. Article XI A is added to the California Constitution, to read:

**ARTICLE XI A  
COMMUNITY STRATEGIC ACTION PLANS**

**SECTION 1.** (a) Californians expect and require that local government entities publicly explain the purpose of expenditures and whether progress is being made toward their goals. Therefore, in addition to the requirements of any other provision of this Constitution, the adopted budget of each local government entity shall contain all of the following as they apply to the entity’s powers and duties:

(1) A statement of how the budget will promote, as applicable to a local government entity’s functions, role, and locally determined priorities, a prosperous economy, quality environment, and community equity, as reflected in the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, improving health, and other community priorities.

(2) A description of the overall outcome measurements that

will be used to assess progress in all parts of the community toward the goals established by the local government entity pursuant to paragraph (1).

(3) A statement of the outcome measurement for each major expenditure of government for which public resources are appropriated in the budget and the relationship to the overall goals established by the local government entity pursuant to paragraph (1).

(4) A statement of how the local government entity will align its expenditure and investment of public resources to achieve the goals established by the local government entity pursuant to paragraph (1).

(5) A public report on progress in achieving the goals established by the local government entity pursuant to paragraph (1) and an evaluation of the effectiveness in achieving the outcomes according to the measurements set forth in the previous year’s budget.

(b) Each local government entity shall develop and implement an open and transparent process that encourages the participation of all aspects of the community in the development of its proposed budget, including identifying community priorities pursuant to paragraph (1) of subdivision (a).

(c) This section shall become operative in the budget year of the local government entity that commences in the year 2014.

(d) The provisions of this section are self-executing and are to be interpreted to apply only to those activities over which local entities exercise authority.

SEC. 2. (a) A county, by action of the board of supervisors, may initiate the development of a Community Strategic Action Plan, hereinafter referred to as the Action Plan. The county shall invite the participation of all other local government entities within the county whose existing functions or services are within the anticipated scope of the Action Plan. Any local government entity within the county may petition the board of supervisors to initiate an Action Plan, to be included in the planning process, or to amend the Action Plan.

(b) The participating local government entities shall draft an Action Plan through an open and transparent process that encourages the participation of all aspects of the community, including neighborhood leaders. The Action Plan shall include all of the following:

(1) A statement that (A) outlines how the Action Plan will achieve the purposes and goals set forth in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 1 of this article, (B) describes the public services that will be delivered pursuant to the Action Plan and the roles and responsibilities of the participating entities, (C) explains why those services will be delivered more effectively and efficiently pursuant to the Action Plan, (D) provides for an allocation of resources to support the plan, including funds that may be received from the Performance and Accountability Trust Fund, (E) considers disparities within communities served by the Action Plan, and (F) explains how the Action Plan is consistent with the budgets adopted by the participating local government entities.

(2) The outcomes desired by the participating local government entities and how those outcomes will be measured.

(3) A method for regularly reporting outcomes to the public and to the State.

(c) (1) *The Action Plan shall be submitted to the governing bodies of each of the participating local government entities within the county. To ensure a minimum level of collaboration, the Action Plan must be approved by the county, local government entities providing municipal services pursuant to the Action Plan to at least a majority of the population in the county, and one or more school districts serving at least a majority of the public school pupils in the county.*

(2) *The approval of the Action Plan, or an amendment to the Action Plan, by a local government entity, including the county, shall require a majority vote of the membership of the governing body of that entity. The Action Plan shall not apply to any local government entity that does not approve the Action Plan as provided in this paragraph.*

(d) *Once an Action Plan is adopted, a county may enter into contracts that identify and assign the duties and obligations of each of the participating entities, provided that such contracts are necessary for implementation of the Action Plan and are approved by a majority vote of the governing body of each local government entity that is a party to the contract.*

(e) *Local government entities that have adopted an Action Plan pursuant to this section and have satisfied the requirements of Section 3 of this article, if applicable, may integrate state or local funds that are allocated to them for the purpose of providing the services identified by the Action Plan in a manner that will advance the goals of the Action Plan.*

SEC. 3. (a) *If the parties to an Action Plan adopted pursuant to Section 2 of this article conclude that a state statute or regulation, including a statute or regulation restricting the expenditure of funds, impedes progress toward the goals of the Action Plan or they need additional statutory authority to implement the Action Plan, the local government entities may include provisions in the Action Plan that are functionally equivalent to the objective or objectives of the applicable statute or regulation. The provision shall include a description of the intended state objective, of how the rule is an obstacle to better outcomes, of the proposed community rule, and of how the community rule will contribute to better outcomes while advancing a prosperous economy, quality environment, and community equity. For purposes of this section, a provision is functionally equivalent to the objective or objectives of a statute or regulation if it substantially complies with the policy and purpose of the statute or regulation.*

(b) *The parties shall submit an Action Plan containing the functionally equivalent provisions described in subdivision (a) with respect to one or more state statutes to the Legislature during a regular or special session. If, within 60 days following its receipt of the Action Plan, the Legislature takes no concurrent action, by resolution or otherwise, to disapprove the provisions, the provisions shall be deemed to be operative, with the effect in law that compliance with the provisions shall be deemed compliance with the state statute or statutes.*

(c) *If the parties to an Action Plan adopted pursuant to Section 2 of this article conclude that a regulation impedes the goals of the Action Plan, they may follow the procedure described in subdivision (a) of this section by submitting their proposal to the agency or department responsible for promulgating or administering the regulation, which shall*

*consider the proposal within 60 days. If, within 60 days following its receipt of the Action Plan, the agency or department takes no action to disapprove the provisions, the provisions shall be deemed to be operative, with the effect in law that compliance with the provisions shall be deemed compliance with the state regulation or regulations. Any action to disapprove the provision shall include a statement setting forth the reasons for doing so.*

(d) *This section shall apply only to statutes or regulations that directly govern the administration of a state program that is financed in whole or in part with state funds.*

(e) *Any authority granted pursuant to this section shall automatically expire four years after the effective date, unless renewed pursuant to this section.*

SEC. 4. (a) *The Performance and Accountability Trust Fund is hereby established in the State Treasury for the purpose of providing state resources for the implementation of integrated service delivery contained in the Community Strategic Action Plans prepared pursuant to this article. Notwithstanding Section 13340 of the Government Code, money in the fund shall be continuously appropriated solely for the purposes provided in this article. For purposes of Section 8 of Article XVI, the revenues transferred to the Performance and Accountability Trust Fund pursuant to the act that added this article shall be considered General Fund proceeds of taxes which may be appropriated pursuant to Article XIII B.*

(b) *Money in the Performance and Accountability Trust Fund shall be distributed according to statute to counties whose Action Plans include a budget for expenditure of the funds that satisfies Sections 1 and 2 of this article.*

(c) *Any funds allocated to school districts pursuant to an Action Plan must be paid for from a revenue source other than the Performance and Accountability Trust Fund, and may be paid from any other source as determined by the entities participating in the Action Plan. The allocation received by any school district pursuant to an Action Plan shall not be considered General Fund proceeds of taxes or allocated local proceeds of taxes for purposes of Section 8 of Article XVI.*

SEC. 5. *A county that has adopted an Action Plan pursuant to Section 2 of this article shall evaluate the effectiveness of the Action Plan at least once every four years. The evaluation process shall include an opportunity for public comments, and for those comments to be included in the final report. The evaluation shall be used by the participating entities to improve the Action Plan and by the public to assess the performance of its government. The evaluation shall include a review of the extent to which the Action Plan has achieved the purposes and goals set forth in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 1, including: improving the outcomes among the participating entities in the delivery and effectiveness of the applicable governmental services; progress toward reducing community disparities; and whether the individuals or community members receiving those services were represented in the development and implementation of the Action Plan.*

SEC. 6. (a) *The State shall consider how it can help local government entities deliver services more effectively and efficiently through an Action Plan adopted pursuant to Section 2. Consistent with this goal, the State or any department*

or agency thereof may enter into contracts with one or more local government entities that are participants in an Action Plan to perform any function that the contracting parties determine can be more efficiently and effectively performed at the local level. Any contract made pursuant to this section shall conform to the Action Plan adopted pursuant to the requirements of Section 2.

(b) The State shall consider and determine how it can support, through financial and regulatory incentives, efforts by local government entities and representatives of the public to work together to address challenges and to resolve problems that local government entities have voluntarily and collaboratively determined are best addressed at the geographic scale of a region in order to advance a prosperous economy, quality environment, and community equity. The State shall promote the vitality and global competitiveness of regional economies and foster greater collaboration among local governments within regions by providing priority consideration for state-administered funds for infrastructure and human services, as applicable, to those participating local government entities that have voluntarily developed a regional collaborative plan and are making progress toward the purposes and goals of their plan, which shall incorporate the goals and purposes set forth in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 1.

SEC. 7. Nothing in this article is intended to abrogate or supersede any existing authority enjoyed by local government entities, nor to discourage or prohibit local government entities from developing and participating in regional programs and plans designed to improve the delivery and efficiency of government services.

SEC. 8. For purposes of this article, the term “local government entity” shall mean a county, city, city and county, and any other local government entity, including school districts, county offices of education, and community college districts.

SEC. 8. Section 29 of Article XIII of the California Constitution is amended to read:

SEC. 29. (a) The Legislature may authorize counties, cities and counties, and cities to enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them that is collected for them by the State. Before the contract becomes operative, it shall be authorized by a majority of those voting on the question in each jurisdiction at a general or direct primary election.

