

TEXT OF PROPOSED LAWS

PROPOSITION 1A

This amendment proposed by Senate Constitutional Amendment 13 of the 2007–2008 Regular Session (Resolution Chapter 144, Statutes of 2008) and Assembly Constitutional Amendment 1 of the 2009–2010 Third Extraordinary Session (Resolution Chapter 1, 2009–2010 Third Extraordinary Session) expressly amends sections of, and adds a section to, the California Constitution; therefore, provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

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

SEC. 12. (a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature, with an explanatory message, a budget for the ensuing fiscal year containing itemized statements for recommended state expenditures and estimated ~~state revenues total state resources available to meet those expenditures~~. If recommended expenditures exceed estimated ~~revenues resources~~, the Governor shall recommend the sources from which the additional ~~revenues resources~~ should be provided. *The itemized statement of estimated total state resources available to meet recommended expenditures submitted pursuant to this subdivision shall identify the amount, if any, of those resources anticipated to be one-time resources.*

(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 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 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, are void unless passed in each house by rollcall vote entered in the journal, two-thirds of the membership concurring.

(e) The Legislature may control the submission, approval, and enforcement of budgets and the filing of claims for all state agencies.

(f) 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, a total amount that, when combined with all appropriations from the General Fund for that fiscal year 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~~ Fund for that fiscal year pursuant to Section 20 of Article XVI, exceeds General Fund revenues, *transfers, and balances available from the prior fiscal year* for that fiscal year estimated as of the date of the budget bill's passage. That estimate of General Fund revenues, *transfers, and balances* shall be set forth in the budget bill passed by the Legislature.

Second—That Section 20 of Article XVI thereof is amended to read:

SEC. 20. (a) (1) The Budget Stabilization Fund, and the Supplemental Budget Stabilization Account ~~is, are~~ hereby created in the General Fund.

(2) *If Section 8.3 is added to this article to provide for supplemental education payments at the same election at which this paragraph was approved by the voters, the Supplemental Education Payment Account is hereby established in the General Fund.*

(b) In each fiscal year as specified in paragraphs (1) to (3), inclusive, the Controller shall transfer from the General Fund to the Budget Stabilization ~~Account~~ Fund the following amounts:

(1) No later than September 30, 2006, a sum equal to 1 percent of the estimated amount of General Fund revenues for the 2006–07 fiscal year.

(2) No later than September 30, 2007, a sum equal to 2 percent of the estimated amount of General Fund revenues for the 2007–08 fiscal year.

(3) ~~No later than~~ *On* September 30, 2008, and *on September 23* annually thereafter, a sum equal to 3 percent of the estimated amount of General Fund revenues for the current fiscal year.

(c) ~~The~~ *Except for the amount determined pursuant to subdivision (h),* the transfer of moneys shall not be required by subdivision (b) in any fiscal year to the extent that the resulting balance in the ~~account~~ Budget Stabilization Fund would exceed ~~5~~ *12.5* percent of the General Fund revenues estimate set forth in the budget bill for that fiscal year, as enacted, ~~or eight billion dollars (\$8,000,000,000), whichever is greater.~~ The Legislature may, by statute, direct the Controller, for one or more fiscal years, to transfer into the ~~account~~ Budget Stabilization Fund amounts in excess of the levels prescribed by this subdivision.

(d) Subject to any restriction imposed by this section, funds transferred to the Budget Stabilization Fund, *the Supplemental Education Payment Account, or the Supplemental Budget Stabilization Account* shall be deemed to be General Fund revenues for all purposes of this Constitution.

