RC 1

Assembly Constitutional Amendment No. 1

Adopted in Assembly May 15, 2014

Acting *Chief Clerk of the Assembly*

Adopted in Senate May 15, 2014

Secretary of the Senate

This resolution was received by the Secretary of State this 16th day of May, 2014, at 1:00 o'clock P. M.

Deputy Secretary of State

RESOLUTION CHAPTER _____

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, Article XVI thereof, relating to state finance.

LEGISLATIVE COUNSEL'S DIGEST

ACA 1, 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 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 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 to the Legislature 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 limit the use of funds, that otherwise would be transferred to the account, to appropriation for 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.

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2013–14 Second Extraordinary Session, commencing on the twenty-fourth day of April 2014, two-thirds of the membership of each house concurring, hereby directs the Secretary of State to withdraw, from the consideration of the people of the State of California, Assembly Constitutional Amendment No. 4 of the 2009–10 Regular Session (Resolution Chapter 174 of the Statutes of 2010); and

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

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

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

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

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

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

Sec. 12.5. Within 10 days following the submission of a budget pursuant to subdivision (a) of Section 12, following the proposed adjustments to the Governor's Budget required by subdivision (e)

of Section 13308 of the Government Code or a successor statute, and following the enactment of the budget bill, or as soon as feasible thereafter, the Director of Finance shall submit to the Legislature both of the following:

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

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

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

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

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

(2) For the 2015–16 fiscal year and each fiscal year thereafter, based on the Budget Act for the fiscal year, the Controller shall transfer from the General Fund to the Budget Stabilization Account, no later than October 1, a sum equal to 1.5 percent of the estimated amount of General Fund revenues for that fiscal year.

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

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

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

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

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

(D) The amount of any appropriations described in clause (ii) of subparagraph (B) of paragraph (1) of, or subparagraph (C) of paragraph (2) of, subdivision (c), that are made from the revenues described in clause (ii) of subparagraph (B) of this paragraph.

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

(F) The lesser of the amount calculated under subparagraph (E) or the amount of transfer resulting in the balance in the Budget Stabilization Account reaching the limit specified in subdivision (e).

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

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

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

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

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

(D) The amount of any appropriations described in clause (ii) of subparagraph (B) of paragraph (1) of, or subparagraph (C) of paragraph (2) of, subdivision (c), that are made from the revenues described in clause (ii) of subparagraph (B) of paragraph (1).

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

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

(G) The lesser of (i) the amount, not less than zero, resulting from subtracting, from the amount calculated under subparagraph (E), the value of any suspension or reduction of transfer pursuant to paragraph (1) of subdivision (a) of Section 22 previously approved by the Legislature for the relevant fiscal year, and the amount previously transferred for that fiscal year by the Controller as described in subparagraph (F), or (ii) the amount of transfer

resulting in the balance in the Budget Stabilization Account reaching the limit as specified in subdivision (e).

(c) (1) (A) By October 1 of the 2015–16 fiscal year and each fiscal year thereafter to the 2029–30 fiscal year, inclusive, based on the estimates set forth in the annual Budget Act pursuant to paragraphs (2) and (3) of subdivision (h), and the sum identified in paragraph (2) of subdivision (a), the Controller shall transfer amounts from the General Fund and the Budget Stabilization Account, pursuant to a schedule provided by the Director of Finance, as provided in subparagraph (B).

(B) Notwithstanding any other provision of this section, in the fiscal year to which the Budget Act identified in subparagraph (A) applies:

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

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

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

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

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

(IV) Unfunded liabilities for state-level pension plans and prefunding other postemployment benefits, in excess of current base amounts as established for the fiscal year in which the funds would otherwise be transferred to the Budget Stabilization Account. For the purpose of this subclause, current base amounts are those required to be paid pursuant to law, an approved memorandum of understanding, benefit schedules established by the employer or entity authorized to establish those contributions for employees

excluded or exempted from collective bargaining, or any combination of these. To qualify under this subclause, the appropriation shall supplement and not supplant funding that would otherwise be made available to pay for the obligations described in this subclause for the fiscal year or the subsequent fiscal year.

