



Government Finance and Operations Policy Committee
Monday, July 30, 2012 — 1:00 p.m. – 2:00 p.m.
Peterson Conference Room, 1100 K Street, 1st Floor
Sacramento County, California

Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair

- 1:00 p.m. **I. Welcome and Introductions**
Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair
- 1:05 p.m. **II. Proposition 31 — ACTION ITEM**
Jean Kinney Hurst, CSAC Senior Legislative Representative
Geoffrey Neill, CSAC Senior Legislative Analyst
- 2:00 p.m. **III. Closing Comments and Adjournment**
Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair

July 18, 2012



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To: CSAC Government Finance and Operations Policy Committee

From: Jean Kinney Hurst, CSAC Senior Legislative Representative
Geoffrey Neill, CSAC Senior Legislative Analyst

Re: **Proposition 31 – ACTION ITEM**

Recommendation: Adopt and forward a SUPPORT position for Proposition 31 to the CSAC Executive Committee.

Overview. This memo is intended to provide the relevant information to the CSAC Government Finance and Operations policy committee to assist in considering a SUPPORT position for Proposition 31.

Proposition 31 is promoted by the California Forward Action Fund, which, along with California Forward, has been working on far-reaching reforms to state and local governance for a number of years. During that time, the group has sought the input of a broad range of Californians, including many local officials and many interested citizens and community groups.

Policy. Chapter 1 of the CSAC Platform, aside from several references to local control generally, has language about "permit[ting] county government the flexibility to provide services and facilities in a manner that resolves day-to-day problems communities face." The Platform also encourages counties, cities, and special districts to "adopt formal policies that encourage locally initiated solutions to regional problems" (Chapter 1, Section 3).

Chapter 9, Section 2D of the Platform refers to counties being able to streamline or eliminate unnecessary administrative requirements, reduce or eliminate regulations that control implementation of state-mandated programs, and have greater program flexibility to meet individual county needs.

If the Community Strategic Action Plans authorized by Proposition 31 work as intended, they will achieve these goals for counties.

The Platform is silent on the subject of performance-based budgeting, but that part of Proposition 31 could be construed as thwarting local control to the extent counties may not choose whether to make the types of statements in their budgets that the measure would require. Many county budgets likely already adhere to the minimum requirements of this section.

For these reasons, the intent of Proposition 31 largely aligns with CSAC policy.

Process. In accordance with the State Ballot Proposition Policy found in the CSAC Policy and Procedures Manual (page 12), the officers referred the measure to this policy committee. The policy committee will then forward its recommendation to the CSAC Executive Committee for a recommendation to the full CSAC Board of Directors. The Board of Directors will consider those recommendations and adopt a position on the measure at its regularly scheduled meeting on September 6. The state's General Election will be held two months later, on November 6, 2012.

Recommendation: For the reasons stated above, staff recommends that the CSAC Government Finance and Operations policy committee adopt and forward to the CSAC Executive Committee a **SUPPORT position** Proposition 31.

Attachments

- I. CSAC summary of Proposition 31
- II. Legislative Analyst's Office summary and fiscal analysis
- III. California Forward outline
- IV. Text of the measure

CSAC Summary of Proposition 31

Changes to the State Budget Process

- All bills must be in print for at least three days before the Legislature can pass it, except in a special session responding to a natural disaster or terrorist attack.
- If the cost of implementing a bill, including the budget bill, exceeds \$25 million in any fiscal year (adjusted annually for inflation), whether by increasing a program or decreasing revenue, that bill is void unless that bill or another bill provides offsetting savings or revenue. Exceptions:
 - o Restoring funding for cuts made after 2008-09.
 - o Increases to fund existing statutory responsibilities, including increases due to cost of living or workload.
 - o Growth in state funding for a program as required by federal law.
 - o Funding to cover one-time expenditures.
 - o Funding for state mandates.
 - o Payments for principal or interest payments on state general obligation bonds.
- Disallows bills from being introduced in the second year of session that are substantially similar to bills not passed by the house of origin the previous year.

Biennial Budget

- Governor proposes budget in odd years:
 - o Must identify 1-time resources.
 - o May submit supplemental budget in even years to amend or augment.
 - o Must include revenue and expenditure estimates for the following three years.
 - o Must include statutory changes and five-year infrastructure plan and strategic growth plan.
 - o Must include statement of how the budget promotes the achievement of the major purposes and goals of government.
 - The major purposes of government are defined as: achieving a prosperous economy, quality environment, and community equity. Those purposes are promoted by working to achieve the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health.
 - o Must include outcome measures to assess progress.
 - o Must evaluate effectiveness at achieving the major goals of government according to outcome measures.
 - o Recommended reductions and revenues must include analysis of economic impact.
- By May 1 each year, committees must have considered the budget bill and it must be referred to a joint committee of the Legislature for review, which must report its recommendations to each house by June 1.

