

1990

The Traffic Congestion Relief And Spending Limitation Act Of 1990

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Official Title and Summary

THE TRAFFIC CONGESTION RELIEF AND SPENDING LIMITATION ACT OF 1990. This measure would enact a statewide traffic congestion relief program and update the spending limit on state and local government to better reflect the needs of a growing California population. It would provide new revenues to be used to reduce traffic congestion by building state highways, local streets and roads, and public mass transit facilities. This measure would enact a 55% increase in truck weight fees and a five-cent-per-gallon increase in the fuel tax on August 1, 1990, and an additional one cent on January 1 of each of the next four years. This measure updates the state appropriations limit to allow for new funding for congestion relief, mass transit, health care, services for the elderly, and other priority state programs, while still providing an overall limit on state and local spending. This measure would continue to provide that public education and community colleges receive at least 40% of the state General Fund budget, and would provide that revenues in excess of the state appropriations limit are allocated equally between education and taxpayers.

Final Vote Cast by the Legislature on SCA 1 (Proposition 111)

Assembly: Ayes 65 Senate: Ayes 34
 Noes 5 Noes 2

Analysis by the Legislative Analyst

Background

Under the California Constitution, there is a limit on the amount of tax revenues that the state and most local governments can appropriate in a given year. This appropriations limit does not apply to *nontax* revenues, such as user fees, or to certain excluded appropriations, such as debt service on voter-approved bonds. Whenever a local government cannot appropriate all of its tax revenues, these "excess revenues" must be returned to taxpayers. However, any excess *state* revenues, up to a specified limit, must go to public schools and community colleges. Any excess revenues above that limit must be returned to taxpayers.

The California Constitution also requires the state to provide a minimum level of funding for public schools and community colleges (K-14 education).

Finally, the state now collects a 9-cent-per-gallon tax on motor vehicle fuels and also collects commercial vehicle weight fees. These revenues must be used for transportation purposes and are subject to the appropriations limit.

Proposal

This measure makes changes in how the appropriations limit operates and in how the minimum funding guarantee for public schools and community colleges is determined. Passage of this measure also would cause several changes in laws relating to transportation funding to take effect. These changes are described below.

Changes in the Appropriations Limit Formula. The state and local appropriations limits are based on the amount of tax dollars appropriated in 1978-79, adjusted for subsequent changes in the cost of living and population. The current cost-of-living adjustment is made

using the *lower* of the change in (1) the United States Consumer Price Index (USCPI), or (2) California per capita personal income. The current population adjustment is based on the change in each jurisdiction's population, except for schools, where the adjustment is the change in the number of students based on average daily attendance (ADA).

This measure changes the cost-of-living and population factors for both the state and local appropriations limits as described below:

- **New cost-of-living factor.**
 - For the *state* and for *schools*, it is the change in California per capita personal income.
 - For *local* governments, each local government annually may choose either:
 - The change in California per capita personal income, or
 - The percentage change in the jurisdiction's assessed valuation which is attributable to nonresidential new construction.
- **New population factor.**
 - For the *state*, it is based on both the change in attendance at public schools and community colleges and in statewide population.
 - For *local* governments, the Legislature may establish an alternative population factor.

Changes in the K-14 Education Funding Guarantee. Under existing law, two formulas are used to determine the minimum funding guarantee for public schools and community colleges. One (known as "percentage-of-revenues" formula) guarantees these schools and colleges collectively the same percentage (about 41 percent) of state General Fund tax revenues as
(Continued on page 61)

Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 1 (Statutes of 1989, Resolution Chapter 66) expressly amends the Constitution by adding sections thereto and 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.

PROPOSED AMENDMENTS TO ARTICLES XIII B AND XVI

First—That Section 1 of Article XIII B thereof is amended to read:

SEC. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of ~~such~~ the entity of government for the prior year adjusted for the ~~changes~~ *change* in the cost of living and ~~the change in~~ *the change in* population, except as otherwise provided in this ~~Article~~ *article*.

Second—That Section 1.5 is added to Article XIII B thereof, to read:

SEC. 1.5. *The annual calculation of the appropriations limit under this Article for each entity of local government shall be reviewed as part of an annual financial audit.*

Third—That Section 2 of Article XIII B thereof is amended to read:

Section 2. Revenues in Excess of Limitation.

