



Senate Budget and Fiscal Review Committee  
Senator Denise Moreno Ducheny, Chair  
State Capitol, Room 5019  
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## **SUMMARY OVERVIEW**

### **PROPOSED 2008-09 BUDGET (AB 1781 & AB 88)**

On July 8, the Budget Conference Committee (using Assembly Bill 1781) completed its work. Since the conclusion of the Budget Conference Committee, other changes have been incorporated into AB 88. The underlying foundation for this budget was accomplished primarily through the full committee, the subcommittee, and Budget Conference Committee process.

The Budget passed by the Legislature is based on approximately \$106 billion in available General Fund resources, and \$104.2 billion in General Fund expenditures. The final General Fund reserve is approximately \$800 million.

The Budget reflects funding prioritization that: (1) protects the most vulnerable populations in the state – sustaining the safety net for the elderly, blind, and disabled; (2) invests in prevention programs with the view of reducing future costs; (3) makes solid commitments to programs serving children and schools; (4) makes appropriate use of available bonds; and (5) rejects unachievable and unacceptable budget year solutions of \$7 billion – such as the administration’s use of lottery securitization revenues as a budget-year solution and unacceptable reductions in education and health and human services.

The Budget, in order to balance, represents a combination of things – program reductions, suspension of increases, and elimination of tax loopholes and revenue

accelerations in order to provide sufficient resources to fund existing services (not new services).

In addition, the Budget reflects difficult decisions in order to craft the final solution, including not funding various cost-of-living adjustments (COLAs) for the State Supplemental Payments (SSP), CalWORKs programs and K-14 education categorical programs, and limiting the level of COLA (less than 1%) provided for K-12 education revenue limits and community college apportionments. In addition, the Budget could not backfill for student fee increases at UC and CSU; and redirects transit funds of about \$1.7 billion in order to provide an equivalent amount of General Fund relief.

Some of the key elements of the Budget include, but are not limited to, the following (by subject area):

### **K-12 EDUCATION**

- Provides a Proposition 98 (K-14 education) funding level of \$58.1 billion. This level of funding is \$300 million above the Governor's August revise and is \$1.3 billion higher than the May Revise. This level of funding fully funds the Proposition 98 minimum guarantee.
- Provides a modest cost-of-living adjustment (COLA) for K-14 revenue limits and community college apportionments – and does not create any new programs.
- Calculates a deficit factor for school districts and county offices of education to reflect the changes to the available level of statutory cost-of-living adjustments in 2008-09, so that in 2009-10 these factors are restored to revenue limit calculations, as if revenue limit losses had not occurred.
- Denies the Governor's budget balancing reductions of more than \$900 million, which decreased funding to nearly all K-14 programs, except K-12 revenue limits and special education.
- Defers a statutory appropriation of \$150 million in 2008-09 for purposes of providing payment of prior year Proposition 98 "settle-up".
- Captures \$121 million in savings for various K-12 programs, which reflect workload and other technical adjustments.

- Continues, unfortunately, the deferral of annual mandate payments for K-12 education in 2008-09, estimated to cost \$180 million annually.
- Appropriates \$12.5 million of Special Fund dollars to expand high school Partnership Academies to focus on “green technologies”.
- Provides statutory authority to allocate \$112.7 million in federal funds by establishing a one-year, non-renewable grant for approximately 150 K-12 local education agencies facing corrective action under the federal No Child Left Behind Act.
- Eliminates the STAR norm-referenced test currently administered to students in grades 3 and 7 for a savings of \$2.5 million.

### **CHILD DEVELOPMENT**

- Provides full funding of Stage 2 and Stage 3 CalWORKs child care.
- Restores Governor’s proposed across-the-board reductions to various child care programs.
- Approves Governor’s proposal to freeze state median income (SMI), the income level under which families are eligible to receive subsidized child care services.
- Adjusts child care provider reimbursement rates, pursuant to the new Regional Market Rate survey, effective March 1, 2009.
- Adopts trailer bill language that basically would treat the After School Education and Safety Program (Proposition 49) similar to other categorical programs, subject to annual Legislative appropriations. This would be subject to voter approval.

### **HUMAN SERVICES**

- Suspends the 2008 CalWORKs COLA for a savings of \$121.5 million.
- Suspends the October 2008 and June 2009 State Supplemental Program (SSP) COLAs for \$222 million in GF savings.

