

Prop. 7b

#1131  
to Jeff 6-30

JD

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

This initiative measure expressly amends the California Constitution by amending sections thereof; 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.

and repealing

PROPOSED LAW

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SA2005RF0067 #1131  
Amot. #1-NS

SECTION 1. Title

This measure shall be known as the "California Live Within Our Means Act"

SECTION 2. Findings and Declarations

- (a) For the last four years, California has enacted budgets that have spent billions of dollars more than the state received in revenues.
- (b) The Legislature is chronically late in passing budgets and seems institutionally incapable of passing balanced budgets.
- (c) Spending will continue to rise faster than revenues because of laws guaranteeing annual increases in spending for a host of public services and granting entitlements to growing caseloads of qualified recipients. When combined with the refusal of the Legislature to change these laws, this auto-pilot spending is a recipe for California's bankruptcy.
- (d) In March 2004, the people overwhelmingly enacted Proposition 58, the California Balanced Budget Act. The California Live Within Our Means Act is needed to strengthen that law to deal with budget emergencies when the Legislature fails to act.
- (e) The Governor's current authority to veto or "blue pencil" excessive appropriations from budget bills cannot deal with spending mandates built into current law or with mid-year revenue losses or unexpected spending demands.
- (f) The Governor needs the authority, when the Legislature fails to act in budget emergencies, to make spending reductions to keep the state from spending more than it is taking in and either running farther into debt or forcing massive tax increases.
- (g) To meet the financial mandates of auto-pilot spending formulas enacted by the Legislature, the state has borrowed billions of dollars from schools, transportation funds, and local governments. The constitution should prohibit such budgetary gimmickry and require the borrowed money be repaid without making current deficits worse.

SECTION 3. Purpose and Intent

In enacting this measure, it is the intent of the people of the State of California to enact comprehensive budget reform which will:

- (1) Supply the tools that will help the state enact budgets that are balanced and on time so that the pressure for tax increases will be reduced; and
- (2) Provide that if the Legislature fails to act in fiscal emergencies, the budget can be balanced by reductions in spending.

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SECTION 4. Section 10 of Article IV thereof is amended to read:

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

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

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

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

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

(5) If the 12th day of the period within which the Governor is required to perform an act pursuant to paragraph (3) or (4) 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) Any bill introduced during the first year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even-numbered year except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the State, and urgency statutes, and bills passed after being vetoed by the Governor.

(d) 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.

(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.

11 (f) (1) <sup>2006-07</sup> Commencing with fiscal year 2006-07 and each fiscal year thereafter, the maximum amount of total expenditures allowable for the current fiscal year shall be computed by multiplying the prior year total expenditures by one plus the average annual growth in General Fund revenues and special fund revenues as defined in <sup>la</sup> subparagraph (3) for the three previous fiscal years.

(2) For computing the average annual growth in revenues under <sup>la</sup> subparagraph (1), the amount of actual revenue for the fiscal year is to be used if available. If the actual amount of revenue is unknown, then the revenue shall be estimated by the Department of Finance through a regular and transparent process.

(3) "General Fund revenues and special fund revenues" means all taxes, any other charges or exactions imposed by the State and all other sources of revenue which were considered "General Fund" or "special fund" sources of revenue for the 2004-05 fiscal year. "General Fund revenues and special fund revenues" does not include revenues to Nongovernmental Cost Funds, including federal funds, trust and agency funds, enterprise funds or selected bond funds.

91 (4) The expenditure limit imposed by <sup>la</sup> subparagraph (1) may be exceeded for a fiscal year in an emergency. "Emergency" means the existence, as declared by the Governor, of conditions of disaster or of extreme peril to the safety of persons and property within the State, or parts thereof, caused by an attack or probable or imminent attack by an enemy of the United States, epidemic, fire, flood, drought, storm, civil disorder, earthquake, tsunami or volcanic eruption. Expenditures in excess of the limit pursuant to this <sup>la</sup> subparagraph shall not become part of the expenditure base for purposes of determining the amount of allowable expenditures for the next fiscal year.