SEC. 2. (a) (1) *Fifty percent of All all revenues received by the state in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the state in compliance with this article during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Section 8.5 of Article XVI.*

(2) *Fifty percent of all revenues received by the state in a fiscal year and in the fiscal year immediately following it in excess of that the amount which is may be appropriated by the state in compliance with this Article, and which would otherwise be required, pursuant to subdivision (b) of this Section, to article during that fiscal year and the fiscal year immediately following it shall be returned by a revision of rates or fee schedules within the next two subsequent fiscal years; it be transferred and allocated pursuant to Section 8.5 of Article XVI up to the maximum amount permitted by that section.*

(b) ~~Except as provided in subdivision (a) of this Section, All revenues received by any an entity of government, other than the state, in a fiscal year and in the fiscal year immediately following it in excess of that the amount which is may be appropriated by such the entity in compliance with this Article article during the that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.~~

Fourth—That subdivision (c) of Section 3 of Article XIII B thereof is amended to read:

(c) (1) In the event of an emergency is declared by the legislative body of an entity of government, the ~~appropriation~~ *appropriations* limit of the affected entity of government may be exceeded provided that the ~~appropriation~~ *appropriations* limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

(2) *In the event an emergency is declared by the Governor, appropriations approved by a two-thirds vote of the legislative body of an affected entity of government to an emergency account for expenditures relating to that emergency shall not constitute appropriations subject to limitation. As used in this paragraph, "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 such conditions as attack or probable or imminent attack by an enemy of the United States, fire, flood, drought, storm, civil disorder, earthquake, or volcanic eruption.*

Fifth—That Section 8 of Article XIII B thereof is amended to read:

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

(a) "Appropriations subject to limitation" of the state ~~shall mean~~ *ans any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds ;*

(b) "Appropriations subject to limitation" of an entity of local government ~~shall mean means~~ *any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes ;*

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from ~~the~~ *(1) regulatory licenses, user charges, and user fees to the extent that such those proceeds exceed the costs reasonably borne by such that entity in providing the regulation, product, or service, and (2) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions ;*

(d) "Local government" ~~shall mean means~~ *any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state ;*

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government, provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(e) (1) "Change in the cost of living" for the state, a school district, or a community college district means the percentage change in California per capita personal income from the preceding year.

(2) "Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.

(f) "Population": "Change in population" of any entity of government, other than the state, a school district, or a community college district, shall be determined by a method prescribed by the Legislature; provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature.

"Change in population" of a school district or a community college district shall be the percentage change in the average daily attendance of the school district or community college district from the preceding fiscal year, as determined by a method prescribed by the Legislature.

"Change in population" of the state shall be determined by adding (1) the percentage change in the state's population multiplied by the percentage of the state's budget in the prior fiscal year that is expended for other than educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges, and (2) the percentage change in the total statewide average daily attendance in kindergarten and grades one to 12, inclusive, and the community colleges, multiplied by the percentage of the state's budget in the prior fiscal year that is expended for educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges.

Any determination of population pursuant to this subdivision, other than that measured by average daily attendance, shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor department.

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

(h) The "appropriations limit" of each entity of government for each fiscal year ~~shall be~~ *is that amount which total annual appropriations*

(Continued on page 62)

Argument in Favor of Proposition 111

California has reached a crossroads. We enter a new decade facing monumental challenges—unprecedented traffic congestion, explosive population growth, spiraling health-care costs, dramatically increased needs for police and fire protection and the education of our children.

The nature and magnitude of these demands call for an *INNOVATIVE, COMPREHENSIVE BLUEPRINT* to move California into the 21st century.

That's why a broad bipartisan coalition, including the League of Women Voters, the business community, law enforcement, taxpayer associations, education, seniors, health care, labor and transportation supports Proposition 111.

Proposition 111 contains three major components: a *traffic congestion relief program*, a *plan to raise new funds to pay for it* and a *modification of the existing governmental spending limit to permit the money to be used*.

Traffic congestion has become unbearable and is expected to double—even triple—in some areas in just 10 years.

Even if revenues were available, we could not simply build our way out of gridlock. Those days are long gone. We must set new priorities.