(b) Notwithstanding subdivision (a), on and after the operative date of this subdivision, counties, cities and counties, and cities, may enter into contracts to apportion between them the revenue derived from any sales or use tax imposed by them pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, or any successor provisions, that is collected for them by the State, if the ordinance or resolution proposing each contract is approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract.

(c) Notwithstanding subdivision (a), counties, cities and counties, cities, and any other local government entities, including school districts and community college districts, that are parties to a Community Strategic Action Plan adopted

pursuant to Article XI A may enter into contracts to apportion between and among them the revenue they receive from ad valorem property taxes allocated to them, if the ordinance or resolution proposing each contract is approved by a two-thirds vote of the governing body of each jurisdiction that is a party to the contract. Contracts entered into pursuant to this section shall be consistent with each participating entity’s budget adopted in accordance with Section 1 of Article XI A.

SEC. 9. Chapter 6 (commencing with Section 55750) is added to Part 2 of Division 2 of Title 5 of the Government Code, to read:

CHAPTER 6. COMMUNITY STRATEGIC ACTION PLANS

55750. (a) Notwithstanding Section 7101 of the Revenue and Taxation Code or any other provision of law, beginning in the 2013–14 fiscal year, the amount of revenues, net of refunds, collected pursuant to Section 6051 of the Revenue and Taxation Code and attributable to a rate of 0.035 percent shall be deposited in the State Treasury to the credit of the Performance and Accountability Trust Fund, as established pursuant to Section 4 of Article XI A of the California Constitution, and shall be used exclusively for the purposes for which that fund is created.

(b) To the extent that the Legislature reduces the sales tax base and that reduction results in less revenue to the Performance and Accountability Trust Fund than the fund received in the 2013–14 fiscal year, the Controller shall transfer from the General Fund to the Performance and Accountability Trust Fund an amount that when added to the revenues received by the Performance and Accountability Trust Fund in that fiscal year equals the amount of revenue received by the fund in the 2013–14 fiscal year.

55751. (a) Notwithstanding Section 7101 of the Revenue and Taxation Code or any other provision of law, beginning in the 2013–14 fiscal year, the amount of revenues, net of refunds, collected pursuant to Section 6201 of the Revenue and Taxation Code and attributable to a rate of 0.035 percent shall be deposited in the State Treasury to the credit of the Performance and Accountability Trust Fund, as established pursuant to Section 4 of Article XI A of the California Constitution, and shall be used exclusively for the purposes for which that fund is created.

(b) To the extent that the Legislature reduces the use tax base and that reduction results in less revenue to the Performance and Accountability Trust Fund than the fund received in the 2013–14 fiscal year, the Controller shall transfer from the General Fund to the Performance and Accountability Trust Fund an amount that when added to the revenues received by the Performance and Accountability Trust Fund in that fiscal year equals the amount of revenue received by the fund in the 2013–14 fiscal year.

55752. (a) In the 2014–15 fiscal year and every subsequent fiscal year, the Controller shall distribute funds in the Performance and Accountability Trust Fund established pursuant to Section 4 of Article XI A of the California Constitution to each county that has adopted a Community Strategic Action Plan that is in effect on or before June 30 of the preceding fiscal year, and that has submitted its Action Plan to

the Controller for the purpose of requesting funding under this section. The distribution shall be made in the first quarter of the fiscal year. Of the total amount available for distribution from the Performance and Accountability Trust Fund in a fiscal year, the Controller shall apportion to each county Performance and Accountability Trust Fund, which is hereby established, to assist in funding its Action Plan, a percentage equal to the percentage computed for that county under subdivision (c).

(b) As used in this section, the population served by a Community Strategic Action Plan is the population of the geographic area that is the sum of the population of all of the participating local government entities, provided that a resident served by one or more local government entities shall be counted only once. The Action Plan shall include a calculation of the population of the geographic area served by the Action Plan, according to the most recent Department of Finance demographic data.

(c) The Controller shall determine the population served by each county's Action Plan as a percentage of the total population computed for all of the Action Plans that are eligible for funding pursuant to subdivision (a).

(d) The funds provided pursuant to Section 4 of Article XI A of the California Constitution and this chapter represent in part ongoing savings that accrue to the state that are attributable to the 2011 realignment and to the measure that added this section. Four years following the first allocation of funds pursuant to this section, the Legislative Analyst's Office shall assess the fiscal impact of the Action Plans and the extent to which the plans have improved the efficiency and effectiveness of service delivery or reduced the demand for state-funded services.

SEC. 10. Section 42246 is added to the Education Code, to read:

42246. Funds contributed or received by a school district pursuant to its participation in a Community Strategic Action Plan authorized by Article XI A of the California Constitution shall not be considered in calculating the state's portion of the district's revenue limit under Section 42238 or any successor statute.

SEC. 11. Section 9145 is added to the Government Code, to read:

9145. For the purposes of Sections 9.5 and 12 of Article IV of the California Constitution, the following definitions shall apply:

(a) "Expand the scope of an existing state program or agency" does not include any of the following:

(1) Restoring funding to an agency or program that was reduced or eliminated in any fiscal year subsequent to the 2008–09 fiscal year to balance the budget or address a forecasted deficit.

(2) Increases in state funding for a program or agency to fund its existing statutory responsibilities, including increases in the cost of living or workload, and any increase authorized by a memorandum of understanding approved by the Legislature.

(3) Growth in state funding for a program or agency as required by federal law or a law that is in effect as of the effective date of the measure adding this section.

(4) Funding to cover one-time expenditures for a state program or agency, as so identified in the statute that appropriates the funding.

(5) Funding for a requirement described in paragraph (5) of subdivision (b) of Section 6 of Article XIII B of the California Constitution.

(b) "State costs" do not include costs incurred for the payment of principal or interest on a state general obligation bond.

(c) "Additional revenue" includes, but is not limited to, revenue to the state that results from specific changes made by federal or state law and that the state agency responsible for collecting the revenue has quantified and determined to be a sustained increase.

SEC. 12. Section 11802 is added to the Government Code, to read:

11802. No later than June 30, 2013, the Governor shall, after consultation with state employees and other interested parties, submit to the Legislature a plan to implement the performance-based budgeting provisions of Section 12 of Article IV of the California Constitution. The plan shall be fully implemented in the 2015–16 fiscal year and in each subsequent fiscal year.

SEC. 13. Section 13308.03 is added to the Government Code, to read:

13308.03. In addition to the requirements set forth in Section 13308, the Director of Finance shall:

(a) By May 15 of each year, submit to the Legislature and make available to the public updated projections of state revenue and state expenditures for the budget year and the succeeding fiscal year either as proposed in the budget bill pending in one or both houses of the Legislature or as appropriated in the enacted budget bill, as applicable.

(b) Immediately prior to passage of the biennial budget, or any supplemental budget, by the Legislature, submit to the Legislature a statement of total revenues and total expenditures for the budget year and the succeeding fiscal year, which shall be incorporated into the budget bill.

(c) By November 30 of each year, submit a fiscal update containing actual year-to-date revenues and expenditures for the current year compared to the revenues and expenditures set forth in the adopted budget to the Legislature. This requirement may be satisfied by the publication of the Fiscal Outlook Report by the Legislative Analyst's Office.

SEC. 14. Amendment

The statutory provisions of this measure may be amended solely to further the purposes of this measure by a bill approved by a two-thirds vote of the Members of each house of the Legislature and signed by the Governor.

SEC. 15. Severability

If any of the provisions of this measure or the applicability of any provision of this measure to any person or circumstances shall be found to be unconstitutional or otherwise invalid, that 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.

SEC. 16. Effective Date

Sections 4, 5, and 6 of this Act shall become operative on the first Monday of December in 2014. Unless otherwise specified in the Act, the other sections of the act shall become operative the day after the election at which the act is adopted.

SEC. 17. Legislative Counsel

(a) The people find and declare that the amendments proposed by this measure to Section 12 of Article IV of the California Constitution are consistent with the amendments to Section 12 of Article IV of the California Constitution proposed by Assembly Constitutional Amendment No. 4 of the 2009–10 Regular Session (Res. Ch. 174, Stats. 2010) (hereafter ACA 4), which will appear on the statewide general election ballot of November 4, 2014.

(b) For purposes of the Legislative Counsel’s preparation and proofreading of the text of ACA 4 pursuant to Sections 9086 and 9091 of the Elections Code, and Sections 88002 and 88005.5 of the Government Code, the existing provisions of Section 12 of Article IV of the California Constitution shall be deemed to be the provisions of that section as amended by this measure. The Legislative Counsel shall prepare and proofread the text of ACA 4, accordingly, to distinguish the changes proposed by ACA 4 to Section 12 of Article IV of the California Constitution from the provisions of Section 12 of Article IV of the California Constitution as amended by this measure. The Secretary of State shall place the complete text of ACA 4, as prepared and proofread by the Legislative Counsel pursuant to this section, in the ballot pamphlet for the statewide general election ballot of November 4, 2014.

PROPOSITION 32

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Government Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title, Findings, and Declaration of Purpose

A. Special interests have too much power over government. Every year, corporations and unions contribute millions of dollars to politicians, and the public interest is buried beneath the mountain of special-interest spending.

B. Yet, for many years, California’s government has failed its people. Our state is billions of dollars in debt and many local governments are on the verge of bankruptcy. Too often politicians ignore the public’s need in favor of the narrow special interests of corporations, labor unions, and government contractors who make contributions to their campaigns.

