Proposition 2 Overview

Proposition 2 amends the State Constitution to end the existing rules for a state budget reserve—the Budget Stabilization Account (BSA)—and replace them with new rules. The new rules would change how the state pays down debt and saves money in reserves. In addition, if Proposition 2 passes, a new state law would go into effect that sets the maximum budget reserves school districts can keep at the local level in some future years. Finally, the proposition places in the Constitution an existing requirement for the Governor's budget staff to estimate future state General Fund revenues and spending. Figure 1 summarizes key changes that would occur if voters approve Proposition 2.

Figure 1

Summary of Key Changes That Would Occur If Proposition 2 Passes

State Debts

- Requires state to spend minimum amount each year to pay down specified debts.[a]

State Reserves

- Changes amount that goes into a state budget reserve account (known as the Budget Stabilization Account, or BSA).[a]
- Increases maximum size of the BSA.
- Changes rules for when state can put less money into the BSA.
- Changes rules for taking money out of the BSA.

School Reserves

- Creates state reserve for schools and community colleges.
- Sets maximum reserves that school districts can keep at the local level in some future years.[b]

[a] After 15 years, debt spending under Proposition 2 becomes optional. Amounts that otherwise would have been spent on specified debts would instead be put into the BSA.

[b] This change would result from a related state law that takes effect if Proposition 2 passes.