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August 27, 2012

To: Members: Administrative Services Policy Committee

From: Karen Spiegel (Chair), Council Member, Corona
Natasha Karl, League Staff (916) 658-8254

Re: **POLICY COMMITTEE MEETING — Annual Conference**
DATE: Wednesday, September 5, 2012
TIME: 9:00 a.m. – 10:30 a.m.
PLACE: San Diego Marriott Marquis & Marina Hotel
333 West Harbor Drive, San Diego

Attached is the agenda for the upcoming Administrative Services Policy Committee meeting. Annual Conference registration is not required to attend a policy committee and since lunch is not provided at this meeting, an RSVP is not necessary.

On behalf of Vice Chair Mark Brown, League Staff and myself, we wish to thank each of you for your participation as a member of the Administrative Services Policy Committee during 2012.

We hope to see you in San Diego!

ADMINISTRATIVE SERVICES POLICY COMMITTEE

Wednesday, September 5

9:00 a.m. – 10:30 a.m.

Room: Marina Salon F

San Diego Marriott Marquis and Marina

A G E N D A

I. Welcome and Introductions

II. Public Comment

III. November 2012 Ballot Measures (Attachment A)

Action Items

- Proposition 31. California Forward Initiative, “The Government Performance and Accountability Act”
**Speaker in Support*
**Speaker in Opposition*

IV. Adjourn

*The campaigns from both the proponents and opponents of Proposition 31 have been invited and have agreed to send a representative. As of the date of this mailing, we have not received the names and titles of the representatives. An updated agenda with the names and titles will be available at the meeting.

REMINDER: The 2012 policy committee appointments will end at the close of the Annual Conference; appointments for 2013 can be requested thereafter. Members seeking appointments for 2013 are urged to contact their incoming department, division, or affiliate president immediately following the Annual Conference to request reappointment. A presidential appointment from the League’s incoming president may also be requested, although members are encouraged to first exhaust appointment opportunities through their division or department presidents. These requests should be sent c/o Meg Desmond, 1400 K Street, Sacramento, CA 95814 or via e-mail: mdesmond@cacities.org. Please include a brief bio. If you have questions regarding the appointment process, please call (916) 658-8224, send an e-mail to mdesmond@cacities.org, or visit our website: www.cacities.org/polcomm

Brown Act Reminder: The League of California Cities’ Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:

- 1) *Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or*
- 2) *A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.*

A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

Revenue and Taxation Policy Committee
Proposition 31, Proposed November Ballot Measure
August, 2012

Staff: Lobbyist: Dan Carrigg (916) 658-8222

1. Proposition 31: The Government Performance and Accountability Act¹

http://ag.ca.gov/cms_attachments/initiatives/pdfs/i1011_11-0068_%28government_performance%29.pdf

Summary: The measure would declare voter intent on the shared purpose of state and local government, alter both state and local budget practices and make other changes affecting the state legislative and budget-adoption process. The measure's sponsor is California Forward, a non-profit organization focused on improving California governance. A copy of the official ballot pamphlet language for Proposition 31 is attached, including the LAO analysis as well as the arguments of supporters and opponents

Initiative Summary:

- 1) Voter Intent: The Act's stated purpose is to bolster results and accountability to taxpayers by improving the budget process for State and local governments and encouraging local governments to work together. One consistent theme is that State and local governments would be more efficient, effective and transparent through a budget process that examines progress toward program goals. The Act declares that *"the shared purpose of State and local governments is to promote a prosperous economy, a quality environment, and community equity."* This purpose is advanced *"by achieving at least the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health."*
- 2) Findings: The Act's findings about California government (both state and local) include:
 - government has lost the confidence of its citizens and is not meeting their needs;
 - government at all levels must be transparent, willing to listen and accountable for results;
 - government must have a shared vision of public purpose, must collaborate regionally, and must work together to provide public services effectively and efficiently; and
 - a primary purpose of public budgets is to link dollars to goals and communicate progress toward goals.
- 3) New Local Government Budgeting Requirements: Beginning with budget year 2014-15, this measure will require all local government budgets to include all the following:
 - 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, by working to achieve at least the following goals: increasing employment; improving education; decreasing poverty, decreasing crime; and improving health, and other community priorities."*

¹ Given that California Forward was engaged in outreach to city officials, this ballot measure was referred to both the League's Revenue and Taxation and Administrative Services policy committees, where discussions occurred at both the January and March meetings. Final action at the June meetings was deferred, when California Forward officials were negotiating a possible alternative version of this proposal in the Legislature. If such a Legislative alternative was to be developed, the League Board authorized League staff to pursue amendments to remove provisions affecting local government. Since a legislative alternative to this measure was not agreed to, California Forward opted to submit gathered signatures and qualify this measure for the November ballot.

Does Prop. 31 Restrict the Purpose of Cities?

Today the purpose of a city is determined by its city council when it enacts ordinances and adopts its budget. The California Constitution provides that a city "...may make and enforce within its limits all local, police, sanitary and other ordinances and regulations that do not conflict with the general laws [of the state]." The word "police" is actually derived from the Greek word "polis" meaning "city," and in its original meaning refers to the "...right to adopt regulations designed to promote the public convenience or the general prosperity, as well as regulations designed to promote the public health, the public morals, or the public safety." This power of a city is as broad as that of the state legislature and is subject only to the limitations of general (and federal) law. Moreover, it is elastic and in keeping with the growth of knowledge and the need for its application. Source: *California Municipal Law Handbook*, §§1.15/1.16 (2012).