C. These contributions yield special tax breaks and public contracts for big business, costly government programs that enrich private labor unions, and unsustainable pensions, benefits, and salaries for public employee union members, all at the expense of California taxpayers.

D. Even contribution limits in some jurisdictions have not slowed the flow of corporate and union political money into the

political process. So much of the money overwhelming California’s politics starts as automatic deductions from workers’ paychecks. Corporate employers and unions often pressure, sometimes subtly and sometimes overtly, workers to give up a portion of their paycheck to support the political objectives of the corporation or union. Their purpose is to amass millions of dollars to gain influence with our elected leaders without any regard for the political views of the employees who provide the money.

E. For these reasons, and in order to curb actual corruption and the appearance of corruption of our government by corporate and labor union contributions, the people of the State of California hereby enact the Stop Special Interest Money Now Act in order to:

- 1. Ban both corporate and labor union contributions to candidates;
- 2. Prohibit government contractors from contributing money to government officials who award them contracts;
- 3. Prohibit corporations and labor unions from collecting political funds from employees and union members using the inherently coercive means of payroll deduction; and
- 4. Make all employee political contributions by any other means strictly voluntary.

SEC. 2. The Stop Special Interest Money Now Act

Article 1.5 (commencing with Section 85150) is added to Chapter 5 of Title 9 of the Government Code, to read:

*Article 1.5. The Stop Special Interest Money Now Act*

*85150. (a) Notwithstanding any other provision of law and this title, no corporation, labor union, or public employee labor union shall make a contribution to any candidate, candidate controlled committee; or to any other committee, including a political party committee, if such funds will be used to make contributions to any candidate or candidate controlled committee.*

*(b) Notwithstanding any other provision of law and this title, no government contractor, or committee sponsored by a government contractor, shall make a contribution to any elected officer or committee controlled by any elected officer if such elected officer makes, participates in making, or in any way attempts to use his or her official position to influence the granting, letting, or awarding of a public contract to the government contractor during the period in which the decision to grant, let, or award the contract is to be made and during the term of the contract.*

*85151. (a) Notwithstanding any other provision of law and this title, no corporation, labor union, public employee labor union, government contractor, or government employer shall deduct from an employee’s wages, earnings, or compensation any amount of money to be used for political purposes.*

*(b) This section shall not prohibit an employee from making voluntary contributions to a sponsored committee of his or her employer, labor union, or public employee labor union in any manner, other than that which is prohibited by subdivision (a), so long as all such contributions are given with that employee’s written consent, which consent shall be effective for no more than one year.*

*(c) This section shall not apply to deductions for retirement*

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32

**TEMPORARY TAXES TO FUND EDUCATION.  
GUARANTEED LOCAL PUBLIC SAFETY FUNDING.  
INITIATIVE CONSTITUTIONAL AMENDMENT.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

**TEMPORARY TAXES TO FUND EDUCATION. GUARANTEED LOCAL PUBLIC SAFETY FUNDING.  
INITIATIVE CONSTITUTIONAL AMENDMENT.**

- Increases personal income tax on annual earnings over \$250,000 for seven years.
- Increases sales and use tax by ¼ cent for four years.
- Allocates temporary tax revenues 89% to K–12 schools and 11% to community colleges.
- Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent.
- Guarantees funding for public safety services realigned from state to local governments.

**Summary of Legislative Analyst’s Estimate of Net State and Local Government Fiscal Impact:**

- Additional state tax revenues of about \$6 billion annually from 2012–13 through 2016–17. Smaller amounts of additional revenue would be available in 2011–12, 2017–18, and 2018–19.
- These additional revenues would be available to fund programs in the state budget. Spending reductions of about \$6 billion in 2012–13, mainly to education programs, would not take effect.

**ANALYSIS BY THE LEGISLATIVE ANALYST**

**OVERVIEW**

This measure temporarily increases the state sales tax rate for all taxpayers and the personal income tax (PIT) rates for upper-income taxpayers. These temporary tax increases provide additional revenues to pay for programs funded in the state budget. The state’s 2012–13 budget plan—approved by the Legislature and the Governor in June 2012—assumes

passage of this measure. The budget, however, also includes a backup plan that requires spending reductions (known as “trigger cuts”) in the event that voters reject this measure. This measure also places into the State Constitution certain requirements related to the recent transfer of some state program responsibilities to local governments. Figure 1 summarizes the main provisions of this proposition, which are discussed in more detail below.

**Figure 1**

**Overview of Proposition 30**

**State Taxes and Revenues**

- Increases sales tax rate by one-quarter cent for every dollar for four years.
- Increases personal income tax rates on upper-income taxpayers for seven years.
- Raises about \$6 billion in additional annual state revenues from 2012–13 through 2016–17, with smaller amounts in 2011–12, 2017–18, and 2018–19.

**State Spending**

- If approved by voters, additional revenues available to help balance state budget through 2018–19.
- If rejected by voters, 2012–13 budget reduced by \$6 billion. State revenues lower through 2018–19.

**Local Government Programs**

- Guarantees local governments receive tax revenues annually to fund program responsibilities transferred to them by the state in 2011.

**STATE TAXES AND REVENUES**

**Background**

The General Fund is the state’s main operating account. In the 2010–11 fiscal year (which ran from July 1, 2010 to June 30, 2011), the General Fund’s total revenues were \$93 billion. The General Fund’s three largest revenue sources are the PIT, the sales tax, and the corporate income tax.

**Sales Tax.** Sales tax rates in California differ by locality. Currently, the average sales tax rate is just over 8 percent. A portion of sales tax revenues goes to the state, while the rest is allocated to local governments. The state General Fund received \$27 billion of sales tax revenues during the 2010–11 fiscal year.

**Personal Income Tax.** The PIT is a tax on wage, business, investment, and other income of individuals and families. State PIT rates range from 1 percent to 9.3 percent on the portions of a taxpayer’s income in each of several income brackets. (These are referred to as marginal tax rates.) Higher marginal tax rates are charged as income increases. The tax revenue generated from this tax—totaling \$49.4 billion during the 2010–11 fiscal year—is deposited into the state’s General Fund. In addition, an extra 1 percent tax applies to annual income over \$1 million (with the associated revenue dedicated to mental health services).

**Proposal**

**Increases Sales Tax Rate From 2013 Through 2016.** This measure temporarily increases the statewide sales tax rate by one-quarter cent for every dollar of goods purchased. This higher tax rate would be in effect for four years—from January 1, 2013 through the end of 2016.

**Increases Personal Income Tax Rates From 2012 Through 2018.** As shown in Figure 2, this measure increases the existing 9.3 percent PIT rates on higher incomes. The additional marginal tax rates would increase as taxable income increases. For joint filers, for example, an additional 1 percent marginal tax rate would be imposed on income between \$500,000 and \$600,000 per year, increasing the total rate to 10.3 percent. Similarly, an additional 2 percent marginal tax rate would be imposed on income between \$600,000 and \$1 million, and an additional 3 percent marginal tax rate would be imposed on income above \$1 million, increasing the total rates on these income brackets to 11.3 percent and 12.3 percent, respectively. These new tax rates would affect about 1 percent of California PIT filers. (These taxpayers currently pay about 40 percent of state personal income taxes.) The tax rates would be in effect for seven years—

**Figure 2**  
**Current and Proposed Personal Income Tax Rates Under Proposition 30**

Single Filer’s Taxable Income <sup>a</sup>	Joint Filers’ Taxable Income <sup>a</sup>	Head-of-Household Filer’s Taxable Income <sup>a</sup>	Current Marginal Tax Rate <sup>b</sup>	Proposed Additional Marginal Tax Rate <sup>b</sup>
\$0–\$7,316	\$0–\$14,632	\$0–\$14,642	1.0%	—
7,316–17,346	14,632–34,692	14,642–34,692	2.0	—
17,346–27,377	34,692–54,754	34,692–44,721	4.0	—
27,377–38,004	54,754–76,008	44,721–55,348	6.0	—
38,004–48,029	76,008–96,058	55,348–65,376	8.0	—
48,029–250,000	96,058–500,000	65,376–340,000	9.3	—
250,000–300,000	500,000–600,000	340,000–408,000	9.3	1.0%
300,000–500,000	600,000–1,000,000	408,000–680,000	9.3	2.0
Over 500,000	Over 1,000,000	Over 680,000	9.3	3.0

<sup>a</sup> Income brackets shown were in effect for 2011 and will be adjusted for inflation in future years. Single filers also include married individuals and registered domestic partners (RDPs) who file taxes separately. Joint filers include married and RDP couples who file jointly, as well as qualified widows or widowers with a dependent child.  
<sup>b</sup> Marginal tax rates apply to taxable income in each tax bracket listed. The proposed additional tax rates would take effect beginning in 2012 and end in 2018. Current tax rates listed exclude the mental health tax rate of 1 percent for taxable income in excess of \$1 million.

For text of Proposition 30, see page 80.

## ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

starting in the 2012 tax year and ending at the conclusion of the 2018 tax year. (Because the rate increase would apply as of January 1, 2012, affected taxpayers likely would have to make larger payments in the coming months to account for the full-year effect of the rate increase.) The additional 1 percent rate for mental health services would still apply to income in excess of \$1 million. Proposition 30's rate changes, therefore, would increase these taxpayers' marginal PIT rate from 10.3 percent to 13.3 percent. Proposition 38 on this ballot would also increase PIT rates. The nearby box describes what would happen if both measures are approved.

