

Assembly Constitutional Amendment

No. 1

**Introduced by Assembly Member John A. Pérez
(Coauthor: Assembly Member Gatto)**

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, and adding Sections 21 and 22 and repealing and adding Section 20, of Article XVI thereof, relating to state finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 1, as introduced, 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 with the 2015–16 fiscal year, would 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 would require the Department of Finance, commencing with the 2015–16 fiscal year, to annually report information to the Legislature estimated amounts 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 the use of funds, that otherwise would be transferred to the account, for 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.

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

9 WHEREAS, The Legislature of the State of California hereby
10 finds and declares that the intent of this proposed constitutional
11 amendment is to repay state debt and protect the state from the
12 negative effects of economic downturns; and

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

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

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

22 *Resolved,* That the Legislature, hereby proposes to the people
23 of the State of California, that the Constitution of the State be
24 amended as follows:

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

26 Sec. 12.5. Within 10 days following the submission of a budget
27 pursuant to subdivision (a) of Section 12, following the proposed

1 adjustments to the Governor’s Budget required by subdivision (e)
2 of Section 13308 of the Government Code or a successor statute,
3 and following the enactment of the budget bill, or as soon as
4 feasible thereafter, the Director of Finance shall submit to the
5 Legislature both of the following:

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

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

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

11 ~~SEC. 20.—(a) The Budget Stabilization Account is hereby~~
12 ~~created in the General Fund.~~

13 ~~(b) In each fiscal year as specified in paragraphs (1) to (3),~~
14 ~~inclusive, the Controller shall transfer from the General Fund to~~
15 ~~the Budget Stabilization Account the following amounts:~~

16 ~~(1) No later than September 30, 2006, a sum equal to 1 percent~~
17 ~~of the estimated amount of General Fund revenues for the 2006–07~~
18 ~~fiscal year.~~

19 ~~(2) No later than September 30, 2007, a sum equal to 2 percent~~
20 ~~of the estimated amount of General Fund revenues for the 2007–08~~
21 ~~fiscal year.~~

22 ~~(3) No later than September 30, 2008, and annually thereafter,~~
23 ~~a sum equal to 3 percent of the estimated amount of General Fund~~
24 ~~revenues for the current fiscal year.~~

25 ~~(e) The transfer of moneys shall not be required by subdivision~~
26 ~~(b) in any fiscal year to the extent that the resulting balance in the~~
27 ~~account would exceed 5 percent of the General Fund revenues~~
28 ~~estimate set forth in the budget bill for that fiscal year, as enacted,~~
29 ~~or eight billion dollars (\$8,000,000,000), whichever is greater. The~~
30 ~~Legislature may, by statute, direct the Controller, for one or more~~
31 ~~fiscal years, to transfer into the account amounts in excess of the~~
32 ~~levels prescribed by this subdivision.~~

33 ~~(d) Subject to any restriction imposed by this section, funds~~
34 ~~transferred to the Budget Stabilization Account shall be deemed~~
35 ~~to be General Fund revenues for all purposes of this Constitution.~~

36 ~~(e) The transfer of moneys from the General Fund to the Budget~~
37 ~~Stabilization Account may be suspended or reduced for a fiscal~~
38 ~~year as specified by an executive order issued by the Governor no~~
39 ~~later than June 1 of the preceding fiscal year.~~

1 ~~(f) (1) Of the moneys transferred to the account in each fiscal~~
2 ~~year, 50 percent, up to the aggregate amount of five billion dollars~~
3 ~~(\$5,000,000,000) for all fiscal years, shall be deposited in the~~
4 ~~Deficit Recovery Bond Retirement Sinking Fund Subaccount,~~
5 ~~which is hereby created in the account for the purpose of retiring~~
6 ~~deficit recovery bonds authorized and issued as described in~~
7 ~~Section 1.3, in addition to any other payments provided for by law~~
8 ~~for the purpose of retiring those bonds. The moneys in the sinking~~
9 ~~fund subaccount are continuously appropriated to the Treasurer to~~
10 ~~be expended for that purpose in the amounts, at the times, and in~~
11 ~~the manner deemed appropriate by the Treasurer. Any funds~~
12 ~~remaining in the sinking fund subaccount after all of the deficit~~
13 ~~recovery bonds are retired shall be transferred to the account, and~~
14 ~~may be transferred to the General Fund pursuant to paragraph (2).~~

15 ~~(2) All other funds transferred to the account in a fiscal year~~
16 ~~shall not be deposited in the sinking fund subaccount and may, by~~
17 ~~statute, be transferred to the General Fund.~~

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

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

21 (b) (1) For the 2015–16 fiscal year and each fiscal year
22 thereafter, based on the Budget Act for the fiscal year, the
23 Department of Finance shall provide to the Legislature all of the
24 following information:

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

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

31 (ii) The portion of the estimate in clause (i) that exceeds 6.5
32 percent of the estimate made under subparagraph (A).

