Senate Constitutional Amendment No. 9

Introduced by Senator Wilk
(Coauthors: Senators Dahle and Jones)
(Coauthors: Assembly Members Fong, Gallagher, Lackey, Mathis, and Voepel)

February 20, 2020

Senate Constitutional Amendment No. 9—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 3, 10, 11, and 12 of, and adding Section 12.3 to, Article IV thereof, by amending Section 36 of Article XIII thereof, by amending Sections 1, 2, 3, 6, 8, and 10.5 of, and adding Section 16 to, Article XIII B thereof, by amending Sections 8, 8.5, 20, 21, and 22 of Article XVI thereof, by amending Section 2 of Article XIX B thereof, and by amending Section 4 of Article XXXV thereof, relating to the state budget.

LEGISLATIVE COUNSEL’S DIGEST

SCA 9, as introduced, Wilk. Legislature: 2-year budget.

The California Constitution provides that the Legislature meets in a biennial regular session, commencing with the first Monday in December in each even-numbered year, when each house is required to immediately organize, and concluding at midnight on November 30 of the next even-numbered year. The California Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal year within the first 10 days of each calendar year and requires the Legislature to pass the Budget Bill by midnight on June 15 of each year. The California Constitution authorizes the Legislature or either house, by resolution, to provide for the selection of committees necessary for the conduct of its business.
This measure would limit the Legislature, in the first year of the regular session, to considering or acting upon only the Budget Bill and related bills, and up to 5 bills introduced by each of the standing committees of the Legislature, as specified. The measure would require the Governor to submit to the Legislature a budget for the ensuing 2 fiscal years within the first 10 days of the first calendar year of the biennium of the legislative session, and would require the Legislature to adopt by June 15 of the first calendar year of the biennium of the legislative session a Budget Bill that appropriates funds to support state government for the next 2-year fiscal period commencing on July 1. The measure, in the second year of the regular session, would limit the Legislature to considering or acting upon only legislation other than the Budget Bill and related bills. The Legislature, by a \( \frac{2}{3} \) vote of each house, would be authorized, however, to amend an enacted Budget Bill and related bills in both calendar years of the biennium.

This measure would require the Director of Finance in each odd-numbered year of the regular session to select three state agencies on a rotating basis for the purpose of developing a performance-based budget for each agency, as specified. The bill would require the Governor to take those performance based budgets into account when proposing a budget in subsequent fiscal periods.

This measure would establish and specify the membership requirements for the Joint Legislative Budget Committee and would authorize the Joint Legislative Budget Committee to approve proposals submitted by the Governor to amend an enacted Budget Bill. A proposed amendment approved by the committee would take immediate effect as a statute. The measure would also make numerous changes to conform to the adoption of a budget for a 2-year fiscal period.

The measure provides that these changes would become operative on December 2, 2024, and that the constitutional provisions amended by the measure would continue in effect as they read prior to voter approval of the measure until December 2, 2024.

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

Resolved by the Senate, the Assembly concurring, That the Legislature of the State of California at its 2019–20 Regular Session commencing on the third Day of December 2018, 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—That Section 3 of Article IV thereof is amended to read:

SEC. 3. (a) The Legislature shall convene in regular session at noon on the first Monday in December of each even-numbered year and each house shall immediately organize. Each regular session of the Legislature shall adjourn sine die by operation of the Constitution at midnight on November 30 of the following even-numbered year.

(b) (1) In each odd-numbered year of the regular session, the Legislature shall consider or act upon only the budget bill, other bills providing for appropriations related to the budget bill, and bills introduced pursuant to clause (ii) of subparagraph (B) of paragraph (2).

(2) In each odd-numbered year of the regular session, the Legislature shall conduct hearings only for either of the following purposes:

(A) To consider, develop, and adopt the budget for the next two-year fiscal period.

(B) (i) Oversight of state department operations and state programs.

(ii) A standing committee of the Legislature may introduce up to five bills authored by a majority of the standing committee to improve state department operations or state program deficiencies discussed during an oversight hearing conducted pursuant to clause (i).

(c) In each even-numbered year of the regular session, the Legislature shall consider or act upon only legislation other than the budget bill or other bills providing for appropriations related to the budget bill.

(d) Notwithstanding subdivisions (b) and (c), the Legislature may amend an enacted budget bill or other bill providing for appropriations related to an enacted budget bill in either an odd- or even-numbered year of the regular session in which the budget bill or other bill providing for appropriations related to the budget bill was enacted.

(e) On extraordinary occasions the Governor by proclamation may cause the Legislature to assemble in special session. When so assembled it has power to
legislate only on subjects specified in the proclamation but may provide for expenses and other matters incidental to the session.

Second—That Section 10 of Article IV thereof is amended to read:

SEC. 10. (a) Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if it is signed by the Governor. The Governor may veto it by returning it with any objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by rolcall vote entered in the journal, two-thirds of the membership concurring, it becomes a statute.

(b) (1) Any bill, other than a bill which would establish or change boundaries of any legislative, congressional, or other election district, passed by the Legislature on or before the date the Legislature adjourns for a joint recess to reconvene in the second calendar year of the biennium of the legislative session, and in the possession of the Governor after that date, that is not returned within 30 days after that date becomes a statute.

(2) Any bill passed by the Legislature before September 1 of the second calendar year of the biennium of the legislative session and in the possession of the Governor on or after September 1 that is not returned on or before September 30 of that year becomes a statute.

(3) Any other bill presented to the Governor that is not returned within 12 days becomes a statute.

(4) If the Legislature by adjournment of a special session prevents the return of a bill with the veto message, the bill becomes a statute unless the Governor vetoes the bill within 12 days after it is presented by depositing it and the veto message in the office of the Secretary of State.

(5) If the 12th day of the period within which the Governor is required to perform an act pursuant to paragraph (3) or (4) of this subdivision is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday.

(c) Any bill introduced during the first year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even-numbered year except statutes calling elections, statutes providing for tax levies.
or appropriations for the usual current expenses of the State, and
urgency statutes, and bills passed after being vetoed by the
Governor.
(d) The Legislature may not present any bill to the Governor
after November 15 of the second calendar year of the biennium of
the legislative session.
(e) The Governor may reduce or eliminate one or more items
of appropriation while approving other portions of a bill. The
Governor shall append to the bill a statement of the items reduced
or eliminated with the reasons for the action. The Governor shall
transmit to the house originating the bill a copy of the statement
and reasons. Items reduced or eliminated shall be separately
reconsidered and may be passed over the Governor’s veto in the
same manner as bills.
(f) (1) If, following the enactment of the budget bill for the
2004–05 fiscal year or any subsequent fiscal year, two-year fiscal period, the Governor determines that, for that fiscal
year, year or two-year fiscal period, as applicable, General Fund
revenues will decline substantially below the estimate of General
Fund revenues upon which the budget bill for that fiscal
year, or two-year fiscal period, as enacted, was based, or General Fund
expenditures will increase substantially above that estimate of
General Fund revenues, or both, the Governor may issue a
proclamation declaring a fiscal emergency and shall thereupon
cause the Legislature to assemble in special session for this
purpose. The proclamation shall identify the nature of the fiscal
emergency and shall be submitted by the Governor to the
Legislature, accompanied by proposed legislation to address the
fiscal emergency.
(2) If the Legislature fails to pass and send to the Governor a
bill or bills to address the fiscal emergency by the 45th day
following the issuance of the proclamation, the Legislature may
not act on any other bill, nor may the Legislature adjourn for a
joint recess, until that a bill or those bills to address the fiscal
emergency have been passed and sent to the Governor.
(3) A bill addressing the fiscal emergency declared pursuant to
this section shall contain a statement to that effect.
Third—That Section 11 of Article IV thereof is amended to read:
SEC. 11. (a) The Legislature or either house may by resolution
provide for the selection of committees necessary for the conduct
of its business, including committees to ascertain facts and make
recommendations to the Legislature on a subject within the scope
of legislative control.