#### What Happens if Voters Approve Both Proposition 30 and Proposition 38?

**State Constitution Specifies What Happens if Two Measures Conflict.** If provisions of two measures approved on the same statewide ballot conflict, the Constitution specifies that the provisions of the measure receiving more "yes" votes prevail. Proposition 30 and Proposition 38 on this statewide ballot both increase personal income tax (PIT) rates and, as such, could be viewed as conflicting.

**Measures State That Only One Set of Tax Increases Goes Into Effect.** Proposition 30 and Proposition 38 both contain sections intended to clarify which provisions are to become effective if both measures pass:

- **If Proposition 30 Receives More Yes Votes.** Proposition 30 contains a section indicating that its provisions would prevail in their entirety and none of the provisions of any other measure increasing PIT rates—in this case Proposition 38—would go into effect.
- **If Proposition 38 Receives More Yes Votes.** Proposition 38 contains a section indicating that its provisions would prevail and the tax rate provisions of any other measure affecting sales or PIT rates—in this case Proposition 30—would not go into effect. Under this scenario, the spending reductions known as the "trigger cuts" would take effect as a result of Proposition 30's tax increases not going into effect.

#### Fiscal Effect

**Additional State Revenues Through 2018–19.** Over the five fiscal years in which both the sales tax and PIT increases would be in effect (2012–13 through 2016–17), the average annual state revenue gain resulting from this measure's tax increases is estimated at around \$6 billion. Smaller revenue increases are likely in 2011–12, 2017–18, and 2018–19 due to the phasing in and phasing out of the higher tax rates.

**Revenues Could Change Significantly From Year to Year.** The revenues raised by this measure could be subject to multibillion-dollar swings—either above or below the revenues projected above. This is because the vast majority of the additional revenue from this measure would come from the PIT rate increases on upper-income taxpayers. Most income reported by upper-income taxpayers is related in some way to their investments and businesses, rather than wages and salaries. While wages and salaries for upper-income taxpayers fluctuate to some extent, their investment income may change significantly from one year to the next depending upon the performance of the stock market, housing prices, and the economy. For example, the current mental health tax on income over \$1 million generated about \$730 million in 2009–10 but raised more than twice that amount in previous years. Due to these swings in the income of these taxpayers and the uncertainty of their responses to the rate increases, the revenues raised by this measure are difficult to estimate.

## STATE SPENDING

### Background

**State General Fund Supports Many Public Programs.** Revenues deposited into the General Fund support a variety of programs—including public schools, public universities, health programs, social services, and prisons. School spending is the largest part of the state budget. Earlier propositions passed by state voters require the state to provide a minimum annual amount—commonly called the Proposition 98 minimum guarantee—for schools (kindergarten through high school) and community colleges (together referred to as K–14 education). The minimum guarantee is funded through a combination of state General Fund and local property tax revenues. In many years, the calculation of the minimum guarantee is highly sensitive to changes in state General Fund revenues. In years when General Fund revenues grow by a large amount, the guarantee is likely to increase by a large amount. A large share of the state and local funding that is allocated to schools and community colleges is "unrestricted," meaning that they may use the funds for any educational purpose.

### Proposal

**New Tax Revenues Available to Fund Schools and Help Balance the Budget.** The revenue generated by the measure's temporary tax increases would be included in the calculations of the Proposition 98 minimum guarantee—raising the guarantee by billions of dollars each year. A portion of the new revenues therefore would be used to support higher school funding, with the remainder helping

**ANALYSIS BY THE LEGISLATIVE ANALYST**

**CONTINUED**

to balance the state budget. From an accounting perspective, the new revenues would be deposited into a newly created state account called the Education Protection Account (EPA). Of the funds in the account, 89 percent would be provided to schools and 11 percent to community colleges. Schools and community colleges could use these funds for any educational purpose. The funds would be distributed the same way as existing unrestricted per-student funding, except that no school district would receive less than \$200 in EPA funds per student and no community college district would receive less than \$100 in EPA funds per full-time student.

**Fiscal Effect if Measure Is Approved**

**2012–13 Budget Plan Relies on Voter Approval of This Measure.** The Legislature and the Governor adopted a budget plan in June to address a substantial projected budget deficit for the 2012–13 fiscal year as well as projected budget deficits in future years. The 2012–13 budget plan (1) assumes that voters approve this measure and (2) spends the resulting revenues on various state programs. A large share of the revenues generated by this measure is spent on schools and community colleges. This helps explain the large increase in funding for schools and community colleges in 2012–13—a \$6.6 billion increase (14 percent) over 2011–12. Almost all of this increase is used to pay K–14 expenses from the previous year and

reduce delays in some state K–14 payments. Given the large projected budget deficit, the budget plan also includes actions to constrain spending in some health and social services programs, decrease state employee compensation, use one-time funds, and borrow from other state accounts.

**Effect on Budgets Through 2018–19.** This measure’s additional tax revenues would be available to help balance the state budget through 2018–19. The additional revenues from this measure provide several billion dollars annually through 2018–19 that would be available for a wide range of purposes—including funding existing state programs, ending K–14 education payment delays, and paying other state debts. Future actions of the Legislature and the Governor would determine the use of these funds. At the same time, due to swings in the income of upper-income taxpayers, potential state revenue fluctuations under this measure could complicate state budgeting in some years. After the proposed tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

**Fiscal Effect if Measure Is Rejected**

**Backup Budget Plan Reduces Spending if Voters Reject This Measure.** If this measure fails, the state would not receive the additional revenues generated by the proposition’s tax increases. In this situation, the 2012–13 budget plan requires that its spending be reduced by \$6 billion. These trigger cuts, as currently scheduled in state law, are shown in Figure 3. Almost all the reductions are to education programs—\$5.4 billion to K–14 education and \$500 million to public universities. Of the K–14 reductions, roughly \$3 billion is a cut in unrestricted funding. Schools and community colleges could respond to this cut in various ways, including drawing down reserves, shortening the instructional year for schools, and reducing enrollment for community colleges. The remaining \$2.4 billion reduction would increase the amount of late payments to schools and community colleges back to the 2011–12 level. This could affect the cash needs of schools and community colleges late in the fiscal year, potentially resulting in greater short-term borrowing.

**Effect on Budgets Through 2018–19.** If this measure is rejected by voters, state revenues would be billions of dollars lower each year through 2018–19 than if the measure were approved. Future actions of the Legislature and the Governor would determine how to balance the state budget at this lower level of revenues. Future state budgets could be balanced through cuts to schools or other programs, new revenues, and one-time actions.

<b>Figure 3</b>	
<b>2012–13 Spending Reductions if Voters Reject Proposition 30</b>	
<i>(In Millions)</i>	
Schools and community colleges	\$5,354
University of California	250
California State University	250
Department of Developmental Services	50
City police department grants	20
CalFire	10
DWR flood control programs	7
Local water safety patrol grants	5
Department of Fish and Game	4
Department of Parks and Recreation	2
DOJ law enforcement programs	1
<b>Total</b>	<b>\$5,951</b>

DWR = Department of Water Resources; DOJ = Department of Justice.

For text of Proposition 30, see page 80.

## LOCAL GOVERNMENT PROGRAMS

### Background

In 2011, the state transferred the responsibility for administering and funding several programs to local governments (primarily counties). The transferred program responsibilities include incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services. To pay for these new obligations, the Legislature passed a law transferring about \$6 billion of state tax revenues to local governments annually. Most of these funds come from a shift of a portion of the sales tax from the state to local governments.

### Proposal

This measure places into the Constitution certain provisions related to the 2011 transfer of state program responsibilities.

***Guarantees Ongoing Revenues to Local Governments.*** This measure requires the state to continue providing the tax revenues redirected in 2011 (or equivalent funds) to local governments to pay for the transferred program responsibilities. The measure also permanently excludes the sales tax revenues redirected to local governments from the calculation of the minimum funding guarantee for schools and community colleges.

***Restricts State Authority to Expand Program Requirements.*** Local governments would not be required to implement any future state laws that increase local costs to administer the program responsibilities transferred in 2011, unless the state provided additional money to pay for the increased costs.

***Requires State to Share Some Unanticipated Program Costs.*** The measure requires the state to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations related to the transferred program responsibilities.

***Eliminates Potential Mandate Funding Liability.*** Under the Constitution, the state must reimburse local governments when it imposes new responsibilities or “mandates” upon them. Under current law, the state could be required to provide local governments with additional funding (mandate reimbursements) to pay for some of the transferred program responsibilities. This measure specifies that the state would not be required to provide such mandate reimbursements.

***Ends State Reimbursement of Open Meeting Act Costs.*** The Ralph M. Brown Act requires that all meetings of local legislative bodies be open and public. In the past, the state has reimbursed local governments for costs resulting from certain provisions of the Brown Act (such as the requirement to prepare and post agendas for public meetings). This measure specifies that the state would not be responsible for paying local agencies for the costs of following the open meeting procedures in the Brown Act.

## Fiscal Effects

**State Government.** State costs could be higher for the transferred programs than they otherwise would have been because this measure (1) guarantees that the state will continue providing funds to local governments to pay for them, (2) requires the state to share part of the costs associated with future federal law changes and court cases, and (3) authorizes local governments to refuse to implement new state laws and regulations that increase their costs unless the state provides additional funds. These potential costs would be offset in part by the measure's provisions eliminating any potential state mandate liability from the 2011 program transfer and Brown Act procedures. The net fiscal effect of these provisions is not possible to determine and would depend on future actions by elected officials and the courts.