33 (C) That portion of the state’s funding obligation under Section
34 8 that results from including the amount calculated under clause
35 (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

36 (D) The amount of any appropriations described in subdivision
37 (g) in lieu of all or part of the transfer to the Budget Stabilization
38 Account.

39 (E) The amount resulting from subtracting the combined values
40 calculated under subparagraphs (C) and (D) from the value

1 calculated under clause (ii) of subparagraph (B). If less than zero,
2 the amount shall be considered zero for this purpose.

3 (F) The lesser of the amount calculated under subparagraph (E)
4 or the amount of transfer resulting in the balance in the Budget
5 Stabilization Account reaching the limit specified in subdivision
6 (e). This is the maximum amount that may be transferred to the
7 Budget Stabilization Account.

8 (2) In the 2016–17 fiscal year, with respect to the 2015–16 fiscal
9 year only, and in the 2017–18 fiscal year and each fiscal year
10 thereafter, separately with respect to each of the two next preceding
11 fiscal years, the Department of Finance shall calculate all of the
12 following, using the same methodology used for the relevant fiscal
13 year, and provide those calculations to the Legislature:

14 (A) An updated estimate of the amount of General Fund
15 proceeds of taxes that may be appropriated pursuant to Article
16 XIII B.

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

20 (ii) That portion of the updated estimate in clause (i) that exceeds
21 6.5 percent of the updated estimate made under subparagraph (A).

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

26 (D) The amount of any appropriations described in subdivision
27 (g) in lieu of all or part of the transfer to the Budget Stabilization
28 Account.

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

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

36 (G) The lesser of (i) the amount, not less than zero, resulting
37 from subtracting, from the amount calculated under subparagraph
38 (E), the value of any suspension or reduction of transfer pursuant
39 to paragraph (1) of subdivision (a) of Section 22 previously
40 approved by the Legislature for the relevant fiscal year, and the

1 amount previously transferred for that fiscal year by the Controller
2 as described in subparagraph (F), or (ii) the amount of transfer
3 resulting in the balance in the Budget Stabilization Account
4 reaching the limit as specified in subdivision (e). This is the
5 maximum amount that may be transferred to the Budget
6 Stabilization Account for that fiscal year.

7 (c) (1) By October 1 of the 2015–16 fiscal year and each fiscal
8 year thereafter, based on the estimates set forth in the annual
9 Budget Act pursuant to paragraphs (1) and (2) of subdivision (i),
10 the Controller shall transfer amounts between the General Fund
11 and the Budget Stabilization Account, pursuant to a schedule
12 provided by the Director of Finance, as provided in paragraph (2).

13 (2) In the fiscal year to which the Budget Act applies, the
14 amount identified in subparagraph (F) of paragraph (1) of
15 subdivision (b) shall be transferred from the General Fund to the
16 Budget Stabilization Account, subject to any suspension or
17 reduction of this transfer pursuant to paragraph (1) of subdivision
18 (a) of Section 22.

19 (d) By October 1 of the 2016–17 fiscal year and each fiscal year
20 thereafter, based on the estimates set forth in the annual Budget
21 Act pursuant to paragraphs (3) and (4) of subdivision (i), the
22 Controller shall transfer amounts between the General Fund and
23 the Budget Stabilization Account pursuant to a schedule provided
24 by the Director of Finance, as follows:

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

30 (2) If the amount described in subparagraph (F) of paragraph
31 (2) of subdivision (b) is greater than the amount calculated under
32 subparagraph (E) of paragraph (2) of subdivision (b), transfer that
33 excess amount from the Budget Stabilization Account back to the
34 General Fund.

35 (e) Notwithstanding any other provision of this section, the
36 amount of a transfer to the Budget Stabilization Account pursuant
37 to subdivisions (c) and (d) for any fiscal year shall not exceed an
38 amount that would result in a balance in the account that, when
39 the transfer is made, exceeds 10 percent of the amount of General
40 Fund proceeds of taxes for the fiscal year estimated pursuant to

1 subdivision (b). For any fiscal year, General Fund proceeds of
2 taxes that, but for this paragraph, would have been transferred to
3 the Budget Stabilization Account may be expended only for
4 infrastructure, as defined by Section 13101 of the Government
5 Code, as that section read on January 1, 2014, including deferred
6 maintenance thereon, or to pay down obligations or avoid debt as
7 specified in subdivision (g).

