

AMENDED IN ASSEMBLY MAY 12, 2014

CALIFORNIA LEGISLATURE—2013–14 SECOND EXTRAORDINARY SESSION

Assembly Constitutional Amendment

No. 1

Introduced by Assembly Member John A. Pérez

(~~Coauthor: Assembly Member Gatto~~)

(Coauthors: Assembly Members Achadjian, Atkins, Chávez, Conway, Cooley, Fox, Gatto, Gorell, Harkey, Linder, Medina, Muratsuchi, Olsen, Quirk-Silva, Salas, and Wilk)

(Coauthors: Senators Anderson, Berryhill, Cannella, Corbett, De León, Fuller, Gaines, Galgiani, Hernandez, Hill, Huff, Jackson, Leno, Nielsen, Steinberg, Vidak, and Wolk)

April 24, 2014

Assembly Constitutional Amendment No. 1—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by directing the Secretary of State to withdraw from the consideration of the people of the State of California Assembly Constitutional Amendment No. 4 (Resolution Chapter 174 of the Statutes of 2010) and proposing to the people of the State of California an amendment to the Constitution of the State, by adding Section 12.5 to Article IV *thereof*, and by adding Sections 21 and 22 *to*, and repealing and adding Section ~~20~~, *of 20 of*, Article XVI *thereof*, relating to state finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 1, as amended, John A. Pérez. State reserve policy.

Existing provisions of the California Constitution require the Governor to submit to the Legislature a budget for the ensuing fiscal year within the first 10 days of each calendar year and prohibit the Legislature from sending to the Governor for consideration a Budget Bill that would

appropriate from the General Fund a total amount that exceeds General Fund revenues for that fiscal year estimated as of the date of the Budget Bill's passage.

This measure would require the Director of Finance to submit estimates of General Fund revenues and expenditures for the ensuing fiscal year and the 3 fiscal years thereafter within 10 days following the submission of a budget by the Governor, following the submission of proposed adjustments to the Governor's Budget, as required by statute, and following the enactment of the Budget Bill.

~~Existing provisions of the California Constitution require the Governor to submit to the Legislature a budget for the ensuing fiscal year within the first 10 days of each calendar year and prohibit the Legislature from sending to the Governor for consideration a Budget Bill that would appropriate from the General Fund a total amount that exceeds General Fund revenues for that fiscal year estimated as of the date of the Budget Bill's passage.~~

Existing provisions of the California Constitution require the Legislature to establish a prudent state reserve fund in an amount the Legislature deems reasonable and necessary. Existing provisions of the California Constitution, approved by the electors on March 2, 2004, additionally establish the Budget Stabilization Account in the General Fund and require the Controller, commencing no later than September 30, 2006, and for each fiscal year thereafter, to transfer from the General Fund to the account a specified percentage of estimated General Fund revenues.

Section 8 of Article XVI of the California Constitution (Proposition 98) sets forth a formula for computing the minimum amount of General Fund revenues that the state is required to appropriate for the support of school districts, as defined, and community college districts for each fiscal year.

This measure would establish a replacement version of the Budget Stabilization ~~Account and, commencing~~ *Account, and would require the Controller, commencing with the 2015–16 fiscal year and each fiscal year thereafter, to transfer from the General Fund to the account 1.5% of the estimated amount of General Fund revenues for that fiscal year. Commencing with the 2015–16 fiscal year, this measure would also require the Controller to annually transfer from the General Fund to the account amounts determined pursuant to specified formulae, consisting of General Fund proceeds of taxes derived from personal*

income taxes paid on net capital gains that exceed a designated level, based on estimates provided in the Budget Act.

This measure, for the 2015–16 fiscal year through the 2029–30 fiscal year, would require the Legislature to appropriate 50% of these total amounts for one or more designated fiscal obligations of the state, including accrued school funding obligations, repayment of budgetary loans, payment of accrued claims for mandate costs, and payment of unfunded pension liabilities and prefunding of other postemployment benefits. For the 2030–31 fiscal year and each fiscal year thereafter, this measure would instead authorize the Legislature to appropriate up to 50% of these total amounts for one or more of these designated fiscal obligations of the state.

This measure would require the Department of Finance, commencing with the 2015–16 fiscal year, to annually report ~~information~~ to the Legislature ~~estimated amounts~~ *certain fiscal information* necessary to calculate the amount of the transfer from the General Fund to the Budget Stabilization Account for that fiscal year, and would require certain of these estimates to be included in the annual Budget Act. Commencing with the 2017–18 fiscal year, the measure would require the department to provide updated estimates for each of the 2 preceding fiscal years, calculated separately, for the purpose of determining the maximum allowable transfer from the General Fund to the Budget Stabilization Account for each of these fiscal years.