(b) (1) The Joint Legislative Budget Committee is established
to ascertain facts and make recommendations to the Legislature
and to the houses thereof concerning the state budget, the revenues
and expenditures of the State, and the organization and functions
of the State and its departments, subdivisions, and agencies.

(2) Each political party represented in each house shall, to the
greatest extent possible, be proportionately represented in the
Joint Legislative Budget Committee. The membership of the Joint
Legislative Budget Committee shall be as follows:

(A) Eight Members of the Assembly appointed by the Speaker
of the Assembly.

(B) Eight Members of the Senate appointed by the Senate
Committee on Rules.

(3) In addition to the duties described in paragraph (1), the
Joint Legislative Budget Committee may, by a resolution adopted
by a majority of the committee members, approve, pursuant to
subdivision (i) of Section 12, a proposal by the Governor to amend
an enacted budget bill.

Fourth—That Section 12 of Article IV thereof is amended to
read:

SEC. 12. (a) Within the first 10 days of each calendar
odd-numbered year, the Governor shall submit to the Legislature,
with an explanatory message, a budget for the ensuing fiscal year
next two-year fiscal period commencing on July 1, containing
itemized statements for recommended state expenditures and
estimated state revenues. If recommended expenditures exceed
estimated revenues, the Governor shall recommend the sources
from which the additional revenues should be provided.

(b) The Governor and the Governor-elect may require a state
agency, officer or employee to furnish whatever information is
deemed necessary to prepare the budget.

(c) (1) The budget shall be accompanied by a budget bill
itemizing recommended expenditures.

(2) The budget bill shall be introduced immediately in each
house by the persons chairing the committees that consider the
budget.
(3) The Legislature shall pass the budget bill by midnight on June 15 of each odd-numbered year.

(4) Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal-year period for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature.

(d) No bill except the budget bill may contain more than one item of appropriation, and that for one certain, expressed purpose. Appropriations from the General Fund of the State, except appropriations for the public schools and appropriations in the budget bill and in other bills providing for appropriations related to the budget bill, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) (1) Notwithstanding any other provision of law or of this Constitution, the budget bill and other bills providing for appropriations related to the budget bill may be passed in each house by rollcall vote entered in the journal, a majority of the membership concurring, to take effect immediately upon being signed by the Governor or upon a date specified in the legislation. Nothing once enacted, a budget bill or other bill providing for appropriations related to an enacted budget bill may be amended by the Legislature pursuant to subdivision (d) of Section 3 only by a bill passed in each house by a rollcall vote entered in the journal, two-thirds of the membership concurring.

(2) Nothing in this subdivision shall affect the vote requirement for appropriations for the public schools contained in subdivision (d) of this section and in subdivision (b) of Section 8 of this article.

(3) For purposes of this section and Section 3, “other bills providing for appropriations related to the budget bill” shall consist only of bills passed in the first calendar year of the biennium of the legislative session that are identified as related to the budget in the budget bill passed by the Legislature.

(f) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.
(g) For the 2004–05 fiscal year, or any subsequent fiscal year, the Legislature may not send to the Governor for consideration, nor may the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, that two-year fiscal period, a total amount that, when combined with all appropriations from the General Fund for that fiscal year that two-year fiscal period made as of the date of the budget bill’s passage, and the amount of any General Fund moneys transferred to the Budget Stabilization Account for that fiscal year that two-year fiscal period pursuant to Section 20 of Article XVI, exceeds General Fund revenues for that fiscal year that two-year fiscal period estimated as of the date of the budget bill’s passage. That estimate of General Fund revenues shall be set forth in the budget bill passed by the Legislature.

(h) Notwithstanding any other provision of law or of this Constitution, including subdivision (c) of this section, Section 4 of this article, and Sections 4 and 8 of Article III, in any odd-numbered year in which the budget bill is not passed by the Legislature by midnight on June 15, there shall be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for Members of the Legislature during any regular or special session for the period from midnight on June 15 until the day that the budget bill is presented to the Governor. No salary or reimbursement for travel or living expenses forfeited pursuant to this subdivision shall be paid retroactively.

(i) The Governor may submit proposals to amend a budget bill that has been enacted. A proposal to amend an enacted budget bill shall be submitted to both houses simultaneously, whereupon it shall be immediately referred to the Joint Legislative Budget Committee. The Joint Legislative Budget Committee may approve a proposal by the Governor to amend an enacted budget bill by an affirmative vote of not less than five of the Assembly Members and five of the Senators constituting the committee. Notwithstanding subdivision (b) of Section 8, a proposal to amend an enacted budget bill that is approved by the committee shall take effect as a statute and shall go into effect immediately upon being approved.

Fifth—That Section 12.3 is added to Article IV thereof, to read:
SEC. 12.3. (a) In each odd-numbered year of the regular session, the Director of Finance shall conduct a performance-based budget process for three state agencies selected by the Director of Finance. The state agencies selected by the Director of Finance shall be selected on a perpetually rotating basis in a manner that ensures that all state agencies participate equally in the process.

(b) The performance based budget process described in subdivision (a) shall include the following:

1. Establishment of a performance goal and an outcome-oriented performance measure for each activity for which a budget appropriation is made or requested.
2. Development of a cost-per unit of services for the performance results achieved from each activity as calculated using activity-based costing or an equivalent managerial cost accounting approach that reflects both direct and indirect expenses occurred for each activity of the state agency.
3. Establishment of a justification of why the performance impact of each activity is not duplicative of activities conducted by other federal, state, or local government agencies.

(c) For purposes of this section, “state agency” means any agency, department, or other entity of the state that is required by law to submit a budget to the Department of Finance.

(d) The Governor shall take a performance-based budget developed pursuant to subdivision (a) into consideration when developing proposed budgets pursuant to subdivision (a) of Section 12 for the fiscal periods following the fiscal period in which the performance-based budget is developed. The Governor’s explanatory message submitted pursuant to subdivision (a) of Section 12 shall describe the degree to which the proposed budget adopts or deviates from the performance-based budget.

Sixth—That Section 36 of Article XIII thereof is amended to read:

SEC. 36. (a) For purposes of this section:

1. “Public Safety Services” includes the following:
   (A) Employing and training public safety officials, including law enforcement personnel, attorneys assigned to criminal proceedings, and court security staff.
   (B) Managing local jails and providing housing, treatment, and services for, and supervision of, juvenile and adult offenders.
(C) Preventing child abuse, neglect, or exploitation; providing
services to children and youth who are abused, neglected, or
exploited, or who are at risk of abuse, neglect, or exploitation, and
the families of those children; providing adoption services; and
providing adult protective services.

(D) Providing mental health services to children and adults to
reduce failure in school, harm to self or others, homelessness, and
preventable incarceration or institutionalization.

(E) Preventing, treating, and providing recovery services for
substance abuse.

(2) “2011 Realignment Legislation” means legislation enacted
on or before September 30, 2012, to implement the state budget
plan, that is entitled 2011 Realignment and provides for the
assignment of Public Safety Services responsibilities to local
agencies, including related reporting responsibilities. The
legislation shall provide local agencies with maximum flexibility
and control over the design, administration, and delivery of Public
Safety Services consistent with federal law and funding
requirements, as determined by the Legislature. However, 2011
Realignment Legislation shall include no new programs assigned
to local agencies after January 1, 2012, except for the early periodic
screening, diagnosis, and treatment (EPSDT) program and mental
health managed care.