8 (f) The funds described in subdivision (b) as General Fund
9 proceeds of taxes are General Fund proceeds of taxes for purposes
10 of Section 8 for the fiscal year to which those proceeds are
11 attributed, but are not deemed to be additional General Fund
12 proceeds of taxes on the basis that the funds are thereafter
13 transferred from the Budget Stabilization Account to the General
14 Fund.

15 (g) In lieu of the entire transfer, or a portion thereof, to the
16 Budget Stabilization Account from the General Fund pursuant to
17 subdivisions (c) and (d), the Legislature may appropriate funds
18 from the General Fund for the following obligations and purposes:

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

21 (2) Budgetary loans to the General Fund, from funds outside
22 the General Fund, that had outstanding balances on January 1,
23 2014.

24 (3) Payable claims for mandated costs incurred prior to the
25 2004–05 fiscal year that have not yet been paid, and that pursuant
26 to paragraph (2) of subdivision (b) of Section 6 of Article XIII B
27 are permitted to be paid over a term of years, as prescribed by law.

28 (4) Unfunded liabilities for state-level pension plans and
29 prefunding other postemployment benefits, in excess of current
30 base amounts as established for the fiscal year in which the funds
31 would otherwise be transferred pursuant to subdivisions (c) and
32 (d). For the purpose of this paragraph, current base amounts are
33 those required to be paid pursuant to law, an approved
34 memorandum of understanding, benefit schedules established by
35 the employer or entity authorized to establish those contributions
36 for employees excluded or exempted from collective bargaining,
37 or any combination of these. To qualify as appropriation in lieu
38 of the transfer, the appropriation must supplement and not supplant
39 funding that would otherwise be made available to pay for the
40 obligations described in this paragraph for the fiscal year.

1 (5) Elimination of unexercised authority to contract for future
2 indebtedness, by appropriating substitute funding for debts and
3 liabilities authorized by law in accordance with Section 1.
4 Substitute funding appropriated pursuant to this paragraph shall
5 not exceed the amount of the indebtedness authorized by the law
6 less the amount of indebtedness actually contracted for at the time
7 of the appropriation. The funds appropriated pursuant to this
8 paragraph shall reduce the amount of the indebtedness authorized
9 by law only to an amount not less than the amount contracted for
10 under that authority at the time of the appropriation.

11 (h) The Controller may utilize funds in the Budget Stabilization
12 Account, that he or she determines to currently be unnecessary for
13 the purposes of this section, to help manage General Fund daily
14 cash flow needs. Any use pursuant to this subdivision shall not
15 interfere with the purposes of the Budget Stabilization Account.

16 (i) The annual Budget Act shall include the estimates described
17 in all of the following:

18 (1) Clause (ii) of subparagraph (B) of paragraph (1) of
19 subdivision (b).

20 (2) Subparagraph (F) of paragraph (1) of subdivision (b).

21 (3) Clause (ii) of subparagraph (B) of paragraph (2) of
22 subdivision (b).

23 (4) Subparagraph (G) of paragraph (2) of subdivision (b).

24 Fourth—That Section 21 is added to Article XVI thereof, to
25 read:

26 SEC. 21. (a) The Public School System Stabilization Account
27 is hereby created in the General Fund.

28 (b) On or before October 1 of each fiscal year, commencing
29 with the 2015–16 fiscal year, based on the amounts identified in
30 the annual Budget Act pursuant to subdivision (b) of Section 20,
31 the Controller shall transfer, pursuant to a schedule provided by
32 the Director of Finance, amounts from the General Fund to the
33 Public School System Stabilization Account as follows:

34 (1) (A) For the 2015–16 fiscal year, and for each fiscal year
35 thereafter, any positive amount identified in subparagraph (C) of
36 paragraph (1) of subdivision (b) of Section 20 shall be transferred
37 from the General Fund to the Public School System Stabilization
38 Account in the amount calculated under subparagraph (B), subject
39 to any reduction or suspension of this transfer pursuant to any other

1 provision of this section or paragraph (3) of subdivision (a) of
2 Section 22.