(e) ~~The~~ *Except for the amount determined pursuant to subdivision (h),* the transfer of moneys from the General Fund to the Budget Stabilization ~~Account~~ Fund may be suspended or reduced for a fiscal year as specified by an executive order issued by the Governor no later than ~~June 1 of the preceding fiscal year~~ *the date of the transfer set forth in subdivision (b). For a fiscal year commencing on or after July 1, 2011, this subdivision shall be operative only if a transfer of moneys from the Budget Stabilization Fund to the General Fund is authorized pursuant to subparagraph (A) of paragraph (2) of subdivision (f).*

(f) (1) Of the moneys transferred to the ~~account~~ Budget Stabilization Fund in each fiscal year, *exclusive of the amount determined pursuant to subdivision (h),* 50 percent, up to the aggregate amount of five billion dollars (\$5,000,000,000) for all fiscal years, shall be deposited in the Deficit Recovery Bond Retirement Sinking Fund Subaccount, which is hereby created in the ~~account~~ Budget Stabilization Fund for the purpose of retiring deficit recovery bonds authorized and issued as described in Section 1.3, in addition to any other payments provided for by law for the purpose of retiring those bonds. The moneys in the sinking fund subaccount are continuously appropriated to the Treasurer to be expended for that purpose in the amounts, at the times, and in the manner deemed appropriate by the Treasurer. Any funds remaining in the sinking fund subaccount after all of the deficit recovery bonds are retired shall be transferred to the ~~account~~ Budget Stabilization Fund, and may be transferred to the General Fund pursuant to paragraph (2).

(2) ~~All~~ *Except for the amount determined pursuant to subdivision (h),* all other funds transferred to the ~~account~~ Budget Stabilization Fund in a fiscal year shall not be deposited in the sinking fund subaccount and may, ~~by statute,~~ be transferred to the General Fund by *statute as specified in this paragraph.*

(A) *Apart from a transfer pursuant to subparagraph (B), the total amount that may be transferred to the General Fund pursuant to this paragraph for any fiscal year shall not exceed the amount derived by subtracting the General Fund revenues, transfers, and balances available from the prior fiscal year for that fiscal year from the*

expenditure forecast amount for the current fiscal year. For purposes of this subparagraph, “General Fund revenues, transfers, and balances available from the prior fiscal year for that fiscal year” does not include revenues transferred from the General Fund to the Budget Stabilization Fund pursuant to subdivision (b) for that fiscal year. For purposes of this subparagraph, Section 21, and Section 12 of Article IV, “balances available from the prior fiscal year for that fiscal year” means the funds in the Special Fund for Economic Uncertainties, or a successor fund, as of June 30 of the prior fiscal year. The “expenditure forecast amount” for a fiscal year is the total General Fund expenditures for the immediately preceding fiscal year adjusted for the change in population of the State, as defined in Section 8 of Article XIII B, and the change in the cost of living for the State, as measured by the California Consumer Price Index, between the immediately preceding fiscal year and the fiscal year in which the transfer is made. “Total General Fund expenditures for the immediately preceding fiscal year” do not include, for this purpose, the expenditure of unanticipated revenues pursuant to subparagraph (B) or pursuant to paragraph (3) or (4) of subdivision (c) of Section 21.

(B) Any funds necessary for the purpose of responding to an emergency declared by the Governor may be transferred by statute. For purposes of this subparagraph, “emergency” has the same meaning as set forth in paragraph (2) of subdivision (c) of Section 3 of Article XIII B.

(g) In addition to any transfer authorized by this section, funds in the Budget Stabilization Fund or the Supplemental Budget Stabilization Account may be loaned to meet General Fund cash requirements on the condition that the funds are repaid within the same fiscal year in which the loan is made.

(h) If the Supplemental Education Payment Account is established by subdivision (a), on October 1, 2011, and on October 1 annually thereafter, the Controller shall transfer from the Budget Stabilization Fund to the Supplemental Education Payment Account the lesser of the following:

(1) A sum equal to 1.5 percent of the estimated amount of General Fund revenues for the current fiscal year.

(2) The amount of the total supplemental education payments set forth in subdivision (a) of Section 8.3 remaining to be allocated.