When a city council adopts a budget, it authorizes the expenditure of public funds for a variety of programs and services. The expenditure of public funds must be confined to a public purpose, and the city council determines whether a proposed expenditure serves a public purpose through duly enacted legislation. The courts will not disturb a determination of what constitutes a public purpose so long as that determination has a legislative basis. Therefore, under existing law, the "purposes" of city government spending decisions is a matter of local determination, subject only to state and federal restrictions.

Proposition 31 declares the "shared purpose" of state and local governments: to promote a prosperous economy, a quality environment, and community equity. These purposes may be similar to the purposes of some cities' expenditures and different than the purposes of others. League attorneys advise that Prop. 31 could affect a fundamental shift in the law, narrowing the purpose of city governments and cities' allowable expenditures. At a minimum, by requiring that cities focus their budgets on one three-part purpose and five specific goals, where applicable, Prop. 31 may provide a platform to challenge the use of city funds for being inconsistent with these purposes (particularly "community equity") and goals. A shared State-Local purpose also opens the door to state legislation defining terms such as "community equity" and directing the way in which city funds can be used without the need for mandate reimbursement.

Note: On October 25, 2011 the League advised CA Forward in writing that a failure to address these serious concerns could cause the League and cities to oppose Prop. 31.

- A description of outcome measurements to assess progress toward the local government's goals and community priorities;
- A statement of the outcome measurement for each major expenditure and its relationship to the overall goals established by the local government entity;
- A statement of how the local government will align its expenditures and investments of public resources to achieve the established goals; and
- A public report on progress in achieving goals and an evaluation of the effectiveness in achieving the outcomes according to the measurements set in the prior year's budget.

Each local government must also develop and implement an open and transparent process to encourage public participation in developing its budget, including identifying community priorities.

- 4) Community Strategic Action Plans. Provides incentive funds for the creation of Community Strategic Action Plans by counties as follows:
 - (a) Dedicates 0.035% of the State sales and use tax (approximately \$180 million) annually to create the Performance and Accountability Trust Fund to provide incentives for adopting Plans. These funds are represented a byproduct of "realignment savings." Beginning in FY 2014-15, each county that has adopted a Plan and submitted it to the Controller will receive a portion of funds based on the county's percentage of the total population for all of the eligible Plans. If the State reduces the sales and use tax bases and the Fund receives less revenue than in FY 2013-14, the difference shall be provided by the General Fund. The way this measure is drafted it appears that all of the funds will be allocated to those counties which elect to adopt a Plan. If that is the case, then there will likely be pressure on counties to adopt a Plan rather than see their "share" of these funds distributed to other counties. Since the language allocating the funding to counties is statutory rather than an amendment to the Constitution, the Legislature could clarify this area of law with a statute requiring a two-thirds vote.
 - (b) Authorizes a county board of supervisors to develop a Community Strategic Action Plan ("Plan") to deliver public services more effectively and efficiently. Requires other local governments in the county with services in the Plan's anticipated scope to be invited

to participate. Local governments may also petition the county to be included in the planning process, to initiate or amend a Plan. The Plan is to be drafted through an open and transparent process that encourages participation. Intent language at the beginning of the measure declares that it is the purpose of these Plans *“for advancing community priorities that they (local agencies) cannot achieve by themselves.”*

- (c) Requires the Plan to include outcomes, measurements, reporting methods and statements that:
- outline how it will achieve the stated purposes and goals;²
 - describe services to be delivered and the roles and responsibilities of participating entities;
 - explain why those services will be delivered more effectively and efficiently under the Plan;
 - provide for resource allocation to support the Plan, including any funds received from the Performance and Accountability Trust Fund;
 - consider disparities within communities served; and
 - explain how the Plan is consistent with budgets adopted by participating entities.³
 - include a method for regularly reporting outcomes to the public and to the state.
- (d) Requires at least a majority of the entities *“providing municipal services...to at least a majority of a county’s residents”* (counts both population within cities and unincorporated area residents), and one or more school districts serving at least a majority of the pupils in the county, must participate in the Plan. The Plan (and amendments) must be approved by a majority vote of the county and each participating local government and school district. *The Plan shall not apply to any local government that does not approve it.*⁴
- (e) Prohibits a school district from receiving funds under the Plan from the Performance and Accountability Trust Fund. Funds paid to a school district can be from any other source determined by the participating entities.⁵
- (f) Authorizes counties, cities, and other local government entities, including school districts and community college districts that are parties to a Plan to enter into contracts to apportion their shares of ad valorem property taxes, provided the contract is approved by each entity’s governing board by a two-thirds vote. *(Cities and counties can already agree to share sales tax revenue with a two-thirds vote of their governing bodies.)*
- (g) Authorizes entities that adopt Plans to be granted statutory, regulatory and funding flexibility for administering state financed programs,⁶ as follows:

² The Plan must achieve the listed purposes and goals. Will the Legislature remain content to fund plans with diverging interpretations of what these purposes and goals mean or adopt uniform criteria?

³ This requirement to specify in a Plan how the budgets adopted by participating local agencies are consistent with the Plan could affect the discretion of an individual agency to adopt a budget that matches its community’s priorities. For instance, if a city supported an effort by its county Plan to spend its state incentive funds on health care, does that mean that the city must also spend its own funds on health care?