- Department of Finance must update revenue and expenditure estimates by May 15 and immediately prior to passage of the budget bill or supplemental budget. They must also, by November 30, update actual revenues and expenditures compared to the budget.
- The state's performance-based budgeting must be fully implemented by 2015-16.
- The Legislature must pass budget and related appropriation bills by June 15.
- Appropriations for the second year may not be spent in the budget year.
- The budget bill must include the basis for General Fund revenue estimates and an explanation of any difference from previous years.

Oversight

- Disallows the Legislature from passing bills after June 30 in the second year of a two-year session, except bills taking effect immediately. The current cutoff date is September 1.
- Reserves the period after July 4 of the second year of session for program oversight and review.
- Requires the Legislature to establish an oversight process for state funded programs based on performance standards set for in statute and in the Budget Act.
- The review process must result in recommendations in the form of proposed legislation that improves or terminates programs. Each program must be reviewed at least every five years.
- The oversight process must include review of the Community Strategic Action Plans (see below), to 1) determine whether statutes and regulations identified by local agencies as obstacles should be amended or repealed and 2) whether the Action Plans have improved services.

Addressing Fiscal Emergencies

- Bills addressing a declared fiscal emergency and passed in the special session called for that purpose take effect immediately. Majority-vote okay for non-tax measures.
- If the Legislature does not send the Governor a bill addressing the emergency within 45 days, the Governor may reduce or eliminate General Fund appropriations not required by the Constitution or federal law, not to exceed the size of the identified shortfall.
- The Legislature may override all or part of the Governor's reductions with a two-thirds vote.

Changes to the Local Budget Process

- Local budgets must include the following, as they apply to the entity's powers and duties:
 - o A statement of how it will promote the major purposes and goals of government, as applicable to the entity's functions, role, and locally determined priorities.
 - The major purposes of government are defined as: achieving a prosperous economy, quality environment, and community equity. Those purposes are promoted by working to achieve the following goals: increasing employment, improving education, decreasing poverty, decreasing crime, and improving health.
 - o A description of the outcome measures used to assess progress to the goals above.

- A statement of the outcome measurements for major expenditures and their relationship to the goals above.
- A statement of how the entity will align its expenditures and investments to achieve the goals above.
- A report on progress toward achieving the goals above, including the outcome measurements from the previous year's budget.
- Local budget processes must be open and transparent, including the identification of the goals above.

Community Strategic Action Plans

Development of a Plan

- A county Board of Supervisors may initiate the development of a Community Strategic Action Plan. They must invite all other local entities within the county whose functions are within the anticipated scope of the Plan.
- Any local entity may petition the county to initiate a Plan, to be included in the planning process of a Plan, or to amend a Plan.
- The Plan must be developed through an open, transparent, inclusive process.
- The Plan must include:
 - The outcomes desired by participating agencies and how they will be measured.
 - A method for regularly reporting outcomes to the public and the state.
 - An outline of how the Plan will achieve the major purposes and goals defined above.
 - A description of the public services delivered pursuant to the Plan and the roles and responsibilities of the participating entities.
 - An explanation of why the Plan will allow those services to be delivered more effectively and efficiently.
 - An allocation of resources to support the Plan.
 - A consideration of disparities within communities served by the Plan.
 - An explanation of how the Plan is consistent with the budgets of entities participating in the Plan.
- The Plan, including any amendments, must be approved by the county, by local entities providing the Plan's municipal services to at least a majority of the county's population, and one or more school districts serving at least a majority of the county's public school pupils.
- The Plan would not apply to any entity that does not approve it.
- Parties to a Plan may identify state statutes and regulations impeding progress toward the Plan's goals and include in the Plan functional equivalents to the objectives of those statutes and regulations.
- Parties to a Plan that identifies such statutes must submit their Plan to the Legislature. If the Legislature does not act to disapprove the provisions within 60 days, the provisions will be operative for four years.

- Parties to a Plan that identifies such regulations must do the same as above but to the appropriate agency or department, which is subject to the same 60-day review period.

Funding of Plans

- Sales and use taxes attributable to a rate of 0.035 percent are placed in a continuously appropriated trust fund.
- In the first quarter of each fiscal year beginning in 2014-15, the Controller shall distribute the trust fund to each county that has adopted a Plan, according to population served by the Plans.