(i) (1) If the Supplemental Education Payment Account is established by subdivision (a), on October 1 of the first fiscal year for which the amount determined pursuant to paragraph (1) of subdivision (h) is greater than the amount determined pursuant to paragraph (2) of subdivision (h), and on October 1 annually thereafter, the Controller shall transfer from the Budget Stabilization Fund to the Supplemental Budget Stabilization Account a sum equal to 1.5 percent of the estimated amount of General Fund revenues for the current fiscal year minus the amount, if any, of the total supplemental education payments set forth in subdivision (a) of Section 8.3 remaining to be allocated.

(2) If the Supplemental Education Payment Account is not established by subdivision (a), on October 1, 2011, and on October 1 annually thereafter, the Controller shall transfer from the Budget Stabilization Fund to the Supplemental Budget Stabilization Account a sum equal to 1.5 percent of the estimated amount of General Fund revenues for the current fiscal year.

(3) Funds in the Supplemental Budget Stabilization Account may be appropriated only for the purposes set forth in subparagraphs (B) or (C) of paragraph (4) of subdivision (c) of Section 21.

Third— That Section 21 is added to Article XVI thereof, to read:

SEC. 21. (a) On or before May 29, 2011, and on or before May 29 of each year thereafter, the Director of Finance shall do all of the following, reporting the result in each case to the Legislature and the Governor:

(1) Separately estimate General Fund revenues, transfers, and balances available from the prior fiscal year for the current fiscal

year.

(2) Determine the revenue forecast amount for the current fiscal year in the manner set forth in subdivision (d).

(3) Estimate the amount, as of that date, of any General Fund obligations arising under Section 8 for the current fiscal year, including any maintenance factor allocation for the current fiscal year required pursuant to subdivision (e) of Section 8, that have not yet been funded by the State.

(b) (1) Except as provided in paragraph (2), “unanticipated revenues” for a fiscal year, for purposes of this section, shall be the lesser of the following:

(A) Estimated General Fund revenues for the current fiscal year reported pursuant to paragraph (1) of subdivision (a) minus the revenue forecast amount for the current fiscal year.

(B) Estimated General Fund revenues, transfers, and balances available from the prior fiscal year for the current fiscal year reported pursuant to paragraph (1) of subdivision (a) minus the expenditure forecast amount for the current fiscal year determined pursuant to subparagraph (A) of paragraph (2) of subdivision (f) of Section 20.

(2) If the amount determined pursuant to paragraph (1) is less than zero, the amount of unanticipated revenues shall be zero.

(c) Unanticipated revenues, as determined pursuant to this section, may be used only as follows:

(1) Unanticipated revenues shall be appropriated to satisfy any unfunded General Fund obligations arising under Section 8 for the current fiscal year, as estimated pursuant to paragraph (3) of subdivision (a).

(2) Any unanticipated revenues that remain after deducting, in accordance with paragraph (1), the amount of the estimate required by paragraph (3) of subdivision (a) shall be transferred by the Controller no later than June 27 of the current fiscal year to the Budget Stabilization Fund, not exceeding the amount needed to increase the balance in the fund to an amount equal to 12.5 percent of the estimate of General Fund revenues as set forth in the enacted budget bill for that fiscal year. Notwithstanding any other provision of this Constitution:

(A) If the Director of Finance determines at any time that the total amount of General Fund obligations arising under Section 8 for a fiscal year, including any maintenance factor allocation for that fiscal year required pursuant to subdivision (e) of Section 8, exceeds the total amount of those General Fund obligations as calculated for that fiscal year for purposes of the estimate required by paragraph (3) of subdivision (a), he or she shall so report to the Legislature, the Governor, and the Controller. The Controller shall thereupon transfer funds in the amount of that difference from the Budget Stabilization Fund to the General Fund, and the funds so transferred shall be appropriated only for purposes of funding the additional amount of General Fund obligations under Section 8 determined pursuant to this paragraph.