Proposition 111's innovative transportation package will spend \$18.5 billion over the next 10 years to:

- Make our freeways, bridges and streets **EARTHQUAKE SAFE**.
- **COMPLETE HIGHWAY** and **MASS TRANSIT PROJECTS** already authorized but not funded.
- **FIX POTHOLES** and **INCREASE MAINTENANCE** of local streets and highways.
- **REDUCE PEAK-HOUR TRAFFIC** by expanding van, carpool and staggered work hour programs.
- **EXPAND LOCAL RAIL TRANSIT SYSTEMS** in Los Angeles, the Bay Area, San Diego, Sacramento, Santa Clara, San Joaquin Valley, Riverside, San Bernardino, Orange, the coastal counties and elsewhere.
- **IMPROVE TRAFFIC FLOW** through synchronized signals, freeway ramp signals, electronic traffic messages and other modern devices.

- Improve state highways.
- **REDUCE AIR POLLUTION.**

Where will the new money come from? Directly from those who use the roads through increased user fees—a 5-cent-per-gallon fuel tax increase this year and an additional 1 cent each of the next four years (a total increase of 9 cents) and increased truck weight fees. The *Passenger Rail and Clean Air Bond Act*—Proposition 108—will provide the other necessary funds. It's part of the Proposition 111 blueprint but must appear separately on the ballot.

The gasoline tax increase will be about *\$60 a YEAR* for the average driver. It's *AN INCREASE WE CAN AFFORD*.

In addition to exempting the new gas tax revenues from the spending limit so they can be used on the transportation improvements, Proposition 111 will permit state and local limits to **GROW WITH OUR ECONOMY**—but no faster. This **RETAINS STRONG TAXPAYER SPENDING CONTROLS** while enabling already-collected taxes to be used for pressing senior, law enforcement, K-14 schools, higher education and health-care needs.

THE CHOICE IS SIMPLE: Watch our traffic and other problems get worse—or do something about them NOW!

We have the technology and know-how to tackle these problems. Now—**IN PROPOSITIONS 111 and 108—WE HAVE THE BLUEPRINT!**

Join business, our schools, seniors, law enforcement, health care, higher education, labor and taxpayers.

VOTE YES on PROPOSITIONS 111 and 108!

TOM NOBLE

President

California Association of Highway Patrolmen (CHP)

KIRK WEST

President

California Chamber of Commerce

HONORABLE JOHN GARAMENDI

State Senator, 5th District

Rebuttal to Argument in Favor of Proposition 111

The proponents of Proposition 111 want you to believe that you must approve higher taxation levels if we are to improve our roads and highways, relieve congestion, and build rail systems.

What they don't tell you is that you are being asked to revise the spending limitation on government far beyond what is necessary to allow the imposition of a 9-cent gas tax hike.

They don't tell you that by approving Proposition 111, you will give carte blanche approval to future tax hikes—because Proposition 111 guarantees that the politicians won't have to come back and ask your permission next time to increase spending.

The proponents say Proposition 111 retains strong taxpayer spending controls. Don't believe it. Proposition 111 guts the Gann Limit on government spending—under the formula being proposed, government would never reach a spending limit.

If you think voters erred in imposing a limit on how much government can spend, then this proposition is for you. But if

you want to hold a rein on taxation, vote it down.

Nobody is disputing that our streets need repair, that signals need to be synchronized, that state highways need to be improved.

The argument is over how you finance those projects.

Proposition 111 is the wrong way.

If you approve Proposition 111, the message you will be sending is clear: the politicians can spend as much money as they want and you don't mind altering your personal budget to pay for it.

VOTE NO ON PROPOSITION 111.

HONORABLE RICHARD L. MOUNTJOY

Member of the Assembly, 42nd District

HONORABLE PETER F. SCHIABARUM

Supervisor, Los Angeles County

ARTHUR B. LAFFER, Ph.D.

Chairman, A. B. Laffer Assoc.

The Traffic Congestion Relief and Spending Limitation Act of 1990

111

Argument Against Proposition 111

Proponents call it "The Traffic Congestion Relief and Spending Limitation Act of 1990." Don't be fooled by deceptive titles.

This proposition is a tax increase, pure and simple.

It would raise your gas tax by 9 cents per gallon, raise sales taxes, taxes on trucks, and pave the way for \$3 billion more of bonded indebtedness. Over the next ten years, these new taxes would total \$18.5 billion, or more than \$600 per man, woman, and child in California. For a family of four, this is \$2,400!