- Rejects the administration's proposal to impose graduated full-family sanctions, restrict safety-net grants, and elimination of grants for children of CalWORKs-eligible parents.
- Adopts the Work Incentive Nutritional Supplement (WINS) Program to provide a single \$40 per month additional food assistance benefit for eligible households and provides \$2 million to begin the automation process for program implementation. Adoption is contingent upon establishment of a pre-assistance employment readiness system (PAERS) program.
- Rejects reductions to prevention programs that provide future cost savings: (a) \$25 million reduction to the Substance Abuse and Crime Prevention Act (\$20 million) and the Substance Abuse Offender Treatment Program (\$5 million); (b) \$3.1 million reduction to drug court programs (the Comprehensive Drug Court Implementation, Drug Court Partnership, and Dependency Drug Court); and (c) \$3.1 million reduction to non-drug Medi-Cal Regular (\$733,000) and Non-Drug Medi-Cal Perinatal (\$2.3 million) programs.
- Adopts a \$1 million General Fund reduction to the California Methamphetamine Initiative (CMI).
- Rejects the administration's proposal to withhold the January 2009 federal Supplemental Security Income (SSI) COLA.
- Rejects the administration's proposal to eliminate the Cash Assistance Program for Immigrants (CAPI) which provides cash benefits to aged, blind, and disabled legal non-citizens who do not qualify for SSI/SSP as a result of their immigration status.
- Rejects proposals to limit the state's participation in the cost of IHSS provider wages and benefits to the minimum wage (\$8 per hour) plus \$0.60 per hour for benefits, to change the criteria for IHSS recipients to qualify for domestic and related services based on their functional index score, and to eliminate the IHSS share of cost buy-out for those recipients with a functional index score below four.

## **HIGHER EDUCATION**

- Restores General Fund of \$98.6 million to UC and \$97.6 million to CSU to hold funding at the levels provided in 2007-08.
- Fails to provide additional General Fund for enrollment growth or COLA to either the UC or CSU. Necessitates student fee increases of approximately 10 percent at both UC and CSU.
- Adopts budget bill language to reinstate academic preparation programs and research “earmarks” for legislative priorities at UC and CSU.
- Provides approximately \$428.4 million in lease-revenue bonds for 11 capital outlay projects for UC and CSU consistent with an economic stimulus approach.
- Restores the Governor’s across-the-board reductions at community colleges, and holds student fees constant at \$20 per unit.
- Provides two percent enrollment growth for community colleges.
- Restores \$57 million for competitive Cal Grant awards, the state’s primary financial aid for older and nontraditional students attending colleges and universities. The \$57 million funds approximately 22,500 Cal Grant awards.
- Fully funds the Cal Grant “entitlement” program, providing grants to all financially-needy and academically-eligible recent high school graduates and community college transfer students.
- Utilizes \$24 million in Student Loan Operating Funds to offset Cal Grant local assistance funding in order to obtain a like amount of GF savings.

## **TRANSPORTATION**

- Includes full funding (\$1.5 billion) for Proposition 42, including \$83 million in required repayments.
- Provides about \$3.6 billion in Proposition 1B bonds, including: (a) \$1.5 billion for the Corridor Mobility Improvement Account (CMIA); (b) \$996 million for

the State Transportation Improvement Program (STIP); (c) \$417 million for the Trade Corridors Improvement Fund; (d) \$214 million for the State Highway Protection and Preservation Program (SHOPP); (e) \$200 million for the State and Local Partnership (SLP) program; and (f) \$103 million for State Route 99.

- Includes, as part of an economic stimulus package, \$250 million in Proposition 1B funding for local streets and roads; of this amount \$187 million is directed to cities and \$63 million is directed to counties.
- Provides General Fund relief of approximately \$1.7 billion from “spillover” and other transit funds. General Fund relief is as follows: (a) \$857 million to reimburse the GF for transportation related G.O. bond debt; (b) \$589 million to reimburse the GF for Home-to-School transit; (c) \$138 million for regional center transportation budgeted in the Department of Developmental Services; and (d) \$83 million to reimburse the GF for the Proposition 42 loan repayment.
- Provides \$406 million for transit operations, which is \$100 million above the level of funding provided in 2007-08.
- Shifts a portion of Capital Outlay Support (COS) engineering workload from contractors to state staff for a savings of \$10 million. The final allocation of COS workload is 90 percent state staff and 10 percent contractors.