(B) If the Director of Finance determines at any time that the total amount of General Fund obligations arising under Section 8 for a fiscal year, including any maintenance factor allocation for that fiscal year required pursuant to subdivision (e) of Section 8, is less than the total amount of those General Fund obligations as calculated for that fiscal year for purposes of the estimate required by paragraph (3) of subdivision (a), he or she shall so report to the Legislature, the Governor, and the Controller. The Controller shall thereupon transfer funds in the amount of that difference from the General Fund to the Budget Stabilization Fund, not exceeding the amount needed to increase the balance in the latter fund to an amount equal to 12.5 percent of the estimate of General Fund revenues as set forth in the enacted budget bill for that fiscal year.

(3) Any unanticipated revenues remaining after any appropriations and transfers described in paragraphs (1) and (2) shall be appropriated to retire outstanding budgetary obligations. For purposes of this paragraph, “budgetary obligations” means any of the following:

(A) Unfunded prior fiscal year General Fund obligations pursuant to Section 8.

(B) Any repayment obligations created by the suspension of subparagraph (A) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII.

(C) Any repayment obligations created by the suspension of subdivision (a) of Section 1 of Article XIX B.

(D) Bonded indebtedness authorized pursuant to Section 1.3.

(4) Any unanticipated revenues remaining after any appropriations and transfers described in paragraphs (1), (2), and (3) are made to retire all outstanding budgetary obligations shall be used for one or more of the following purposes:

(A) Transfer by statute to the Budget Stabilization Fund.

(B) Appropriation for one-time infrastructure or other capital outlay purposes.

(C) Appropriation to retire, redeem, or defease outstanding general obligation or other bonded indebtedness of the State.

(D) Return to taxpayers within the current or immediately following fiscal year by a one-time revision of tax rates, or by rebates.

(E) Appropriation for unfunded liabilities for vested nonpension benefits for state annuitants.

(d) For the 2010–11 fiscal year, and for each fiscal year thereafter, the revenue forecast amount shall be determined as follows:

(1) The General Fund revenues for the current fiscal year shall be forecast by extrapolating from the trend line derived by a linear regression of General Fund revenues as a function of fiscal year for the period of the 10 preceding fiscal years. For purposes of this paragraph, General Fund revenues shall exclude both of the following:

(A) The General Fund revenue effect of a change in state taxes that affects General Fund revenues for less than the entire period of the 10 preceding fiscal years.

(B) Any proceeds of bonds authorized by subdivision (a) of Section 1.3.

(2) The amount forecast pursuant to paragraph (1) shall be increased or decreased, as applicable, to reflect the net current fiscal year General Fund revenue effect of a change in state taxes for which General Fund revenue effects were excluded pursuant to subparagraph (A) of paragraph (1).

PROPOSITION 1B

This amendment proposed by Assembly Constitutional Amendment 2 of the 2009–2010 Third Extraordinary Session (Resolution Chapter 2, 2009–2010 Third Extraordinary Session) expressly amends the California Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

PROPOSED AMENDMENT TO ARTICLE XVI

That Section 8.3 is added to Article XVI thereof, to read:

SEC. 8.3. (a) School districts and community college districts shall receive supplemental education payments in the total amount of nine billion three hundred million dollars (\$9,300,000,000). These payments shall be in lieu of the maintenance factor amounts, if any, that otherwise would be determined pursuant to subdivision (d) of Section 8 for the 2007–08 and 2008–09 fiscal years. These payments are not subject to subdivision (e) of Section 8. These payments shall be made only from the Supplemental Education Payment Account, subject to the deposit into that account of the amounts necessary to make the payments. The operation of this section is contingent upon the establishment of the Supplemental Education Payment Account pursuant to subdivision (a) of Section 20.

(b) Commencing with the 2011–12 fiscal year, in addition to the amounts required to be allocated pursuant to subdivisions (b) and (e) of Section 8, the Legislature annually shall appropriate to school districts and community college districts the amount transferred to the Supplemental Education Payment Account pursuant to subdivision (h) of Section 20 in satisfaction of the supplemental education payments required by subdivision (a), until the full amount of the supplemental education payments required by subdivision (a) has been allocated pursuant to this section.

