

## 9658 Budget Stabilization Account

Proposition 2, approved by voters in November 2014, replaces the Proposition 58 (2004) version of the Budget Stabilization Account (BSA) to build a stronger "rainy day" reserve while requiring accelerated debt pay down.

Beginning with the 2015-16 fiscal year, Proposition 2 requires a transfer from the General Fund to the BSA by October 1 of each year. This transfer includes fifty percent of the sum of 1.5 percent of estimated General Fund revenues and the amount of capital gains revenues over 8 percent of General Fund tax proceeds that is not required to fund Proposition 98. The remaining fifty percent will be used for supplemental debt payments and other specified long-term liabilities.

Prior to the passage of Proposition 2, Proposition 58, as approved by the voters in March of 2004, established the BSA, and required the State Controller to transfer a specified percentage of estimated General Fund revenues from the General Fund to the BSA. The Legislature could transfer, by statute, amounts in excess of the specified percentage to the BSA. In addition, the Governor, by executive order, could suspend the transfer to the BSA. Half of the funds transferred to the BSA were used to retire Economic Recovery Bonds authorized in Proposition 57 (March 2004).

FUNDING	2014-15*	2015-16*	2016-17*
0001 General Fund	\$1,606,422	\$-	\$-
1011 Budget Stabilization Account	<u>-1,606,422</u>	<u>-</u>	<u>-</u>
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

### LEGAL CITATIONS AND AUTHORITY

#### PROGRAM AUTHORITY

Section 20, Article XVI of the Constitution of the State of California.

Control Section 35.50, Budget Act.

### MAJOR PROGRAM CHANGES

- Supplemental Transfer to the Rainy Day Fund

The Budget includes a \$2 billion transfer from the General Fund to the Budget Stabilization Account in addition to the current projected amounts required by Section 20 of Article XVI of the California Constitution. In total, the \$3.3 billion transfer brings the Rainy Day fund to \$6.7 billion in 2016-17, or 54 percent of its maximum. In the event the amounts required to be transferred for 2015-16 and 2016-17 exceed the estimate in the Governor's Budget (as part of the Proposition 2 "true up" process), this supplemental transfer shall be first applied towards meeting the additional requirement.

### PROGRAM DESCRIPTIONS

7760 - Proposition 2 requires the Legislature, through the 2029-30 fiscal year, to annually set aside in the BSA for a "rainy day" fifty percent of the sum of 1.5 percent of estimated General Fund revenues and the amount of capital gain revenues over 8 percent of General Fund tax proceeds that is not required to fund Proposition 98, with the remaining fifty percent to pay down debt. Beginning in 2030-31, 100 percent of the above sum would be deposited in the BSA for a "rainy day", reduced by any funds that the Legislature may appropriate, up to fifty percent of the funds calculated for the BSA transfer, to pay down debt. The maximum balance in the BSA is limited to ten percent of General Fund proceeds of taxes. Any amounts in excess of ten percent will be used for specified infrastructure needs.

Proposition 2 includes a true up mechanism for the two preceding years, if applicable.

The Legislature may suspend or reduce the BSA transfer if the Governor declares a budget emergency. Withdrawal of funds from the BSA is limited to half of the fund's balance in the first year of the budget emergency.

Proposition 2 also establishes a Proposition 98 reserve whereby spikes in funding will be saved for future years. This will smooth school spending and thereby minimize future cuts. This reserve does not change the Proposition 98 minimum guarantee calculation and transfers will not occur until various operational and economic conditions are met.

### DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

4 UNCLASSIFIED	2014-15*	2015-16*	2016-17*
<b>0001 General Fund</b>			
<b>APPROPRIATIONS</b>			
Proposition 58, 2004 Article XVI, Section 20 (Transfer to Budget Stabilization Account)	\$1,606,422	-	-

\* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

## 9658 Budget Stabilization Account - Continued

4 UNCLASSIFIED	2014-15*	2015-16*	2016-17*
<b>TOTALS, EXPENDITURES</b>	<b>\$1,606,422</b>	<b>\$-</b>	<b>\$-</b>
<b>1011 Budget Stabilization Account</b>			
APPROPRIATIONS			
Less Funding Provided by the General Fund	-\$1,606,422	-	-
<b>TOTALS, EXPENDITURES</b>	<b>-\$1,606,422</b>	<b>\$-</b>	<b>\$-</b>
<b>Total Expenditures, All Funds, (Unclassified)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FUND CONDITION STATEMENTS

	2014-15*	2015-16*	2016-17*
<b>1011 Budget Stabilization Account <sup>s</sup></b>			
BEGINNING BALANCE	-	\$1,606,422	\$3,420,422
Adjusted Beginning Balance	-	\$1,606,422	\$3,420,422
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Transfers and Other Adjustments			
Revenue Transfer from the Budget Stabilization Account (1011) to the Deficit Recovery Bond Retirement Sinking Fund Subaccount, Budget Stabilization Account (3090) per Article XVI, Sec. 20 of the California Constitution	-\$1,606,422	-	-
Additional General Fund (0001) Revenue Transfer to Budget Stabilization Account (1011)	-	-	2,000,000
Revenue transfer from the General Fund (0001) to the Budget Stabilization Account (1011) per Article XVI, Sec. 20 (b)(2) of the California Constitution (True Up)	-	-40,000	-
Revenue transfer from the General Fund (0001) to the Budget Stabilization Account (1011) per Article XVI, Sec. 20 of the California Constitution	1,606,422	1,854,000	1,294,000
Total Revenues, Transfers, and Other Adjustments	-	\$1,814,000	\$3,294,000
Total Resources	-	\$3,420,422	\$6,714,422
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
9658 Budget Stabilization Account (Unclassified)	-1,606,422	-	-
Total Expenditures and Expenditure Adjustments	-\$1,606,422	-	-
FUND BALANCE	\$1,606,422	\$3,420,422	\$6,714,422
Reserve for economic uncertainties	1,606,422	3,420,422	6,714,422

\* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.