



Orange County Taxpayers Association

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To: The Honorable Lois Wolk, Chair, Senate Governance and Finance  
From: Reed Royalty, President, Orange County Taxpayers Association (OCTax)  
Date: June 3, 2011

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## SCA 10 (Strickland): Expenditure Limit

### OCTax Position: SUPPORT

SCA 10 would limit state General Fund and Special Fund expenditures to an annual increase computed by multiplying the sum of one plus the percentage change in the cost of living plus the percentage change in the state population times the total expenditures for the preceding fiscal year. The expenditure limit could be exceeded in a fiscal year in an emergency (declared by the Governor) of disaster or extreme peril caused by such conditions as enemy attack, fire, flood, drought, storm, civil disorder, earthquake or volcanic eruption. Any excess spending caused by an emergency would not be part of the expenditure base for calculating the expenditure for the following fiscal year.

#### OCTax analysis

Here's how SCA 10 would work. Assume that in 2011 our cost of living rises 3.2%, our population grows 9% and the state spends \$83 billion.  $1 + .032 + .09 = 1.122$  x \$83 billion = \$93 billion, our hypothetical Gann Limit spending cap for 2012. Still a generous cap, in OCTax's opinion.

SCA 10 is a reprise of 1979's Gann Limit, a spending cap approved by 74% of voters only 18 months after they had approved Howard Jarvis's Proposition 13 by about 66%.

To this day, Proposition 13 works very well to limit the rate of property tax increases. No such luck for the Gann Limit. It held down expenditures for a decade, but it was mortally undermined by Proposition 98 (school funding, 1998) and Proposition 111 (transportation, 1990), both of which selfishly exempted themselves from the Gann spending limit. The long-term impact on unsuspecting taxpayers was huge: the Gann Limit still exists, but it is no longer a meaningful cap. Taxes and spending have soared. SCA 10 would give the Gann Limit new life.

cc: The Honorable Tony Strickland  
Orange County Legislative Delegation