(b) (1) Except as provided in subdivision (d), commencing in
the 2011–12 fiscal year and continuing thereafter, the following
amounts shall be deposited into the Local Revenue Fund 2011, as
established by Section 30025 of the Government Code, as follows:

(A) All revenues, less refunds, derived from the taxes described
in Sections 6051.15 and 6201.15 of the Revenue and Taxation
Code, as those sections read on July 1, 2011.

(B) All revenues, less refunds, derived from the vehicle license
fees described in Section 11005 of the Revenue and Taxation Code,
as that section read on July 1, 2011.

(2) On and after July 1, 2011, the revenues deposited pursuant
to paragraph (1) shall not be considered General Fund revenues
or proceeds of taxes for purposes of Section 8 of Article XVI of
the California Constitution.

(c) (1) Funds deposited in the Local Revenue Fund 2011 are
continuously appropriated exclusively to fund the provision of
Public Safety Services by local agencies. Pending full
implementation of the 2011 Realignment Legislation, funds may also be used to reimburse the State for program costs incurred in providing Public Safety Services on behalf of local agencies. The methodology for allocating funds shall be as specified in the 2011 Realignment Legislation.

(2) The county treasurer, city and county treasurer, or other appropriate official shall create a County Local Revenue Fund 2011 within the treasury of each county or city and county. The money in each County Local Revenue Fund 2011 shall be exclusively used to fund the provision of Public Safety Services by local agencies as specified by the 2011 Realignment Legislation.

(3) Notwithstanding Section 6 of Article XIII B, or any other constitutional provision, a mandate of a new program or higher level of service on a local agency imposed by the 2011 Realignment Legislation, or by any regulation adopted or any executive order or administrative directive issued to implement that legislation, shall not constitute a mandate requiring the State to provide a subvention of funds within the meaning of that section. Any requirement that a local agency comply with Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code, with respect to performing its Public Safety Services responsibilities, or any other matter, shall not be a reimbursable mandate under Section 6 of Article XIII B.

(4) (A) Legislation enacted after September 30, 2012, that has an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service required by legislation, described in this subparagraph, above the level for which funding has been provided.

(B) Regulations, executive orders, or administrative directives, implemented after October 9, 2011, that are not necessary to implement the 2011 Realignment Legislation, and that have an overall effect of increasing the costs already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, shall apply to local agencies only to the extent that the State provides annual funding for the cost increase. Local agencies shall not be obligated to provide programs or levels of service pursuant to new regulations, executive orders, or
administrative directives, described in this subparagraph, above
the level for which funding has been provided.

(C) Any new program or higher level of service provided by
local agencies, as described in subparagraphs (A) and (B), above
the level for which funding has been provided, shall not require a
subvention of funds by the State nor otherwise be subject to Section
6 of Article XIII B. This paragraph shall not apply to legislation
currently exempt from subvention under paragraph (2) of
subdivision (a) of Section 6 of Article XIII B as that paragraph
read on January 2, 2011.

(D) The State shall not submit to the federal government any
plans or waivers, or amendments to those plans or waivers, that
have an overall effect of increasing the cost borne by a local agency
for programs or levels of service mandated by the 2011
Realignment Legislation, except to the extent that the plans,
waivers, or amendments are required by federal law, or the State
provides annual funding for the cost increase.

(E) The State shall not be required to provide a subvention of
funds pursuant to this paragraph for a mandate that is imposed by
the State at the request of a local agency or to comply with federal
law. State funds required by this paragraph shall be from a source
other than those described in subdivisions (b) and (d), ad valorem
property taxes, or the Social Services Subaccount of the Sales Tax
Account of the Local Revenue Fund.

(5) (A) For programs described in subparagraphs (C) to (E),
inclusive, of paragraph (1) of subdivision (a) and included in the
2011 Realignment Legislation, if there are subsequent changes in
federal statutes or regulations that alter the conditions under which
federal matching funds as described in the 2011 Realignment
Legislation are obtained, and have the overall effect of increasing
the costs incurred by a local agency, the State shall annually
provide at least 50 percent of the nonfederal share of those costs
as determined by the State.

(B) When the State is a party to any complaint brought in a
federal judicial or administrative proceeding that involves one or
more of the programs described in subparagraphs (C) to (E),
inclusive, of paragraph (1) of subdivision (a) and included in the
2011 Realignment Legislation, and there is a settlement or judicial
or administrative order that imposes a cost in the form of a
monetary penalty or has the overall effect of increasing the costs
already borne by a local agency for programs or levels of service mandated by the 2011 Realignment Legislation, the State shall annually provide at least 50 percent of the nonfederal share of those costs as determined by the State. Payment by the State is not required if the State determines that the settlement or order relates to one or more local agencies failing to perform a ministerial duty, failing to perform a legal obligation in good faith, or acting in a negligent or reckless manner.

(C) The state funds provided in this paragraph shall be from funding sources other than those described in subdivisions (b) and (d), ad valorem property taxes, or the Social Services Subaccount of the Sales Tax Account of the Local Revenue Fund.

(6) If the State or a local agency fails to perform a duty or obligation under this section or under the 2011 Realignment Legislation, an appropriate party may seek judicial relief. These proceedings shall have priority over all other civil matters.

(7) The funds deposited into a County Local Revenue Fund 2011 shall be spent in a manner designed to maintain the State’s eligibility for federal matching funds, and to ensure compliance by the State with applicable federal standards governing the State’s provision of Public Safety Services.

(8) The funds deposited into a County Local Revenue Fund 2011 shall not be used by local agencies to supplant other funding for Public Safety Services.

(d) If the taxes described in subdivision (b) are reduced or cease to be operative, the State shall annually or biennially provide moneys to the Local Revenue Fund 2011 in an amount equal to or greater than the aggregate amount that otherwise would have been provided by the taxes described in subdivision (b). The method for determining that amount shall be described in the 2011 Realignment Legislation, and the State shall be obligated to provide that amount for so long as the local agencies are required to perform the Public Safety Services responsibilities assigned by the 2011 Realignment Legislation. If the State fails to annually or biennially appropriate that amount, the Controller shall transfer that amount from the General Fund in pro rata monthly shares to the Local Revenue Fund 2011. Thereafter, the Controller shall disburse these amounts to local agencies in the manner directed by the 2011 Realignment Legislation. The state obligations under this subdivision shall have a lower priority claim to General Fund
money than the first priority for money to be set apart under Section 8 of Article XVI and the second priority to pay voter-approved debts and liabilities described in Section 1 of Article XVI.

(e) (1) To ensure that public education is not harmed in the process of providing critical protection to local Public Safety Services, the Education Protection Account is hereby created in the General Fund to receive and disburse the revenues derived from the incremental increases in taxes imposed by this section, as specified in subdivision (f).

(2) (A) Before June 30, 2013, and before June 30 of each year from 2014 to 2030, inclusive, the Director of Finance shall estimate the total amount of additional revenues, less refunds, that will be derived from the incremental increases in tax rates made in subdivision (f) that will be available for transfer into the Education Protection Account during the next fiscal year. The Director of Finance shall make the same estimate by January 10, 2013, for additional revenues, less refunds, that will be received by the end of the 2012–13 fiscal year.

(B) During the last 10 days of the quarter of each of the first three quarters of each fiscal year from 2013–14 to 2030–31, inclusive, the Controller shall transfer into the Education Protection Account one-fourth of the total amount estimated pursuant to subparagraph (A) for that fiscal year, except as this amount may be adjusted pursuant to subparagraph (D).