This measure would prohibit the balance in the Budget Stabilization Account from exceeding 10% of estimated General Fund proceeds of taxes. It also would ~~authorize~~ *limit* the use of funds, that otherwise would be transferred to the account, ~~for to~~ appropriation for ~~other designated fiscal obligations of the state, including, but not limited to, payment of payable claims for mandated costs, payment of unfunded pension liabilities and prefunding of other postemployment benefits, and reduction of existing bonded indebtedness~~ *the funding of infrastructure, as defined in a specified statute, including deferred maintenance.*

This measure would establish the Public School System Stabilization Account, to provide a reserve for public school funding. Commencing with the 2015–16 fiscal year and pursuant to specified calculations, the Controller would transfer certain moneys from the General Fund into the Public School System Stabilization Account, for subsequent allocation to school districts and community college districts in fiscal years for which the minimum state funding obligation under Proposition

98 falls below specified levels. The measure would prohibit the transfer of moneys into the Public School System Stabilization Account for a fiscal year for which a maintenance factor is created under Proposition 98 or before a previously determined maintenance factor has been fully reimbursed. The measure would also prohibit the transfer of funds into the account in a fiscal year in which provisions of Proposition 98 have been suspended.

The funds transferred into the Public School System Stabilization Account under the measure in a fiscal year would be counted toward the state's annual funding obligation for that fiscal year under Proposition 98, rather than in a fiscal year in which those funds are allocated. The measure would authorize the Controller to utilize funds in the account, that he or she determines to be unnecessary to meet foreseeable obligations, to help manage General Fund daily cash flow needs if that use does not interfere with the purpose of the account.

Existing provisions of the California Constitution authorize the Governor to issue a proclamation declaring an emergency in specified circumstances.

This measure would authorize the Legislature, upon the Governor's proclamation declaring a budget emergency, as described, to enact a statute that returns funds from the Budget Stabilization Account to the General Fund for appropriation to address the budget emergency, appropriates funds in the Public School System Stabilization Account for the support of school districts and community college districts, or suspends or reduces the transfer of funds from the General Fund to the Budget Stabilization Account or the Public School System Stabilization Account.

Existing law requires the Secretary of State to submit ACA 4 of the 2009–10 Regular Session, a proposed legislative constitutional amendment relating to state finance, to the voters at the November 4, 2014, statewide general election.

This bill would direct the Secretary of State to withdraw ACA 4 from the ballot.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

- 1 *Resolved by the Assembly, the Senate concurring,* That the
- 2 Legislature of the State of California at its 2013–14 Second
- 3 Extraordinary Session, commencing on the twenty-fourth day of
- 4 April 2014, two-thirds of the membership of each house

1 concurring, hereby directs the Secretary of State to withdraw, from
2 the consideration of the people of the State of California, Assembly
3 Constitutional Amendment No. 4 of the 2009–10 Regular Session
4 (Resolution Chapter 174 of the Statutes of 2010); and

5 WHEREAS, The Legislature of the State of California hereby
6 finds and declares that the intent of this proposed constitutional
7 amendment is to repay state debt and protect the state from the
8 negative effects of economic downturns; and

9 WHEREAS, This measure will ensure that future revenue spikes
10 from capital gains will be deposited into the state’s Budget
11 Stabilization Account and be used to stabilize program funding
12 when revenues decline; and

13 WHEREAS, This measure will establish a reserve for school
14 funding to prevent education cuts and teacher layoffs while
15 maintaining current guaranteed levels of school funding; and

16 WHEREAS, Multi-year budgeting will allow for better planning
17 for the future; now, therefore, be it

18 *Resolved*, That the Legislature, hereby proposes to the people
19 of the State of California, that the Constitution of the State be
20 amended as follows:

21 First—That Section 12.5 is added to Article IV thereof, to read:

22 Sec. 12.5. Within 10 days following the submission of a budget
23 pursuant to subdivision (a) of Section 12, following the proposed
24 adjustments to the Governor’s Budget required by subdivision (e)
25 of Section 13308 of the Government Code or a successor statute,
26 and following the enactment of the budget bill, or as soon as
27 feasible thereafter, the Director of Finance shall submit to the
28 Legislature both of the following:

29 (a) Estimates of General Fund revenues for the ensuing fiscal
30 year and for the three fiscal years thereafter.

31 (b) Estimates of General Fund expenditures for the ensuing
32 fiscal year and for the three fiscal years thereafter.