Most importantly, it would eliminate the Gann Limit, which voters imposed in 1979 to curtail runaway spending by both local and state government.

Why would your lawmakers want to eliminate the Gann Limit? So they can raise your taxes, of course.

Do you really think government needs more of your paycheck?

Even with the Gann Limit, the State Budget has increased a whopping 100 percent since 1980. Just imagine what it would have been without such a spending restriction.

The average family income certainly has not enjoyed such growth during that same time period. Why should you cut back even more just so government can increase its spending?

The "traffic congestion" section of Proposition 111 requires local city and county governments to reduce traffic in their areas or face financial sanctions.

That sounds good until you realize what it actually means. Many feel that the formula set down could be reached only by

enacting such drastic measures, as forced carpooling, live-where-you-work ordinances, and government-mandated working hours.

That is just unacceptable. Government controls too much of our lives already.

Our streets and highways do need improving; however, before digging their hands into your pockets even deeper, politicians should review the operations of the State Department of Transportation to make our current tax dollars go further. The Department admits to an incredible 43-percent operation overhead.

Let's make sure our tax dollars are being spent wisely before we throw more money at the problem. An increase in taxes should be the last resort.

It is absolutely essential that the people of California keep control of government and not allow the big spenders to return to unbridled and runaway excesses.

We urge a NO vote on Proposition 111.

RICHARD L. MOUNTJOY

Member of the Assembly, 42nd District

PETER F. SCHABARUM

Supervisor, Los Angeles County

ARTHUR B. LAFFER, Ph.D.

Chairman, A. B. Laffer Assoc.

Rebuttal to Argument Against Proposition 111

Here are THE FACTS. They speak loudest for Proposition 111. It will:

- Spend \$18.5 billion over the next 10 years to:
 - Make our FREEWAYS, BRIDGES and STREETS EARTHQUAKE-SAFE.
 - COMPLETE already authorized, but not funded, MASS TRANSIT and HIGHWAY PROJECTS.
 - EXPAND LOCAL RAIL TRANSIT systems.
 - Install SYNCHRONIZED SIGNALS and other MODERN DEVICES to IMPROVE TRAFFIC FLOW.
 - REDUCE TRAFFIC CONGESTION and AIR POLLUTION.
 - Mandate a VERY STRINGENT LIMITATION on ADMINISTRATIVE EXPENDITURES.
- Require THOSE WHO USE THE ROADS TO PAY FOR THE IMPROVEMENTS through increased user taxes. A 9-cent-per-gallon tax increase amounts to only \$60 a year for the typical driver
- KEEP THE GOVERNMENT SPENDING limit in place but make important modifications to ENSURE IT IS WORKING FOR THE TAXPAYERS, not against them.
- Modify the spending limit to ALLOW THE NEW GAS TAX FUNDS TO BE SPENT ON TRANSPORTATION IMPROVEMENTS.

- Allow the *LIMIT TO GROW WITH THE ECONOMY* but *NO FASTER*. That will enable us to use already-collected taxes to meet senior, law enforcement, education and other needs.

BASIC FUNDING GUARANTEES provided TO PUBLIC SCHOOLS on the November 1988 ballot are retained, along with a commitment that one-quarter of the schools' share of excess-limit funds will go to their base to reduce class sizes.

Proposition 111 is supported by a broad bipartisan coalition including business, our schools, seniors, law enforcement, health care, higher education, labor and taxpayers.

Vote *YES ON PROPOSITION 111*—A consensus blueprint to move California into the 21st century.

GEORGE DEUKMEJIAN

Governor

LARRY MCCARTHY

President, California Taxpayers Association

DR. HC COX

Chair, AARP

California State Legislative Committee

(American Association of Retired Persons)

Proposition 111: Analysis

Continued from page 18

received in 1986–87. The other (known as the “maintenance-of-effort” formula) guarantees these schools and colleges collectively their prior-year funding level adjusted for increases in enrollment and changes in cost of living. Whichever formula produces the *larger* amount determines the level of state funding for these schools and colleges.

This measure changes the cost-of-living factor used in the maintenance-of-effort formula. Specifically, it requires that the change in California per capita personal income be used instead of the *lower* of the USCPI or California per capita personal income.