Oversight of Plans

- Counties with Plans must evaluate their effectiveness at least every four years.

December 14, 2011

Hon. Kamala D. Harris
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Dawn McFarland
Initiative Coordinator

Dear Attorney General Harris:

Pursuant to Elections Code Section 9005, we have reviewed the proposed constitutional amendment related to the state legislative and budgeting process and local finance (A.G. File No. 11-0068).

BACKGROUND

State Budget Process. Under the California Constitution, the Legislature has the power to appropriate state funds and make midyear adjustments to those appropriations. The annual state budget act is the Legislature's primary method of authorizing expenses for a particular fiscal year. The Constitution requires that (1) the Governor propose a balanced budget by January 10 for the next fiscal year (beginning July 1) and (2) the Legislature pass the annual budget act by June 15. The Governor may then either sign or veto the budget bill. The Governor also may reduce or eliminate specific appropriations items using his or her "line-item veto" power. The Legislature may override a veto with a two-thirds vote in each house. Once the budget has been approved by the Legislature and Governor, the Governor has limited authority to reduce spending during the year without legislative approval.

State Fiscal Emergencies. The Governor has the power to declare a fiscal emergency if he or she determines after the budget has been enacted that the state is facing substantial revenue shortfalls or spending overruns. In such cases, the Governor must propose legislation to address the fiscal emergency and call the Legislature into special session. If the Legislature fails to pass and send to the Governor legislation to address the budget problem within 45 days, it is prohibited from (1) acting on any other bills or (2) adjourning until such legislation is passed.

State Appropriations Process. The Legislature may enact laws that create or expand state programs or reduce state tax revenues. Any new law that has a state fiscal effect typically is referred to a committee in each house of the Legislature called the Appropriations

Committee. These committees assess the likely fiscal effect of the legislation and decide whether to recommend the passage of the legislation by each house.

PROPOSAL

This measure amends the Constitution to:

- Constrain the Legislature’s authority to enact laws that increase state costs or decrease state revenues by more than \$25 million annually.
- Expand the Governor’s authority to implement midyear reductions to appropriations in the state budget.
- Shift state funds to local governments for the purpose of implementing new “Community Strategic Action Plans.”
- Modify state and local government budget practices.

Constrains the Legislature’s Authority to Increase State Costs or Decrease Revenues

The measure contains provisions that constrain the Legislature’s authority to (1) create or expand state programs or (2) reduce state revenues if the fiscal effect of these actions on the state would exceed \$25 million annually. In order to enact legislation containing program expansions or revenue reductions valued at more than \$25 million, lawmakers generally would have to approve legislation containing revenue increases or cost reductions to offset the net change in state costs or revenues. The \$25 million threshold would be adjusted annually for inflation.

Authorizes the Governor to Reduce Spending in the Budget

The measure provides that if the Legislature has not sent bills to the Governor addressing a fiscal emergency by the 45th day following the issuance of the fiscal emergency proclamation, the Governor may reduce or eliminate any appropriation contained in the budget act for that fiscal year that is not otherwise required by the Constitution or federal law. The total amount reduced cannot exceed the amount necessary to balance the budget. The Legislature may override all or part of the reductions by a two-thirds vote of each house of the Legislature.

Shifts State Funds to Local Governments to Implement New Plans

Under the measure, every county and any local government (school district, community college district, city, and special district) within its borders could create a joint Community Strategic Action Plan (CSAP) for the purpose of providing services identified by the plan. Local governments that choose to participate in a CSAP would (1) receive additional funding from the state, (2) be authorized to reallocate local property taxes among participating local governments, and (3) be given limited authority to follow locally adopted procedures that are not fully consistent with state laws and regulations. Specifically:

- ***Shift of State Revenues.*** The measure creates the Performance and Accountability Trust Fund in the State Treasury to provide state resources for implementation of CSAPs. Beginning in 2013-14, the measure shifts 0.035 percent of the state sales tax rate to the Performance and Accountability Trust Fund and requires the state General Fund to backfill any reduced revenue to the fund if the state sales tax is reduced in the future. The revenue deposited in the Performance and Accountability Trust Fund would be allocated to local governments with approved CSAPs on a per capita basis.
- ***Reallocate Property Tax.*** The measure permits local governments participating in the CSAP to reallocate their property taxes among themselves if the reallocation is approved by a two-thirds vote of the governing bodies of each of the local governments affected by the reallocation.