⁴ A regional approach to public safety funding under the “reduced crime” goal could be one possible focus of a Plan which matches a traditional interest of cities, and possibly schools, and tracks with the state’s realignment of corrections’ responsibilities to counties. “A prosperous economy” and “increasing employment” could be interpreted as a regional economic development effort. Much depends on how the state—which has significant other budget leverage over counties and schools—interprets the goal of this tool.

⁵ The initial allocation of incentive funds to counties and prohibiting schools from accessing those funds raises significant questions over where additional revenue would come from to support a Plan. Counties are likely to be underfunded from realignment. Schools have incurred significant cuts to their funding. Special districts and cities are the only other entities of local government these funds could come from.

- Plan adoptees may integrate state or local funds to provide Plan services and advance Plan goals.
- If parties to a Plan believe that a state law or regulation impedes Plan progress, they may propose provisions that are *“functionally equivalent.”* They must describe the intended state objective, explain how the rule is an obstacle, and describe the proposed community rule and how it will improve outcomes. These “functionally equivalent” provisions are required to be submitted to the Legislature with the Plan; if within 60 days the Legislature takes no action to disapprove it, the provision is deemed operative and in compliance with the state statute. Regulatory agencies have 60 days to disapprove equivalent provisions or they are deemed in compliance. *(Legislative or administrative review does not appear to be required if no alternatives to state laws and regulations are proposed in the Plan)*
- Authorizes the state to contract with local governments participating in a Plan “to perform any function that the contracting parties determine can be more efficiently and effectively performed at the local level.”

(h) Requires Counties to evaluate the effectiveness of Plans at least once every four years. The evaluation must include public comments and is to be used to improve the Plan and by the public to assess government performance. Four years after the first allocation of funds, the Legislative Analyst will evaluate the extent to which adopted Plans have improved the efficiency and effectiveness of service delivery or reduced the demand for State-funded services.

5) State Incentives For Collaborative Regional Planning: A separate provision requires the state to consider and determine how it can support *“through financial and regulatory incentives”* local entities’ efforts to address challenges and resolve problems that they have *“voluntarily and collaboratively determined”* are best addressed at a regional scale to advance *a prosperous economy, quality environment, and community equity*. The State is required to give priority for “state-administered” funds for infrastructure and human services, “as applicable”, to local entities that have voluntarily developed a regional collaborative plan and are making progress toward its goals.⁷

Fiscal Impact on Cities: Unknown but potentially significant fiscal impact; unknown costs, savings and revenues due to:

- New processes required for budgeting increase local costs (Note: LAO estimates this could cost millions to tens of millions for state and local governments).
- Revenue sharing of property taxes is permitted; unclear whether local agencies would participate and net impact to cities.
- Local agencies that adopt approved Plans might receive budgetary benefits from regional approaches to public safety, economic development or infrastructure.

⁶ This option appears to be limited to programs operated by counties and schools, but programs such as COPS could come under a “state-financed” definition. From a political standpoint, if there is consensus in the Legislature or administrative agency to allow a functionally equivalent interpretation it may be easier, and less legally risky, to clarify this by statute.

⁷ This is a completely separate provision that is not connected to the adoption of a Plan. The enactment of this legislation could inspire legislation to further develop what this provision means. The “voluntary and collaborative” language may protect local agencies from attempts at state leverage. A clear constitutional priority is provided for “state-administered” funds for infrastructure and human services to support these regional efforts. It is unclear which funds these provisions will be interpreted to apply, but given the condition of the state budget, there are unlikely to be any new funds in the near future. Any reallocation of existing funds is bound to be controversial.

- 6) State Budget Requirements: Changes in the State budget and legislative process comprise the majority of the Act. Most importantly, the Act:
- (a) Requires a biennial (two-year) performance-based State budget consistent with the new purposes and goals outlined above in paragraph 1 and containing the following seven elements:
 - i. Estimate of total resources available for expenditures for the budget and succeeding fiscal year;
 - ii. Projection of anticipated expenditures and revenues for the three succeeding fiscal years;
 - iii. “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.”
 - iv. Performance standards and outcome measures to assess and report program progress;
 - v. Outcome measures for each major expenditure and their relationship to the purposes and goals listed above in paragraph (iii).
 - vi. A statement of how the State will align its expenditures with those of other government entities that implement State programs on its behalf to achieve the purposes and goals listed in paragraph (iii).
 - vii. A public report on progress and effectiveness in achieving the purposes and goals in paragraph (iii) according to the prior year’s outcome measures.
 - (b) Requires the State to fully implement these budgeting changes by the 2015-16 fiscal year.
- 7) Legislative Oversight: Requires legislative oversight once every five years of the performance of State-funded programs whether implemented by the State or by local agencies. Performance standards will be set in statute and the budget. Oversight includes a review of local Community Strategic Actions Plans to: a) consider amending or repealing any locally-identified State obstacles, and b) assess whether the Action plans have improved delivery and effectiveness of services in all parts of the community.
- 8) Governor’s Budget, \$25 Million Threshold: Requires the Governor’s budget to propose offsetting state program reductions or equivalent additional revenue if the Governor’s Budget⁸ includes a proposal to either:
- (a) Reduce state tax revenues by more than \$25 million in that fiscal year or succeeding fiscal year.⁹
 - (b) Establish a new state program or expand an existing state program, including a state mandated program, the effect of which would increase state costs by more than \$25 million, in that fiscal year or succeeding fiscal year. Numerous exemptions are provided. The following exemptions are not counted as expanding the scope of an existing State program:
 - Restoring funding that was reduced in any fiscal year after 2008-09 to balance the budget;
 - Increases in funding to fund existing responsibilities, including increases in cost of living or workload and any increase authorized by a memorandum of understanding (MOU) approved by the Legislature;
 - Growth in State funding as required by federal law or a law in effect as of the Act’s effective date;

⁸ This provision applies to proposals included in the Governor’s budget. It is not clear what application, if any, this limitation would have to the final budget bill approved by the Legislature and sent to the Governor.