**Local Government.** The factors discussed above would have the opposite fiscal effect on local governments. That is, local government revenues could be higher than they otherwise would have been because the state would be required to (1) continue providing funds to local governments to pay for the program responsibilities transferred in 2011 and (2) pay all or part of the costs associated with future federal and state law changes and court cases. These increased local revenues would be offset in part by the measure's provisions eliminating local government authority to receive mandate reimbursements

for the 2011 program shift and Brown Act procedures. The net fiscal effect of these provisions is not possible to determine and would depend on future actions by elected officials and the courts.

## SUMMARY

If voters approve this measure, the state sales tax rate would increase for four years and PIT rates would increase for seven years, generating an estimated \$6 billion annually in additional state revenues, on average, between 2012–13 and 2016–17. (Smaller revenue increases are likely for the 2011–12, 2017–18, and 2018–19 fiscal years.) These revenues would be used to help fund the state's 2012–13 budget plan and would be available to help balance the budget over the next seven years. The measure also would guarantee that local governments continue to annually receive the share of state tax revenues transferred in 2011 to pay for the shift of some state program responsibilities to local governments.

If voters reject this measure, state sales tax and PIT rates would not increase. Because funds from these tax increases would not be available to help fund the state's 2012–13 budget plan, state spending in 2012–13 would be reduced by about \$6 billion, with almost all the reductions related to education. In future years, state revenues would be billions of dollars lower than if the measure were approved.

## Former President Bill Clinton

### Newspapers

- Los Angeles Times
- Sacramento Bee
- San Francisco Chronicle
- San Jose Mercury News
- Lompoc Record and Santa Maria Times
- Marin Pacific Sun
- Oakland Tribune
- San Luis Obispo Tribune
- Santa Rosa Press Democrat
- Stockton Record
- Ventura County Star
- Woodland Daily Democrat

### Education

- Academic Senate for California Community Colleges
- Academic Senate CSU
- Alameda County Office of Education Superintendent Sheila Jordan
- Albany Unified School District
- Associated Students of CSU Long Beach
- Associated Students of Sacramento State University
- Associated Students of San Diego State University
- Association of California School Administrators (ACSA)
- Bakersfield City School District
- Bonita Unified School District
- Butte-Gleen Community College District
- Cal Alumni Association - UC Berkeley
- California Adult Education Administrators Association
- California Community Colleges Board of Governors
- California Council for Adult Education (CCAЕ)
- California County of Superintendents Educational Services Association (CCSESA)
- California Faculty Association
- California Federation of Teachers (CFT)
- California Head Start Association
- California Retired Teachers Association
- California School Employees Association (CSEA)
- California School Boards Association
- California State Student Association (CSSA)
- California State University Alumni Council
- California State University Board of Trustees
- California State University Emeritus and Retired Faculty Association

- California State University Employees Union
- California State University San Marcos Academic Senate
- California State University San Marcos Associated Students
- California Teachers Association (CTA)
- The Campaign for College Opportunity
- Chaffey Community College District
- Charter Schools Association of California (CCSA)
- Child Care Alliance of Los Angeles
- Community College League of California
- College Board
- College of the Canyons Associated Student Government
- College of the Canyons Board of Trustees
- Colusa Unified School District
- Elk Grove Unified School District
- Glendale Community College Board of Trustees
- Great Oakland Public Schools
- Green Dot Public Schools
- Hartnell College Board of Trustees
- Higher Education Coalition
- Humboldt County Board of Education
- Humboldt County Superintendent of Schools - Garry Eagles
- Humboldt State University Senate
- Inyo County Office of Education Superintendent Dr. Terence McAteer
- Kernville Union School District
- Lake County Office of Education Superintendent Wally Holbrook
- Lake Tahoe Community College District
- Lassen Community College District
- Lompoc Unified School District - Superintendent Gregory Kampf
- Long Beach City College
- Los Angeles Community College District
- Los Rios Community College District
- Mariposa County Office of Education/Unified School District
- Martinez Unified School District Superintendent Rami Muth
- Modesto City Schools
- Mono County Office of Education
- Monterey Peninsula Community College Trustees
- Napa County Office of Education Superintendent Dr. Barbara Nemko
- Norwalk-La Mirada Unified School District
- Ohlone Community College District Board of Trustees

- Patterson Unified School District
- Rancho Santiago Community College District Continuing Education Faculty Association
- Rio Hondo Community College Board of Trustees
- Riverside Community College Board of Trustees
- Sacramento City College Student Senate
- San Bernardino Community College District
- San Diego State University Senate
- San Diego Unified School District
- San Jose State University Associated Students
- San Luis Obispo County Office of Education Superintendent Julian Crocker
- San Mateo County Superintendent of Schools Anne Campbell
- San Rafael City Schools Superintendent Michael Watenpaugh
- San Rafael City Elementary District
- San Rafael City High School District
- Santa Barbara County Education Office Superintendent Bill Cirone
- Santa Barbara Unified School District
- Santa Cruz County Office of Education Superintendent Michael Watkins
- Santa Monica College - Emeritus Executive Council
- Santa Monica College Faculty Association
- Santa Monica-Malibu Unified School District
- Santa Rosa Junior College Board of Trustees
- Sequoias Community College District
- Shasta-Tehama-Trinity Joint Community College District
- Sheri Coburn, President-elect, Association of California School Administrators, Region VII
- Siskiyou Joint Community College District
- Solano Community College District
- Sonoma County Office of Education
- Sonoma State University Academic Senate
- Stockton Unified School District
- Student Senate for California Community Colleges Region 5
- Student Senate for California Community Colleges Region 10
- Student Senate for Modesto Junior College
- Sutter County Superintendent of Schools Bill Cornelius
- UAW Local 5810
- UCSC Alumni Association
- University of California Regents
- University of California Student Association
- Yosemite Community College District

### **Public Safety**

- Association for Los Angeles Deputy Sheriffs
- Big 11
- California Association of Highway Patrolmen
- California District Attorneys Association (CDAA)
- California State Sheriffs Association
- CDF Firefighters
- Chief Probation Officers of California
- Peace Officers Research Association of California (PORAC)
- Southern California Alliance of Law Enforcement

### **Community Groups/Business**

- The Arc California
- Arts for LA
- Alliance for a Better Community
- Alliance of Californians for Community Empowerment (ACCE)
- Asian Pacific Environmental Network
- Bay Area Council
- Cal Alumni Association
- California Alternative Payment Program Association (CAPPA)
- California Association of Professional Scientists
- California Budget Project
- California Building Industries Association (CBIA)
- California Calls
- California Civil Rights Coalition
- California Coalition for Rural Housing
- The California Council for Environmental and Economic Balance
- California Democratic Party
- California Food Policy Advocates
- California Housing Consortium
- California League of Conservation Voters (CLCV)
- California League of Women Voters
- California Library Association
- California Partnership
- California State Association of Counties (CSAC)
- California Young Democrats
- Central Coast Alliance United for a Sustainable Economy (CAUSE)
- Children Now
- CLUE California
- Community Coalition for Substance Abuse Prevention and Treatment
- CompassPoint
- Congregations Organized for Prophetic Engagement
- Contra Costa County Board of Supervisors
- Courage Campaign

- Dolores Huerta Foundation
- East Bay Economic Development Alliance
- East LA Community Corporation
- Educate Our State
- Equality Alliance
- Fremont Chamber of Commerce
- Green Party of California
- Housing California
- Humane Society of the United States
- Inner City Struggle
- Jewish Family Service of Los Angeles
- Knotts Family and Parenting Institute
- Long Beach Department of Government and Strategic Affairs
- Los Angeles Business Council (LABC)
- Middle Class Taxpayers
- Mobilize the Immigrant Vote
- National Association of Social Workers - California Chapter
- Non-Profit Housing Association of Northern California
- Oakland Chamber of Commerce
- Oakland Rising
- Peninsula Democratic Coalition
- PICO California
- Professional Engineers in California Government (PECG)
- PUEBLO Action Fund
- San Diego Housing Federation
- San Francisco for Democracy
- Santa Clara County Board of Supervisors
- Santa Cruz County Board of Supervisors
- Social Action Committee of the Unitarian Universalist Fellowship of Redwood City
- Sonoma County Board of Supervisors
- Strategic Concepts in Organizing and Policy Education
- The Ella Baker Center for Human Rights
- Unitarian Universalist Legislative Ministry Action Network
- Valley Industry and Commerce Association (VICA)
- Western Center on Law and Poverty
- Working Partnerships USA

- California Primary Care Association (CPCA)
- Health Access
- Planned Parenthood Affiliates of California
- San Francisco Human Services Network

**Labor Organizations**

- ACLU
- American Federation of State and Municipal Employees (AFSCME)
- California Building and Construction Trades Council
- California Labor Federation
- California Teamsters Public Affairs Council
- Communications Workers of America (District 9 AFL-CIO)
- Laborers International Union
- Professional and Technical Engineers (Local 21)
- San Diego and Imperial Counties Labor Council, AFL-CIO
- Service Employees International Union (SEIU)
- UAW Local 4123
- United Farm Workers (UFW)
- Warehouse Workers United

**Healthcare**

- Aging Services of California
- California Academy of Family Physicians
- California Hospitals Association
- California Medical Association
- California Nurses Association
- California Pan Ethnic Health Network

**Sponsored By**

Howard Jarvis Taxpayers Association  
 National Federation of Independent Business  
 California  
 Small Business Action Committee