(C) In each of the fiscal years from 2012–13 to 2032–33, inclusive, the Director of Finance shall calculate an adjustment to the Education Protection Account, as specified by subparagraph (D), by adding together the following amounts, as applicable:

(i) In the last quarter of each fiscal year from 2012–13 to 2030–31, inclusive, the Director of Finance shall recalculate the estimate made for the fiscal year pursuant to subparagraph (A), and shall subtract from this updated estimate the amounts previously transferred to the Education Protection Account for that fiscal year.

(ii) In June 2015 and in every June from 2016 to 2033, inclusive, the Director of Finance shall make a final determination of the amount of additional revenues, less refunds, derived from the incremental increases in tax rates made in subdivision (f) for the fiscal year ending two years prior. The amount of the updated estimate calculated in clause (i) for the fiscal year ending two years
prior shall be subtracted from the amount of this final
determination.

(D) If the sum determined pursuant to subparagraph (C) is
positive, the Controller shall transfer an amount equal to that sum
into the Education Protection Account within 10 days preceding
the end of the fiscal year. If that amount is negative, the Controller
shall suspend or reduce subsequent quarterly transfers, if any, to
the Education Protection Account until the total reduction equals
the negative amount herein described. For purposes of any
calculation made pursuant to clause (i) of subparagraph (C), the
amount of a quarterly transfer shall not be modified to reflect any
suspension or reduction made pursuant to this subparagraph.

(E) Before June 30, 2018, and before June 30 of each year from
2019 to 2030, inclusive, the Director of Finance shall estimate the
amount of the additional revenues, less refunds, to be derived in
the following fiscal year from the incremental increases in tax rates
made in subdivision (f), that, when combined with all other
available General Fund revenues, will be required to meet:

(i) The minimum funding guarantee of Section 8 of Article XVI
for that following fiscal year; and

(ii) The workload budget for that following fiscal year, excluding
any program expenditures already accounted for through clause
(i). For purposes of this section, “workload budget” has the
meaning set forth in Section 13308.05 of the Government Code,
as that section read and was interpreted by the Department of
Finance on January 1, 2016, provided, however, that “currently
authorized services” shall mean only those services that would
have been considered “currently authorized services” under Section
13308.05 of the Government Code as of January 1, 2016.

(F) In order to enhance the ability of all California school
children and their families to receive regular, quality health care
and thereby minimize school absenteeism due to health-related
problems, whenever the Director of Finance estimates that the
amount available for transfer into the Education Protection Account
during the following fiscal year exceeds the amount of revenues
required from that account pursuant to subparagraph (E) for that
following fiscal year, the director shall identify the remaining
amount. Fifty percent of that remainder, up to a maximum of two
billion dollars in any single fiscal year, shall be allocated by the
Controller from the Education Protection Account to the California
Department of Health Care Services on a quarterly basis to increase funding for the existing health care programs and services described in Chapter 7 (commencing with Section 14000) to Chapter 8.9 (commencing with Section 14700), inclusive, of Part 3 of Division 9 of the Welfare and Institutions Code. The funding shall be used only for critical, emergency, acute, and preventive health care services to children and their families, provided by health care professionals and health facilities that are licensed pursuant to Section 1250 of the Health and Safety Code, and to health plans or others that manage the provision of health care for Medi-Cal beneficiaries that are contracting with the California Department of Health Care Services to provide health benefits pursuant to this section.

(G) The allocation provided for in subparagraph (F) may be suspended by statute during a fiscal year in which a budget emergency has been declared, provided, however, that the allocation shall not be reduced beyond the proportional reduction in overall General Fund expenditures for that year. For purposes of this section, “budget emergency” has the same meaning as in paragraph (2) of subdivision (b) of Section 22 of Article XVI.

(H) The funding provided pursuant to subparagraph (F) shall not be used to supplant existing state General Funds for the nonfederal share of payments for those programs and, consistent with federal law, shall be used to obtain federal matching Medicaid funds.

(3) All moneys in the Education Protection Account are hereby continuously appropriated for the support of school districts, county offices of education, charter schools, and community college districts as set forth in this paragraph, and for health care as set forth in subparagraph (F) of paragraph (2).

(A) Eleven percent of the moneys appropriated for education pursuant to this paragraph shall be allocated quarterly by the Board of Governors of the California Community Colleges to community college districts to provide general purpose funding to community college districts in proportion to the amounts determined pursuant to Section 84750.5 of the Education Code, as that code section read on November 6, 2012. The allocations calculated pursuant to this subparagraph shall be offset by the amounts specified in subdivisions (a), (c), and (d) of Section 84751 of the Education Code, as that section read on November 6, 2012, that are in excess
of the amounts calculated pursuant to Section 84750.5 of the Education Code, as that section read on November 6, 2012, provided that no community college district shall receive less than one hundred dollars ($100) per full time equivalent student.

(B) Eighty-nine percent of the moneys appropriated for education pursuant to this paragraph shall be allocated quarterly by the Superintendent of Public Instruction to provide general purpose funding to school districts, county offices of education, and state general-purpose funding to charter schools in proportion to the revenue limits calculated pursuant to Sections 2558 and 42238 of the Education Code and the amounts calculated pursuant to Section 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012. The amounts so calculated shall be offset by the amounts specified in subdivision (c) of Section 2558 of, paragraphs (1) through (7) of subdivision (h) of Section 42238 of, and Section 47635 of, the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012, that are in excess of the amounts calculated pursuant to Sections 2558, 42238, and 47633 of the Education Code for county offices of education, school districts, and charter schools, respectively, as those sections read on November 6, 2012, provided that no school district, county office of education, or charter school shall receive less than two hundred dollars ($200) per unit of average daily attendance.

(4) This subdivision is self-executing and requires no legislative action to take effect. Distribution of the moneys in the Education Protection Account by the Board of Governors of the California Community Colleges and Superintendent of Public Instruction shall not be delayed or otherwise affected by failure of the Legislature and Governor to enact an annual budget bill pursuant to Section 12 of Article IV, by invocation of subdivision (h) of Section 8 of Article XVI, or by any other action or failure to act by the Legislature or Governor.

(5) Notwithstanding any other provision of law, the moneys deposited in the Education Protection Account for education shall not be used to pay any costs incurred by the Legislature, the Governor, or any agency of state government.
(6) A community college district, county office of education, school district, or charter school shall have sole authority to determine how the moneys received from the Education Protection Account are spent in the school or schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs. Each community college district, county office of education, school district, and charter school shall annually publish on its Internet website an accounting of how much money was received from the Education Protection Account and how that money was spent.

(7) The annual independent financial and compliance audit required of community college districts, county offices of education, school districts, and charter schools shall, in addition to all other requirements of law, ascertain and verify whether the funds provided from the Education Protection Account have been properly disbursed and expended as required by this section. Expenses incurred by those entities to comply with the additional audit requirement of this section may be paid with funding from the Education Protection Account and shall not be considered administrative costs for purposes of this section.

(8) Revenues, less refunds, derived pursuant to subdivision (f) for deposit in the Education Protection Account pursuant to this section shall be deemed “General Fund revenues,” “General Fund proceeds of taxes,” and “moneys to be applied by the State for the support of school districts and community college districts” for purposes of Section 8 of Article XVI.

(f) (1) (A) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, for the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers at the rate of 1/4 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this State on and after January 1, 2013, and before January 1, 2017.

(B) In addition to the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code, an excise tax is hereby imposed on the storage, use, or other
consumption in this State of tangible personal property purchased from any retailer on and after January 1, 2013, and before January 1, 2017, for storage, use, or other consumption in this state at the rate of 1/4 percent of the sales price of the property.