33 Second—That Section 20 of Article XVI thereof is repealed.

34 Third—That Section 20 is added to Article XVI thereof, to read:

35 SEC. 20. (a) (1) The Budget Stabilization Account is hereby
36 created in the General Fund.

37 (2) *For the 2015–16 fiscal year and each fiscal year thereafter,*
38 *based on the Budget Act for the fiscal year, the Controller shall*
39 *transfer from the General Fund to the Budget Stabilization*
40 *Account, no later than October 1, a sum equal to 1.5 percent of*

1 *the estimated amount of General Fund revenues for that fiscal*
2 *year.*

3 (b) (1) For the 2015–16 fiscal year and each fiscal year
4 thereafter, based on the Budget Act for the fiscal year, the
5 Department of Finance shall provide to the Legislature all of the
6 following information:

7 (A) An estimate of the amount of General Fund proceeds of
8 taxes that may be appropriated pursuant to Article XIII B for that
9 fiscal year.

10 (B) (i) An estimate of that portion of the General Fund proceeds
11 of taxes identified in subparagraph (A) that is derived from personal
12 income taxes paid on net capital gains.

13 (ii) The portion of the estimate in clause (i) that exceeds ~~6.5~~ 8
14 percent of the estimate made under subparagraph (A).

15 (C) That portion of the state’s funding obligation under Section
16 8 that results from including the amount calculated under clause
17 (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

18 (D) The amount of any appropriations described in ~~subdivision~~
19 ~~(g) in lieu of all or part of the transfer to the Budget Stabilization~~
20 ~~Account.~~ *clause (ii) of subparagraph (B) of paragraph (1) of, or*
21 *subparagraph (C) of paragraph (2) of, subdivision (c), that are*
22 *made from the revenues described in clause (ii) of subparagraph*
23 *(B) of this paragraph.*

24 (E) The amount resulting from subtracting the combined values
25 calculated under subparagraphs (C) and (D) from the value
26 calculated under clause (ii) of subparagraph (B). If less than zero,
27 the amount shall be considered zero for this purpose.

28 (F) The lesser of the amount calculated under subparagraph (E)
29 or the amount of transfer resulting in the balance in the Budget
30 Stabilization Account reaching the limit specified in subdivision
31 (e). ~~This is the maximum amount that may be transferred to the~~
32 ~~Budget Stabilization Account.~~

33 (2) In the 2016–17 fiscal year, with respect to the 2015–16 fiscal
34 year only, and in the 2017–18 fiscal year and each fiscal year
35 thereafter, separately with respect to each of the two next preceding
36 fiscal years, the Department of Finance shall calculate all of the
37 following, using the same methodology used for the relevant fiscal
38 year, and provide those calculations to the Legislature:

1 (A) An updated estimate of the amount of General Fund
2 proceeds of taxes that may be appropriated pursuant to Article
3 XIII B.

4 (B) (i) An updated estimate of that portion of the General Fund
5 proceeds of taxes identified in subparagraph (A) that is derived
6 from personal income taxes paid on net capital gains.

7 (ii) That portion of the updated estimate in clause (i) that exceeds
8 6.5 percent of the updated estimate made under subparagraph
9 (A).

10 (C) The updated calculation of that portion of the state’s funding
11 obligation under Section 8 that results from including the updated
12 amount calculated under clause (ii) of subparagraph (B), if any,
13 as General Fund proceeds of taxes.

14 (D) The amount of any appropriations described in ~~subdivision~~
15 ~~(g) in lieu of all or part of the transfer to the Budget Stabilization~~
16 ~~Account: clause (ii) of subparagraph (B) of paragraph (1) of, or~~
17 ~~subparagraph (C) of paragraph (2) of, subdivision (c), that are~~
18 ~~made from the revenues described in clause (ii) of subparagraph~~
19 ~~(B) of paragraph (1).~~

20 (E) The amount resulting from subtracting the combined values
21 calculated under subparagraphs (C) and (D) from the value
22 calculated under clause (ii) of subparagraph (B). If less than zero,
23 the amount shall be considered zero for this purpose.

24 (F) The amount previously transferred for the fiscal year by the
25 Controller from the General Fund to the Budget Stabilization
26 Account pursuant to subdivisions (c) and (d).