(c) (1) Of the appropriations made to school districts for the 2011–12 fiscal year pursuant to subdivision (b), an amount not exceeding two hundred million dollars (\$200,000,000) shall be available only for the purposes set forth in Section 42238.49 of the Education Code as that section read on March 28, 2009, as determined pursuant to the funding formula set forth in that section.

(2) The remaining amount of the appropriations made to school districts for the 2011–12 fiscal year pursuant to subdivision (b), and all of the appropriations made to school districts pursuant to subdivision (b) for each subsequent fiscal year, shall be allocated as an adjustment to revenue limit apportionments, as specified by statute, in a manner that does not limit a recipient school district with regard to the purposes of the district for which the moneys may be expended.

(d) All amounts appropriated in a fiscal year pursuant to this section shall be deemed allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B for that fiscal year, for purposes of determining, in the following fiscal year, the amount required pursuant to paragraph (2) or (3), as applicable, of subdivision (b) of Section 8.

PROPOSITION 1C

This amendment proposed by Senate Constitutional Amendment 12 of the 2007–2008 Regular Session (Resolution Chapter 143, Statutes of 2008) and Assembly Bill 1654 of the 2007–2008 Regular Session (Chapter 764, Statutes of 2008) and Assembly Bill 12 of the 2009–2010 Third Extraordinary Session (Chapter 8, 2009–2010 Third Extraordinary Session) expressly amends the California Constitution by amending a section thereof and amends, adds and repeals sections of the Government Code and amends a section of the California State Lottery Act of 1984; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

PROPOSED AMENDMENT TO ARTICLE IV OF THE CALIFORNIA CONSTITUTION

That Section 19 of Article IV thereof is amended to read:

SEC. 19. (a) The Legislature has no power to authorize lotteries, and shall prohibit the sale of lottery tickets in the State.

(b) The Legislature may provide for the regulation of horse races and horse race meetings and wagering on the results.

(c) Notwithstanding subdivision (a), the Legislature by statute may authorize cities and counties to provide for bingo games, but only for charitable purposes.

(d) (1) Notwithstanding subdivision (a), there is authorized the ~~establishment of a California State Lottery, a lottery to be conducted by the State and operated for the purpose of increasing revenues to provide funds for the support of public education and other public purposes.~~

(2) Notwithstanding any other provision of law or this Constitution to the contrary, the Legislature is hereby authorized to obtain moneys for the purposes of the California State Lottery through the sale of future revenues of the California State Lottery and rights to receive those revenues to an entity authorized by the Legislature to issue debt

obligations for the purpose of funding that purchase.

(e) The Legislature has no power to authorize, and shall prohibit, casinos of the type currently operating in Nevada and New Jersey.

(f) Notwithstanding subdivisions (a) and (e), and any other provision of state law, the Governor is authorized to negotiate and conclude compacts, subject to ratification by the Legislature, for the operation of slot machines and for the conduct of lottery games and banking and percentage card games by federally recognized Indian tribes on Indian lands in California in accordance with federal law. Accordingly, slot machines, lottery games, and banking and percentage card games are hereby permitted to be conducted and operated on tribal lands subject to those compacts.

(f)

(g) Notwithstanding subdivision (a), the Legislature may authorize private, nonprofit, eligible organizations, as defined by the Legislature, to conduct raffles as a funding mechanism to provide support for their own or another private, nonprofit, eligible organization's beneficial and charitable works, provided that (1) at least 90 percent of the gross receipts from the raffle go directly to beneficial or charitable purposes in California, and (2) any person who receives compensation in connection with the operation of a raffle is an employee of the private nonprofit organization that is conducting the raffle. The Legislature, two-thirds of the membership of each house concurring, may amend the percentage of gross receipts required by this subdivision to be dedicated to beneficial or charitable purposes by means of a statute that is signed by the Governor.