(5) If total General Fund revenue and special fund revenues exceed the amount which may be expended for the current fiscal year due to the expenditure limit imposed by <sup>la</sup> subparagraph (1), the amount of such excess shall be proportionately attributed to the General Fund and each Special Fund. The amount of such excess attributed to each Special Fund shall be held as a reserve in that Special Fund for expenditure in a subsequent fiscal year. The amount of such excess attributed to the General Fund shall be allocated from the General Fund as follows:

A (a) Twenty-five percent to the Budget Stabilization Account.

B (b) Fifty percent to be allocated among the following according to the budget act: (1) to any outstanding maintenance factor pursuant to Article XVI, Section 8 of this Constitution in existence as of June 30, 2005, until allocated in full, but the amount so allocated in any fiscal year shall not exceed one-fifteenth of the amount in existence as of June 30, 2005; (2) to the Deficit Recovery Bond Retirement Fund/Sinking Subaccount, so long as any bonds issued pursuant to the Economic Recovery Bond Act remain outstanding, and (3) to the Transportation Investment Fund, until such amount as was loaned to the General Fund during Fiscal Years 2003-04, 2004-05, 2005-06, and 2006-07 has been repaid in full, but the amount so allocated in any fiscal year shall not exceed one-fifteenth of the amount in existence as of June 30, 2007. The deposit of funds pursuant to this subdivision shall

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supplement, but not supplant, the transfers to the Deficit Recovery Bond Retirement Fund/Sinking Subaccount required by paragraph (1) of subdivision (f) of Section 20 of Article XVI.

(c) Twenty-five percent to the School, Roads and Highways Construction Fund, which is hereby created in the Treasury as a trust fund, which shall be available for road and highway construction projects and for school construction and modernization projects, upon appropriation by the Legislature. Any funds allocated to school districts pursuant to this provision are not subject to Article XVI, Section 8 of <sup>subparagraph</sup>

(d) No funds expended pursuant to (b) or (c) are part of the expenditure base for the purposes of determining the amount of allowable expenditures pursuant to <sup>subparagraph</sup> (1) for subsequent fiscal years.

(g) (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; at the end of any quarter determines that, for that fiscal year, General Fund revenues have fallen by a rate of at least one and one-half percent on an annualized basis below revenues as estimated by the Department of Finance or if, following the enactment of the budget bill for the 2006-07 fiscal year or any subsequent fiscal year, the Governor determines that, for that fiscal year, the balance of the Budget Stabilization Account will decline to below one-half of the balance in the Account available at the beginning of the fiscal year, the Governor may issue a proclamation declaring a fiscal emergency and shall thereupon cause the Legislature to assemble in special session solely for that 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. The proclamation shall identify the nature of the proposed legislation to remedy the fiscal emergency.

(2) <sup>Roman</sup> Notwithstanding any other provisions of this Constitution, if a bill or bills have not been enacted to remedy the fiscal emergency by the <sup>45th</sup> day following the issuance of the proclamation or the <sup>30th</sup> day if appropriation authority is currently provided pursuant to subdivision (g) of Section 12, the Governor shall reduce items of appropriation as necessary to remedy the fiscal emergency. The Governor may reduce items of appropriation on an equally proportionate basis, or disproportionately, at his discretion. <sup>of Article IV</sup>

No reduction may be made in appropriations for debt service, appropriations necessary to comply with federal laws and regulations, or appropriations where the result of a reduction would be in violation of contracts to which the state is a party.

(3) Notwithstanding any other provision of this Constitution, the Governor's authority to reduce appropriations shall apply to any General Fund payment made with respect to any

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contract, collective bargaining agreement, or other entitlement under law for which liability of the State to pay arises on or after the effective date of the measure that added this subparagraph.

(4) The reduction authority set forth in paragraph (2) applies until the effective date, no later than the end of that fiscal year, of a proclamation issued by the Governor declaring the end of the fiscal emergency or the Budget and any legislation necessary to implement it has been enacted.

(5) 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.

5/0 (3) (6) A bill addressing the fiscal emergency declared pursuant to this section shall contain a statement to that effect.