27 (G) The lesser of (i) the amount, not less than zero, resulting
28 from subtracting, from the amount calculated under subparagraph
29 (E), the value of any suspension or reduction of transfer pursuant
30 to paragraph (1) of subdivision (a) of Section 22 previously
31 approved by the Legislature for the relevant fiscal year, and the
32 amount previously transferred for that fiscal year by the Controller
33 as described in subparagraph (F), or (ii) the amount of transfer
34 resulting in the balance in the Budget Stabilization Account
35 reaching the limit as specified in subdivision (e). ~~This is the~~
36 ~~maximum amount that may be transferred to the Budget~~
37 ~~Stabilization Account for that fiscal year.~~

38 (c) (1) (A) By October 1 of the 2015–16 fiscal year and each
39 fiscal year thereafter *to the 2029–30 fiscal year, inclusive*, based
40 on the estimates set forth in the annual Budget Act pursuant to

1 paragraphs ~~(1) and (2)~~ (2) and (3) of subdivision ~~(i)~~ (h), and the
 2 sum identified in paragraph (2) of subdivision (a), the Controller
 3 shall transfer amounts ~~between~~ from the General Fund and the
 4 Budget Stabilization Account, pursuant to a schedule provided by
 5 the Director of Finance, as provided in ~~paragraph (2)~~.
 6 *subparagraph (B)*.

7 ~~(2) In~~

8 *(B) Notwithstanding any other provision of this section, in the*
 9 *fiscal year to which the Budget Act applies, the amount identified*
 10 *in subparagraph (F) of paragraph (1) of subdivision (b) shall be*
 11 *transferred from the General Fund to the Budget Stabilization*
 12 *Account, subject to any suspension or reduction of this transfer*
 13 *pursuant to paragraph (1) of subdivision (a) of Section 22.*
 14 *identified in subparagraph (A) applies:*

15 *(i) Fifty percent of both the amount identified in paragraph (2)*
 16 *of subdivision (a), and the amount resulting from subtracting the*
 17 *value calculated under subparagraph (C) of paragraph (1) of*
 18 *subdivision (b) from the value calculated under clause (ii) of*
 19 *subparagraph (B) of paragraph (1) of subdivision (b), shall be*
 20 *transferred from the General Fund to the Budget Stabilization*
 21 *Account.*

22 *(ii) The remaining 50 percent shall be appropriated by the*
 23 *Legislature for one or more of the following obligations and*
 24 *purposes:*

25 *(I) Unfunded prior fiscal year General Fund obligations*
 26 *pursuant to Section 8 that existed on July 1, 2014.*

27 *(II) Budgetary loans to the General Fund, from funds outside*
 28 *the General Fund, that had outstanding balances on January 1,*
 29 *2014.*

30 *(III) Payable claims for mandated costs incurred prior to the*
 31 *2004–05 fiscal year that have not yet been paid, and that pursuant*
 32 *to paragraph (2) of subdivision (b) of Section 6 of Article XIII B*
 33 *are permitted to be paid over a term of years, as prescribed by*
 34 *law.*

35 *(IV) Unfunded liabilities for state-level pension plans and*
 36 *prefunding other postemployment benefits, in excess of current*
 37 *base amounts as established for the fiscal year in which the funds*
 38 *would otherwise be transferred to the Budget Stabilization Account.*
 39 *For the purpose of this subclause, current base amounts are those*
 40 *required to be paid pursuant to law, an approved memorandum*

1 of understanding, benefit schedules established by the employer
2 or entity authorized to establish those contributions for employees
3 excluded or exempted from collective bargaining, or any
4 combination of these. To qualify under this subclause, the
5 appropriation shall supplement and not supplant funding that
6 would otherwise be made available to pay for the obligations
7 described in this subclause for the fiscal year or the subsequent
8 fiscal year.

9 (2) (A) By October 1 of the 2030–31 fiscal year and each fiscal
10 year thereafter, based on the estimates set forth in the annual
11 Budget Act pursuant to paragraphs (2) and (3) of subdivision (h),
12 the Controller shall transfer amounts from the General Fund to
13 the Budget Stabilization Account, pursuant to a schedule provided
14 by the Director of Finance, as provided in subparagraph (B).

15 (B) In the fiscal year to which the Budget Act identified in
16 subparagraph (A) applies, both the amount identified in paragraph
17 (2) of subdivision (a), and the amount resulting from subtracting
18 the value calculated under subparagraph (C) of paragraph (1) of
19 subdivision (b) from the value calculated under clause (ii) of
20 subparagraph (B) of paragraph (1) of subdivision (b), shall be
21 transferred from the General Fund to the Budget Stabilization
22 Account.

23 (C) Notwithstanding any other provision of this section, the
24 Legislature may appropriate up to 50 percent of both the amount
25 identified in paragraph (2) of subdivision (a), and of the amount
26 resulting from subtracting the value calculated under
27 subparagraph (C) of paragraph (1) of subdivision (b) from the
28 value calculated under clause (ii) of subparagraph (B) of
29 paragraph (1) of subdivision (b), for one or more of the obligations
30 and purposes described in clause (ii) of subparagraph (B) of
31 paragraph (1).