(C) The Sales and Use Tax Law, including any amendments enacted on or after the effective date of this section, shall apply to the taxes imposed pursuant to this paragraph.

(D) This paragraph shall become inoperative on January 1, 2017.

For any taxable year beginning on or after January 1, 2012, and before January 1, 2031, with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (2) of subdivision (a) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over two hundred fifty thousand dollars ($250,000) but not over three hundred thousand dollars ($300,000), the tax rate is 10.3 percent of the excess over two hundred fifty thousand dollars ($250,000).

(ii) For that portion of taxable income that is over three hundred thousand dollars ($300,000) but not over five hundred thousand dollars ($500,000), the tax rate is 11.3 percent of the excess over three hundred thousand dollars ($300,000).

(iii) For that portion of taxable income that is over five hundred thousand dollars ($500,000), the tax rate is 12.3 percent of the excess over five hundred thousand dollars ($500,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on November 6, 2012.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.
(D) This paragraph shall become inoperative on December 1, 2031.

(3) For any taxable year beginning on or after January 1, 2012, and before January 1, 2031, with respect to the tax imposed pursuant to Section 17041 of the Revenue and Taxation Code, the income tax bracket and the rate of 9.3 percent set forth in paragraph (1) of subdivision (c) of Section 17041 of the Revenue and Taxation Code shall be modified by each of the following:

(A) (i) For that portion of taxable income that is over three hundred forty thousand dollars ($340,000) but not over four hundred eight thousand dollars ($408,000), the tax rate is 10.3 percent of the excess over three hundred forty thousand dollars ($340,000).

(ii) For that portion of taxable income that is over four hundred eighty thousand dollars ($408,000) but not over six hundred eighty thousand dollars ($680,000), the tax rate is 11.3 percent of the excess over four hundred eighty thousand dollars ($408,000).

(iii) For that portion of taxable income that is over six hundred eighty thousand dollars ($680,000), the tax rate is 12.3 percent of the excess over six hundred eighty thousand dollars ($680,000).

(B) The income tax brackets specified in clauses (i), (ii), and (iii) of subparagraph (A) shall be recomputed, as otherwise provided in subdivision (h) of Section 17041 of the Revenue and Taxation Code, only for taxable years beginning on and after January 1, 2013.

(C) (i) For purposes of subdivision (g) of Section 19136 of the Revenue and Taxation Code, this paragraph shall be considered to be chaptered on November 6, 2012.

(ii) For purposes of Part 10 (commencing with Section 17001) of, and Part 10.2 (commencing with Section 18401) of, Division 2 of the Revenue and Taxation Code, the modified tax brackets and tax rates established and imposed by this paragraph shall be deemed to be established and imposed under Section 17041 of the Revenue and Taxation Code.

(D) This paragraph shall become inoperative on December 1, 2031.

(g) (1) The Controller, pursuant to his or her statutory authority, may perform audits of expenditures from the Local Revenue Fund 2011 and any County Local Revenue Fund 2011, and shall audit the Education Protection Account to ensure
that those funds are used and accounted for in a manner consistent
with this section.

(2) The Attorney General or local district attorney shall
expeditiously investigate, and may seek civil or criminal penalties
for any misuse of moneys from the County Local Revenue Fund
2011 or the Education Protection Account.

Seventh—That Section 1 of Article XIII B thereof is amended
to read:

SEC. 1. (a) The total annual appropriations subject to
limitation of the State and of each local government for each
two-year fiscal period shall not exceed the appropriations limit of
the entity of government for the prior year. State for the prior
two-year fiscal period, adjusted for the change in the cost of living
and the change in population, except as otherwise provided in this
article. For purposes of the 2025–27 fiscal period, “prior two-year
fiscal period,” as used in this subdivision, means the 2023–24 and
2024–25 fiscal years.

(b) The total annual appropriations subject to limitation of each
local government for each fiscal year shall not exceed the
appropriations limit of the local government for the prior fiscal
year, adjusted for the change in the cost of living and the change
in population, except as otherwise provided in this article.

Eighth—That Section 2 of Article XIII B thereof is amended to
read:

SEC. 2. (a) (1) Fifty percent of all revenues received by the
State in a fiscal year and in the fiscal year immediately following
it two-year fiscal period in excess of the amount which that
may be appropriated by the State in compliance with this article during
that fiscal year and the fiscal year immediately following it
two-year fiscal period shall be transferred and allocated, from a
fund established for that purpose, pursuant to Section 8.5 of Article
XVI.

(2) Fifty percent of all revenues received by the State in a fiscal
year and in the fiscal year immediately following it
two-year fiscal period in excess of the amount which that may be appropriated
by the State in compliance with this article during that fiscal year
and the fiscal year immediately following it two-year fiscal period
shall be returned by a revision of tax rates or fee schedules within
the next two subsequent fiscal years.
(b) All revenues received by an entity of government, other than the State, in a fiscal year and in the subsequent fiscal year immediately following it in excess of the amount which may be appropriated by the entity in compliance with this article during that fiscal year and the subsequent fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Ninth—That Section 3 of Article XIII B thereof is amended to read:

SEC. 3. The appropriations limit for any two-year fiscal period, in the case of the State, or for any fiscal year, in the case of an entity of government other than the State, pursuant to—See: Section 1 shall be adjusted as follows:

(a) In the event that, if the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then, for the year fiscal year, or two-year fiscal period in the case of the State, in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree to and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that, if the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then, for the year fiscal year, or two-year fiscal period in the case of the State, of such transfer, the appropriations limit of such entity of government shall be decreased accordingly.

(c) (1) In the event that, if an emergency is declared by the legislative body of an entity of government, the appropriations limit of the affected entity of government may be exceeded provided that the appropriations limits in the following three years two fiscal periods, in the case of the State, or three fiscal years, in the case of the local government, are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

(2) In the event that, if an emergency is declared by the Governor, appropriations approved by a two-thirds vote of the legislative
body of an affected entity of government to an emergency account for expenditures relating to that emergency shall not constitute appropriations subject to limitation. As used in this paragraph, “emergency” means the existence, as declared by the Governor, of conditions of disaster or of extreme peril to the safety of persons and property within the State, or parts thereof, caused by such conditions as attack or probable or imminent attack by an enemy of the United States, fire, flood, drought, storm, civil disorder, earthquake, or volcanic eruption.

Tenth—That Section 6 of Article XIII B thereof is amended to read:

SEC. 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service, except that the Legislature may, but need not, provide a subvention of funds for the following mandates:

(1) Legislative mandates requested by the local agency affected.

(2) Legislation defining a new crime or changing an existing definition of a crime.

(3) Legislative mandates enacted prior to before January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to before January 1, 1975.

(4) Legislative mandates contained in statutes within the scope of paragraph (7) of subdivision (b) of Section 3 of Article I.

(b) (1) Except as provided in paragraph (2), for the 2005–06 fiscal year and every subsequent fiscal year, year through the 2024–25 fiscal year, and for the 2025–27 fiscal period and every subsequent two-year fiscal period, for a mandate for which the costs of a local government claimant have been determined in a preceding fiscal year or two-year fiscal period, as applicable to be payable by the State pursuant to law, the Legislature shall either appropriate, in the annual Budget Act, the full payable amount that has not been previously paid, or suspend the operation of the mandate for the fiscal year two-year fiscal period for which the annual Budget Act is applicable applies in a manner prescribed by law.

(2) Payable claims for costs incurred prior to before the 2004–05 fiscal year that have not been paid prior to before the 2005–06 fiscal year may be paid over a term of years, as prescribed by law.
(3) Ad valorem property tax revenues shall not be used to reimburse a local government for the costs of a new program or higher level of service.