## **HEALTH**

- Restores most of the 10 percent rate reduction to Medi-Cal Fee-for-Service providers, including physicians, medical transportation, home health, dental, outpatient services and other medical services, effective as of March 1, 2009. Assembly Bill 3X 5, Statutes of 2008, enacted a 10 percent reduction effective as of July 1, 2008.
- Provides a 5 percent restoration to the rates paid to pharmacy providers under the Medi-Cal Program, effective March 1, 2009.
- Provides a 5 percent restoration to the rates paid to certain Long-Term Care providers, including: (1) Level A nursing homes, (2) Distinct Part Nursing Homes, (3) Distinct Part Subacute, (4) Distinct Part Pediatric Subacute, and (5) Adult Day Health Care under the Medi-Cal Program, effective March 1, 2009.

- Provides an increase of \$221 million GF for certain payments related to litigation regarding Medi-Cal rates.
- Includes budget bill language for the Department of Health Care Services (DHCS) to provide the Legislature with options for improving the Medi-Cal fee-for-service programs, as specified.
- Adopts modified trailer bill language regarding the rate methodology used to reimburse nursing homes that pay a quality assurance fee (as contained in AB 1629, Statutes of 2004). This language provides for a two-year extension of the rate methodology, capitates the maximum annual increase to 5 percent for the next two years, establishes a comprehensive stakeholder group process to craft quality assurance measures, and requires the DHCS to report to the Legislature regarding recommendations forthcoming from the stakeholder group process.
- Restores most of the 10 percent rate reduction in the California Children Services (CCS) Program, including specialty care physicians, effective March 1, 2009.
- Partially restores the Governor's proposal to reduce by 10 percent the amount of state support for Medical Therapy Services provided under the CCS Program by providing \$2.4 million in federal Title V Maternal and Child Health Funds to support the program. Therefore, a net reduction of \$1.4 million (General Fund) was made in lieu of the Governor's \$3.1 million.
- Provides funding for Medi-Cal Managed Care plans to account for: (1) increases in the number of enrollees; (2) adjustments to reflect updated data as calculated according to existing statute (i.e., Mercer calculations); and (3) corresponding actuarially-based rate adjustments due to Fee-For-Service and related Medi-Cal Program changes.
- Restores most of the 10 percent rate reduction in the Child Health and Disability Prevention Program (CHDP), effective March 1, 2009.
- Restores most of the 10 percent rate reduction in the Genetically Handicapped Persons Program (GHPP), effective March 1, 2009.

- Continues the Governor's 10 percent rate reduction, as contained in Assembly Bill 3X 5, Statutes of 2008, for Non-Contract Hospitals participating in the Medi-Cal Program and adopts modified trailer bill legislation to encourage hospitals to participate in the Selective Provider Contract Program operated by the California Medical Assistance Commission (CMAC). Exempts small and rural hospitals from this reduction.
- Utilizes \$9.15 million (one-time only) from supplemental funds normally transferred to the Distressed Hospital Fund to pay back the federal government due to an impermissible Intergovernmental Transfer made by Fresno County and Fresno Community Medical Center. Adopted conforming Budget Bill Language and trailer bill language for this action. This action is used in lieu of General Fund support.
- Utilizes \$13.6 million (one-time only) from supplemental funds normally transferred to the Private Hospital Fund to offset General Fund support within the Medi-Cal Program. Adopted conforming Budget Bill Language and trailer bill language for this action.
- Reduces by \$53.4 million GF the amount allocated to counties for Medi-Cal program eligibility processing.
- Adopts trailer bill language to suspend the state's penalty on counties for not meeting certain performance standards when the cost-of-doing-business is not provided.
- Adopts modified trailer bill language that limits the amount health plans participating in the Medi-Cal Managed Care Program must pay hospitals that are out of the plan's network for emergency room services provided to Medi-Cal plan enrollees (i.e., the federal Rogers Amendment requirement). Exempts small and rural hospitals, as well as certain others.
- Adopts trailer bill language to require the DHCS to provide County Organized Healthcare (COHS) health plans participating in Medi-Cal Managed Care with a preliminary rate by no later than June 30th of each year.
- Adopts the Governor's 10 percent reduction in case management for the Child Health and Disability Prevention (CHDP) Program.