32 (3) The transfers described in this subdivision are subject to
33 suspension or reduction pursuant to paragraph (1) of subdivision
34 (a) of Section 22.

35 (d) By October 1 of the 2016–17 fiscal year and each fiscal year
36 thereafter, based on the estimates set forth in the annual Budget
37 Act pursuant to paragraphs ~~(3) and (4)~~ (4) and (5) of subdivision
38 ~~(†)~~ (h), the Controller shall transfer amounts between the General
39 Fund and the Budget Stabilization Account pursuant to a schedule
40 provided by the Director of Finance, as follows:

1 (1) If the amount in subparagraph (G) of paragraph (2) of
2 subdivision (b) is greater than zero, transfer that amount from the
3 General Fund to the Budget Stabilization Account, subject to any
4 suspension or reduction of this transfer pursuant to paragraph (1)
5 of subdivision (a) of Section 22.

6 (2) If the amount described in subparagraph (F) of paragraph
7 (2) of subdivision (b) is greater than the amount calculated under
8 subparagraph (E) of paragraph (2) of subdivision (b), transfer that
9 excess amount from the Budget Stabilization Account back to the
10 General Fund.

11 (e) Notwithstanding any other provision of this section, the
12 amount of a transfer to the Budget Stabilization Account pursuant
13 to *paragraph (2) of subdivision (a) and subdivisions (c) and (d)*
14 for any fiscal year shall not exceed an amount that would result in
15 a balance in the account that, when the transfer is made, exceeds
16 10 percent of the amount of General Fund proceeds of taxes for
17 the fiscal year estimated pursuant to subdivision (b). For any fiscal
18 year, General Fund proceeds of taxes that, but for this paragraph,
19 would have been transferred to the Budget Stabilization Account
20 may be expended only for infrastructure, as defined by Section
21 13101 of the Government Code, as that section read on January
22 1, 2014, including deferred maintenance thereon, or to pay down
23 obligations or avoid debt as specified in subdivision (g) thereon.

24 (f) The funds described in subdivision (b) as General Fund
25 proceeds of taxes are General Fund proceeds of taxes for purposes
26 of Section 8 for the fiscal year to which those proceeds are
27 attributed, but are not deemed to be additional General Fund
28 proceeds of taxes on the basis that the funds are thereafter
29 transferred from the Budget Stabilization Account to the General
30 Fund.

31 ~~(g) In lieu of the entire transfer, or a portion thereof, to the~~
32 ~~Budget Stabilization Account from the General Fund pursuant to~~
33 ~~subdivisions (e) and (d), the Legislature may appropriate funds~~
34 ~~from the General Fund for the following obligations and purposes:~~

35 ~~(1) Unfunded prior fiscal year General Fund obligations pursuant~~
36 ~~to Section 8 that existed on July 1, 2014.~~

37 ~~(2) Budgetary loans to the General Fund, from funds outside~~
38 ~~the General Fund, that had outstanding balances on January 1,~~
39 ~~2014.~~

1 ~~(3) Payable claims for mandated costs incurred prior to the~~
2 ~~2004-05 fiscal year that have not yet been paid, and that pursuant~~
3 ~~to paragraph (2) of subdivision (b) of Section 6 of Article XIII B~~
4 ~~are permitted to be paid over a term of years, as prescribed by law.~~

5 ~~(4) Unfunded liabilities for state-level pension plans and~~
6 ~~prefunding other postemployment benefits, in excess of current~~
7 ~~base amounts as established for the fiscal year in which the funds~~
8 ~~would otherwise be transferred pursuant to subdivisions (c) and~~
9 ~~(d). For the purpose of this paragraph, current base amounts are~~
10 ~~those required to be paid pursuant to law, an approved~~
11 ~~memorandum of understanding, benefit schedules established by~~
12 ~~the employer or entity authorized to establish those contributions~~
13 ~~for employees excluded or exempted from collective bargaining,~~
14 ~~or any combination of these. To qualify as appropriation in lieu~~
15 ~~of the transfer, the appropriation must supplement and not supplant~~
16 ~~funding that would otherwise be made available to pay for the~~
17 ~~obligations described in this paragraph for the fiscal year.~~

18 ~~(5) Elimination of unexercised authority to contract for future~~
19 ~~indebtedness, by appropriating substitute funding for debts and~~
20 ~~liabilities authorized by law in accordance with Section 1.~~
21 ~~Substitute funding appropriated pursuant to this paragraph shall~~
22 ~~not exceed the amount of the indebtedness authorized by the law~~
23 ~~less the amount of indebtedness actually contracted for at the time~~
24 ~~of the appropriation. The funds appropriated pursuant to this~~
25 ~~paragraph shall reduce the amount of the indebtedness authorized~~
26 ~~by law only to an amount not less than the amount contracted for~~
27 ~~under that authority at the time of the appropriation.~~