⁹ None of the exemptions which apply to proposals to expand spending apply to a proposal to reduce revenues. Thus, there is more flexibility to expand state spending than to adopt tax reduction proposals that would decrease revenue.

- Funding to cover one-time expenditures; and
- Funding to repay the costs of state mandates related to local government employees.
- Also exempted from the definition of “state costs” are payments of principal and/or interest on a (existing or new) State general obligation bond.
- “*Additional revenue*” is defined to include, but is not limited to, revenue resulting from specific changes to federal or State law that the State agency responsible for collecting the revenue has quantified and determined to be a “sustained increase”.

9) *Unclear Effect on “Rainy Day” Reserve Fund (ACA 4)*: The definitions listed above also apply to a provision included in both this measure and ACA 4, the “Rainy Day” state reserve fund constitutional amendment placed on the ballot as part of the 2009 budget agreement. Should this measure pass, it would require Legislative Counsel to rewrite ACA 4 to harmonize with this Act. ACA 4 requires up to 3% annually in General Fund revenues, and revenues exceeding a 20-year state revenue trend to be allocated to fund a reserve account. Last year, the Legislature—with a majority vote – passed a statute that moved ACA 4 from the June 2011 to the November 2014 ballot.¹⁰

10) *Changes to a Governor’s Ability to Address a Fiscal Emergency*: This measure makes several changes enacted by Proposition 58, approved at the March, 2004, statewide ballot. Prop. 58 established a process whereby the Governor could declare a fiscal emergency as a result of a substantial decline in revenues or increase in expenditures in a previously approved state budget. In such an event, the Governor is authorized to issue a proclamation declaring a fiscal emergency, call the Legislature into special session, and provide the Legislature with proposed legislation to address the emergency. If the Legislature fails to pass and send a bill or bills to address the fiscal emergency within 45 days, the Legislature may not act on any other bill or adjourn for a joint recess until those bills have been passed and sent to the governor. Requires a bill addressing the fiscal emergency to contain a statement to that effect.

This measure changes that process in the following way:

- Authorizes the Legislature to present a bill or bills to the Governor in response to the governor’s proclamation declaring a fiscal emergency. States that such a bill shall mean “conclusively” that the bill addresses the fiscal emergency.
- Requires a bill sent to the Legislature by the Governor within 45 days containing a statement that the bill is addressing a fiscal emergency to take immediate effect. (This allows urgency measures to be adopted with a majority vote rather than two-thirds)
- States that if the Legislature fails to act within 45 days¹¹, the Governor can issue an executive order reducing or eliminating any General Fund appropriation for that fiscal year not prohibited by federal law or the state Constitution.
- Provides the ability of the Legislature to override an executive order with a two-thirds vote.¹²

¹⁰ Establishing a state “Rainy Day” reserve fund was important to Republican legislators who negotiated the 2009 budget agreement. Legislative Democrats moved that measure to the November 2014 ballot, SB 202 (Hancock), over Republican opposition. Having Legislative Counsel, rather than the Legislature, rewrite the terms of a ballot measure that has been previously approved to be placed on the ballot may raise disputes about delegating policy issues to that office.

¹¹ From a practical standpoint it is unlikely that a Governor could exercise this authority. The Legislature can pass a measure by majority vote to blunt these powers.

¹² This proposal enhances legislative over executive power. In the waning years of the Schwarzenegger Administration, legal battles emerged over the Governor’s authority to impose furloughs on state employees. After declaring a fiscal emergency and proposing various budget cuts to the Legislature, the Governor was dissatisfied with the level of legislative response and sought to make cuts through executive order. Ultimately, those decisions were upheld by the courts.

- 11) **New Three-Day Print Rule:** Prohibits the Legislature from acting on bills and the budget—other than bills in a special session addressing a natural disaster or terrorist attack—unless the measures with amendments have been in print and available to the public for at least three days.¹³

Existing League Policy There is some consistency between League policies and the Act’s intentions; the League’s 2012 Strategic Goals and specific League policies do encourage regional collaboration and support transparency and State government reforms. For example:

The League’s Revenue and Taxation policies also support some of the Act’s proposed reforms of State legislative and budget processes, including a two-year spending plan, oversight hearings for program review, and an emphasis on efficiency and effectiveness. In the State-local government relationship the following League policies advocate for accountability, incentives-based approaches and regional collaboration:

- “Inherent in these recommendations is the underlying principle that meaningful fiscal reform should allow each level of government to adequately finance its services responsibilities, with each being accountable to taxpayers for its own programs.”
- State policies should “offer incentives to reward cities achieving program goals rather than withhold or reduce revenues to accomplish targets.”
- “In cases where regional issues, programs and services are identified, multi-jurisdictional revenues should then be identified and implemented.”