**Endorsed By**

U-T San Diego  
 Orange County Register  
 Contra Costa Times  
 Press-Enterprise  
 Bakersfield Californian  
 North County Times

**Organizations**

Americans For Prosperity  
 Antelope Valley Hispanic Chamber of  
 Commerce  
 Buena Park Chamber of Commerce  
 Calaveras County Taxpayers Association  
 California Taxpayer Protection Committee  
 Campaign for Children and Families  
 Central Coast Taxpayers Association  
 Contra Costa Taxpayers Association  
 Folsom Chamber of Commerce  
 Fresno Chamber of Commerce  
 Fullerton Association of Concerned Taxpayers  
 Fullerton Chamber of Commerce  
 Humboldt County Taxpayers League  
 Inland Empire Taxpayers Association  
 Kern County Taxpayers Association  
 Lodi District Chamber of Commerce  
 Orange County Taxpayers Association  
 Palm Desert Area Chamber of Commerce  
 Rancho Cordova Chamber of Commerce  
 Sacramento Taxpayers Association  
 San Diego Tax Fighters  
 San Gabriel Valley Regional Chamber of  
 Commerce  
 San Joaquin Taxpayers Association  
 Santa Clara Chamber of Commerce  
 Santa Clarita Valley Chamber of Commerce  
 Seaside Taxpayers Association  
 Small Business Economic Impact Alliance  
 Solano County Taxpayers Association  
 United Chambers of Commerce

**Elected Officials**

Allan Songstad, Councilmember, City of Laguna  
 Hills  
 Andrew Wong, Board Member, Pomona Unified  
 School District  
 Barry Talbot, Councilmember, City of Canyon  
 Lake

Bob Botts, Councilmember, City of Banning  
 Bob Whalen, Councilmember, City of Clovis  
 Carl Hilliard, Mayor, City of Del Mar  
 Carolyn Cavecche, Mayor, City of Orange  
 Charlie Klinakis, Councilmember, City of La  
 Puente  
 Ernie Konnyu, U.S. Representative, Ret.  
 Fred Whitaker, Councilmember, City of Orange  
 Frank Bigelow, Supervisor, County of Mariposa  
 Janice Rutherford Lim, Supervisor, County of  
 San Bernardino  
 Jesse Petrilla, Councilmember, City of Rancho  
 Santa Margarita  
 Keith Curry, Mayor Pro Tem, City of Newport  
 Beach  
 Kevin Hanley, Councilmember, City of Auburn  
 Larry Smith, Councilmember, City of Hemet  
 Leslie Daigle, Councilmember, City of Newport  
 Beach  
 Linda Fowler, Board of Trustees Member, Twin  
 Rivers Unified School District  
 Ling Ling Chang, Mayor, City of Diamond Bar  
 Marie Fellhauer, Councilmember, City of El  
 Segundo  
 Mark McCurdy, Mayor Pro-Tem, City of  
 Fountain Valley  
 Marshall "Chip" Holloway, Mayor Pro Tem, City  
 of Ridgecrest  
 Melissa Melendez, Councilmember, City of Lake  
 Elsinore  
 Mike Reagan, Supervisor, County of Solano  
 Peter Herzog, Councilmember, City of Lake  
 Forest  
 Phil Paule, Board of Directors Vice-President,  
 Eastern Municipal Water District, County of  
 Riverside  
 Randon Lane, Councilmember, City of Murrieta  
 Ryan McEachron, Mayor, City of Victorville  
 Scott Nelson, Councilmember, City of Placentia  
 Scott Wilk, Board of Trustees Member, Santa  
 Clarita Community College District  
 Stephen Atchley, Councilmember, City of  
 Pomona  
 Steve Diels, Councilmember, City of Redondo  
 Beach  
 Steven Choi, Ph.D., Councilmember, City of  
 Irvine  
 Tim Shaw, Mayor, City of La Habra  
 Tom King, Councilmember, City of Walnut  
 Victor Gomez, Councilmember, City of Hollister  
 Vince House, Councilmember, City of La Puente

## Small Businesses

A Plus Tire & Service Inc.  
AA Auto Collision Center  
AAA Energy Systems, Inc.  
ABB Management  
Aegis Ins. Markets  
AM Beauty Supply  
American Revenue Mgmt  
Auberry Ford Station  
Aztec Rentals Inc.  
Baywood Mfg  
Bear City Glass  
Bob Galli's Auto Repair  
Bud's Beach Cities Inc.  
Cal Yee Farm LLC  
Carlton Tire  
Carol Jacoby & Co. Real Estate  
Chowchilla Auto Body Works  
Coastal Valley Aviation Inc.  
Cold Star Ice  
Cora Constructors  
Cothran Insurance Agency, Inc.  
Cottage Floors Inc.  
Craig C. Hansen Insurance Service, Inc.  
Dana Rochlitz Repair  
Davit Dayton Rice Ranch  
Dennco  
Diamond Pacific Tool Corp  
DMS-Varco  
Donner Lake Realty  
Double D Rentals, Inc.  
Doug Sallady Glass & Sash  
East Bay Welding Supply Inc.  
Energy Operations Management Inc.  
Exclusive British European Inc.  
Five Star Windows  
Frontier Paint  
Fruit Palace  
Furniture N Mattress City  
Glacier Corp.  
Glendora Employment  
Gomez Construction Inc.  
Graeagle Land & Water  
Gravance Trucking  
Green Mouse Recycling  
Greenscape  
Gustafson Construction Inc.  
HigherGround Personnel Services Inc.  
Hydronamio Engineering Corp.  
Integrity Automotive  
Jere Allan Insurance Agency  
JES Corp.

JJJ Ceramic Tile  
JLV Insurance Service Inc.  
KMS Bearings Inc.  
Lindsay Properties  
Livermore Valley Medical Billing  
Madco Welding Supply  
Mark Crawford Logging  
Microsurface Corporation  
Miller's Auto  
Morgan Hill Precision, Inc.  
One Stop Smog and Autocare  
Oxborrow Enterprises Inc.  
Pacific Paper Box Co.  
Peterson Grinding  
Pivniska Trucking LLC  
Positive Machining  
Power Transmission and Supply  
Prudhomme Family Catering  
PSTS Inc.  
Rapid Screen Repair  
Rice Heating & Air Conditioning  
Richter Bros, Inc.  
Riddle Ranches Inc.  
Rival Well Services Inc.  
Romeo Packing Co.  
Romex Transport, Inc.  
San Benancio Labor  
Sandvick Precision Inc.  
Sierra Motor Sports  
Sinder's Inc.  
SMI  
Sousa Ready Mix, LLC  
Star Home Health Resources Inc.  
Surebore Inc.  
Taqueria La Estsella Inc.  
The Clean Sweep  
Tops N Barricades  
Torres Performance & Machining LLC  
Trinity Lumber  
Vaca Valley Excavating and Trucking  
Valley Produce Inc.  
West Coast Equipment  
Western Pacific Roofing Company  
Win-Door Service  
Zonnec Inc.  
Century National Insurance Company  
Rand Resourcecs LLC  
Revecorp Inc  
Snow Orthodontics  
The Inside Education Radio Talk Show

## STATE BUDGET. STATE AND LOCAL GOVERNMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

31

### STATE BUDGET. STATE AND LOCAL GOVERNMENT. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE.

- Establishes two-year state budget cycle.
- Prohibits Legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified.
- Permits Governor to cut budget unilaterally during declared fiscal emergencies if Legislature fails to act.
- Requires performance reviews of all state programs.
- Requires performance goals in state and local budgets.
- Requires publication of bills at least three days prior to legislative vote.
- Allows local governments to alter how laws governing state-funded programs apply to them, unless Legislature or state agency vetoes change within 60 days.

#### Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Decreased state sales tax revenues of about \$200 million annually, with a corresponding increase of funding to certain local governments.
- Other, potentially more significant changes in state and local spending and revenues, the magnitude of which would depend on future decisions by public officials.

### ANALYSIS BY THE LEGISLATIVE ANALYST

#### OVERVIEW

This measure changes certain responsibilities of local governments, the Legislature, and the Governor. It also changes some aspects of state and local government operations. Figure 1 summarizes the measure's main provisions, each of which are discussed in more detail below.

#### AUTHORIZES AND FUNDS LOCAL GOVERNMENT PLANS

##### Proposal

***Allows Local Governments to Develop New Plans.*** Under this measure, counties and other local governments (such as cities, school districts, community college districts, and special districts) could create plans for coordinating how they provide services to the public. The plans could address how local governments deliver services in many areas,

including economic development, education, social services, public safety, and public health. Each plan would have to be approved by the governing boards of the (1) county, (2) school districts serving a majority of the county's students, and (3) other local governments representing a majority of the county's population. Local agencies would receive some funding from the state to implement the plans (as described below).

##### ***Allows Local Governments to Alter Administration of State-Funded Programs.***

If local governments find that a state law or regulation restricts their ability to carry out their plan, they could develop local procedures that are "functionally equivalent" to the objectives of the existing state law or regulation. Local governments could follow

these local procedures—instead of state laws or regulations—in administering state programs financed with state funds. The Legislature (in the case of state laws) or the relevant state department (in the case of state regulations) would have an opportunity to reject these alternate local procedures. The locally developed procedures would expire after four years unless renewed through the same process.

**Allows Transfer of Local Property Taxes.** California taxpayers pay about \$50 billion in property taxes to local governments annually. State law governs how property taxes are divided among local government entities in each county. This measure allows local governments participating in plans to transfer property taxes allocated to them among themselves in any way that they choose. Each local government affected would have to approve the change with a two-thirds vote of its governing board.