28 ~~(h)~~

29 ~~(g) The Controller may utilize funds in the Budget Stabilization~~
30 ~~Account, that he or she determines to currently be unnecessary for~~
31 ~~the purposes of this section, to help manage General Fund daily~~
32 ~~cash flow needs. Any use pursuant to this subdivision shall not~~
33 ~~interfere with the purposes of the Budget Stabilization Account.~~

34 ~~(i)~~

35 ~~(h) The annual Budget Act shall include the estimates described~~
36 ~~in all of the following:~~

37 ~~(1) Paragraph (2) of subdivision (a).~~

38 ~~(1)~~

39 ~~(2) Clause (ii) of subparagraph (B) of paragraph (1) of~~
40 ~~subdivision (b).~~

- 1 ~~(2)~~
- 2 (3) Subparagraph (F) of paragraph (1) of subdivision (b).
- 3 ~~(3)~~
- 4 (4) Clause (ii) of subparagraph (B) of paragraph (2) of
- 5 subdivision (b).
- 6 ~~(4)~~
- 7 (5) Subparagraph (G) of paragraph (2) of subdivision (b).
- 8 Fourth—That Section 21 is added to Article XVI thereof, to
- 9 read:

10 SEC. 21. (a) The Public School System Stabilization Account

11 is hereby created in the General Fund.

12 (b) On or before October 1 of each fiscal year, commencing

13 with the 2015–16 fiscal year, based on the amounts identified in

14 the annual Budget Act pursuant to subdivision (b) of Section 20,

15 the Controller shall transfer, pursuant to a schedule provided by

16 the Director of Finance, amounts from the General Fund to the

17 Public School System Stabilization Account as follows:

18 (1) (A) For the 2015–16 fiscal year, and for each fiscal year

19 thereafter, any positive amount identified in subparagraph (C) of

20 paragraph (1) of subdivision (b) of Section 20 shall be transferred

21 from the General Fund to the Public School System Stabilization

22 Account in the amount calculated under subparagraph (B), subject

23 to any reduction or suspension of this transfer pursuant to any other

24 provision of this section or paragraph (3) of subdivision (a) of

25 Section 22.

26 (B) The Director of Finance shall calculate the amount by which

27 the positive amount identified in subparagraph (C) of paragraph

28 (1) of subdivision (b) of Section 20, in combination with all other

29 moneys required to be applied by the State for the support of school

30 districts and community college districts for that fiscal year

31 pursuant to Section 8, exceeds the sum of the total allocations to

32 school districts and community college districts from General Fund

33 proceeds of taxes appropriated pursuant to Article XIII B and

34 allocated local proceeds of taxes in the prior fiscal year, plus any

35 allocations from the Public School System Stabilization Account

36 in the prior fiscal year, less any transfers to the Public School

37 System Stabilization Account pursuant to this section in the prior

38 fiscal year and any revenues allocated pursuant to subdivision (a)

39 of Section 8.5, adjusted for the percentage change in average daily

40 attendance and adjusted for the higher of the change in the cost of

1 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
2 Article XIII B or the cost of living adjustment applied to school
3 district and community college district general purpose
4 apportionments.

5 (2) (A) Commencing with the 2016–17 fiscal year, and for each
6 fiscal year thereafter, to the extent the amount calculated under
7 this paragraph exceeds the amounts previously transferred by the
8 Controller from the General Fund to the Public School System
9 Stabilization Account for a preceding fiscal year, any positive
10 amount calculated pursuant to subparagraph (C) of paragraph (2)
11 of subdivision (b) of Section 20 for that fiscal year shall be
12 transferred from the General Fund to the Public School System
13 Stabilization Account in the amount calculated under subparagraph
14 (B), subject to any reduction or suspension of this transfer pursuant
15 to any other provision of this section or paragraph (3) of
16 subdivision (a) of Section 22.