At the 2011, Annual Conference the League membership supported a resolution calling for improved legislative transparency.

The League’s adopted Smart Growth Principles include support for coordinated planning: “Coordinate planning with neighboring cities, counties, and other governmental entities so that there are agreed-upon regional strategies and policies for dealing with regional impacts of growth...” They also encourage full community participation to “foster an open and inclusive community dialogue and promote alliances and partnerships to meet community needs.” Finally, the League’s policies on Open Meeting Law states: “The League supports legislation that recognizes the need to conduct the public’s business in public.”

While some League policies conceptually support the direction of several of this Act’s proposals, the details and language of this proposal does matter. The Act’s intent sections acknowledge in that “many governmental services are best provided at the local level,” yet the question remains whether or not that principle is sufficiently embedded in the structure, language and direction of this measure. For example, the language that speaks to a new joint purpose for state and local government and various goals raises questions about the Act’s conformance with the League’s mission to “expand and protect local control.”

Background on California Forward: California Forward describes itself as “a nonpartisan, nonprofit organization working to bring government closer to the people.” California Forward was launched by five foundations to propose changes to the way California government operates. Its Leadership Council includes former State

Professional Engineers in California Government v. Schwarzenegger, 50 Cal. 4th 989. The changes in this Act provide more authority to the Legislature in these situations by allowing urgency measures to be approved with a majority vote and stating that legislation shall mean “conclusively” that the bill addresses the fiscal emergency.

¹³ As a stand-alone provision, this proposal could clearly be supported by the League. City officials were very upset in 2011 with the lack of transparency with SB 89 (Budget) which swept \$130 million in city VLF funds with little legislative review, and the League passed a resolution at its 2011 annual conference supporting such transparency.

policymakers and representatives of business, labor and academia,¹⁴ selects and guides the organization's projects.

In order to understand its proposed solutions, it helps to see California Forward's view of the problem. California Forward believes that the State lacks a unified vision and strategy to achieve statewide goals in the biggest areas of General Fund spending—education, public safety and health and human services. While local governments provide most essential services, the State sets the rules for how funds are spent. With different agencies addressing small pieces of complex problems, it is hard to collaborate on mutual goals, share resources and reduce costs. Local leaders have trouble integrating and collaborating long term because of legislative mandates and budget volatility. Therefore, California Forward's solution is a fundamental reform of the relationship between State and local governments. In California Forward's model, the State should establish clear priorities for public programs; they propose five "priority outcomes" for State and local governments: increased employment, improved education, decreased poverty, decreased crime and improved health.

Representatives from California Forward have engaged in various outreach efforts to local officials, including providing a briefing to the League board on their policy paper that proposes restructuring State and local government relationships and responsibilities, *Smart Government: Making California Work Again*, in May, 2011. Several weeks before this measure was filed, the organization began to share drafts on a confidential basis with League staff for comment. While making it clear to their representatives that city officials would need to be consulted on any final position on this measure, League staff suggested numerous amendments to the provisions directly affecting local governments in an attempt to reduce anticipated concerns from city officials. To California Forward's credit, many of those suggested amendments were taken directly or in modified form, but other suggested changes were not. City officials now have a chance to review this measure in its final form and make a recommendation on the League's position.

Ballot Opposition to Proposition 31: Organizations signing ballot arguments against Prop 31 are Health Access California, California Federation of Teachers, California Tax Reform Association, League of Conservation Voters, and the Peace Officers Research Association of California. The principal ballot arguments they make against the measure are:

- The measure is poorly written and contradictory that will lead to lawsuits not reform.
- It adds layers of restrictions and requirements that will leave key decisions to unelected bureaucrats, decisions such as whether tax cuts are allowed or programs can be changed.
- The state cannot pay its bills, but \$200 million is transferred to an experimental county program.
- The measure prohibits the state from cutting a tax unless it raises another, even at a time of budget surplus.
- The measure threatens public health, water quality, and public safety by allowing counties to override or alter critical state laws.
- Performance based budgeting requirements will raise the costs of government by tens of millions of dollars with no guarantee of any improvement.

¹⁴ Thomas V. McKernan, Co-Chair, CEO of the Automobile Club of Southern California, Robert M. Hertzberg, Co-Chair, Chair & Founder of G24 Innovations, Carl Guardino, President and CEO of the Silicon Valley Leadership Group, R. William "Bill" Hauck, Former President of the California Business Roundtable, Antonia Hernández, President & CEO of the California Community Foundation, Fred Keeley, Former Assembly Speaker pro Tempore Joanne Kozberg, Principal at California Strategies, LLC, Stewart Kwoh, President & Executive Director of the Asian Pacific American Legal Center of Southern California, Donna Lucas, Former Deputy Chief of Staff for Strategic Planning & Initiatives for Governor Arnold Schwarzenegger, Sunne Wright McPeak, President & CEO of the California Emerging Technology Fund, Eugene J. "Gene" Voiland, Former President & CEO of Aera Energy LLC, Arturo Vargas, Executive Director, NALEO, Peter Weber, Executive Committee Chair of the California Partnership for the San Joaquin Valley, Lenny Mendonca, Director of the San Francisco office of McKinsey & Company, Cruz Reynoso, Former Associate Justice of the California Supreme Court & the Third District Court of Appeal, Constance L. "Connie" Rice, Former Co-Director of the Los Angeles NAACP Legal Defense & Educational Fund