PROPOSED STATUTORY PROVISIONS

SECTION 1. More than 20 years having passed since the inception of the California State Lottery, the Lottery, as a state-owned asset, should be authorized to modernize its operations in order to improve its financial performance.

SEC. 2. Section 8880.1 of the Government Code is amended to read:

8880.1. **Purpose and Intent**

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8880.1. *The People of the State of California declare that the purpose of this Act is support for preservation of the rights, liberties and welfare of the people by providing additional monies moneys to benefit education either directly or indirectly by providing funds to pay General Fund and infrastructure bond obligations without the imposition of additional or increased taxes.*

The People of the State of California further declare that it is their intent that the net revenues of the California State Lottery that are allocated for public education shall not be used as substitute funds but rather shall supplement the total amount of money allocated for public education in California.

It is further the intent of the People of California to permanently secure the contribution that the California State Lottery has made to funding public education by increasing the minimum guarantee set forth in Section 8 of Article XVI of the California Constitution.

SEC. 3. Section 8880.4 of the Government Code is amended to read:

8880.4. **Revenues** *For fiscal years prior to the 2009–10 fiscal year, total revenues of the state lottery, as defined in Section 8880.65, shall be allocated as follows:*

(a) Not less than 84 percent of the total annual revenues from the sale of state lottery tickets or shares shall be returned to the public in the form of prizes and net revenues to benefit public education.

(1) Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.

(2) At least 34 percent of the total annual revenues shall be allocated to the benefit of public education, as specified in Section 8880.5. However, for the 1998–99 fiscal year and each fiscal year thereafter, 50 percent of any increase in the amount calculated pursuant to this paragraph from the amount calculated in the 1997–98 fiscal year shall

be allocated to school districts and community college districts for the purchase of instructional materials, on the basis of an equal amount per unit of average daily attendance, as defined by law, and through a fair and equitable distribution system across grade levels.

(3) All unclaimed prize money shall revert to the benefit of public education, as provided for in subdivision (e) of Section 8880.32 8880.321.

(4) All of the interest earned upon funds held in the State Lottery Fund shall be allocated to the benefit of public education, as specified in Section 8880.5. This interest is in addition to, and shall not be considered as any part of, the 34 percent of the total annual revenues that is required to be allocated for the benefit of public education as specified in paragraph (2).

(5) No more than 16 percent of the total annual revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 16 percent of the total annual revenues, any surplus funds also shall be allocated to the benefit of public education, as specified in this section or in Section 8880.5.

(b) Funds allocated for the benefit of public education pursuant to subdivision (a) are in addition to other funds appropriated or required under existing constitutional reservations for educational purposes. No program shall have the amount appropriated to support that program reduced as a result of funds allocated pursuant to subdivision (a). Funds allocated for the benefit of public education pursuant to subdivision (a) shall not supplant funds committed for child development programs.

(c) None of the following shall be considered revenues for the purposes of this section:

(1) Revenues recorded as a result of a nonmonetary exchange. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

(d) Reimbursements received in excess of the cost of the same goods and services provided by the lottery, as specified in paragraph (2) of subdivision (c), are not a part of the 34 percent of total annual revenues required to be allocated for the benefit of public education, as specified in paragraph (2) of subdivision (a). However, this amount shall be allocated for the benefit of public education as specified in Section 8880.5.