This measure also allows the state to reduce the minimum funding guarantee in low-revenue-growth years. However, it also requires that the funding base be restored in future years so that education eventually receives the same annual amount that it would have received if no reduction had occurred.

Changes in the Calculation of Excess Revenues. Under existing law, the calculation of whether the state has revenues in excess of its limit is made on an annual basis. This measure provides that revenues which exceed the limit in one year may be carried over to a succeeding year. Only that portion of the carried-over revenue which cannot be appropriated within the following year’s limit would be considered excess revenue.

Changes in the Allocation of Excess Revenues. Under existing law, the first portion of any revenues in excess of the state’s appropriations limit must go to public schools and community colleges. The maximum amount of excess revenues which can go to schools is an amount equal to 4 percent of the minimum funding guarantee, or about \$600 million in the current year. Excess revenues above this level must be returned to the taxpayers. Any excess revenues received by schools become part of the funding guarantee which must be maintained in future years.

This measure changes the allocation of excess state revenues. It provides that one-half of *all* excess revenues must go to public schools and community colleges, and the other one-half must be returned to taxpayers. Any excess revenues going to schools are not added into the base when computing the minimum funding guarantee in future years.

Changes in Excluded Appropriations. This measure excludes several new categories of appropriations from the state’s appropriations limit. Existing law provides several exclusions from the state’s limit, including one for debt service on voter-approved bonds, another for certain payments to local governments, and one for the costs of federal and court mandates. This measure also excludes appropriations for (1) costs of natural disasters, (2) appropriations financed by increases in transportation-related taxes, and (3) qualified capital outlay expenditures (as defined by the Legislature).

Other Programs Affected by Passage of This Measure

There are several changes in law which would take effect only if this measure is approved by the voters. These changes would:

- **Increase gas taxes.** The current 9-cent-per-gallon

state excise tax on motor vehicle fuels would increase by 5 cents per gallon on August 1, 1990. It would increase an additional 1 cent per gallon each January 1 during the period 1991 through 1994.

- **Increase truck weight fees.** Commercial vehicle weight fees would increase by 40 percent on August 1, 1990, and by an additional 10 percent on January 1, 1995.
- **Provide partial authorization for transportation bond issues.** The Passenger Rail and Clean Air Bond Act of 1990 (Proposition 108) would only become operative if this measure is also approved by the voters. Proposition 108 would authorize the state to issue \$1 billion in general obligation bonds to fund capital improvements on intercity, commuter and urban rail transit systems.
- **Authorize the transfer** of \$4 million from the Highway Users Tax Account to the State Parks and Recreation Fund for road repair in the state park system.

Fiscal Effect

The fiscal effects of this measure will, to a large extent, depend on future economic conditions in the state. The estimates discussed below reflect the economic conditions assumed in the *1990–91 Governor’s Budget*, which was released on January 10, 1990.

Transportation Funding Changes. Approval of this measure would increase revenues for transportation purposes by \$925 million in 1990–91, \$1.1 billion in 1991–92 and increasing amounts until 1994–95 as a result of increased state gas taxes and truck weight fees. These revenue increases would be exempt from state and local appropriations limits.

Changes in the Appropriations Limit Formula. As a result of the proposed changes in the limit adjustment factors, we estimate that this measure would increase the *state’s* appropriations limit by more than \$800 million in 1990–91 and unknown amounts annually thereafter. The ability of the state to appropriate additional funds as a result of the increased state limit is dependent on the level of revenues received by the state. In 1990–91 the increase would have no effect on existing spending levels, outside of the transportation program area, because state revenues are expected to be *less* than the existing limit.

This measure also will increase *local* government appropriations limits by an unknown, but probably significant, amount.

Education Funding Changes. The impact of this measure on education funding will depend on how it affects the amount of the minimum funding guarantee and the amount of excess revenues. Generally speaking, this measure will tend to increase the minimum funding guarantee, because it increases the maintenance-of-effort formula amount, and thus makes it more likely that this formula will determine the amount of the guarantee. At the same time, the changes made by this measure in the appropriations limit adjustment factors will tend to decrease the likelihood that public schools and community colleges would receive excess revenues.