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

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

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

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

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

(1) If the amount in subparagraph (G) of paragraph (2) of subdivision (b) is greater than zero, transfer that amount from the General Fund to the Budget Stabilization Account, subject to any

suspension or reduction of this transfer pursuant to paragraph (1) of subdivision (a) of Section 22.

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

(e) Notwithstanding any other provision of this section, the amount of a transfer to the Budget Stabilization Account pursuant to paragraph (2) of subdivision (a) and subdivisions (c) and (d) for any fiscal year shall not exceed an amount that would result in a balance in the account that, when the transfer is made, exceeds 10 percent of the amount of General Fund proceeds of taxes for the fiscal year estimated pursuant to subdivision (b). For any fiscal year, General Fund proceeds of taxes that, but for this paragraph, would have been transferred to the Budget Stabilization Account may be expended only for infrastructure, as defined by Section 13101 of the Government Code, as that section read on January 1, 2014, including deferred maintenance thereon.

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

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

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

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

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

(3) Subparagraph (F) of paragraph (1) of subdivision (b).

(4) Clause (ii) of subparagraph (B) of paragraph (2) of subdivision (b).

(5) Subparagraph (G) of paragraph (2) of subdivision (b).

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

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

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

(1) (A) For the 2015–16 fiscal year, and for each fiscal year thereafter, any positive amount identified in subparagraph (C) of paragraph (1) of subdivision (b) of Section 20 shall be transferred from the General Fund to the Public School System Stabilization Account in the amount calculated under subparagraph (B), subject to any reduction or suspension of this transfer pursuant to any other provision of this section or paragraph (3) of subdivision (a) of Section 22.

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

(2) (A) Commencing with the 2016–17 fiscal year, and for each fiscal year thereafter, to the extent the amount calculated under this paragraph exceeds the amounts previously transferred by the

Controller from the General Fund to the Public School System Stabilization Account for a preceding fiscal year, any positive amount calculated pursuant to subparagraph (C) of paragraph (2) of subdivision (b) of Section 20 for that fiscal year shall be transferred from the General Fund to the Public School System Stabilization Account in the amount calculated under subparagraph (B), subject to any reduction or suspension of this transfer pursuant to any other provision of this section or paragraph (3) of subdivision (a) of Section 22.

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

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

(d) Notwithstanding any other provision of this section, the amount transferred to the Public School System Stabilization Account pursuant to subdivision (b) for a fiscal year shall not

exceed the amount by which the amount of state support calculated pursuant to paragraph (1) of subdivision (b) of Section 8 exceeds the amount of state support calculated pursuant to paragraph (2) of subdivision (b) of Section 8 for that fiscal year. If the amount of state support calculated pursuant to paragraph (1) of subdivision (b) of Section 8 does not exceed the amount of state support calculated pursuant to paragraph (2) of subdivision (b) of Section 8 for a fiscal year, no amount shall be transferred to the Public School System Stabilization Account pursuant to subdivision (b) for that fiscal year.

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

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

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

(h) Notwithstanding any other provision of this section, for any fiscal year, the amount of a transfer to the Public School System Stabilization Account pursuant to subdivision (b) shall not exceed

an amount that would result in a balance in the account that is in excess of 10 percent of the total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes for that fiscal year pursuant to Section 8. For any fiscal year, General Fund proceeds of taxes that, but for this subdivision, would have been transferred to the Public School System Stabilization Account shall be applied by the State for the support of school districts and community colleges.

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

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

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

(*l*) The Controller may utilize funds in the Public School System Stabilization Account, that he or she determines to currently be

unnecessary for the purposes of this section, to help manage General Fund daily cashflow needs. Any use of funds by the Controller pursuant to this subdivision shall not interfere with the purposes of the Public School System Stabilization Account.

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

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

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

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

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

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

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

(b) For purposes of this section, "budget emergency" means any of the following:

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

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

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

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

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

FILED
in the office of the Secretary of State
of the State of California

MAY 16 2014

By Silvia Valencia
Deputy Secretary of State

Attest:

Debra Bowen

Secretary of State