SPENDING CAP

- Spending cap (general fund and special funds) is equal to prior year actual spending adjusted by CPI + population
- Leave Prop 98 minimum guarantee funding unaffected by the cap.
- Spending cap is in effect until:
    - Specified budgetary debt (above amounts already scheduled) is paid down
        - Education deferrals *($10.4 b)*
        - Mandates *($4.3 b)*
        - Education settle-up *($2.6 b)*
        - Economic Recovery Bonds *($7.1 b)*
        - Special fund loans *($5.1 b)*
        - Borrowing from local government -Prop 1A *($1.9 b)*
        - Non-98 deferrals ($2.5 b)
        - Suspension of general fund transfers for Prop 42 ($0.4)
- After the budgetary debt is paid down, trigger off the hard cap and transition into the ACA 4-style rainy day fund which would be in effect permanently.
- All of this would be in one measure. Instead of creating a contingency if ACA 4 should pass in 2012, this measure would include both provisions.
- Spending of surplus dollars can only be for one-time uses, including infrastructure, and any spending for infrastructure must be approved in a stand-alone bill with a 2/3rd vote.
- Under ACA 4 - Emergency spending for emergencies (*narrowly defined*) declared by the Governor can occur above the limit with a 2/3rd vote, but the surplus does not count towards the next year base amount.
- If programs are shifted to local government without funding to pay for them, the funding for those programs are reduced from the next year's limit.
- Prohibit counties and school districts from imposing a local, vehicle license fee, transactions and use tax, extractive business activities tax, oil severance tax, and excise tax without Legislative approval. Reiterate that income taxes may not be levied on the local level.
- Base year is 2011-12, but limit is adjusted down by amount of temporary tax increase revenues when they expire.

PENSION REFORM

1. Hybrid Pension (Mandatory w/ Opt-Out provision): New employees are to be offered a hybrid pension plan that consists of a lower defined benefit plan and a defined contribution component. The costs of the new DB plan will be shared equally between the employer and employee. Employees may elect to participate in the defined contribution component only. (Goals: Reduce government costs; mitigate taxpayer risks of future funding obligation/unfunded liabilities; provide employees with a sensible retirement plan that is more in line with the private sector and achieves about 75% salary replacement after taking into consideration social security benefits).

2. Pension Cap: Cap the amount of pay pensionable for employees taking into consideration those employees who participate in social security and those that do not. Employees participating in social security cap at $106k and those that do not, cap at $119k (allow for COLA adjustments)

3. Permits changes to future unearned benefits: Permits public employers to prospectively change the retirement benefits for any member prior to retirement. (Benefits that have been promised but not yet earned).

4. Eliminates "Airtime" purchases: eliminates the purchase additional retirement service credit for service not yet performed or "airtime" (i.e. credits for up to 5 years for work not yet performed).

5. Prohibits Employer/Employee pension holidays: Prohibits the suspension of employer/employee retirement pension contributions until an independent plan actuary determines it is actuarially sound to do so.

6. Prohibits retroactive pension benefit increases: Prohibits California public employers from granting any retroactive pension benefit increases, such as benefit formula improvements that credit prior service.

7. Pension spiking –Base Pay: Defines "final compensation" to mean the normal rate of pay or base pay of an employee and excludes special compensation, overtime, and accrued leave from retirement calculation

8. Pension Spiking – Average Salary: Final compensation for new employees would be defined as the highest average annual compensation during a consecutive 60-month period.

9. Double Dipping: Employee cannot work for public entity while collecting a pension from that same public entity.

10. Felony convictions: Prohibits payment of pension benefits to those who are convicted of a felony related to their employment. Any contributions made will be returned without interest.

11. California State Teacher's Retirement System (CalSTRS): Requires CalSTRS to annually set an actuarially sound contribution rate for the state that is funded within the Prop. 98 guarantee.

12. Reduces Unfunded Liabilities: Require current employees to contribute $## more of their salaries towards reducing unfunded pension liabilities, and they will pay more for health care costs both during employment and post-retirement (could be done through Collective Bargaining). Future employees will be required to pay more for their healthcare.

13. Retiree Health Care: Require future employees to pay a share (about 50%) of their post-employment health benefit costs.

14. Vesting: Change from partial at 10 years and full at 20 years to partial at 15 years and full at 25 years

15. Public Defense: Permits a taxpayer to defend this measure should the State Attorney General fail to do so. And, requires the funds to defend this measure come from the AG.