Using the revenue and economic assumptions contained in the *1990–91 Governor’s Budget*, we estimate that this measure would have no impact on General Fund costs for public schools and community colleges in

1990-91. This is because the minimum funding guarantee under both current law and under this measure is projected to be determined by the percentage-of-revenues formula (as opposed to the maintenance-of-effort formula), and revenues are expected to be below the state's appropriations limit. The net fiscal effect of this measure with respect to public schools and community colleges in subsequent years is unknown.

Bond Measure Costs. As noted earlier, Proposition 108 would only take effect if this measure is also

approved. As a result, passage of this measure—in combination with passage of Proposition 108—would authorize the state to issue \$1 billion in general obligation bonds, which would be paid off from the state's General Fund, over a period of about 20 years. If all of the bonds were sold at an interest rate of 7.5 percent, the cost would be about \$1.8 billion to pay off both the principal (\$1 billion) and interest (\$790 million). The average payment for principal and interest would be about \$90 million per year.

Proposition 111: Text of Proposed Law

Continued from page 19

subject to limitation may not exceed under Section Sections 1 and Section 3. : ~~provided, however, However, that~~ the "appropriations limit" of each entity of government for fiscal year 1978-79 ~~shall be~~ is the total of the appropriations subject to limitation of ~~such the~~ entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, ~~shall be~~ are deemed to have been derived from the proceeds of state taxes.

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

Sixth—That Section 9 of Article XIII B thereof is amended to read:

SEC. 9. "Appropriations subject to limitation" for each entity of government ~~shall do~~ not include:

(a) ~~Debt~~ Appropriations for debt service.

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

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

(d) Appropriations for all qualified capital outlay projects, as defined by the Legislature.

(e) Appropriations of revenue which are derived from any of the following:

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

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

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

Seventh—That Section 10.5 is added to Article XIII B thereof, to read:

SEC. 10.5. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to this article, as amended by the measure adding this section, adjusted for the changes required by Section 3.

Eighth—That Section 8 of Article XVI thereof is amended to read:

SECTION 8. School Funding Priority

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

(b) Commencing with the ~~1988/89~~ 1990-91 fiscal year, the ~~moneys~~ 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 the following amounts:

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

(2) The amount required to ensure that the total allocations to school

districts and community college districts from the State General Fund proceeds of taxes appropriated pursuant to Article ~~XIII B XIII B~~ and allocated local proceeds of taxes shall 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 increases changes in enrollment; and adjusted for the changes change~~ in the cost of living pursuant to the provisions of Article ~~XIII B XIII B~~ 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 of one percent.

(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) 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.

(e) (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) of this section may be suspended for one year by the enactment of an urgency statute pursuant to Section 8 of Article IV, provided that no the urgency statute enacted under this subdivision may not be made part of or included within any bill enacted pursuant to Section 12 of Article IV.

Ninth—That Section 8.5 of Article XVI thereof is amended to read:

SECTION 8.5. Allocations to State School Fund

SEC. 8.5. (a) In addition to the amount required to be applied for the support of school districts and community college districts pursuant to Section 8(b) 8, the Controller shall during each fiscal year transfer and allocate all revenues available pursuant to paragraph 1 of subdivision (a) of Section 2 of Article XIII, XIII B up to a maximum of four percent (4%) of the total amount required pursuant to Section 8(b) of this Article, to that portion of the State School Fund restricted for elementary and high school purposes, and to that portion of the State School Fund restricted for community college purposes, respectively, in proportion to the enrollment in school districts and community college districts respectively.

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

class size for elementary and high schools.

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

(b) Notwithstanding the provisions of Article XIII, XIII B, funds allocated pursuant to this section shall not constitute appropriations subject to limitation; but appropriation limits established in Article XIII shall be annually increased for any such allocations made in the prior year.

(c) From any funds transferred to the State School Fund pursuant to paragraph subdivision (a) of this section, the Controller shall each year allocate to each school district and community college district an equal amount per enrollment in school districts from the amount in that portion of the State School Fund restricted for elementary and high school purposes and an equal amount per enrollment in community college districts from that portion of the State School Fund restricted for community college purposes.

(d) All revenues allocated pursuant to subdivision (a) of this section, together with an amount equal to the total amount of revenues allocated pursuant to subdivision (a) of this section in all prior years, as adjusted if required by Section 8(b)(2) of Article XVI, shall be expended solely for the purposes of instructional improvement and accountability as required by law.