A (h) If, following the enactment of the budget bill for the 2006-7 fiscal year or any subsequent fiscal year, the Governor determines that, for that fiscal year, total expenditures are expected to exceed the limit imposed by subparagraph (f) for that fiscal year, the Governor shall propose to the Legislature or implement to the extent practicable by executive order measures to reduce or eliminate the excess expenditures. If after the conclusion of that fiscal year it is determined by the Director of the Department of Finance that actual expenditures for that fiscal year have exceeded the maximum amount allowable for that year, then the maximum amount of allowable expenditures as determined under subparagraph (f) for the fiscal year following the fiscal year in which such determination is made shall be reduced by the amount of the excess.

# SECTION 5. Section 12 of Article IV thereof is amended to read:

A SEC. 12. (a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated state revenues. If recommended expenditures exceed estimated revenues, the Governor shall recommend the sources from which the additional revenues should be provided.

A (b) (1) The Governor and the Governor-elect may require a state agency, officer, or employee to furnish whatever information is deemed necessary to prepare the budget.

(2) The Director of Finance shall advise the Governor on the current status of state revenues and expenditures at least quarterly, and at the beginning of any fiscal year for which a budget bill has not been enacted.

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

(2) The budget bill shall be introduced immediately in each house by the persons chairing the committees that consider the budget.

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(3) The Legislature shall pass the budget bill by midnight on June 15 of each year.

(4) 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 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.

Ⓢ (d) No bill except the 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, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

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

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

Ⓢ (g) For the fiscal year of the effective date of the measure that added this subdivision, or any subsequent fiscal year, if the budget bill is not enacted prior to July 1, as of that date, and notwithstanding any other provision of this constitution, amounts equal to the amounts appropriated by each of the items of appropriation in the budget act and any amendments to the budget act for the immediately preceding fiscal year are hereby appropriated for the current fiscal year, adjusted for debt service, in the same proportions, for the same purposes, from the same funding sources, and under the same conditions that apply to those items under that budget act or amendment to the budget act. The appropriation authority set forth in this subdivision applies until the effective date of the budget act enacted for that fiscal year.

Ⓢ (h) (1) On and after July 1, 2006, funds may not be transferred from a special fund to the General Fund as a loan. Any funds transferred prior to that date from a special fund to the General Fund for the purpose of making a loan to the General Fund and not repaid to that special fund by July 1, 2006, shall be repaid to that special fund no later than July 1, 2021.

(2) The prohibition contained in this subdivision does not apply to loans made for the purpose of meeting the short-term cash flow needs of the State if any amount owed is to be repaid in full to the fund from which it was borrowed during the same fiscal year in which the loan was made, or if

repayment is to be made no later than a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year.

① SECTION 6. Section 8 of Article XVI <sup>of the California Constitution</sup> thereof is amended to read:

① SEC. 8. (a) From all state revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education.

(b) Commencing with the 1990-91 fiscal year, the moneys to be applied by the State for the support of school districts and community college districts shall be not less than the greater of either of the following amounts:

(1) The amount ~~which~~ that, as a percentage of General Fund revenues ~~which~~ that may be appropriated pursuant to Article XIII B, equals the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in the 1986—87 fiscal year ~~1986-87~~.

(2) The amount required to ensure that the total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes ~~shall~~ are not be less than the total amount from these sources in the prior fiscal year, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B. ~~This paragraph shall be operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita General Fund revenues plus one-half of one percent.~~

(3) (A) The amount required to ensure that the total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes shall equal the total amount from these sources in the prior fiscal year, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in per capita General Fund revenues.

(B) In addition, an amount equal to one-half of one percent times the prior year total allocations to school districts and community colleges from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment.

(C) This paragraph (3) shall be operative only in a fiscal year in which the percentage growth in California per capita personal income in a fiscal year is greater than the percentage growth in per capita General Fund revenues ~~plus one-half~~ one-half of one percent.

(D) This paragraph is not operative in any fiscal year succeeding the fiscal year in which the measure that added this subparagraph became effective.