Comments:

1. The most fundamental questions with this measure revolve around the new purposes and goals that would be applicable to both the state budget and local agencies. The Act's intent language declares that *"the shared purpose of State and local governments is to promote a prosperous economy, a quality environment, and community equity."* This purpose is advanced *"by achieving at least the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health."* This language would be applied to the state budget. Local governments (cities, counties, schools and special districts) would have to consider these same goals when adopting their budgets. If this measure is interpreted in the future to constrain the ability of a city to establish its own local priorities that could mean a significant loss of local authority.
2. The terms *"prosperous economy, a quality environment, and community equity"* are not defined, widely understood or reflect a clear popular consensus. For instance, many would debate the term *"prosperous economy"* and whether state government should have a significant role. What does *"community equity"* mean? How is it to be applied? What do goals like *"increasing employment, improving education, decreasing poverty, decreasing crime, and improving health"* mean? Should this measure pass, the Legislature will define these terms. For cities, that value their local autonomy, how these provisions will be ultimately interpreted, applied or potentially enforced remains the critical question.
3. City officials, like many other individuals and organizations, want to improve the operation of their state legislature and support transparent and accountable government at all levels. That said, the details of any state Constitutional change must be carefully reviewed and considered. This measure proposes many changes that California Forward believes will collectively result in an improved Legislature, make local government budgeting more focused and transparent, and encourage various elements of government to work better together. Do city officials agree the changes in this measure will result in improved governance at the state and local levels?
4. The most immediate fiscal impact on cities in this measure is the requirement to adopt performance-based budgeting. There are costs associated with these activities. Do city officials agree that performance-based budgeting, as set forth in this measure, would improve the transparency, accountability and focus of local budgeting and thus worth the costs?
5. Community Strategic Action Plans, in concept, seem to offer an opportunity for regional collaboration. Yet there are many requirements in the measure that city officials will have to weigh.
 - a. The available state incentive funds are provided to counties that adopt a Plan. Counties will likely need additional funds to support realignment and be eager to adopt plans. One of the factors to be reviewed by the Legislative Analyst is the extent to which these plans reduce demand for state-funded services.
 - b. School districts representing a majority of pupils in the county must agree to the Plan, but schools are prohibited by the measure from receiving the funds provided to counties.
 - c. The adopted plans must state how they will *"achieve"* the purposes and goals listed above. A Plan must include an allocation of resources, including the state incentive funds provided to counties, and explain how it is consistent with the budgets adopted by the participating governmental entities.
 - d. At least a majority of local government entities providing *"municipal services"* must also agree to the plan.Do city officials see opportunities for collaboration with counties and schools despite the numerous restrictions and requirements?
6. This measure proposes numerous changes to the state legislative and budget process. Some, such as a three-day print rule, are clearly supportable based upon existing League policy. In concept, proposals

for a two-year budget and requiring more legislative oversight are supportable as well. Given the many exceptions, it remains to be seen whether the \$25 million threshold in this measure alters state spending practices. Also debatable is the effect of the enhanced authority of the Legislature versus the Governor in responding to a declared fiscal crisis.

Staff Recommendation: Discussion. The challenge with taking a position on a Constitutional Amendment is that no amendments are possible, and, once established, the provisions are difficult to change. While there are provisions in this measure for city officials to like such as the legislative three-day print rule, city officials should also weigh carefully the provisions that directly affect their core local authority and interests.

Support/Opposition

Support (as of 8-17-12)

City Council Members: 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; 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; Mayor Ashley Swearingin, 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 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; 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; 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 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; 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 Mayor Art Pimentel, City of Woodland; Former Councilmember Stephen Souza, City of Davis; Former Mayor Eric Busch, City of El Segundo; Former Mayor Susan McNulty Rainey, City of Walnut Creek

County Supervisors: Supervisor Karen Mitchoff, Contra Costa County; Supervisor Matt Rexroad, Yolo County; Yolo County Board of Supervisors

Other Local Officials: 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

POLITICAL ORGANIZATIONS: California Republican Party

STATE GOVERNMENT: Assemblymember Kristin Olsen, California State Assembly; Senator Mark DeSaulnier, California State Senate; Former State Senator Richard Rainey, California State Senate; Marian Bergeson, Former State Senator and Secretary of Education

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

LATINO: Latino and Latina Roundtable (Jose Zapata Calderon, Angele Sanbrano); American G.I. Forum; Anahuak Youth Sports Association; Los Amigos of Orange County. **Individual Latino Community Leaders:** 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: California Business Roundtable; 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; Silicon Valley Leadership Group; Contra Costa Council; Orange County Business Council; Bay Area Council; North Bay Leadership Council. **Individual Business Leaders:** Stephen Geil, CEO, Fresno Economic Development Corporation

EDUCATION LEADERS: Delaine Eastin, Former California Superintendent of Public Instruction; John Welty, President, California State University, Fresno; California State Student Association

LAW ENFORCEMENT: Los Angeles County Sheriff Lee Baca; Jim Bueermann, Chief of Police, City of Redlands (Ret.)