- Fully funds the Department of Public Health's Biomonitoring Program by backfilling General Fund support using Toxic Substances Control Account funds.
- Reduces by \$1.3 million (General Fund) to delay the implementation of Senate Bill 739, Statutes of 2006, regarding community-based infections.
- Adopts the Governor's May Revision proposal to continue the Medi-Cal Pharmacy Pilot Project for HIV/AIDS until June 30, 2009. This action includes trailer bill language to limit the payment of the enhanced \$9.50 dispensing fee to HIV/AIDS drugs and drugs used for treatment of opportunistic infections only.
- Adopts trailer bill language to require the Department of Public Health to provide the Legislature on January 10th and at the May Revision with a budget estimate for the AIDS Drug Assistance Program (ADAP). The ADAP was fully funded using drug rebate funds to backfill for \$7 million in General Fund support.
- Increases by over \$5 million (General Fund) the amount appropriated for the HIV/AIDS Education and Prevention Program funding.
- Modifies the California Discount Prescription Drug Program to make it self-financing in future years.
- Restores the \$277,000 (General Fund) reduction proposed by the Governor to the Prostate Cancer Treatment Program.
- Maintains the Governor's 10 percent reduction of: (1) \$692,000 (General Fund) to the Alzheimer's Disease Research Centers and (2) \$326,000 (General Fund) to the Dental Disease Program.
- Eliminates \$1.2 million (General Fund) from the Health Screens for Adults Program.

- Reduces by \$1.2 million (General Fund) the amount provided to Local Health Jurisdictions for local infrastructure for immunization assistance. These entities receive about \$29 million in federal fund support.
- Reduces, by 10 percent, the Male Involvement Program and the Information and Education Projects for teens as proposed by the Governor.
- Provides one-time funding of \$825,000 (federal Title V Maternal and Child Health Funds) for the Maternal Mortality Project.
- Fully funds the Adolescent Family Life Program by using federal Title V Maternal and Child Health Funds to backfill for General Fund support to obtain savings.
- Reduces the Poison Control System by \$1 million (General Fund) and adopted Budget Bill Language to have the Emergency Medical Services Authority provide assistance to the system to obtain funding from non-General Fund sources, including the California Children and Families Commission and foundations.
- Adopts the Governor's proposal to obtain a loan to the General Fund from the Occupational Lead Poisoning Prevention Account in the amount of \$1.1 million.
- Adopts the Governor's proposal to obtain a loan to the General Fund from the Drinking Water Operator Certification Special Account in the amount of \$1.6 million.
- Reflects the Governor's decision to rescind his May Revision proposal to obtain a loan to the General Fund from the Drinking Water Treatment and Research Fund in the amount of \$8.5 million.
- Modifies the Governor's proposal to increase the premiums low-income families pay to enroll their children in the Healthy Families Program. Specifically, families from 151 percent to 200 percent of poverty will have a three dollar increase in their monthly premium payments or \$12 per child, with a family maximum of \$36 per family. Families above 200 percent of poverty

will have a two dollar increase in their monthly premium payments or \$17 per child, with a family maximum of \$51 per family.

- Reduces \$6 million GF associated with Medi-Cal post-stabilization for managed care of non-contract hospitals, this is scheduled to sunset in two years.
- Reduces \$34 million GF associated with county administration of the Medi-Cal, IHSS, and Food stamps programs.

### **MENTAL HEALTH**

- Deletes \$5.1 million (General Fund) for Department of Mental Health (DMH) staff and administrative costs associated with further implementation of certain federal requirements. These funds were not provided since the DMH has funds available for this purpose due to salary savings from vacant positions.
- Enacts a performance improvement project for the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) program for a savings of over \$12 million GF.
- Includes budget language specifying legislative intent for counties to consider ways to provide services similar to those established pursuant to the Mentally Ill Offender Crime Reduction Grant program using Proposition 63 funds.
- Adopts trailer bill language to clarify reimbursements made for mental health services provided to children residing in out-of-state facilities.

### **DEVELOPMENTAL SERVICES**

- Adopts the Governor's 10 percent reduction of \$512,000 (General Fund) for client's rights advocacy.
- Continues the Governor's cost containment measures as enacted in the Special Session.
- Adopts trailer bill language to review cost containment measures regarding services provided through the Regional Centers.

- Reduces \$13 million General Fund associated with family cost participation, purchase of service review / parental responsibility, and savings assumed from Proposition 10 funding availability for the Early Start program.