3 (B) The Director of Finance shall calculate the amount by which
4 the positive amount identified in subparagraph (C) of paragraph
5 (1) of subdivision (b) of Section 20, in combination with all other
6 moneys required to be applied by the State for the support of school
7 districts and community college districts for that fiscal year
8 pursuant to Section 8, exceeds the sum of the total allocations to
9 school districts and community college districts from General Fund
10 proceeds of taxes appropriated pursuant to Article XIII B and
11 allocated local proceeds of taxes in the prior fiscal year, plus any
12 allocations from the Public School System Stabilization Account
13 in the prior fiscal year, less any transfers to the Public School
14 System Stabilization Account pursuant to this section in the prior
15 fiscal year and any revenues allocated pursuant to subdivision (a)
16 of Section 8.5, adjusted for the percentage change in average daily
17 attendance and adjusted for the higher of the change in the cost of
18 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
19 Article XIII B or the cost of living adjustment applied to school
20 district and community college district general purpose
21 apportionments.

22 (2) (A) Commencing with the 2016–17 fiscal year, and for each
23 fiscal year thereafter, to the extent the amount calculated under
24 this paragraph exceeds the amounts previously transferred by the
25 Controller from the General Fund to the Public School System
26 Stabilization Account for a preceding fiscal year, any positive
27 amount calculated pursuant to subparagraph (C) of paragraph (2)
28 of subdivision (b) of Section 20 for that fiscal year shall be
29 transferred from the General Fund to the Public School System
30 Stabilization Account in the amount calculated under subparagraph
31 (B), subject to any reduction or suspension of this transfer pursuant
32 to any other provision of this section or paragraph (3) of
33 subdivision (a) of Section 22.

34 (B) The Director of Finance shall calculate the amount by which
35 the positive amount identified in subparagraph (C) of paragraph
36 (2) of subdivision (b) of Section 20, in combination with all other
37 moneys required to be applied by the State for the support of school
38 districts and community college districts for that fiscal year
39 pursuant to Section 8, exceeds the sum of the total allocations to
40 school districts and community college districts from General Fund

1 proceeds of taxes appropriated pursuant to Article XIII B and
2 allocated local proceeds of taxes in the prior fiscal year, plus any
3 allocations from the Public School System Stabilization Account
4 in the prior fiscal year, less any transfers to the Public School
5 System Stabilization Account pursuant to this section in the prior
6 fiscal year and any revenues allocated pursuant to subdivision (a)
7 of Section 8.5, adjusted for the percentage change in average daily
8 attendance and adjusted for the higher of the change in the cost of
9 living pursuant to the paragraph (1) of subdivision (e) of Section
10 8 of Article XIII B or the cost of living adjustment applied to
11 school district and community college district general purpose
12 apportionments.

13 (c) Commencing with the 2016–17 fiscal year, and for each
14 fiscal year thereafter, if the amount calculated pursuant to
15 subparagraph (C) of paragraph (2) of subdivision (b) of Section
16 20 for a fiscal year is less than the amounts previously transferred
17 by the Controller from the General Fund to the Public School
18 System Stabilization Account for that fiscal year, the amount of
19 this difference shall be appropriated and allocated by the State
20 from the Public School System Stabilization Account for the
21 support of school districts and community college districts.

22 (d) Notwithstanding any other provision of this section, the
23 amount transferred to the Public School System Stabilization
24 Account pursuant to subdivision (b) for a fiscal year shall not
25 exceed the amount by which the amount of state support calculated
26 pursuant to paragraph (1) of subdivision (b) of Section 8 exceeds
27 the amount of state support calculated pursuant to paragraph (2)
28 of subdivision (b) of Section 8 for that fiscal year. If the amount
29 of state support calculated pursuant to paragraph (1) of subdivision
30 (b) of Section 8 does not exceed the amount of state support
31 calculated pursuant to paragraph (2) of subdivision (b) of Section
32 8 for a fiscal year, no amount shall be transferred to the Public
33 School System Stabilization Account pursuant to subdivision (b)
34 for that fiscal year.

35 (e) Notwithstanding any other provision of this section, no
36 amount shall be transferred to the Public School System
37 Stabilization Account pursuant to subdivision (b) for a fiscal year
38 for which a maintenance factor is determined pursuant to
39 subdivision (d) of Section 8.