Opposition:

California Labor Federation, SEIU, California Federation of Teachers, Health Access California, Peace Officers Research Association of California, California League of Conservation Voters, California Coastal Commission, League of Women Voters, California Nurses Association, International Federation of Professional and Technical Engineers, California Tax Reform Association

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.

Fiscal Effects

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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.

Figure 2 Major Fiscal Effects of Proposition 31		
	State Government	Local Government
Authorizes and Funds Local Government Plans		
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.
Restricts Legislature’s Ability to Pass Certain Bills		
	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.
Expands Governor’s Ability to Reduce State Spending		
	Potentially lower spending in some years.	Potentially less state funding for local programs in some years.
Changes Public Budgeting and Oversight Procedures		
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.

★ **ARGUMENT IN FAVOR OF PROPOSITION 31** ★

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In good times and bad, California has long had a state budget deficit, with politicians spending more money than state government brings in—much of it lost to waste, abuse and over-borrowing. Budgets are often based on the influence of special interests rather than the outcomes Californians want to achieve. Proposition 31 forces state politicians to finally live within their means, and it gives voters and taxpayers critical information to hold politicians accountable.

The non-partisan state auditor reported in an audit of several state agencies between 2003 and 2010 that the state could have saved taxpayers approximately \$1.2 billion had the auditor’s own proposals to reform operations and improve efficiency been enacted. The recent effort to create a unified Court Case Management System cost taxpayers more than \$500 million, more than \$200 million over budget, to connect just 7 of 58 counties before being abandoned.

Proposition 31 requires a real balanced budget. It stops billions of dollars from being spent without public review or citizen oversight. Unless we pass Proposition 31, hundreds of millions of dollars every year will continue to be wasted that could be better used for local schools, law enforcement and other community priorities.

Proposition 31 does not raise taxes, increase costs to taxpayers or set up any new government bureaucracy. Proposition 31 makes clear that its provisions should be implemented with existing resources—and it will generate savings by returning tax dollars to cities and counties.

Yes on 31 will:

- **INCREASE PUBLIC INPUT AND TRANSPARENCY**—Stops the state from passing budgets without public review. Currently, the state budget has no real transparency or public reporting requirements. Proposition 31 requires state government to make available the proposed state budget for public review for a *minimum* of three days before lawmakers vote on it.

- **IMPOSE FISCAL OVERSIGHT AND CONSTRAINTS ON NEW GOVERNMENT SPENDING**—Proposition 31 prohibits the state from funding any new expenditure or decreasing revenues of more than \$25 million without first identifying a funding source.
 - **INCREASE LOCAL CONTROL AND FLEXIBILITY**—The 2012 state budget took \$1.4 billion away from local government. Proposition 31 returns up to \$200 million to local government to be used for local priorities. It provides cities, counties, and school districts more flexibility and authority to design services that improve results and meet local needs.
 - **REQUIRE PERFORMANCE AND RESULTS IN BUDGETS**—Requires state and local governments to focus budgets on achievement of measurable results, and provides accountability by requiring the state legislature and local governments to issue regular public performance reports, and evaluate the effectiveness of programs before additional spending decisions are made.
 - **REQUIRE PERFORMANCE REVIEWS OF STATE GOVERNMENT PROGRAMS**—Requires all state government programs to be publicly reviewed for performance to identify ways to improve results—or shift their funding to more efficient and effective programs.
 - **REQUIRE A TWO-YEAR STATE BUDGET**—Prevents politicians from passing short-term budget gimmicks. Requires lawmakers to develop long-term fiscal solutions.
- VOTE YES ON 31. Limit Government Spending—Increase Public Confidence in State Budgeting.**

HON. CRUZ REYNOSO
California Supreme Court Justice (Retired)
HON. DELAINE A. EASTIN
Former Superintendent of Public Instruction
PROF. JAMES FISHKIN, Ph.D.
Stanford University

★ **REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 31** ★

PROPOSITION 31 WON’T BALANCE THE BUDGET, INCREASE PUBLIC INPUT OR IMPROVE PERFORMANCE.

If Proposition 31 actually did what its argument promises, WE would support it. But it doesn’t. Instead it adds complicated new rules, restrictions and requirements, inserted into California’s Constitution. It makes government more cumbersome, more expensive, slower, and less effective. The provisions are so confusing and ambiguous that it will take years of lawsuits for the courts to sort out what it means.

PROPOSITION 31 WILL INCREASE COSTS, INCREASE BUREAUCRATIC CONTROL, AND UNDERMINE PUBLIC PROTECTIONS.

It allows local politicians to override or alter laws they don’t like, undermining protections for air quality, public health, worker safety **WITHOUT A VOTE OF THE PEOPLE.**

PROPOSITION 31 WILL MAKE IT ALMOST IMPOSSIBLE TO CUT TAXES OR INCREASE FUNDING FOR EDUCATION.

It prohibits tax cuts unless other taxes are raised or programs cut, and prevents increases in funding for schools unless taxes are raised or other programs cut.

PROPOSITION 31 HAS SO MANY FLAWS THAT SEVERAL MEMBERS OF THE SPONSORING ORGANIZATION RESIGNED IN PROTEST OVER THE DECISION TO SUBMIT IT TO VOTERS.