Increased Flexibility in Program Administration. The measure allows CSAPs to include certain provisions that otherwise would be contrary to existing state laws and regulations but that are “functionally equivalent” to the objectives of those laws or regulations. The local governments would be required to submit these provisions to the Legislature (in the case of state laws) or appropriate state agency (in the case of state regulations) for review. If the Legislature or agency does not act to reject the CSAP provisions, those provisions would be deemed to be in compliance with state laws and regulations. These local CSAP provisions would expire after four years unless renewed through the same process.

State and Local Government Budgeting Practices

The measure makes various changes to state and local budgeting practices and other procedures, including:

- ***Two-Year State Budget Cycle.*** Under this measure, in each odd numbered calendar year the Governor would submit a budget proposal for the two subsequent fiscal years. For example, in January 2013 the Governor would submit a budget for the fiscal year beginning in July 2013 and for the fiscal year beginning in July 2014. In even numbered years, the Governor could submit an update for either of the two years covered by the previous submission.
- ***Performance Standards for State Programs.*** This measure contains several provisions amending the Constitution to establish a process to review the performance of state programs. Under the proposal, the Governor would be required to include certain information as part of the budget released every two years, including a statement of how the budget will achieve specified statewide goals, a statement of outcome measures by which to evaluate state agencies and programs, and a report on the state’s progress in meeting statewide goals.
- ***Legislative Oversight.*** The measure changes the legislative calendar and reserves part of each legislative biennium—beginning in July of the second year of the biennium—

for legislative oversight and review of state programs. The measure requires the Legislature to create an oversight process and use this process to review every state program, whether managed by the state or local governments, at least once every five years.

- ***Legislative Process and Calendar.*** The proposal amends a provision of the Constitution related to when legislative bills must be in print. The Constitution currently requires that bills be in print and distributed to Members of the Legislature before they can be passed. This proposal amends the Constitution to require that bills generally be in print and be available to the public for three days before passage.
- ***Local Government Performance Information.*** The measure requires that each local government provide certain information as part of their adopted budgets. This information includes statements regarding how the budget will promote specified goals and priorities, description of outcome measures to assess progress in meeting these goals, and a report on the progress in achieving these goals. The measure further requires that each local government develop and implement an open and transparent process in the development of its proposed budget.

FISCAL EFFECT

State Sales Tax Revenue Transfer. The shift of a portion of the state sales tax to the Performance and Accountability Trust Fund for local government use would reduce state revenue—and increase local revenue—by about \$200 million annually, beginning in 2013-14. The measure specifies that any increased revenues allocated to schools as a result of this measure would not reduce their eligibility for state funds.

Changes in Legislature's and Governor's Fiscal Authority. Constraining the Legislature's authority to expand programs or decrease revenues unless it adopts measures with offsetting fiscal effects could result in state program costs being lower—or state revenues being higher—than otherwise would be the case. In addition, expanding the Governor's authority to implement midyear reductions to the state budget could result in overall state spending being lower than it would have been otherwise. The net fiscal effect of these provisions is unknown, but could be significant over time.

Changes in Budgeting Practices. State and local governments would have increased costs to modify their budgeting practices and provide more ongoing information regarding program outcomes. Specifically, state and local governments likely would experience increased information technology, printing, and data analysis costs. These costs would be higher initially—perhaps in the range of tens of millions of dollars annually—and then moderate over time. The compilation and analysis of this budget and performance information could lead to improved state and local government program efficiencies over time, potentially offsetting these costs.

SUMMARY OF FISCAL EFFECT

This measure would have the following major fiscal effects:

- Decreased state revenues and commensurate increased local revenues, probably in the range of about \$200 million annually, beginning in 2013-14.
- Potential decreased state program costs or increased state revenues resulting from changes in the fiscal authority of the Legislature and Governor.
- Increased state and local costs of tens of millions of dollars annually to implement new budgeting practices. Over time, these costs would moderate and potentially be offset by savings from improved program efficiencies.

Sincerely,

Mac Taylor
Legislative Analyst

Ana J. Matosantos
Director of Finance

The Government Performance and Accountability Act

Californians need to know what they are getting for their tax dollars and what government is achieving. If approved by California voters through the ballot measure process, this proposal will position both state and local governments to effectively manage California's fiscal affairs to promote concrete results Californians want and value for their tax dollars.

Specific Provisions

1. Performance-Based Budgeting

State and local governments should focus on improving results. The proposal would require state and local government budgets to establish clear goals for delivering results and accountability -- focusing spending decisions on priorities, desired results, and the changes needed to improve performance.

2. Legislative Transparency and Oversight

The state needs a stable budget-making process to help communities reach their goals. The proposal would make all bills available to the public three days before a vote to preclude "gut and amend" bills, ending the practice of bypassing public hearings for controversial legislation. The Department of Finance would also be required to update fiscal information three times per year.