1 (f) Notwithstanding any other provision of this section, no
2 amount shall be transferred to the Public School System
3 Stabilization Account pursuant to subdivision (b) until the
4 maintenance factor determined pursuant to subdivisions (d) and
5 (e) of Section 8 for fiscal years prior to the 2014–15 fiscal year
6 has been fully allocated. Transfers may be made beginning in the
7 fiscal year following the fiscal year in which it is determined, based
8 on the Budget Act for that fiscal year, that this condition will be
9 met. If a transfer is made for a fiscal year for which it is later
10 determined that this condition has not been met, the amount of the
11 transfer shall be appropriated and allocated from the Public School
12 System Stabilization Account for the support of school districts
13 and community college districts. No transfer shall be made for a
14 year for which it was determined, based on the Budget Act for that
15 fiscal year, that this condition would not be met but was
16 subsequently determined to have been met in that year or a prior
17 fiscal year.

18 (g) Notwithstanding any other provision of this section, no
19 amount shall be transferred to the Public School System
20 Stabilization Account for any fiscal year for which any of the
21 provisions of subdivision (b) of Section 8 are suspended pursuant
22 to subdivision (h) of Section 8.

23 (h) Notwithstanding any other provision of this section, for any
24 fiscal year, the amount of a transfer to the Public School System
25 Stabilization Account pursuant to subdivision (b) shall not exceed
26 an amount that would result in a balance in the account that is in
27 excess of 10 percent of the total allocations to school districts and
28 community college districts from General Fund proceeds of taxes
29 appropriated pursuant to Article XIII B and allocated local proceeds
30 of taxes for that fiscal year pursuant to Section 8. For any fiscal
31 year, General Fund proceeds of taxes that, but for this subdivision,
32 would have been transferred to the Public School System
33 Stabilization Account shall be applied by the State for the support
34 of school districts and community colleges.

35 (i) In any fiscal year in which the amount required to be applied
36 by the State for the support of school districts and community
37 college districts for that fiscal year pursuant to Section 8 is less
38 than the total allocations to school districts and community college
39 districts from General Fund proceeds of taxes appropriated pursuant
40 to Article XIII B and allocated local proceeds of taxes in the prior

1 fiscal year, plus any allocations from the Public School System
2 Stabilization Account in the prior fiscal year, less any transfers to
3 the Public School System Stabilization Account in the prior fiscal
4 year and any revenues allocated pursuant to subdivision (a) of
5 Section 8.5, adjusted for the percentage change in average daily
6 attendance and adjusted for the higher of the change in the cost of
7 living pursuant to paragraph (1) of subdivision (e) of Section 8 of
8 Article XIII B or the cost of living adjustment applied to school
9 district and community college district general purpose
10 apportionments, the amount of the deficiency shall be appropriated
11 and allocated by the State from the Public School System
12 Stabilization Account for the support of school districts and
13 community college districts.

14 (j) Funds transferred to the Public School System Stabilization
15 Account shall be deemed, for purposes of Section 8, to be moneys
16 applied by the State for the support of school districts and
17 community college districts in the fiscal year for which the transfer
18 is made, and not in the fiscal year in which moneys are
19 appropriated from the account.

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

24 (l) The Controller may utilize funds in the Public School System
25 Stabilization Account, that he or she determines to currently be
26 unnecessary for the purposes of this section, to help manage
27 General Fund daily cashflow needs. Any use of funds by the
28 Controller pursuant to this subdivision shall not interfere with the
29 purposes of the Public School System Stabilization Account.

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

31 Sec. 22. (a) Upon the Governor's proclamation declaring a
32 budget emergency and identifying the conditions constituting the
33 emergency, the Legislature may pass a bill that does any of the
34 following:

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

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

1 (B) Not more than 50 percent of the balance in the Budget
2 Stabilization Account may be returned to the General Fund for
3 appropriation pursuant to subparagraph (A) in any fiscal year,
4 unless funds in the Budget Stabilization Account have been
5 returned to the General Fund for appropriation in the immediately
6 preceding fiscal year.

7 (3) Suspends or reduces by a specified dollar amount for one
8 fiscal year the transfer of moneys from the General Fund to the
9 Public School System Stabilization Account required by Section
10 21.

11 (4) Appropriates funds transferred to the Public School System
12 Stabilization Account pursuant to Section 21 and allocates those
13 funds for the support of school districts and community college
14 districts.

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

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

19 (2) A fiscal emergency declared by the Governor, within the
20 meaning of paragraph (1) of subdivision (f) of Section 10 of Article
21 IV.

22 (3) A determination by the Governor that the estimated resources
23 for the ensuing fiscal year, after satisfying the requirements of
24 Section 8 for that fiscal year, will not be adequate to fund
25 expenditures, other than those necessary to satisfy the requirements
26 of Section 8, at or above the current fiscal year expenditure levels,
27 adjusted for both of the following:

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

30 (B) The percentage growth in the civilian population of the
31 State.

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