Background statement: As a result of an initiative (Proposition 4) passed in 1979, the California Constitution now contains Article XIII B which restricts spending at the state and local level. Until 1987-88, the “Gann limit” had not affected budgets for education. This year, as you recall, revenues exceeded the limit and after a prolonged controversy between the governor and the legislature, the “surplus” was rebated to the taxpayers.

The “Gann” amendment is presently computed so as to reflect fluctuations in the U.S. Consumer Price Index and the population of California. Unfortunately, the agencies—such as education, health care, and corrections—which are the major recipients of the state budget, face needs engendered by factors other than those flowing from a strict application of the national CPI or population rate. The rising costs of health care are influenced by providers which, for the most part, reside in the private sector. Correctional demands are as likely to be influenced by laws defining crimes and the penalties assessed with them as the rise in population. The increased demands placed on education reflect a student population which is proportionally greater than the rise in general population. There will be other demands placed on higher education resulting from the recommendations of the Master Plan Renewed and the changing demographics projected for California in the near future.

Because Article XIII B affects such a broad spectrum, attempts to modify it have emerged. Two initiatives have qualified for the June 7th ballot: Prop #71, (The Government Spending Limitation and Accountability Act of 1988); and Prop #72, (The Paul Gann Spending Limit Improvement and Enforcement Act of 1988).

Prop #71 would modify Article XIII B so that (a) the annual cost of living adjustment would be based on the California Consumer Price Index, (b) the annual population adjustment would reflect changes in school enrollment, and (c) gasoline taxes would be designated as “user fees” and be exempted from the limit. The result would augment the amount of the general fund so as to address in a more realistic manner the enlarged responsibility of the state.

Prop #72 would, among other things, not change the current formula for calculating the spending limit but would designate gasoline taxes and fees as user fees and, hence, exempt them from the limit. These fees would remain specified exclusively to meet transportation costs. The result being that transportation would receive a (much needed) bonus while resources for the other projects competing for the general fund would grow increasingly scarce as the discrepancy arising from the current way of formulating the limit continues to diverge from the actual demands placed on state resources.

The Legislative Analyst and Director of Finance estimate that the state’s appropriations limit would increase by $800 million in 1988-89 under Prop 71 while Prop 72 would result in losses to the General Fund but a gain for transportation-related programs of about $710 million in 1991-92.
WHEREAS, The Master Plan Renewed envisions a fuller responsibility for higher education in California; and

WHEREAS, The changing demographics of the state demand a larger role for all segments of education; and

WHEREAS, The formula currently employed by Article XIII B of the California Constitution to determine the limit placed on state spending is flawed so as to cause expenditures to fall increasingly behind actual demand on state resources; and

WHEREAS, There will be two propositions on the June 7, 1988 Primary Ballot purporting to modify the "Gann limit"; and

WHEREAS, Only one of these, Proposition #71, will do so in a manner that will benefit education in the state; therefore, be it

RESOLVED: That the Academic Senate favor and support Proposition #71 (The Government Spending Limitation and Accountability Act of 1988); and be it further

RESOLVED: That the Academic Senate, Cal Poly, urge its colleagues, the University President, the Associated Students, and all others representing the University to inform the public of the need to give this resolution serious consideration and active support.

Proposed By:
Reg Gooden
April 4, 1988
State of California

Memorandum

To: A. Charles Crabb, Chair
   Academic Senate

From: Warren J. Baker
       President

Subject: ACADEMIC SENATE RESOLUTION IN SUPPORT
         OF PROPOSITION 71 (AS-285-88/GOODEN)

This will acknowledge your memo of May 2 with which you forwarded the subject resolution adopted by the Academic Senate. I appreciate the interest the Academic Senate has taken in this issue. As you are probably aware, we have made arrangements for information on the State Spending Limit to be placed in the Library for faculty and staff to review and I have encouraged the University community to take an active role in educating themselves on this matter. There is no doubt that the State Spending Limit, unless modified, will have a negative impact on all of education in the future.

By copy of this memo, I am forwarding a copy of the resolution to David Walch with the request that he place it with other materials in the Library. I am also requesting Stan Bernstein to make note of the Senate's action in the Cal Poly Report.