

TEXT OF PROPOSITION 2

**SUBJECT TO COURT
ORDERED CHANGES**

PROPOSITION 2

This amendment proposed by Assembly Constitutional Amendment 20 of the 2025–2026 Regular Session (Resolution Chapter 130, Statutes of 2026) expressly amends the California Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENTS TO ARTICLE XVI

transferred, or appropriated from those reserve accounts, if they were not counted previously as appropriations subject to limitation of the State when deposited, would constitute appropriations subject to limitation of the State in the fiscal year in which the withdrawal, transfer, or appropriation occurs.

Delete

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2025–26 Regular Session commencing on the second day of December 2024, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California that the Constitution of the State be amended as follows:

First—(a) This measure shall be known, and may be cited, as the Save for California's Future Act.

(b) The Legislature finds and declares all of the following:

(1) California families understand that responsible financial planning requires setting aside savings during good times to prepare for unexpected challenges and economic downturns. The State of California should follow the same commonsense principle.

(2) Californians expect their government to manage public finances responsibly, prudently, and with an eye toward future generations. Maintaining adequate reserves helps ensure that essential public services remain available when they are needed most.

(3) California's economy is among the largest and most dynamic in the world, but it is also subject to economic cycles, fluctuations in revenue, natural disasters, public health emergencies, and other unforeseen events that can place significant strain on the state budget.

(4) When state revenues decline during economic downturns, insufficient reserves can force difficult choices that disrupt essential programs and services relied upon by California families, students, seniors, veterans, workers, and businesses.

(5) Building and maintaining strong budget reserves during periods of economic growth helps protect Californians from sudden reductions in essential services and reduces the need for drastic corrective actions during periods of fiscal stress.

(6) Sound financial planning requires looking beyond the next fiscal year and preparing for future challenges before they arise. Just like families save for emergencies and unexpected expenses, California should save during good years to protect schools, public safety, and essential services during tough times.

(7) Strong reserve policies promote fiscal stability, improve public confidence in state government, support long-term economic growth, and help preserve California's ability to respond effectively to emergencies and economic downturns.

(8) Proposition 98 was enacted by the voters in 1988 to provide a minimum funding level for schools. Nothing in this act is intended to change the calculation or funding of the minimum guarantee under Section 8 of Article XVI.

(c) It is therefore the intent of the Legislature to strengthen the state's commitment to responsible budgeting, long-term financial planning, and prudent savings by enhancing California's budget reserves and ensuring that the state is better prepared for future economic challenges. Strengthening reserves is an investment in California's future and in future generations.

Second—That Section 20 of Article XVI thereof is amended to read:

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

(B) Balances deposited in the Budget Stabilization Account pursuant to paragraph (2) of this subdivision (a) and subdivisions (c) and (d) prior to the effective date of the measure adding this subparagraph shall remain in the account and shall be transferred, withdrawn, or adjusted thereafter pursuant to the provisions of this Constitution as amended by the measure adding this subparagraph.

(2) For the 2027–28 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 2027–28 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 sum of the following:

(I) The portion of the estimate in clause (i) that is in excess of 8 percent, but not in excess of 10 percent, of the estimate made under subparagraph (A).

(II) 150 percent of the portion of the estimate in clause (i) in excess of 10 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).

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Second— That Section 20 of Article XVI thereof is amended to read:

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

(B) Balances deposited in the Budget Stabilization Account pursuant to paragraph (2) of this subdivision (a) and subdivisions (c) and (d) prior to the effective date of the measure adding this subparagraph shall remain in the account and shall be transferred, withdrawn, or adjusted thereafter pursuant to the provisions of this Constitution as amended by the measure adding this subparagraph.

(2) For the ~~2015–16~~ 2027–28 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~~ 2027–28 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 sum of the following:

(i) The portion of the estimate in clause (i) that ~~exceeds 8 percent of~~ is in excess of 8 percent, but not in excess of 10 percent, of the estimate made under subparagraph (A).