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(c) In any fiscal year, if the amount computed pursuant to paragraph (1) of subdivision (b) exceeds the amount computed pursuant to paragraph (2) of subdivision (b) by a difference that exceeds one and one-half percent of General Fund revenues, the amount in excess of one and one-half percent of General Fund revenues shall not be considered allocations to school districts and community colleges for purposes of computing the amount of state aid pursuant to paragraph (2) or 3 of subdivision (b) in the subsequent fiscal year.

(d) In any fiscal year in which school districts and community college districts are allocated funding pursuant to paragraph (3) of subdivision (b) or pursuant to subdivision (h), they shall be entitled to a maintenance factor, equal to the difference between (1) the amount of General Fund moneys which would have been appropriated pursuant to paragraph (2) of subdivision (b) if that paragraph had been operative or the amount of General Fund moneys which would have been appropriated pursuant to subdivision (b) had subdivision (b) not been suspended, and (2) the amount of General Fund moneys actually appropriated to school districts and community college districts in that fiscal year.

(e) The maintenance factor for school districts and community college districts determined pursuant to subdivision (d) shall be adjusted annually for changes in enrollment, and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B, until it has been allocated in full. The maintenance factor shall be allocated in a manner determined by the Legislature in each fiscal year in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income. The maintenance factor shall be reduced each year by the amount allocated by the Legislature in that fiscal year. The minimum maintenance factor amount to be allocated in a fiscal year shall be equal to the product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income, not to exceed the total dollar amount of the maintenance factor.

(f)

(d) If, for any fiscal year, an amount is appropriated for the support of school districts and community college districts in excess of the minimum amount required to be appropriated for that fiscal year pursuant to subdivision (b), the excess amount so appropriated shall not be deemed an allocation to school districts and community college districts for purposes of calculating the moneys to be applied by the State for the support of those entities for any subsequent fiscal year pursuant to paragraph (2) of subdivision (b).

(e) (1) The total amount of any maintenance factors, arising pursuant to former subdivision (d) for one or more fiscal years preceding the fiscal year that commences subsequent to the effective date of the measure that added this subdivision, shall be repaid no later than July 1, 2021. The repayment of any maintenance factor pursuant to this paragraph for any fiscal year shall be divided between school districts and community college districts in the same proportion that allocations for that fiscal year that were made prior to the effective date of the measure that added this subdivision

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were apportioned to school districts and community college districts. The payment of a maintenance factor amount in any fiscal year shall not be deemed an allocation to school districts and community college districts for purposes of calculating the moneys to be applied by the State for the support of those entities for any subsequent fiscal year pursuant to paragraph (2) of subdivision (b).

(2) The balance of any amounts that were required by this section to be allocated to school districts and community college districts for the 2003-04 fiscal year, or any preceding fiscal year, but were not allocated as of the effective date of the measure that added this subdivision, shall be allocated no later than 15 years following that date. The total amount of augmentations allocated pursuant to this paragraph for any fiscal year shall be divided between school districts and community college districts in the same proportion that allocations for that fiscal year that were made prior to the effective date of the measure that added this subdivision were apportioned to school districts and community college districts.

(3) (A) The balance of any amounts that are required by this section to be allocated to school districts and community college districts, for the 2004-05 fiscal year, or any subsequent fiscal year, but are not allocated as of the end of that fiscal year, are continuously appropriated to the Controller from the General Fund of the State for allocation to school districts and community college districts upon the certification by the Department of Finance and the Superintendent of Public Instruction of the final data necessary to perform the calculations required pursuant to subdivision (b). That certification shall be completed within 24 months subsequent to the end of the fiscal year. The amount appropriated pursuant to this paragraph shall be divided between school districts and community college districts in the same proportion that allocations were made during that fiscal year to school districts and community college districts.

(B) The Legislature may require, in the budget act or any other statute, that a school district or community college district use funds allocated pursuant to this paragraph for a specified purpose.

(f) (1) Payable claims for state-mandated costs incurred prior to the 2004-05 fiscal year by a school district or community college district that have not been paid prior to the 2005-06 fiscal year shall be paid no later than the 2020-21 fiscal year.

(2) Amounts allocated to a school district or community college district for a fiscal year pursuant to subdivision (b) shall first be expended by the district to pay the costs for state mandates incurred during that fiscal year.