17 (B) The Director of Finance shall calculate the amount by which
18 the positive amount identified in subparagraph (C) of paragraph
19 (2) of subdivision (b) of Section 20, in combination with all other
20 moneys required to be applied by the State for the support of school
21 districts and community college districts for that fiscal year
22 pursuant to Section 8, exceeds the sum of the total allocations to
23 school districts and community college districts from General Fund
24 proceeds of taxes appropriated pursuant to Article XIII B and
25 allocated local proceeds of taxes in the prior fiscal year, plus any
26 allocations from the Public School System Stabilization Account
27 in the prior fiscal year, less any transfers to the Public School
28 System Stabilization Account pursuant to this section in the prior
29 fiscal year and any revenues allocated pursuant to subdivision (a)
30 of Section 8.5, adjusted for the percentage change in average daily
31 attendance and adjusted for the higher of the change in the cost of
32 living pursuant to the paragraph (1) of subdivision (e) of Section
33 8 of Article XIII B or the cost of living adjustment applied to
34 school district and community college district general purpose
35 apportionments.

36 (c) Commencing with the 2016–17 fiscal year, and for each
37 fiscal year thereafter, if the amount calculated pursuant to
38 subparagraph (C) of paragraph (2) of subdivision (b) of Section
39 20 for a fiscal year is less than the amounts previously transferred
40 by the Controller from the General Fund to the Public School

1 System Stabilization Account for that fiscal year, the amount of
2 this difference shall be appropriated and allocated by the State
3 from the Public School System Stabilization Account for the
4 support of school districts and community college districts.

5 (d) Notwithstanding any other provision of this section, the
6 amount transferred to the Public School System Stabilization
7 Account pursuant to subdivision (b) for a fiscal year shall not
8 exceed the amount by which the amount of state support calculated
9 pursuant to paragraph (1) of subdivision (b) of Section 8 exceeds
10 the amount of state support calculated pursuant to paragraph (2)
11 of subdivision (b) of Section 8 for that fiscal year. If the amount
12 of state support calculated pursuant to paragraph (1) of subdivision
13 (b) of Section 8 does not exceed the amount of state support
14 calculated pursuant to paragraph (2) of subdivision (b) of Section
15 8 for a fiscal year, no amount shall be transferred to the Public
16 School System Stabilization Account pursuant to subdivision (b)
17 for that fiscal year.

18 (e) Notwithstanding any other provision of this section, no
19 amount shall be transferred to the Public School System
20 Stabilization Account pursuant to subdivision (b) for a fiscal year
21 for which a maintenance factor is determined pursuant to
22 subdivision (d) of Section 8.

23 (f) Notwithstanding any other provision of this section, no
24 amount shall be transferred to the Public School System
25 Stabilization Account pursuant to subdivision (b) until the
26 maintenance factor determined pursuant to subdivisions (d) and
27 (e) of Section 8 for fiscal years prior to the 2014–15 fiscal year
28 has been fully allocated. Transfers may be made beginning in the
29 fiscal year following the fiscal year in which it is determined, based
30 on the Budget Act for that fiscal year, that this condition will be
31 met. If a transfer is made for a fiscal year for which it is later
32 determined that this condition has not been met, the amount of the
33 transfer shall be appropriated and allocated from the Public School
34 System Stabilization Account for the support of school districts
35 and community college districts. No transfer shall be made for a
36 year for which it was determined, based on the Budget Act for that
37 fiscal year, that this condition would not be met but was
38 subsequently determined to have been met in that year or a prior
39 fiscal year.

1 (g) Notwithstanding any other provision of this section, no
2 amount shall be transferred to the Public School System
3 Stabilization Account for any fiscal year for which any of the
4 provisions of subdivision (b) of Section 8 are suspended pursuant
5 to subdivision (h) of Section 8.

6 (h) Notwithstanding any other provision of this section, for any
7 fiscal year, the amount of a transfer to the Public School System
8 Stabilization Account pursuant to subdivision (b) shall not exceed
9 an amount that would result in a balance in the account that is in
10 excess of 10 percent of the total allocations to school districts and
11 community college districts from General Fund proceeds of taxes
12 appropriated pursuant to Article XIII B and allocated local proceeds
13 of taxes for that fiscal year pursuant to Section 8. For any fiscal
14 year, General Fund proceeds of taxes that, but for this subdivision,
15 would have been transferred to the Public School System
16 Stabilization Account shall be applied by the State for the support
17 of school districts and community colleges.

18 (i) In any fiscal year in which the amount required to be applied
19 by the State for the support of school districts and community
20 college districts for that fiscal year pursuant to Section 8 is less
21 than the total allocations to school districts and community college
22 districts from General Fund proceeds of taxes appropriated pursuant
23 to Article XIII B and allocated local proceeds of taxes in the prior
24 fiscal year, plus any allocations from the Public School System
25 Stabilization Account in the prior fiscal year, less any transfers to
26 the Public School System Stabilization Account in the prior fiscal
27 year and any revenues allocated pursuant to subdivision (a) of
28 Section 8.5, adjusted for the percentage change in average daily
29 attendance and adjusted for the higher of the change in the cost of
30 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
31 Article XIII B or the cost of living adjustment applied to school
32 district and community college district general purpose
33 apportionments, the amount of the deficiency shall be appropriated
34 and allocated by the State from the Public School System
35 Stabilization Account for the support of school districts and
36 community college districts.