## **JUDICIAL / PUBLIC SAFETY**

- Provides \$107 million General Fund for the Citizen's Option for Public Safety (COPS) Program that supports local law enforcement.
- Provides \$107 million General Fund for the Juvenile Justice Crime Prevention Act program that supports local probation departments.
- Includes \$181 million General Fund for local probation departments to support juvenile programs.
- Maintains \$31.5 million General Fund for booking fees.
- Accounts for restoration of small and rural sheriff's subvention (\$16.7 million General Fund). However, activating statute is contained in the public safety trailer bill.
- Provides \$32 million GF in lieu of increased reimbursements to support the Department of Justice (DOJ) forensic labs.
- Eliminates funding for grants to local law enforcement for mentally ill offenders for a \$40 million General Fund savings. However, counties may wish to fund this program with available Proposition 63 funds.
- Provides no General Fund augmentation to the Judicial Branch in the budget year requiring the Judicial Branch to use one-time reserves to support its operations in the budget year.
- Delays implementation of a new trial court program enacted in 2006 to reduce fraud and abuse of elderly and dependent of adults to save \$17.4 million General Fund.
- Reduces funding for Department of Justice gang suppression and methamphetamine enforcement activities that assists local law enforcement to save \$10 million General Fund.

- Eliminates over 100 vacant positions at the Department of Justice to save \$11 million General Fund.
- Eliminates the Crime and Violence Prevention Center at the Department of Justice for \$5 million in General Fund savings.

## **NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION**

- Provides \$126.5 million for emergency levee evaluations and repairs. Also provides over \$263 million for construction of levees and other flood control projects.
- Provides \$305 million for FloodSAFE, a long-term strategic initiative developed to reduce flood risk in California.
- Provides \$50 million to the Air Resources Board from AB 118 funding for a program to assist low-income short-haul truckers in meeting new air quality standards.
- Provides \$75 million to the Energy Commission to begin work on AB 118 implementation, such as grants and other funding mechanisms to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's alternative fuels and climate change policies.
- Approves the Governor's proposal for a \$32 million loan from the Beverage Container Recycling Fund to pay for AB 32 implementation activities. This option leaves future funding for the program uncertain.
- Provides signature authority to the Attorney General (AG) for the Electricity Oversight Board's (EOB) outstanding legal cases. This authority will allow the AG to collect over \$2 billion owed to the state from the 2001 electricity crisis. These funds could have been lost to the state due to the Governor's administrative elimination of the EOB.
- Increases park fees by \$1.5 million in order to keep all parks open and retain existing levels of service.

## **GENERAL GOVERNMENT / STATE ADMINISTRATION**

- Provides for the modernization and securitization of the California State Lottery (lottery) for debt relief purposes beginning in the 2009-10 fiscal year. Requires voter approval on a statewide ballot, and would include the following key points:
  - Generates an estimated \$6 billion in 2009-10 and \$5 billion in 2010-11, but is not expected to generate revenues or provide any budget relief in 2008-09.
  - Deposits proceeds from the securitization into a new Debt Retirement Fund, and could be used for repaying budgetary borrowing (like transportation, education, and local government debts), and bonded indebtedness.
  - Provides only modest changes to the lottery, such as increasing prize payouts, but proposes no new games or technology.
  - Protects education from experiencing any financial loss.
- Provides a total of \$19.5 million for the California Multi-jurisdictional Methamphetamine Enforcement Team program, to be allocated on a competitive grant basis.
- Suspends half of the annual \$5 million GF appropriation for the Cesar Chavez Day of Service and Learning program.
- Fully reimburses counties for costs associated with the early presidential primary of February 2008.
- Maintains full funding for oversight activities of the Fair Political Practices Commission.
- Shifts \$350 million or five percent, whichever is larger, in Redevelopment Agency (RDA) property tax funds to education in order to generate General Fund savings of the same amount.

- Establishes an improved recovery and compliance process related to the pass-through of property tax dollars from RDAs to education agencies. A recent State Controller's study revealed underpayment by some RDAs. Recovery of approximately \$98 million in cumulative RDA underpayments will result in state GF savings of the same amount.
- Adopts a comprehensive package of modifications for the California State Teachers Retirement System (CalSTRS), which collectively improve benefits for retired teachers and achieve savings for the state. Recognizes savings of \$66 million GF in the cost of providing purchasing-power protection to retired teachers. Increases the inflation protection level from 80 percent to 85 percent of first-year retirement salary. Schedules interest payment to CalSTRS related to a legal judgment – starting with a \$57 million GF payment in 2009-10.
- Defers payment of \$75 million GF to local governments for old mandate claims (pre-July 2004 claims).
- Maintains full funding for the low-income senior citizen property tax relief programs -- \$254 million GF is budgeted for these programs.
- Utilizes \$7.2 million of federal funds under the Workforce Investment Act for parolee services providing an equivalent level of General Fund savings. Additionally, provides \$2 million for green technology/green collar job training.
- Restores the 10 percent reduction to County Veterans Services Offices in order to assist veterans in accessing their full federal benefits.