(e) Any school district maintaining an elementary or secondary school shall develop and cause to be prepared an annual audit accounting for such funds and shall adopt a School Accountability Report Card for each school.

Tenth—That the amendment of the Constitution made by this measure shall take effect on July 1 next following the date on which this measure is approved by the electors.

Proposition 112: Text of Proposed Law

Continued from page 23

(2) A caucus of the Members of the Senate, the Members of the Assembly, or the Members of both houses, which is composed of the members of the same political party, may meet in closed session.

(3) The Legislature shall implement this subdivision by concurrent resolution adopted by rollcall vote entered in the journal, two-thirds of the membership of each house concurring, or by statute, and shall prescribe that, when a closed session is held pursuant to paragraph (1), reasonable notice of the closed session and the purpose of the closed session shall be provided to the public, except as provided by statute or by concurrent resolution, when such resolution is adopted by a two-thirds vote of the members of each house, provided, that if there is a conflict between such a statute and concurrent resolution and statute, the last adopted or enacted shall prevail.

Fourth—That Section 4 of Article IV thereof is amended to read:

SEC. 4. Compensation of members of the Legislature, and reimbursement for travel and living expenses in connection with their official duties, shall be prescribed by statute passed by rollcall vote entered in the journal, two-thirds of the membership of each house concurring. Commencing with 1967, in any statute enacted making an adjustment of the annual compensation of a member of the Legislature the adjustment may not exceed an amount equal to 5 percent for each calendar year following the operative date of the last adjustment, of the salary in effect when the statute is enacted. Any adjustment in the compensation may not apply until the commencement of the regular session commencing after the next general election following enactment of the statute.

(a) To eliminate any appearance of a conflict with the proper discharge of his or her duties and responsibilities, no Member of the Legislature may knowingly receive any salary, wages, commissions, or other similar earned income from a lobbyist or lobbying firm, as defined by the Political Reform Act of 1974, or from a person who, during the previous 12 months, has been under a contract with the Legislature. The Legislature shall enact laws that define earned income.

However, earned income does not include any community property interest in the income of a spouse. Any Member who knowingly receives any salary, wages, commissions, or other similar earned income from a lobbyist employer, as defined by the Political Reform Act of 1974, may not, for a period of one year following its receipt, vote upon or make, participate in making, or in any way attempt to use his or her official

position to influence an action or decision before the Legislature, other than an action or decision involving a bill described in subdivision (c) of Section 12 of this article, which he or she knows, or has reason to know, would have a direct and significant financial impact on the lobbyist employer and would not impact the public generally or a significant segment of the public in a similar manner. As used in this subdivision, "public generally" includes an industry, trade, or profession.

(b) Travel and living expenses for Members of the Legislature in connection with their official duties shall be prescribed by statute passed by rollcall vote entered in the journal, two-thirds of the membership of each house concurring. A Member may not receive travel and living expenses during the times that the Legislature is in recess for more than three calendar days, unless the Member is traveling to or from, or is in attendance at, any meeting of a committee of which he or she is a member, or a meeting, conference, or other legislative function or responsibility as authorized by the rules of the house of which he or she is a member, which is held at a location at least 20 miles from his or her place of residence.

(c) The Legislature may not provide retirement benefits based on any portion of a monthly salary in excess of 500 five hundred dollars (\$500) paid to any member Member of the Legislature unless the member Member receives the greater amount while serving as a member Member in the Legislature. The Legislature may, prior to their retirement, limit the retirement benefits payable to members Members of the Legislature who serve during or after the term commencing in 1967.

When computing the retirement allowance of a member Member who serves in the Legislature during the term commencing in 1967 or later, allowance may be made for increases in cost of living if so provided by statute, but only with respect to increases in the cost of living occurring after retirement of the member Member, except that However, the Legislature may provide that no member Member shall be deprived of a cost of living adjustment based on a monthly salary of 500 five hundred dollars (\$500) which has accrued prior to the commencement of the 1967 Regular Session of the Legislature.

Fifth—That Section 14 is added to Article V thereof, to read:

SEC. 14. (a) To eliminate any appearance of a conflict with the proper discharge of his or her duties and responsibilities, no state officer may knowingly receive any salary, wages, commissions, or other similar earned income from a lobbyist or lobbying firm, as defined by the Political Reform Act of 1974, or from a person who, during the previous 12 months, has been under a contract with the state agency