Bob Balgenorth, a former board member of California Forward Action Fund, the organization behind Proposition 31 said it “contains serious flaws . . . and will further harm California.” In his letter of resignation he said that he was “disappointed that California Forward submitted signatures to the Secretary of State without correcting the flaws in the initiative.” **WE CAN’T AFFORD ANOTHER FLAWED INITIATIVE. VOTE NO ON PROPOSITION 31.**

ANTHONY WRIGHT, Executive Director
Health Access California
LACY BARNES, Senior Vice President
California Federation of Teachers
LENNY GOLDBERG, Executive Director
California Tax Reform Association

★ **ARGUMENT AGAINST PROPOSITION 31** ★

PROPOSITION 31 IS SO POORLY WRITTEN AND CONTRADICTIONARY THAT IT WILL LEAD TO LAWSUITS AND CONFUSION, NOT REFORM.

We all want reform, but instead Proposition 31 adds bureaucracy and creates new problems. It adds layer upon layer of restrictions and poorly defined requirements, leaving key decisions up to unelected bureaucrats, decisions such as whether tax cuts are allowed or programs can be changed—decisions that will be challenged in court year after year. We need real reform not more lawsuits.

PROPOSITION 31 WILL SHIFT \$200 MILLION FROM EDUCATION AND OTHER VITAL FUNCTIONS TO FUND EXPERIMENTAL COUNTY PROGRAMS.

The state can barely pay its bills now. And the majority of the state's budget goes to education. Yet this measure transfers \$200 million per year from state revenues into a special account to pay for experimental county programs. This is not the time to gamble with money that should be spent on our highest priorities.

PROPOSITION 31 WILL PREVENT THE STATE FROM INCREASING FUNDING FOR EDUCATION UNLESS IT RAISES TAXES OR CUTS OTHER PROGRAMS—EVEN IF THE MONEY IS AVAILABLE.

As strange as it seems, Proposition 31 actually prevents the state from adopting improvements to programs like education or increasing funding to schools even if it has the money to do so, UNLESS IT RAISES TAXES or cuts other programs. This provision could tie up additional funding for schools for years. PROPOSITION 31 PREVENTS THE STATE FROM CUTTING TAXES UNLESS IT RAISES OTHER TAXES OR CUTS PROGRAMS—EVEN IF THE STATE IS RUNNING A BUDGET SURPLUS.

The contradictory nature of these tax provisions would prohibit the state from cutting one tax unless it raises another, even when there is a budget surplus—either this was intended to

prevent the state from cutting your taxes or is another case—a serious case—of careless drafting. And, Proposition 31 locks this into the State Constitution.

PROPOSITION 31 THREATENS OUR PUBLIC HEALTH, WATER QUALITY AND PUBLIC SAFETY BY ALLOWING COUNTIES TO OVERRIDE OR ALTER CRITICAL STATE LAWS.

California has adopted statewide standards to protect public health, prevent contamination of air and water and provide for the safety of its citizens. Proposition 31 contains a provision that allows local politicians to alter or override these laws WITHOUT A VOTE OF THE PEOPLE, and without an effective way to prevent abuse.

PROPOSITION 31 WILL COST TENS OF MILLIONS OF DOLLARS PER YEAR FOR ADDITIONAL GOVERNMENT PROCESS AND BUREAUCRACY—TO DO WHAT GOVERNMENT IS ALREADY SUPPOSED TO DO.

Performance-based budgeting is more of a slogan than anything else. It's been tried many times before. The one thing we know it will do is raise costs. The official fiscal analysis by the non-partisan Legislative Analyst's Office says it will raise the costs of government by tens of millions of dollars per year for new budgeting practices, with no guarantee any improvement will result. Certain costs, uncertain results.

We all want reform, but Proposition 31 will make things worse, not better.

JOIN US IN VOTING NO ON PROPOSITION 31.

SARAH ROSE, Chief Executive Officer
California League of Conservation Voters

JOSHUA PECHTHALT, President
California Federation of Teachers

RON COTTINGHAM, President
Peace Officers Research Association of California

★ **REBUTTAL TO ARGUMENT AGAINST PROPOSITION 31** ★

“Proposition 31 creates greater transparency, public review, and oversight over state and local government. This government accountability measure will protect environmental safeguards and worker protections while making sure taxpayers aren't taken advantage of by special interests and lobbying groups.”

—*Hon. Cruz Reynoso, California Supreme Court Justice (Retired)*

“It's time to shine a light on California's budget process—no more multi-billion dollar deficit surprises. We need reforms that will work, not business as usual.”

—*Professor James Fishkin, Stanford University*

“Proposition 31 will lessen the state temptation to borrow and spend. Prop. 31 provides incentives to local governments and community schools to focus on improving education and increasing public safety. YES on Proposition 31 is a yes for California schools and students.”

—*Hon. Delaine Eastin, Former State Superintendent of Public Instruction*

YES on Proposition 31 will:

- Not raise taxes or require increased government spending.
- Prevent state government from spending money we don't have.
- Add transparency to a budget process currently prepared behind closed doors.
- Shift more control and flexibility from Sacramento to cities and counties.
- Require state and local governments to publicly report results before spending more money.

Please review the measure for yourself at www.sos.ca.gov and help prevent further waste in government spending.

Proposition 31 meets the highest standards of constitutional change requirements. The measure is well written, legally sound, and will clearly improve the budget process and governance of California.

BILL HAUCK, Former Chairman
California Constitution Revision Commission

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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.

(c) (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.

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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*