(g) (1) For purposes of this section, "changes in enrollment" shall be measured by the percentage change in average daily attendance. However, in any fiscal year, there shall be no adjustment for decreases in enrollment between the prior fiscal year and the current fiscal year unless there have been decreases in enrollment between the second prior fiscal year and the prior fiscal year and between the third prior fiscal year and the second prior fiscal year.

(2) For purposes of this section, "maintenance factor" means the difference between (A) the amount of General Fund moneys that would have been appropriated for a fiscal year pursuant to paragraph (2) of subdivision (b) if that paragraph, rather than former paragraph (3) of that subdivision, had been operative or, as applicable, the amount of General Fund moneys that would

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have been appropriated for a fiscal year pursuant to subdivision (b) had subdivision (b) not been suspended pursuant to a statute enacted prior to January 1, 2005, and (B) the amount of General Fund moneys actually appropriated to school districts and community college districts for that fiscal year.

(h) Subparagraph (B) of paragraph (3) of subdivision (b) may be suspended for one year only when made part of or included within any bill enacted pursuant to Section 12 of Article IV. All other provisions of subdivision (b) may be suspended for one year by the enactment of an urgency statute pursuant to Section 8 of Article IV, provided that the urgency statute may not be made part of or included within any bill enacted pursuant to Section 12 of Article IV.

SECTION 7. Section 6 of Article XIX thereof is amended to read:

*of the California Constitution*

SEC. 6. ~~The tax revenues designated under this article may be loaned to the General Fund only if one of the following conditions is imposed:~~

~~(a) That any amount loaned is to be repaid in full to the fund from which it was borrowed during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year.~~

~~(b) That any amount loaned is to be repaid in full to the fund from which it was borrowed within three fiscal years from the date on which the loan was made and one of the following has occurred:~~

~~(1) The Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the General Fund.~~

~~(2) The aggregate amount of General Fund revenues for the current fiscal year, as projected by the Governor in a report to the Legislature in May of the current fiscal year, is less than the aggregate amount of General Fund revenues for the previous fiscal year, adjusted for the change in the cost of living and the change in population, as specified in the budget submitted by the Governor pursuant to Section 12 of Article IV in the current fiscal year.~~

~~(c) Nothing in this section prohibits the Legislature from authorizing Nothing in subdivision (h) of Section 12 of Article IV prohibits the Legislature from authorizing, by statute, loans to local transportation agencies, cities, counties, or cities and counties, from funds that are subject to this article, for the purposes authorized under this article. Any loan authorized as described by this subdivision section shall be repaid, with interest at the rate paid on money in the Pooled Money Investment Account, or any successor to that account, during the period of time that the money is loaned, to the fund from which it was borrowed, not later than four years after the date on which the loan was made.~~

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*of the California Constitution*  
SECTION 8. Section 1 of Article XIX A thereof is repealed.

SECTION 1. The funds in the Public Transportation Account in the State Transportation Fund, or any successor to that account, may be loaned to the General Fund only if one of the following conditions is imposed:

(a) That any amount loaned is to be repaid in full to the account during the same fiscal year in which the loan was made, except that repayment may be delayed until a date not more than 30 days after the date of enactment of the budget bill for the subsequent fiscal year.

(b) That any amount loaned is to be repaid in full to the account within three fiscal years from the date on which the loan was made and one of the following has occurred:

(1) The Governor has proclaimed a state of emergency and declares that the emergency will result in a significant negative fiscal impact to the General Fund.

(2) The aggregate amount of General fund revenues for the current fiscal year, as projected by the Governor in a report to the Legislature in May of the current fiscal year, is less than the aggregate amount of General Fund revenues for the previous fiscal year, as specified in the budget submitted by the Governor pursuant to Section 12 of Article IV in the current fiscal year.

SECTION 9. Section 1 of Article XIX B thereof is amended to read:

*of the California Constitution*  
SEC. 1. (a) For the 2003-04 fiscal year and each fiscal year thereafter, all moneys that are collected during the fiscal year from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, and that are deposited in the General Fund of the State pursuant to that law, shall be transferred to the Transportation Investment Fund, which is hereby created in the State Treasury as a special fund.