**Shifts Some State Sales Tax Revenues to Local Governments.** Currently, the average sales tax rate in the state is just over 8 percent. This raised \$42.2 billion in 2009–10, with the revenues allocated roughly equally to the state and local governments. Beginning in the 2013–14 fiscal year, the measure would shift a small part of the state’s portion to counties that implement the new plans. This would not change sales taxes paid by taxpayers. The shift would increase revenues of the participating local governments in counties with plans by a total of about \$200 million annually in the near term. The state government would lose a corresponding amount, which would no longer be available to fund state programs. The sales taxes would be allocated to participating counties based on their population. The measure requires a local plan to provide for the distribution of these and any other funds intended to support implementation of the local plan.

**Figure 1**  
**Major Provisions of Proposition 31**

- ✓ **Authorizes and Funds Local Government Plans**
  - Transfers some state revenues to counties in which local governments implement plans to coordinate their public services.
  - Allows these local governments to develop their own procedures for administering state-funded programs.
  - Allows these local governments to transfer local property taxes among themselves.
- ✓ **Restricts Legislature’s Ability to Pass Certain Bills**
  - Restricts the Legislature’s ability to pass certain bills that increase state costs or decrease revenues unless new funding sources and/or spending reductions are identified.
    - Exempts various types of bills from the above requirement.
  - Requires almost all bills and amendments to be available to the public at least three days before legislative approval.
- ✓ **Expands Governor’s Ability to Reduce State Spending**
  - Allows the Governor to reduce spending during state fiscal emergencies in certain situations.
- ✓ **Changes Public Budgeting and Oversight Procedures**
  - Changes the annual state budget process to a two-year state budget process.
  - Requires the Legislature to set aside part of each two-year session for legislative oversight of public programs.
  - Requires state and local governments to evaluate the effectiveness of programs and describe how their budgets meet various objectives.

For text of Proposition 31, see page 84.

## Fiscal Effects

31 In addition to the shift of the \$200 million described earlier, there would be other fiscal effects on state and local governments. For example, allowing local governments to develop their own procedures for administering state-funded programs could lead to potentially different program outcomes and state or local costs than would have occurred otherwise. Allowing local governments to transfer property taxes could affect how much money goes to a given local government, but would not change the total amount paid by property taxpayers. Local governments also likely would spend small additional amounts to create and administer their new plans. The changes that would result from this part of the measure depend on (1) how many counties create plans, (2) how many local governments alter the way they administer state-funded programs, and (3) the results of their activities. For those reasons, the net fiscal effect of this measure for the state and local governments cannot be predicted. In some counties, these effects could be significant.

## RESTRICTS LEGISLATURE'S ABILITY TO PASS CERTAIN BILLS

### Current Law

**Budget and Other Bills.** Each year, the Legislature and the Governor approve the state budget bill and other bills. The budget bill allows for spending from the General Fund and many other state accounts. (The General Fund is the state's main operating account that provides funding to education, health, social

services, prisons, and other programs.) In general, a majority vote of both houses of the Legislature (the Senate and the Assembly) is required for the approval of the budget bill and most other bills. A two-thirds vote in both houses, however, is required to increase state taxes.

As part of their usual process for considering new laws, the Legislature and Governor review estimates of each proposed law's effects on state spending and revenues. While the State Constitution does not mandate that the state identify how each new law would be financed, it requires that the state's overall budget be balanced. Specifically, every year when the state adopts its budget, the state must show that estimated General Fund revenues will meet or exceed approved General Fund spending.

### Proposal

**Restricts Legislature's Ability to Increase State Costs.** This measure requires the Legislature to show how some bills that increase state spending by more than \$25 million in any fiscal year would be paid for with spending reductions, revenue increases, or a combination of both. The requirement applies to bills that create new state departments or programs, expand current state departments or programs, or create state-mandated local programs. Exemptions from these requirements include bills that allow one-time spending for a state department or program, increase funding for a department or program due to increases in workload or the cost of living, provide funding required by federal law, or increase the pay or other compensation of state employees pursuant to a

collective bargaining agreement. The measure also exempts bills that restore funding to state programs reduced to help balance the state budget in any year after 2008–09.

***Restricts Legislature’s Ability to Decrease State Revenues.*** This measure also requires the Legislature to show how bills that decrease state taxes or other revenues by more than \$25 million in any fiscal year would be paid for with spending reductions, revenue increases, or a combination of both.

***Changes When Legislature Can Pass Bills.*** This measure makes other changes that could affect when the Legislature could pass bills. For example, the measure requires the Legislature to make bills and amendments to those bills available to the public for at least three days before voting to pass them (except certain bills responding to a natural disaster or terrorist attack).

### **Fiscal Effects**

This measure would make it more difficult for the Legislature to pass some bills that increase state spending or decrease revenues. Restricting the Legislature’s ability in this way could result in state funds spent on public services being less—or taxes and fees being more—than otherwise would be the case. Because the fiscal effect of this part of the measure depends on future decisions by the Legislature, the effect cannot be predicted, but it could be significant over time. Because the state provides significant funding to local governments, they also could be affected over time.

## **EXPANDS GOVERNOR’S ABILITY TO REDUCE STATE SPENDING**

### **Current Law**

Under Proposition 58 (2004), after the budget bill is approved, the Governor may declare a state fiscal emergency if he or she determines the state is facing large revenue shortfalls or spending overruns. When a fiscal emergency is declared, the Governor must call the Legislature into special session and propose actions to address the fiscal emergency. The Legislature has 45 days to consider its response. The Governor’s powers to cut state spending, however, currently are very limited even if the Legislature does not act during that 45-day period.

### **Proposal**

***Allows Governor to Reduce Spending in Certain Situations.*** Under this measure, if the Legislature does not pass legislation to address a fiscal emergency within 45 days, the Governor could reduce some General Fund spending. The Governor could not reduce spending that is required by the Constitution or federal law—such as most school spending, debt service, pension contributions, and some spending for health and social services programs. (These categories currently account for a majority of General Fund spending.) The total amount of the reductions could not exceed the amount necessary to balance the budget. The Legislature could override all or part of the reductions by a two-thirds vote in both of its houses.

## Fiscal Effects

Expanding the Governor's ability to reduce spending could result in overall state spending being lower than it would have been otherwise. The fiscal effect of this change cannot be predicted, but could be significant in some years. Local government budgets also could be affected by lower state spending.

### CHANGES PUBLIC BUDGETING AND OVERSIGHT PROCEDURES

#### Proposal

***Changes Annual State Budget Process to a Two-Year Process.*** This measure changes the state budget process from a one-year (annual) process to a two-year (biennial) process. Every two years beginning in 2015, the Governor would submit a budget proposal for the following two fiscal years. For example, in January 2015 the Governor would propose a budget for the fiscal year beginning in July 2015 and the fiscal year beginning in July 2016. Every two years beginning in 2016, the Governor could submit a proposed budget update. The measure does not change the Legislature's current constitutional deadline of June 15 for passing a budget bill.

***Sets Aside Specific Time Period for Legislative Oversight of Public Programs.*** Currently, the Legislature oversees and reviews the activities of state and local programs at various times throughout its two-year session. This measure requires the Legislature to reserve a part of its two-year session—beginning in

July of the second year of the session—for oversight and review of public programs. Specifically, the measure requires the Legislature to create a process and use it to review every state-funded program—whether managed by the state or local governments—at least once every five years. While conducting this oversight, the Legislature could not pass bills except for those that (1) take effect immediately (which generally require a two-thirds vote of both houses) or (2) override a Governor's veto (which also require a two-thirds vote of both houses).

***Imposes New State and Local Budgeting Requirements.*** Currently, state and local governments have broad flexibility in determining how to evaluate operations of their public programs. This measure imposes some general requirements for state and local governments to include new items in their budgets. Specifically, governments would have to evaluate the effectiveness of their programs and describe how their budgets meet various objectives. State and local governments would have to report on their progress in meeting those objectives.

#### Fiscal Effects

State and local governments would experience increased costs to set up systems to implement the new budgeting requirements and to administer the new evaluation requirements. These costs would vary based on how state and local officials implemented the requirements. Statewide, the costs would likely

range from **millions to tens of millions of dollars annually**, moderating over time. These new budgeting and evaluation requirements could affect decision making in a variety of ways—such as, reprioritization of spending, program efficiencies, and additional investments in some program areas. The fiscal impact on governments cannot be predicted.

**SUMMARY OF MEASURE’S FISCAL EFFECTS**

As summarized in Figure 2, the measure would shift some state sales tax revenues to

counties that implement local plans. This shift would result in a decrease in state revenues of \$200 million annually, with a corresponding increase of funding to local governments in those counties. The net effects of this measure’s other state and local fiscal changes generally would depend on future decisions by public officials and, therefore, are difficult to predict. Over the long term, these other changes in state and local spending or revenues could be more significant than the \$200 million shift of sales tax revenues discussed above.