37 (j) Funds transferred to the Public School System Stabilization
38 Account shall be deemed, for purposes of Section 8, to be moneys
39 applied by the State for the support of school districts and
40 community college districts in the fiscal year for which the transfer

1 is made, and not in the fiscal year in which moneys are
2 appropriated from the account.

3 (k) Nothing in this section shall be construed to reduce, ~~or~~
4 ~~otherwise change~~, the amount of the moneys required to be applied
5 by the State for the support of school districts and community
6 college districts pursuant to Sections 8 and 8.5.

7 (l) The Controller may utilize funds in the Public School System
8 Stabilization Account, that he or she determines to currently be
9 unnecessary for the purposes of this section, to help manage
10 General Fund daily cashflow needs. Any use of funds by the
11 Controller pursuant to this subdivision shall not interfere with the
12 purposes of the Public School System Stabilization Account.

13 Fifth—That Section 22 is added to Article XVI thereof, to read:

14 Sec. 22. (a) Upon the Governor’s proclamation declaring a
15 budget emergency and identifying the conditions constituting the
16 emergency, the Legislature may pass a bill that does any of the
17 following:

18 (1) Suspends or reduces by a specified dollar amount for one
19 fiscal year the transfer of moneys from the General Fund to the
20 Budget Stabilization Account required by Section 20.

21 (2) (A) Returns funds that have been transferred to the Budget
22 Stabilization Account pursuant to Section 20 to the General Fund
23 for appropriation to address the budget emergency.

24 (B) Not more than 50 percent of the balance in the Budget
25 Stabilization Account may be returned to the General Fund for
26 appropriation pursuant to subparagraph (A) in any fiscal year,
27 unless funds in the Budget Stabilization Account have been
28 returned to the General Fund for appropriation in the immediately
29 preceding fiscal year.

30 (3) Suspends or reduces by a specified dollar amount for one
31 fiscal year the transfer of moneys from the General Fund to the
32 Public School System Stabilization Account required by Section
33 21.

34 (4) Appropriates funds transferred to the Public School System
35 Stabilization Account pursuant to Section 21 and allocates those
36 funds for the support of school districts and community college
37 districts.

38 (b) For purposes of this section, “budget emergency” means
39 any of the following:

1 (1) An emergency declared by the Governor, within the meaning
2 of paragraph (2) of subdivision (c) of Section 3 of Article XIII B.

3 ~~(2) A fiscal emergency declared by the Governor, within the~~
4 ~~meaning of paragraph (1) of subdivision (f) of Section 10 of Article~~
5 ~~IV.~~

6 ~~(3) A determination by the Governor that the estimated resources~~
7 ~~for the ensuing fiscal year, after satisfying the requirements of~~
8 ~~Section 8 for that fiscal year, will not be adequate to fund~~
9 ~~expenditures, other than those necessary to satisfy the requirements~~
10 ~~of Section 8, at or above the current fiscal year expenditure levels,~~
11 ~~adjusted for both of the following:~~

12 ~~(A) The percentage change in the cost of living for the State,~~
13 ~~as measured by the California Consumer Price Index.~~

14 ~~(B) The percentage growth in the civilian population of the~~
15 ~~State.~~

16 (2) (A) *A determination by the Governor that estimated*
17 *resources are inadequate to fund General Fund expenditures for*
18 *the current or ensuing fiscal year, after setting aside funds for the*
19 *reserve for liquidation of encumbrances, at a level equal to the*
20 *highest amount of total General Fund expenditures estimated at*
21 *the time of enactment of any of the three most recent Budget Acts,*
22 *adjusted for both of the following:*

23 *(i) The annual percentage change in the cost of living for the*
24 *State, as measured by the California Consumer Price Index.*

25 *(ii) The annual percentage growth in the civilian population of*
26 *the State pursuant to subdivision (b) of Section 7901 of the*
27 *Government Code.*

28 (B) *The maximum amount that may be withdrawn for a budget*
29 *emergency determined under this paragraph shall not exceed either*
30 *an amount that would result in a total General Fund expenditure*
31 *level for a fiscal year that is greater than the highest amount of*
32 *total General Fund expenditures estimated at the time of enactment*
33 *of any of the three most recent Budget Acts, as calculated pursuant*
34 *to subparagraph (A), or any limit imposed by subparagraph (B)*
35 *of paragraph (2) of subdivision (a).*

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