## **REVENUE SOLUTIONS**

- Establishes a new 20-percent penalty for corporate taxpayers that understate their taxes by \$1 million or more. This penalty is expected to generate about \$1.4 billion GF accrued to 2007-08. Currently, corporations that significantly underreport their taxes are required to pay 10 percent interest for their underpayment. Establishing penalties of 20 percent for all open tax years for corporations that understate their taxes by \$1 million or more will increase revenues in the short term, as companies will pay taxes due to the state for prior years, and reduce the rate of underreporting and increase tax compliance going

forward. Companies would have the opportunity in 2009 to file amended tax returns and make payments to avoid the new penalty.

- Accelerates estimated quarterly payments. Under current law, certain taxpayers make four quarterly payments of 25 percent of their estimated liability. This proposal would increase the first two estimated payments required to 30 percent and reduce the last two payments to 20 percent – generating approximately \$1.3 billion in 2008-09.
- Eliminates “Safe Harbor” for taxpayers with incomes over \$1 million. Under current law, taxpayers are only required to make estimated payments and/or withholding up to 110 percent of prior year tax liability. If liability exceeds 110 percent of the prior year tax liability, the taxpayer can pay the difference by April 15 of the following tax year without penalty. This proposal would eliminate the “safe harbor” for taxpayers with incomes over \$1 million, such that they will have to pay their full estimated tax liability in quarterly payments. This is anticipated to generate \$900 million in 2008-09.
- Suspends the Net Operating Loss (NOL) deduction for two years (\$1.1 billion) and limits various incentive credits for two years (adds approximately \$900 million). Businesses with incomes under \$500,000 are excluded. NOL is brought into greater conformity with federal law by allowing 20 year carry forward and 2 year carry back. Incentive credits are broadened to allow use of credits by affiliated corporations.
- Requires payment of the estimated Limited Liability Company (LLC) payment by June 15 of the current taxable year, instead of April 15 of the following year. This change would result in a one-time GF benefit of \$360 million.
- Adopts a modified administration proposal for accrual of revenues – providing \$1.8 billion in GF revenues. Of this amount, \$416 million is accrued to 2007-08 and \$1.4 billion is accrued to 2008-09.

## **BUDGET REFORM**

- Increases the size of the Budget Stabilization Fund (BSF). Increases the target size of the Budget Stabilization Fund (BSF) from five percent of General Fund revenues to 12.5 percent of General Fund revenues.

- Limits use of the BSF to bad revenue years. Commencing in 2010-11, prohibits transfers from the BSF to the GF, unless revenue is insufficient to meet the current services level of funding. Specifically, revenues, transfers, and prior-year balances, must be below that required to meet prior-year expenditures adjusted for population and cost-of-living, as specified. The maximum allowable BSF transfer would be that necessary to fund the amount associated as a result of the change in population and cost-of-living. Furthermore, would require the Legislature to pass a statute authorizing a transfer from the BSF to the GF. If these conditions are met, allows the Governor to also suspend the transfer of three percent of GF revenues to the BSF via executive order by September 30 of a fiscal year.
- Allows use of the BSF for emergencies. Allows BSF funds to be used to respond to an emergency declared by the Governor and transferred by statute.
- Adds "April Surprises" revenue to the BSF. Requires that any unanticipated revenue growth from the time of the January Governor's budget to the May Revision of the Governor's Budget be directed to first meeting the Proposition 98 constitutional obligations and that the remainder be transferred to the BSF. Unanticipated revenue is defined as that exceeding 105 percent of the January estimate. If the BSF is already at 12.5 percent of General Fund revenue, the revenue is instead directed to early retirement of budgetary obligations and one-time expenditures as specified.
- Requires that the annual Governor's Budget identify an estimate of one-time revenues. The Constitution currently requires the Governor to annually submit a proposed budget, including estimated revenues, by January 10. This constitutional amendment would require identification of the amount of revenue that is estimated to be one-time.
- Allows use of BSF for cash flow purposes. Specifies that the BSF may be loaned and repaid within a fiscal year to meet General Fund cash requirements.