(4) This subdivision applies to a mandate only as it affects a city, county, city and county, or special district.

(5) This subdivision shall not apply to a requirement to provide or recognize any procedural or substantive protection, right, benefit, or employment status of any local government employee or retiree, or of any local government employee organization, that arises from, affects, or directly relates to future, current, or past local government employment and that constitutes a mandate subject to this section.

(c) A mandated new program or higher level of service includes a transfer by the Legislature from the State to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the State previously had complete or partial financial responsibility.

Eleventh—That Section 8 of Article XIII B thereof is amended to read:

SEC. 8. As used in this article and except as otherwise expressly provided herein:

(a) “Appropriations subject to limitation” of the State means any authorization to expend during a fiscal year two-year fiscal period the proceeds of taxes levied by or for the State, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6), and further exclusive of refunds of taxes.

(b) “Appropriations subject to limitation” of an entity of local government means any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6), and further exclusive of refunds of taxes.

(c) “Proceeds of taxes” shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (1) regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product,
or service, and (2) the investment of tax revenues. With respect to any local government, “proceeds of taxes” shall include subventions received from the State, other than pursuant to Section 6, and, with respect to the State, proceeds of taxes shall exclude such “proceeds of taxes” excludes these subventions.

(d) “Local government” means any city, county, city and county, school district, special district, authority, or other political subdivision of or within the State.

(e) (1) “Change in the cost of living” for the State, a school district, or a community college district means the percentage change in California per capita personal income from the preceding two-year fiscal period, in the case of the State, or the preceding fiscal year, in the case of a school district or community college district.

(2) “Change in the cost of living” for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity’s governing body.

(f) (1) “Change in population” of any entity of government, other than the State, a school district, or a community college district, shall be determined by a method prescribed by the Legislature.

(2) “Change in population” of a school district or a community college district means the percentage change in the average daily attendance of the school district or the number of full-time equivalent students of the community college district from the preceding fiscal year, as determined by a method prescribed by the Legislature.

(3) “Change in population” of the State shall be determined by adding (1) the percentage change in the State’s population multiplied by the percentage of the State’s budget in the prior fiscal year preceding two-year fiscal period that is expended for other than educational purposes for kindergarten and grades one to 12,
inclusive, and the community colleges, and (2) the percentage change in the total statewide average daily attendance in kindergarten and grades one to 12, inclusive, and the number of full-time equivalent students of the community colleges, multiplied by the percentage of the State’s budget in the prior fiscal year preceding two-year fiscal period that is expended for educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges.

Any determination of population pursuant to this subdivision, other than that measured by average daily-attendance, attendance or the number of full-time equivalent students, shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor department.

(g) “Debt service” means appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for that purpose.

(h) The “appropriations limit” of each entity of government for each fiscal year or two-year fiscal period, as applicable, is that amount which that total annual appropriations subject to limitation may not exceed under Sections 1 and 3. However, the “appropriations limit” of each entity of government for the 1978–79 fiscal year is the total of the appropriations subject to limitation of the entity for that fiscal year. For the 1978–79 fiscal year, state subventions to local governments, exclusive of federal grants, are deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, “appropriations subject to limitation” do not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the State, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

(j) For purposes of the 2025–27 fiscal period, “preceding two-year fiscal period,” as used in this section, means the 2023–24 and 2024–25 fiscal years.
Twelfth—That Section 10.5 of Article XIII B thereof is amended to read:

SEC. 10.5. (a) For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986–87 fiscal year, adjusted for the changes made from that fiscal year pursuant to this article, as amended by the measure adding this section, adjusted for the changes required by Section 3.

(b) In the case of the State, for the two-year fiscal period commencing on July 1, 2025, the appropriations limit shall be the aggregate of the appropriations limits for the 2023–24 and 2024–25 fiscal years, adjusted for the changes made pursuant to this article and adjusted for the changes required by Section 3.

Thirteenth—That Section 16 is added to Article XIII B thereof, to read:

SEC. 16. State subventions provided during a two-year fiscal period commencing on or after July 1, 2025, to an entity of local government shall be applied to an appropriate fiscal year as specified by statute, for purposes of determining appropriations subject to limitation for that entity.

Fourteenth—That Section 8 of Article XVI thereof is amended to read:

SEC. 8. (a) From all state revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education.

(b) Commencing with the 1990–91 fiscal year, for the 2025–27 fiscal period and each subsequent two-year fiscal period, the moneys to be applied by the State for the support of school districts and community college districts shall be not less than the greater of the following amounts:

1. The amount which, that, as a percentage of General Fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986–87: the 1986–87 fiscal year.

2. The amount required to ensure that 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 shall not be less than the total amount from these sources in the prior fiscal year: two-year fiscal
period, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B. This paragraph shall be operative only in a fiscal year two-year fiscal period in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita General Fund revenues plus one half of one half of 1 percent. For purposes of the 2025–27 fiscal period, “prior two-year fiscal period,” as used in this paragraph and paragraph (3), means the 2023–24 and 2024–25 fiscal years.

(3) (A) The amount required to ensure that 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 shall equal the total amount from these sources in the prior fiscal year two-year fiscal period, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in per capita General Fund revenues.

(B) In addition, an amount equal to one-half of one percent times the prior year two-year fiscal period 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, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment.

(C) This paragraph (3) shall be operative only in a fiscal year two-year fiscal period in which the percentage growth in California per capita personal income in a fiscal year two-year fiscal period is greater than the percentage growth in per capita General Fund revenues plus one half of one half of 1 percent.

(c) In any fiscal year two-year fiscal period, if the amount computed pursuant to paragraph (1) of subdivision (b) exceeds the amount computed pursuant to paragraph (2) of subdivision (b) by a difference that exceeds one and one-half percent of General Fund revenues, the amount in excess of one and one-half percent of General Fund revenues shall not be considered allocations to school districts and community college districts for purposes of computing the amount of state aid pursuant
to paragraph (2) or (3) of subdivision (b) in the subsequent fiscal year: two-year fiscal period.

(d) In any fiscal year: two-year fiscal period in which school districts and community college districts are allocated funding pursuant to paragraph (3) of subdivision (b) or pursuant to subdivision (h), (g), they shall be entitled to a maintenance factor, equal to the difference between (1) the amount of General Fund moneys which that would have been appropriated pursuant to paragraph (2) of subdivision (b) if that paragraph had been operative or the amount of General Fund moneys which that would have been appropriated pursuant to subdivision (b) had subdivision (b) not been suspended, and (2) the amount of General Fund moneys actually appropriated to school districts and community college districts in that fiscal year: two-year fiscal period.

(e) The maintenance factor for school districts and community college districts determined pursuant to subdivision (d) shall be adjusted annually each two-year fiscal period for changes in enrollment, and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B, until it has been allocated in full. The maintenance factor shall be allocated in a manner determined by the Legislature in each fiscal year: two-year fiscal period in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income. The maintenance factor shall be reduced each fiscal year: two-year fiscal period by the amount allocated by the Legislature in that fiscal year: two-year fiscal period. The minimum maintenance factor amount to be allocated in a fiscal year: two-year fiscal period shall be equal to the product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income, not to exceed the total dollar amount of the maintenance factor. The adjustments and repayment shall also include the maintenance factors, if any, determined pursuant to subdivision (d) before December 2, 2024.

(f) For purposes of this section, “changes in enrollment” shall be measured by the percentage change in average daily attendance. However, in any fiscal year: two-year fiscal period, there shall be no adjustment for decreases in enrollment between the prior fiscal year: two-year fiscal period and the current fiscal year: two-year fiscal period.
fiscal period unless there have been decreases in enrollment between the second prior fiscal year two-year fiscal period and the prior fiscal year and between the third prior fiscal year and the second prior fiscal year two-year fiscal period. For purposes of this subdivision, “prior two-year fiscal period,” as applied before July 1, 2025, is deemed to refer to the average of the enrollments for two fiscal years, as appropriate.

