

Assembly Bill No. 1830

CHAPTER 42

An act to add Article 7.6.5 (commencing with Section 16418.8) to Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, and to add Section 11011 to the Welfare and Institutions Code, relating to budget reserves, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor June 27, 2018. Filed with Secretary of State June 27, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1830, Committee on Budget. Budget Deficit Savings Account: Safety Net Reserve Fund.

Existing provisions of the California Constitution, approved by the electors on November, 4, 2014, establish the Budget Stabilization Account in the General Fund and require the Controller, on or before October 1 of the 2015–16 fiscal year and each fiscal year thereafter, to transfer from the General Fund to the Budget Stabilization Account amounts that include a sum equal to 1.5% of the estimated amount of General Fund revenues for that fiscal year. These existing provisions prohibit for each fiscal year transfers to the account that would cause the balance in the account to exceed 10% of the amount of General Fund proceeds of taxes for the fiscal year, as estimated by the Department of Finance. These existing provisions authorize, for any fiscal year, General Fund proceeds of taxes that, but for the above prohibition, would have been transferred to the account, to be expended only for infrastructure, as prescribed.

This bill would require deposits to the Budget Stabilization Account for the 2018–19 fiscal year, above the amounts required by existing provisions of the California Constitution, as defined and appropriated in the 2018 Budget Act, to be transferred from the General Fund to the Budget Deficit Savings Account, which the bill would establish in the State Treasury. The bill would require the Controller to transfer certain moneys from the Budget Deficit Savings Account to the Budget Stabilization Account, based on an updated projection as calculated by the department, upon order of that department no earlier than May 31, 2019. The bill would require the Controller, upon order of the department, to transfer 50% of the remaining amounts deposited in the Budget Deficit Savings Account that are not transferred to the Budget Stabilization Account to the Safety Net Reserve Fund, which the bill would establish in the State Treasury. The bill would include within the Safety Net Reserve Fund a Medi-Cal Subaccount and a CalWORKs Subaccount. The bill would require the Controller, upon the enactment of the 2018 Budget Act, upon order of the department, to transfer

\$200,000,000 from the General Fund to the CalWORKs Subaccount. The bill would appropriate \$8,000 from the General Fund to the department for work necessary to develop rules associated with the Budget Deficit Savings Account and the Safety Net Reserve Fund.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) California revenue losses associated with the last three recessions totaled roughly \$40 billion in the recession of the early 1990s, \$80 billion in the dot-com bust of the 2000s, and \$115 billion in the Great Recession.

(b) In 2014, the people of the great State of California overwhelmingly supported Proposition 2, a measure to repay debt and protect the state from the negative effects of economic downturns by depositing surplus revenue into the Budget Stabilization Account.

(c) Several economists, including the Legislative Analyst and the Department of Finance, have indicated that another downturn in California's economy is inevitable.

(d) Establishing the Budget Deficit Savings Account will allow the state yet another mechanism to prepare in advance of a recession, thus further mitigating the impacts of state revenue losses.

SEC. 2. Article 7.6.5 (commencing with Section 16418.8) is added to Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, to read:

Article 7.6.5. Budget Deficit Savings Account

16418.8. (a) The Budget Deficit Savings Account is hereby established in the State Treasury.

(b) Deposits to the Budget Stabilization Account for the 2018–19 fiscal year, above the amounts required by Section 20 of Article XVI of the California Constitution, as defined and appropriated in the 2018 Budget Act, shall be transferred from the General Fund to the Budget Deficit Savings Account. Based on the updated projection as calculated by the Department of Finance during the 2019–20 May Revision, upon order of the Director of the Department of Finance, no earlier than May 31, 2019, the Controller shall transfer the updated amount from the Budget Deficit Savings Account to the Budget Stabilization Account.

(c) Upon order of the Director of the Department of Finance, the Controller shall transfer 50 percent of the remaining amounts deposited in the Budget Deficit Savings Account that are not transferred to the Budget Stabilization Account pursuant to subdivision (b) to the Safety Net Reserve Fund, created by Section 11011 of the Welfare and Institutions Code. The

remaining 50 percent of the balance shall remain in the Budget Deficit Savings Account.

(d) Notwithstanding any other law, the Controller may use the funds in the Budget Deficit Savings Account for cash flow loans to the General Fund as provided in Sections 16310 and 16381.

SEC. 3. Section 11011 is added to the Welfare and Institutions Code, to read:

11011. (a) (1) The Safety Net Reserve Fund is hereby established in the State Treasury. The Medi-Cal Subaccount and the CalWORKs Subaccount are hereby created within the Safety Net Reserve Fund.

(2) Notwithstanding any other law, the Controller may use the funds in the Safety Net Reserve Fund and the Medi-Cal and CalWORKs subaccounts for cash flow loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code.

(b) (1) The Department of Finance, in consultation with the State Department of Social Services, the State Department of Health Care Services, and the Legislative Analyst's Office, shall establish both of the following:

(A) A methodology to calculate savings attributable to caseload and cost per case for the purpose of funding the subaccounts.

(B) A process for the distribution of funds.

(2) On or before May 1, 2019, and during the annual budget process, the Department of Finance, in consultation with the Legislative Analyst's Office, shall present to the Legislature information related to the methodology and the distribution process, as described in paragraph (1).

(3) It is the intent of the Legislature to codify in future legislation the final methodology and distribution process.

(c) Upon the enactment of the 2018 Budget Act, upon order of the Director of the Department of Finance, the Controller shall transfer two hundred million dollars (\$200,000,000) from the General Fund to the CalWORKs Subaccount. Upon appropriation by the Legislature, the Safety Net Reserve Fund and the Medi-Cal and CalWORKs subaccounts shall be utilized for the purposes of maintaining existing program benefits and services for the Medi-Cal and CalWORKs programs during economic downturns when caseload and cost per case related to these programs increase and state revenues decline.

SEC. 4. The sum of eight thousand dollars (\$8,000) is hereby appropriated from the General Fund to the Department of Finance for work necessary to develop rules associated with the Budget Deficit Savings Account and the Safety Net Reserve Fund pursuant to Section 16418.8 of the Government Code and Section 11011 of the Welfare and Institutions Code.

SEC. 5. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

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