3. Pay-As-You-Go

Lawmakers should be required to identify ways to pay for major policy choices, rather than putting all programs at risk of being cut in future years. The proposal requires major new programs and tax cuts costing \$25 million or more to have a clearly identified funding source before they are enacted.

4. Multi-Year Budgets With Greater Accountability

To reduce the perennial uncertainty of the state's current short-term budget-making practices, the proposal would require the state to enact two-year budgets. It would limit the period during which bills can be heard (with an exception for bills addressing emergencies), and require a portion of the legislative session to be dedicated to program performance reviews. All programs would be reviewed at least once every 5 years. The proposal also would require the state to prepare and make public five-year forecasts before approving the budget, to act quickly when the budget falls out of balance, and to make budget negotiations more transparent.

5. Community-Driven Problem Solving

To improve performance at the local level, communities will need more flexibility to tailor programs to meet local needs. Through "Community Strategic Action Plans," the proposal would give local governments the incentives and authority to design programs that work together to improve results. Cities, counties, school districts and special districts would identify common goals -- such as improving outcomes for youth -- and how they would coordinate actions to cost-effectively achieve them.

These plans also would identify state laws or regulations that prevent local governments from efficiently and effectively providing services, and include a local method for achieving the state objective. The proposal would also give local governments the ability to reallocate local sales and property taxes (other than those allocated to schools), and provide incentive funding from the state.

What this means for Californians...

- Policy, program, and fiscal decisions by the state and local governments will be driven by performance data on what is working, what isn't, and an awareness of the long-term fiscal impact of alternative approaches.
- Community Strategic Action Plans will allow local governments to achieve local priorities in a collaborative, inclusive and cost-effective way while permitting significantly greater flexibility in how participating local jurisdictions allocate resources and meet statewide requirements.
- Californians will have more opportunities to inform decisions affecting their communities, they will have more information about the job performance of their elected representatives, and they will have the opportunity to see results where they live that are a direct consequence of their participation.

The Government Performance and Accountability Act

SECTION ONE. 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.

SECTION TWO. 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.

SECTION THREE. Section 8 of Article IV of the California Constitution is hereby 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 in printed 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.

SECTION FOUR. Section 9.5 is hereby 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.

SECTION FIVE. Section 10 of Article IV of the California Constitution is hereby 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.

SECTION SIX. Section 12 of Article IV of the California Constitution is hereby 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 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.

(be) 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.

(ef) (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.

~~(d)~~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 ~~(d)~~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) (1) 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. 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.

~~(k)~~ Notwithstanding any other provision of law or of this Constitution, including subdivision (ef) 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.

SECTION SEVEN. Article XI A is hereby added to the California Constitution to read:

ARTICLE XI A. COMMUNITY STRATEGIC ACTION PLANS

SEC. 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); and

(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) of this section.

(c) This section shall become operative in the budget year of the local government entity which 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 the following:

(1) A statement that (A) outlines how the Action Plan will achieve the purposes and goals set forth in paragraphs (1) through (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; and

(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 which have adopted an Action Plan pursuant to this section and that 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 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 only apply 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 this Act 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) through (5), inclusive, of subdivision (a) of Section 1 of this article, 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 of this article. 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 of this article.

(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) through (5), inclusive, of subdivision (a) of Section 1 of this article.

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.

SECTION EIGHT. Section 29 of Article XIII of the California Constitution is hereby 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 entity, 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.

SECTION NINE. Chapter 6 (commencing with Section 55750) is hereby added to Part 2 of Division 2 of Title 5 of the Government Code to read:

CHAPTER 6. COMMUNITY STRATEGIC ACTION PLANS.

SEC. 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 2013-2014 fiscal year.

SEC. 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.

SEC. 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.

SECTION TEN. Section 42246 is hereby added to Article 2 of Chapter 7 of Part 24 of Division 3 of Title 2 of the Education Code to read:

SEC. 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.

SECTION ELEVEN. Section 9145 is hereby added to Article 7 of Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government Code to read:

SEC. 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.

SECTION TWELVE. Section 11802 is hereby added to Article 1 of Chapter 8 of Part 1 of Division 3 of Title 2 of the Government Code to read:

SEC. 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.

SECTION THIRTEEN. Section 13308.03 is hereby added to Article 1 of Chapter 3 of Part 3 of Division 3 of Title 2 of the Government Code to read:

SEC. 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.

SECTION FOURTEEN. 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.

SECTION FIFTEEN. 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.

SECTION SIXTEEN. Effective Date.

Sections Four, Five, and Six 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.

SECTION SEVENTEEN. 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.