16. Greater Board Accountability: 2/3 of a pension board must have demonstrated expertise in financial, legal accounting or health care fields and shall not have any conflicts of interest.

17. Pension Board's must follow Independent Plan Actuaries Recommendations: Creates independent plan actuaries that will proscribe recommendations on sound actuarial practices.

18. 2/3 Vote: Requires implementation of this measure and future changes to salary and benefits by approved by 2/3 vote.

19. Applicability: Applies to all California public employers - state, local, special districts University of California and the California State Teacher's Retirement System (do we need to include STRS?).

20. Severability: The provisions in this measure are severable.

REGULATORY REFORM

Problem: The rule-making process fails to use standard tools and best practices to create regulations that achieve the desired societal benefits while placing the least burden on the economy.
Solution: Improve regulation development to ensure higher quality analysis and more predictability and consistency, and provide the resources to get the job done. Greater use of a standardized set of economic analysis tools, applied as appropriate to the circumstance, and with consistent oversight, would improve the likelihood that the rule-making process would produce regulations that selects the alternative that achieves their public policy goals in the most cost-effective manner, reducing unnecessary burden on the regulated parties and the overall economy.

Process

1. **Improve the process for economic analysis of regulations**
   a. Require that all proposed major regulations undergo a high-quality, standardized economic analysis, usually a cost-effectiveness analysis.
   b. "Major regulations" would (a) have an estimated economic impact of more than $25 million or (b) adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, or public health or safety.
   c. Require the economic analysis be prepared prior to the commencement of the formal regulatory process.
   d. Apply these requirements to currently exempt agencies – the PUC, Water Resources Control Board and San Francisco BCDC.
2. **Improve the process for alternatives analysis of regulations**
   a. Require agencies to justify that the regulatory approach selected would be the least costly of equally effective alternatives in achieving the purpose of and compliance with the statutory mandate," and respond to official comments on its alternatives analysis.
3. **Improve economic analysis of legislation**
   a. Authorize and provide resources for the Legislative Analyst to prepare a benefit-cost analysis of major legislative proposals.

Oversight

4. **Improve oversight of economic analysis and alternatives analysis requirements**
   a. Create an Office of Economic and Regulatory Analysis in the Department of Finance, modeled on the federal Office of Information and Regulatory Analysis in the OMB.
   b. Task the Office with reviewing and approving economic analyses of proposed major regulations, reviewing and commenting on alternatives analyses of proposed major regulations, promulgating standards for high quality economic analyses, and (with OAL) provide best practices and continuous improvement of agency processes.
   c. Task the Office with creating policy and procedural guidance to state agencies for ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by state agencies, similar to the federal Data Quality Act.

d. Require the Office of Administrative Law to return any regulation where the proposing agency has not adequately responded to comments from OERA regarding its alternatives analysis, in particular regarding selection of the alternative regulation that would be least costly to the economy and to those persons subject to the regulation and would be equally effective in effectuating the purpose of the statute.

5. **Improve accountability by requiring retrospective review of regulations.**
   a. Require agencies to assess and report on all new major regulations every five years to determine if they are accomplishing their purposes.
   b. Permit petitions from private parties for economic and alternatives analysis of existing regulations, in five year intervals.

CEQA REFORM

- **Attorney Fees**
  Explanation
  The intent of the language is to have any award offset by the amount of fees that the other parties spent defending against claims where the party seeking fees lost or did not pursue. From the CEQA defense perspective, it will reduce the number of fee claims to begin with, and will force opponents to concentrate only on the claims that they think have merit, rather than use the shotgun approach of bringing many, many different claims since there is no "cost" for losing any of them.

- **Frivolous Law Suits**
  Explanation
  Increases penalties to $20,000 – these penalties were created by the Simitian bill last year.

- **Document Dropping**
  Explanation
  Provide that a lead agency is not required to respond to a comment after the closure of the public comment period (unless in response to changes made to the project)

- **Exempt Projects**
  Explanation
  Projects otherwise exempt not subject to review because of GHG emissions.

- **Fair Argument**
  Explanation
  Increases the evidentiary threshold from "fair argument" to "preponderance of evidence" for filing claims.

- **Timeframe on Cumulative Impact Analysis**
  Explanation
  Requires the timeframe for the cumulative impact analysis to be set 90 days before the EIR or 30 days prior to the circulation of a negative declaration or mitigated negative declaration