

Department of Finance STATE OF CALIFORNIA MANUAL OF STATE FUNDS		Fund: 1011 PAGE 1 Renumbered From:
<u>Legal Title</u> Budget Stabilization Account		
<u>Legal Citation/Authority</u> California Constitution, Article XVI, Section 20 and Section 22. Proposition 2, 2014		
<u>Fund Classification</u> <u>GAAP Basis</u> Governmental/General Fund		<u>Fund Classification</u> <u>Legal Basis</u> Governmental/General Fund Special Accounts
<u>Purpose</u> The Budget Stabilization Account (BSA) was created within the General Fund for the transfer of specified amounts from the General Fund into the account to address budget emergencies. Additionally, Proposition 2 provides that a portion of the calculated amount be used to pay down debt and other long-term liabilities. Proposition 2 made the following provisions: <ul style="list-style-type: none"> • Requires the Legislature to annually set aside 1.5 percent of estimated General Fund revenues and capital gains revenues in excess of 8 percent of General Fund tax proceeds not required to fund Proposition 98. • Requires half of the calculated amount through the 2029-30 fiscal year, to be transferred to the BSA and the remainder used to pay down debt or long-term liabilities. Beginning in the 2030-31 fiscal year, at least half of the calculated amount be transferred to the BSA, with the remainder used for debt or liabilities payments at the option of the Legislature and to the extent not so used, transferred to the BSA. • Provides a true up mechanism for transfers between the BSA and the General Fund. • Requires transfers between the General Fund and BSA occur by October 1 of each year. • Sets the maximum balance to be reserved in the BSA for a fiscal year at 10 percent of General Fund tax revenues and requires any amounts in excess of the 10 percent cap to be spent only on infrastructure, including deferred maintenance. • Provides that upon the declaration of a budget emergency by the Governor, transfers to the BSA may be suspended, reduced, or transferred back to the General Fund. 		
<u>Administering Agency/Organization Code</u> Budget Stabilization Account/Org 9658		
<u>Major Revenue Source</u> Transfers from the General Fund.		
<u>Disposition of Fund (upon abolishment)</u> Pursuant to Government Code section 16346, in the absence of language that identifies a successor fund, any balance remaining in this fund upon abolishment shall be transferred to the General Fund.		
<u>Appropriation Authority</u> Statute provides for money in this fund to be transferred back to the General Fund to address budget emergencies. Section 20 (c) also provides for the Legislature to appropriate a portion of the money for certain General Fund debts and other long-term liabilities.		

State Appropriations Limit

Always Excluded – The major revenue source are transfers from the General Fund which have already been counted and should not be double counted.

Comments/Historical Information

August 2020: Proposition 58 of 2004 originally created the BSA. Proposition 2, approved by voters in 2014 superseded Proposition 58 of 2004 by repealing and adding Section 20, Article XVI of the State of California Constitution. Proposition 2 also added Section 22, Article XVI of the Constitution.

In accordance with Article XVI Section 20 (g), the Controller may utilize funds in the BSA determined to currently be unnecessary for the purposes of Article XVI, Section 20, to manage General Fund daily cash flow needs. Any use of funds by the Controller pursuant to Article XVI, Section 20 (g) shall not interfere with the purposes of the BSA.