<b>Figure 2 Major Fiscal Effects of Proposition 31</b>		
	<b>State Government</b>	<b>Local Government</b>
<b>Authorizes and Funds Local Government Plans</b>		
Funding for plans	\$200 million annual reduction in revenues.	\$200 million annual increase in revenues to local governments in counties that develop plans.
Effects of the new plans	Cannot be predicted, but potentially significant.	Cannot be predicted, but potentially significant in some counties.
<b>Restricts Legislature’s Ability to Pass Certain Bills</b>		
	Potentially lower spending—or higher revenues—based on future actions of the Legislature.	Potential changes in state funding for local programs based on future actions of the Legislature.
<b>Expands Governor’s Ability to Reduce State Spending</b>		
	Potentially lower spending in some years.	Potentially less state funding for local programs in some years.
<b>Changes Public Budgeting and Oversight Procedures</b>		
Implementation costs	Potentially millions to tens of millions of dollars annually, moderating over time.	Potentially millions to tens of millions of dollars annually, moderating over time.
Effects of new requirements	Cannot be predicted.	Cannot be predicted.

## **Newspaper Endorsements**

- San Jose Mercury News
- Daily Democrat
- Chico News & Review
- San Diego Union-Tribune
- The Fresno Bee
- San Bernardino Sun
- Los Angeles Daily News
- Contra Costa Times
- Oakland Tribune
- Long Beach Press-Telegram
- Torrance Daily Breeze
- The Modesto Bee
- Inland Valley Daily Bulletin
- San Francisco Chronicle
- Santa Rosa Press Democrat
- The Bakersfield Californian
- San Ramon Valley Times
- The Argus
- The Daily Review
- Tri-Valley Times
- East County Times
- Redding Record Searchlight
- Marin Independent Journal

## **Government (Elected Officials, Law Enforcement, Education)**

- Cruz Reynoso, California Supreme Court Justice (ret.)
- Professor James Fishkin, Stanford University
- Hon. Delaine Eastin, former State Superintendent of Public Instruction
- Former State Assemblymember Helen Thomson, California State Assembly (also former Yolo County Superv
- Vice Mayor Emmett O
- Senator Mark DeSaulnier, California State Senate
- Senator Lois Wolk, California State Senate
- Assemblymember Kristin Olsen, California State Assembly
- Former State Senator Richard Rainey, California State Senate
- Former State Assemblymember Helen Thomson, California State Assembly (also former Yolo County Superv
- Marian Bergeson, Former State Senator and Secretary of Education
- Supervisor Karen Mitchoff, Contra Costa County
- Supervisor Phil Larson, Fresno County
- Supervisor Matt Rexroad, Yolo County

- Supervisor Don Saylor, Yolo County
- Supervisor Jim Provenza, Yolo County
- Former Supervisor Paul Kelley, Sonoma County
- Mayor Luis Ayala, City of Alhambra
- Councilmember Phillip Tsunoda, City of Aliso Viejo
- Councilmember Kris Murray, City of Anaheim
- Councilmember Angel Carrillo, City of Azusa
- Mayor Manuel Lozano, City of Baldwin Park
- Councilmember Marlen Garcia, City of Baldwin Park
- Mayor Jim Dear, City of Carson
- Mayor Josue Barrios, City of Cudahy
- Mayor Joe Krovoza, City of Davis
- Councilmember Dan Wolk, City of Davis
- Councilmember Lucas Frerichs, City of Davis
- Mayor Pro Tem Rochelle Swanson, City of Davis
- Councilmember Luis Marquez, City of Downey
- Councilmember Eric Swalwell, City of Dublin
- Mayor Andre Quintero, City of El Monte
- Vice Mayor Anu Natarajan, City of Fremont
- Mayor Ashley Swearengin, City of Fresno
- Councilmember Ron Ikejiri, City of Gardena
- Councilmember Paula Perotte, City of Goleta
- Mayor Daniel Juarez, City of Hawthorne
- Councilmember Alex Vargas, City of Hawthorne
- Councilmember Michael DiVirgilio, City of Hermosa Beach
- Councilmember Ofelia Hernandez, City of Huntington Park
- Councilmember Rosa Perez, City of Huntington Park
- Vice Mayor Elba Guerrero, City of Huntington Park
- Councilmember Ralph L. Franklin, City of Inglewood
- Councilmember Jefferey Lalloway, City of Irvine
- Mayor Bob Foster, City of Long Beach
- Councilmember Robert Poythress, City of Madera
- Councilmember Richard Montgomery, City of Manhattan Beach
- Councilmember Lara Delaney, City of Martinez
- Mayor Robert S. Schroder, City of Martinez
- Councilmember Oscar Magana, City of Maywood
- Mayor Frank Ury, City of Mission Viejo
- Councilmember Dave Leckness, City of Mission Viejo

- Mayor Pro Tem Keith Curry, City of Newport Beach
- Councilmember Libby Schaaf, City of Oakland
- Vice Mayor Amy Worth, City of Orinda
- Mayor Luis Molina, City of Patterson; President, Stanislaus County Board of Education
- Councilmember Stephen Atchley, City of Pomona
- Mayor Pro Tem Chip Holloway, City of Ridgecrest
- Councilmember Jay Patin, City of Ridgecrest
- Councilmember Jay Schenirer, City of Sacramento
- Councilmember Michele Martinez, City of Santa Ana
- Councilmember David Benavides, City of Santa Ana
- Mayor Richard Bloom, City of Santa Monica
- Councilmember Jim Tovas, City of Santa Paula
- Mayor Kenneth Grey, City of Selma
- Councilmember Larry Forester, City of Signal Hill
- Councilmember Glen Becerra, City of Simi Valley
- Councilmember Steve Sojka, City of Simi Valley
- Councilmember Jorge Morales, City of South Gate
- Mayor Maria Davila, City of South Gate
- Vice Mayor Emmett O'Donnell, City of Tiburon
- Councilmember Craig Vejvoda, City of Tulare
- Mayor Jerry Amante, City of Tustin
- Mayor Pro Tem Kish Rajan, City of Walnut Creek
- Councilmember Kristina Lawson, City of Walnut Creek
- Mayor Christopher Cabaldon, City of West Sacramento
- Former Councilmember Stephen Souza, City of Davis
- Former Mayor Eric Busch, City of El Segundo
- Former Mayor Susan McNulty Rainey, City of Walnut Creek
- Former Mayor Art Pimentel, City of Woodland
- Los Angeles County Sheriff Lee Baca
- Jim Bueermann, Chief of Police, City of Redlands (Ret.)
- Delaine Eastin, Former California Superintendent of Public Instruction
- John Welty, President, California State University, Fresno
- Board Member Shelia Allen, Davis Joint Unified School District

- Board Member Susan Lovenburg, Davis Joint Unified School District
- Vice President Gerri Guzman, Board of Education, Montebello Unified School District
- Board Member Ramon Miramontes, Pasadena Unified School District
- Board Member Philip Hu, San Gabriel Unified School District
- Board Member Phillip Tabera, Salinas Union High School District
- Board Member Robert Katherman, Water Replenishment District of Southern California
- Board Member Albert Robles, Water Replenishment District of Southern California
- Board Member Carol Kwan, West Basin Municipal Water District
- Trustee Tomi Van de Brooke, Contra Costa Community College District
- City Manager Philip Vince, City of Martinez

#### **Local Government Organizations**

- Yolo County Board of Supervisors
- Contra Costa County Board of Supervisors
- Sonoma County Board of Supervisors
- Napa County Board of Supervisors
- Regional Council of Rural Counties
- California State Student Association

#### **Taxpayer/Good Government**

- Mike Dozier, California Partnership for the San Joaquin Valley
- Edith Vasquez, Inland Action
- Kern County Taxpayers Association
- California Forward Action Fund
- Middle Class Taxpayers Association
- California Church Impact
- Saving California Communities
- Orange County Taxpayers Association

#### **Latino**

- William C Velasquez Institute
- Latino Voter League
- Latino and Latina Roundtable
- American G.I. Forum
- Anahuak Youth Sports Association
- Los Amigos of Orange County
- Tri-County Association of Latino Elected Officials (Monterey, San Benito, Santa Cruz)
- United Latinos
- Hispanas Organized for Political Equality (HOPE)

- Mexican American Political Association of San Francisco
- Maria Rodriguez, Inland Empire Immigrant Youth Coalition
- Ron Gonzales, President & CEO, Hispanic Foundation of Silicon Valley
- Karen Kandamby, Latino Student Union
- Leonein Velanquez Colindres, Hondurena Unido de Los Angeles; COPECA
- Rafael Cansimbe, United Latinos

#### **Business Community**

- California Business Roundtable
- California Chamber of Commerce
- Los Angeles Area Chamber of Commerce
- San Francisco Chamber of Commerce
- Huntington Beach Chamber of Commerce
- South Orange County Regional Chamber of Commerce
- Orange Chamber of Commerce
- Santa Ana Chamber of Commerce
- Fullerton Chamber of Commerce
- Goleta Chamber of Commerce
- Greater San Fernando Valley Chamber of Commerce
- South Bay Association of Chambers of Commerce
- San Diego East County Chamber of Commerce
- San Diego Regional Chamber of Commerce
- Fremont Chamber of Commerce
- Sacramento Metro Chamber of Commerce
- San Gabriel Valley Regional Chamber of Commerce
- Silicon Valley Leadership Group
- Contra Costa Council
- Orange County Business Council
- Bay Area Council
- North Bay Leadership Council
- Small Business Action Committee
- R.E.A.L Coalition (Regional Economic Association Leaders of California)
- San Gabriel Valley Economic Partnership
- Business Leadership Alliance of San Diego
- Lincoln Club of Orange County
- Valley Industry and Commerce Association
- Western Electrical Contractors Association
- Western Growers
- Stephen Geil, Former CEO, Fresno Economic Development Corporation

\* Californians for Transparent and Accountable Government