(g) Subparagraph (B) of paragraph (3) of subdivision (b) may be suspended for one year two-year fiscal period only when made part of or included within any bill enacted pursuant to Section 12 of Article IV. All other provisions of subdivision (b) may be suspended for one year two-year fiscal period by the enactment of an urgency statute pursuant to Section 8 of Article IV, provided that the urgency statute may not be made part of or included within any bill enacted pursuant to Section 12 of Article IV.

Fifteenth—That Section 8.5 of Article XVI thereof is amended to read:

SEC. 8.5. (a) In addition to the amount required to be applied for the support of school districts and community college districts pursuant to Section 8, the Controller shall during each fiscal year during each two-year fiscal period the Controller shall transfer and allocate all revenues available pursuant to paragraph (1) of subdivision (a) of Section 2 of Article XIIIB to that portion of the State School Fund restricted for elementary and high school purposes, and to that portion of the State School Fund restricted for community college purposes, respectively, in proportion to the enrollment in school districts and community college districts respectively.

(1) With respect to funds allocated to that portion of the State School Fund restricted for elementary and high school purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for elementary and high schools, and that average class size equals or is less than the average class size of the 10 states with the lowest class size for elementary and high schools.
(2) With respect to funds allocated to that portion of the State School Fund restricted for community college purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Chancellor of the California Community Colleges mutually determine that current annual expenditures per student for community colleges in this State equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for community colleges.

(b) Notwithstanding the provisions of Article XIII B, funds allocated pursuant to this section shall do not constitute appropriations subject to limitation.

(c) From any funds transferred to the State School Fund pursuant to subdivision (a), the Controller shall each year allocate to each school district and community college district an equal amount per enrollment in school districts from the amount in that portion of the State School Fund restricted for elementary and high school purposes and an equal amount per enrollment in community college districts from that portion of the State School Fund restricted for community college purposes.

(d) All revenues allocated pursuant to subdivision (a) shall be expended solely for the purposes of instructional improvement and accountability as required by law.

(e) Any school district maintaining an elementary or secondary school shall develop and cause to be prepared an annual audit accounting for such funds and shall adopt a School Accountability Report Card for each school.

Sixteenth—That Section 20 of Article XVI thereof is amended 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 2025-27 fiscal period and each two-year fiscal period thereafter, based on the Budget Act for the fiscal year, two-year fiscal period, the Controller shall transfer from the General Fund to the Budget Stabilization Account, no later than October 1, of the second year of the two-year fiscal period, a sum equal to 1.5 percent of the estimated amount of General Fund revenues for that fiscal year, two-year fiscal period.
(b) (1) For the 2015–16 fiscal year and each fiscal year 2025–27 fiscal period and each two-year fiscal period thereafter, based on the Budget Act for the fiscal year, two-year fiscal period, 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, two-year fiscal period.

(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, 2025–27 fiscal period and each two-year fiscal period thereafter, separately with respect to each of the two next preceding two-year fiscal periods, the Department of Finance shall calculate all of the following, using the same methodology used for the relevant fiscal year, two-year fiscal period 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 two-year fiscal period 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 two-year fiscal period, and the amount previously transferred for that fiscal year two-year fiscal period 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 second year of the 2025–27 fiscal period and each two-year fiscal period thereafter to the 2029–30 fiscal year, 2029–31 fiscal period, 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
paragraph (B).
(B) Notwithstanding any other provision of this section, in the
fiscal year two-year fiscal period 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 before
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 two-year fiscal
period 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 two-year
fiscal period or the subsequent fiscal year. two-year fiscal period.
(2) (A) By October 1 of the 2030–31 fiscal year and each fiscal year second year of the 2031–33 fiscal period and each two-year fiscal period 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 two-year fiscal period 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 second year of the 2025–27 fiscal period and each two-year fiscal period thereafter, based on the estimates set forth in the biennial 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 two-year fiscal period 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 two-year fiscal period estimated pursuant to subdivision (b). For any fiscal year, two-year fiscal period, 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 two-year fiscal period 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).

Seventeenth—That Section 21 of Article XVI thereof is amended 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, the second year of each two-year fiscal period, commencing with the 2015–16 fiscal year, 2025–27 fiscal period, 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 2025–27 fiscal period, and for each two-year fiscal period 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 two-year fiscal period 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, two-year fiscal period, plus any allocations from the Public School System Stabilization Account in the prior fiscal year, two-year fiscal period, less any transfers to the Public School System Stabilization Account pursuant to this section in the prior fiscal year, two-year fiscal period, 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 2025–27 fiscal period, and for each two-year fiscal
period 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, prior two-year
fiscal period, any positive amount calculated pursuant to
subparagraph (C) of paragraph (2) of subdivision (b) of Section
20 for that fiscal year two-year fiscal period 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
two-year fiscal period 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, two-year fiscal period, plus any allocations from the
Public School System Stabilization Account in the prior fiscal
year, two-year fiscal period, less any transfers to the Public School
System Stabilization Account pursuant to this section in the prior
fiscal year two-year fiscal period, 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 2025–27 fiscal period, and for each two-year fiscal
period thereafter, if the amount calculated pursuant to subparagraph
(C) of paragraph (2) of subdivision (b) of Section 20 for a fiscal
year two-year fiscal period 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, two-year fiscal period, 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 two-year fiscal period 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 two-year fiscal period. 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, two-year fiscal period, no amount shall be transferred to the Public School System Stabilization Account pursuant to subdivision (b) for that fiscal year two-year fiscal period.

(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 two-year fiscal period 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 before the 2014–15 fiscal year has been fully allocated. Transfers may be made beginning in the fiscal year two-year fiscal period following the fiscal year two-year fiscal period in which it is determined, based on the Budget Act for that fiscal year, two-year fiscal period, that this condition will be met. If a transfer is made for a fiscal year two-year fiscal period 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 two-year fiscal period for which it was determined, based on the Budget Act for that fiscal year, two-year fiscal period, that this condition would not be met but was subsequently determined to have been met in that year or a prior fiscal year, two-year fiscal period or a prior two-year fiscal period.

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

(h) Notwithstanding any other provision of this section, for any fiscal year, two-year fiscal period 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 two-year fiscal period pursuant to Section 8. For any fiscal year, two-year fiscal period, 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 two-year fiscal period 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 two-year fiscal period 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, two-year fiscal period plus any allocations from the Public School System Stabilization Account in the prior fiscal year, two-year fiscal period, less any transfers to the Public School System Stabilization Account in the prior fiscal year, two-year fiscal period 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 two-year fiscal period for which the transfer is made, and not in the fiscal year two-year fiscal period in which moneys are appropriated from the account.

(k) Nothing in this section shall not 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.

(m) For purposes of the 2025–27 fiscal period, “prior two-year fiscal period,” as used in this section, means the 2023–24 and 2024–25 fiscal years.

Eighteenth—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 two-year fiscal period 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.
two-year fiscal period, unless funds in the Budget Stabilization Account have been returned to the General Fund for appropriation in the immediately preceding fiscal year. For purposes of the 2025–27 fiscal period, “immediately preceding two-year fiscal period,” as used in this subparagraph, means the 2023–24 and 2024–25 fiscal years.

(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, two-year fiscal period, 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).