(b) (1) For the 2003-04 to 2007-08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on the operative date of this article March 6, 2002.

(2) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:

(A) Public transit and mass transportation.

(B) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.

(C) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(D) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

¶ (c) For the 2008-09 fiscal year and each fiscal year thereafter, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, as follows:

(A)

¶ (1) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) of subdivision (b).

¶ (B)

¶ (2) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).

¶ (C)

¶ (3) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) of subdivision (b).

¶ (D)

¶ (4) Twenty percent of the moneys for the purpose set forth in subparagraph (D) of paragraph (2) of subdivision (b).

¶ (d) ~~The~~ (1) ~~The~~ transfer of revenues from the General Fund of the State to the Transportation Investment Fund pursuant to subdivision (a) may be suspended, in whole or in part, for a any fiscal year preceding the 2007-08 fiscal year if both of the following conditions are met:

¶ (1)

¶ (A) The Governor has issued a proclamation that declares that the transfer of revenues pursuant to subdivision (a) will result in a significant negative fiscal impact on the range of functions of government funded by the General Fund of the State.

¶ (2)

¶ (B) The Legislature enacts by statute, pursuant to a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, a suspension for that fiscal year of the transfer of revenues pursuant to subdivision (a), provided that the bill does not contain any other unrelated provision.

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(2) (A) The total amount, as of July 1, 2007, of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund because of a suspension pursuant to this subdivision shall be repaid to the Transportation Investment Fund no later than June 30, 2022. Until that total amount has been repaid, the amount of that repayment to be made in each fiscal year shall not be less than  $(1/15)$  of the total amount due.

(B) The Legislature may provide by statute for the issuance of bonds by the State or local agencies, as applicable, that are secured by the payments required by this paragraph. Proceeds of the sale of the bonds shall be applied for purposes consistent with this article, and for costs associated with the issuance and sale of the bonds.

☞ (e) The Legislature may enact a statute that modifies the percentage shares set forth in subdivision (c) by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that the bill does not contain any other unrelated provision and that the moneys described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).

✓ ☞ SECTION 10. Article XIII B, Section 6 of the Constitution is amended to read: *of California*

☞ SEC. 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service, except that the Legislature may, but need not, provide a subvention of funds for the following mandates:

- (1) Legislative mandates requested by the local agency affected.
- (2) Legislation defining a new crime or changing an existing definition of a crime.
- (3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) (1) Except as provided in paragraph (2), for the 2005-06 fiscal year and every subsequent fiscal year, for a mandate for which the costs of a local government claimant have been determined in a preceding fiscal year to be payable by the State pursuant to law, the Legislature shall either appropriate, in the annual Budget Act, the full payable amount that has not been previously paid, or suspend the operation of the mandate for the fiscal year for which the annual Budget Act is applicable in a manner prescribed by law. In the event payment of a mandate is suspended in whole or in part by the Governor pursuant to Article IV, section 10(g)(2), the operation of the mandate is suspended for the fiscal year in which payment is suspended.

☞ (2) Payable claims for costs incurred prior to the 2004-05 fiscal year that have not been paid prior to the 2005-06 fiscal year ~~may~~ shall be paid over a term of not more than 5 years, as prescribed by law. *paragraph (2) of subdivision (g) of Section 10 of*

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

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

¶ (5) This subdivision shall not apply to a requirement to provide or recognize any procedural or substantive protection, right, benefit, or employment status of any local government employee or retiree, or of any local government employee organization, that arises from, affects, or directly relates to future, current, or past local government employment and that constitutes a mandate subject to this section.

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

#### ¶ SECTION 11. Conflicting Ballot Measures

¶ In the event that this measure and another measure or measures relating to the appropriation, allocation, classification, and expenditure of state revenues for support of state government and education shall appear on the same statewide election ballot, the provisions of the other measures shall be deemed to be in conflict with this measure. In the event that this measure shall receive a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measures shall be null and void.

#### ¶ SECTION 12. Severability

¶ If any provisions of this act, or part thereof, are for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions are severable.

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