(II) One hundred fifty percent of the portion of the estimate in clause (i) in excess of 10 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~~ 2027–28 fiscal year, with respect to the ~~2015–16~~ 2026–27 fiscal year only, and in the ~~2017–18~~ 2028–29 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

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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) *The sum of the following:*

~~(ii) (I) That portion of the updated estimate in clause (i) that exceeds 8 percent of~~ *is in excess of 8 percent, but not in excess of 10 percent, of the updated estimate made under subparagraph (A).*

(II) One hundred fifty percent of the portion of the estimate in clause (i) in excess of 10 percent of the 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~~ 2027-28 fiscal year and each fiscal year thereafter to the ~~2029-30~~ 2039-40 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.~~ 8.

(II) Budgetary loans to the General Fund, from funds outside the General Fund, ~~that had outstanding balances on January 1, 2014, as well as earlier than scheduled recognition of the costs of loans made to the Medical Providers Interim Payment Fund and earlier than scheduled recognition of costs described in paragraph (1) of subdivision (c) of Section 41206.04 of the Education Code.~~

(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.

(V) *Federal loans made to the Unemployment Fund.*

(iii) *If the amount appropriated pursuant to clause (ii) exceeds the total amount of the obligations and purposes described in clause (ii), the remainder shall be transferred to the Budget Stabilization Account, except that any such transfer is subject to the limitation in subdivision (e).*

(2) (A) By October 1 of the ~~2030–31~~ 2040–41 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

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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~~ 2027-28 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~~ 20 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 cashflow 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).

(i) Notwithstanding Section 5 of Article XIII B, for the 2027–28 fiscal year and each fiscal year thereafter, transfers to the Budget Stabilization Account shall not constitute "appropriations subject to limitation" for purposes of Article XIII B. For the 2027–28 fiscal year and each fiscal year thereafter, funds withdrawn or transferred from the Budget Stabilization Account that were not counted previously as "appropriations subject to limitation" for purposes of Article XIII B shall constitute "appropriations subject to limitation" for purposes of Article XIII B in the fiscal year in which they are withdrawn from the Budget Stabilization Account or returned to the General Fund.

(j) As a complement to the Budget Stabilization Account, the Projected Surplus Temporary Holding Account established in Section 16418.7 of the Government Code, or any successor to that account, shall be an added responsible budgeting technique to counter tax revenue volatility. Notwithstanding Section 5 of Article XIII B, for the 2027–28 fiscal year and each fiscal year thereafter, when a transfer is made to the Projected Surplus Temporary Holding Account pursuant to the annual Budget Act, that transfer shall not constitute "appropriations subject to limitation" for purposes of Article XIII B for that fiscal year, provided that the amount not subject to limitation shall not exceed 10 percent of the amount of General Fund proceeds of taxes for the fiscal year in which the transfer is made. For the 2027–28 fiscal year and each fiscal year thereafter, funds withdrawn or transferred from the Projected Surplus Temporary Holding Account that were not counted previously as "appropriations subject to limitation" for purposes of Article XIII B shall constitute "appropriations subject to limitation" for purposes of Article XIII B in the fiscal year in which they are withdrawn or transferred to the General Fund or any other state fund.

Third— That Section 22 of Article XVI thereof is amended 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.

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(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).

(c) If the conditions required for the Governor to declare a budget emergency pursuant to subdivision (b) exist, the proposed adjustments to the Governor's Budget submitted to the Legislature by the Director of Finance pursuant to subdivision (e) of Section 13308 of the Government Code, or any other budgetary revision required to be submitted to the Legislature by a successor statute, shall constitute the Governor's proclamation of the budget emergency if the revision proposes either of the following:

(1) A suspension or reduction of transfers of money from the General Fund to the Budget Stabilization Account or the Public School System Stabilization Account.

(2) The return of money from the Budget Stabilization Account to the General Fund pursuant to this section or an appropriation from the Public School System Stabilization Account pursuant to this section.