Nineteenth—That Section 2 of Article XIX B thereof is amended to read:
SEC. 2. (a) For the 2003–04 fiscal year and each fiscal year 2025–27 fiscal period and each two-year fiscal period thereafter, all revenues that are collected during the fiscal year two-year fiscal period from taxes under the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code), or any successor to that law, upon the sale, storage, use, or other consumption in this State of motor vehicle fuel, as defined for purposes of the Motor Vehicle Fuel License Tax Law (Part 2 (commencing with Section 7301) of Division 2 of the Revenue and Taxation Code), shall be deposited into the Transportation Investment Fund or its successor, which is hereby created in the State Treasury and which is hereby declared to be a trust fund. The Legislature may not change the status of the Transportation Investment Fund as a trust fund.

(b) (1) For the 2003–04 to 2007–08 fiscal years, inclusive, moneys in the Transportation Investment Fund shall be allocated, upon appropriation by the Legislature, in accordance with Section 7104 of the Revenue and Taxation Code as that section read on March 6, 2002.

(2) (b) For the 2008–09 fiscal year and each fiscal year 2025–27 fiscal period and each two-year fiscal period thereafter, moneys in the Transportation Investment Fund shall be allocated solely for the following purposes:

(A) (1) Public transit and mass transportation. Moneys appropriated for public transit and mass transportation shall be allocated as follows: (i) Twenty-five percent pursuant to subdivision (b) of Section 99312 of the Public Utilities Code, as that section read on July 30, 2009; (ii) Twenty-five percent pursuant to subdivision (c) of Section 99312 of the Public Utilities Code, as that section read on July 30, 2009; and (iii) Fifty percent for the purposes of subdivisions (a) and (b) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(B) (2) Transportation capital improvement projects, subject to the laws governing the State Transportation Improvement Program, or any successor to that program.
(3) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by cities, including a city and county.

(4) Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair conducted by counties, including a city and county.

(c) For the 2008–09 fiscal year and each fiscal year 2025–27 fiscal period and each two-year fiscal period thereafter, moneys in the Transportation Investment Fund are hereby continuously appropriated to the Controller without regard to fiscal years, two-year fiscal periods, which shall be allocated as follows:

(A) Twenty percent of the moneys for the purposes set forth in subparagraph (A) of paragraph (2) (1) of subdivision (b).

(B) Forty percent of the moneys for the purposes set forth in subparagraph (B) of paragraph (2) of subdivision (b).

(C) Twenty percent of the moneys for the purposes set forth in subparagraph (C) of paragraph (2) (3) of subdivision (b).

(D) Twenty percent of the moneys for the purposes set forth in subparagraph (D) of paragraph (2) (4) of subdivision (b).

(d) The Legislature may not enact a statute that modifies the percentage shares set forth in subdivision (c) until all of the following have occurred:

(1) The California Transportation Commission has held no less than four public hearings in different parts of the State to receive public input about the need for public transit, mass transportation, transportation capital improvement projects, and street and highway maintenance;

(2) The California Transportation Commission has published a report describing the input received at the public hearings and how the modification to the statutory allocation is consistent with the orderly achievement of local, regional and statewide goals for public transit, mass transportation, transportation capital improvements, and street and highway maintenance in a manner that is consistent with local general plans, regional transportation plans, and the California Transportation Plan;
(3) Ninety days have passed since the publication of the report by the California Transportation Commission.

(4) The statute enacted by the Legislature pursuant to this subdivision must be by a bill passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, provided that if the bill does not contain any other unrelated provision and that if the revenues described in subdivision (a) are expended solely for the purposes set forth in paragraph (2) of subdivision (b).

(e) (1) An amount equivalent to the total amount of revenues that were not transferred from the General Fund of the State to the Transportation Investment Fund, as of July 1, 2007, because of a suspension of transfer of revenues pursuant to this section as it read on January 1, 2006, but excluding the amount to be paid to the Transportation Deferred Investment Fund pursuant to Section 63048.65 of the Government Code, shall be transferred from the General Fund to the Transportation Investment Fund no later than June 30, 2016. Until this total amount has been transferred, the amount of transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount required to be transferred by June 30, 2016. The transferred revenues shall be allocated solely for the purposes set forth in this section as if they had been received in the absence of a suspension of transfer of revenues.

(2) The Legislature may provide by statute for the issuance of bonds by the state or local agencies, as applicable, that are secured by the minimum transfer payments required by paragraph (1). Proceeds from the sale of those bonds shall be allocated solely for the purposes set forth in this section as if they were revenues subject to allocation pursuant to paragraph (2) of subdivision (b).

(f) This section constitutes the sole method of allocating, distributing, and using the revenues described in subdivision (a). The purposes described in paragraph (2) of subdivision (b) are the sole purposes for which the revenues described in subdivision (a) may be used. The Legislature may not enact a statute or take any other action which, permanently or temporarily, does any of the following:

(1) Transfers, diverts, or appropriates the revenues described in subdivision (a) for any other purposes than those described in paragraph (2) of subdivision (b);
(2) Authorizes the expenditures of the revenues described in subdivision (a) for any other purposes than those described in paragraph (2) of subdivision (b) or:

(3) Borrows or loans the revenues described in subdivision (a), regardless of whether these revenues remain in the Transportation Investment Fund or are transferred to another fund or account such as the Public Transportation Account, a trust fund in the State Transportation Fund.

(g) For purposes of this article, “mass transportation,” “public transit” and “mass transit” have the same meanings as “public transportation.” “Public transportation” means:

(1) (A) Surface transportation service provided to the general public, complementary paratransit service provided to persons with disabilities as required by 42 U.S.C. 12143, or similar transportation provided to people with disabilities or the elderly;
(B) operated by bus, rail, ferry, or other conveyance on a fixed route, demand response, or otherwise regularly available basis;
(C) generally for which a fare is charged; and (D) provided by any transit district, included transit district, municipal operator, included municipal operator, eligible municipal operator, or transit development board, as those terms were defined in Article 1 (commencing with Section 99200) of Chapter 4 of Part 11 of Division 10 of the Public Utilities Code on January 1, 2009, a joint powers authority formed to provide mass transportation services, an agency described in subdivision (f) of Section 15975 of the Government Code, as that section read on January 1, 2009, any recipient of funds under Sections 99260, 99260.7, 99275, or subdivision (c) of Section 99400 of the Public Utilities Code, as those sections read on January 1, 2009, or a consolidated agency as defined in Section 132353.1 of the Public Utilities Code, as that section read on January 1, 2009.

(2) Surface transportation service provided by the Department of Transportation pursuant to subdivision (a) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(3) Public transit capital improvement projects, including those identified in subdivision (b) of Section 99315 of the Public Utilities Code, as that section read on July 30, 2009.

(h) If the Legislature reduces or repeals the taxes described in subdivision (a) and adopts an alternative source of revenue to replace the moneys derived from those taxes, the replacement
revenue shall be deposited into the Transportation Investment Fund, dedicated to the purposes listed in paragraph (2) of subdivision (b), and allocated pursuant to subdivision (c). All other provisions of this article shall apply to any revenues adopted by the Legislature to replace the moneys derived from the taxes described in subdivision (a).

Twentieth—That Section 4 of Article XXXV thereof is amended to read:

SEC. 4. Funds authorized for, or made available to, the institute shall be continuously appropriated without regard to fiscal year, two-year fiscal period, be available and used only for the purposes provided in this article, and shall not be subject to appropriation or transfer by the Legislature or the Governor for any other purpose.

Twenty-First—That the amendments set forth in this measure shall become operative on December 2, 2024. The sections of the Constitution amended by this measure shall continue in effect as they read before voter approval of this measure until December 2, 2024.

Twenty-Second—The provisions of this measure are severable. If any provision of this measure or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.