SEC. 4. Section 8880.4.5 is added to the Government Code, to read:

8880.4.5. *Commencing with the 2009–10 fiscal year, total revenues of the lottery, as defined in Section 8880.65, for each fiscal year shall be allocated as follows:*

(a) *Not less than 87 percent of the total revenues shall be returned to the public as follows:*

(1) *The commission shall determine the percentage of total revenues that shall be returned to the public in the form of prizes as set forth in this chapter, provided that the percentage shall not be less than 50 percent of the total revenues.*

(2) *One million dollars (\$1,000,000) shall be allocated to the Office of Problem and Pathological Gambling within the State Department of Alcohol and Drug Programs for problem gambling awareness and treatment programs. No later than April 1 of each year, the Director of the Office of Problem and Pathological Gambling shall report to the commission on the effectiveness of problem gambling awareness and treatment efforts. The funding provided pursuant to this paragraph shall not replace or limit any other problem gambling awareness or treatment activity determined by the director to further the purposes of this chapter.*

(3) *The amount of net revenues designated by the Director of*

Finance as lottery revenue assets subject to sale pursuant to Article 6.7 (commencing with Section 63048.91) of Chapter 2 of Division 1 of Title 6.7 shall be transferred to the Lottery Assets Fund, which is hereby established in the State Treasury, and, notwithstanding Section 13340, is continuously appropriated for the purposes of that article.

(4) Net revenues remaining after the allocations made pursuant to paragraphs (1) through (3) shall be transferred to the Debt Retirement Fund, which is hereby established in the State Treasury. The Debt Retirement Fund may be appropriated by the Legislature for the purpose of repaying General Fund budgetary obligations, infrastructure bond debts, and the Economic Recovery Bonds, including reimbursement to the General Fund for the costs of these debts.

(b) No more than 13 percent of the total revenues shall be allocated for payment of expenses of the lottery as described in this chapter. To the extent that expenses of the lottery are less than 13 percent of the total revenues, surplus funds may be carried over from year to year upon a determination by the commission that the carryover furthers the purposes of this chapter, except that the total revenues allocated for payment, plus carried over revenue, shall not exceed 16 percent of the total revenues for the year in which carried over revenue is available. Excess carried over revenue shall be allocated pursuant to subdivision (a).

(c) None of the following shall be considered revenues for the purposes of this section:

(1) Revenues recorded as a result of a nonmonetary exchange. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.

(2) Reimbursements received by the lottery for the cost of goods or services provided by the lottery that are less than or equal to the cost of the same goods or services provided by the lottery.

SEC. 5. Section 8880.5 of the Government Code is amended to read:

8880.5. Allocations for education:

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8880.5. The California State Lottery Education Fund is created within the State Treasury, and is continuously appropriated for carrying out the purposes of this chapter. ~~The~~ For fiscal years prior to the 2009–10 fiscal year, the Controller shall draw warrants on this fund and distribute them quarterly in the following manner, provided that the payments specified in subdivisions (a) to (g), inclusive, shall be equal per capita amounts.

(a) Payments shall be made directly to public school districts, including county superintendents of schools, serving kindergarten and grades 1 to 12, inclusive, or any part thereof, on the basis of an equal amount for each unit of average daily attendance, as defined by law and adjusted pursuant to subdivision (l).

(b) Payments shall also be made directly to public school districts serving community colleges, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(c) Payments shall also be made directly to the Board of Trustees of the California State University on the basis of an amount for each unit of equivalent full-time enrollment. Funds received by the trustees shall be deposited in and expended from the California State University Lottery Education Fund, which is hereby created or, at the discretion of the trustees, deposited in local trust accounts in accordance with subdivision (j) of Section 89721 of the Education Code.

(d) Payments shall also be made directly to the Regents of the University of California on the basis of an amount for each unit of equivalent full-time enrollment.

(e) Payments shall also be made directly to the Board of Directors of the Hastings College of the Law on the basis of an amount for each unit of equivalent full-time enrollment.

(f) Payments shall also be made directly to the Department of the

Youth Authority for educational programs serving kindergarten and grades 1 to 12, inclusive, or any part thereof, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(g) Payments shall also be made directly to the two California Schools for the Deaf, the California School for the Blind, and the three Diagnostic Schools for Neurologically Handicapped Children, on the basis of an amount for each unit of equivalent full-time enrollment.

(h) Payments shall also be made directly to the State Department of Developmental Services and the State Department of Mental Health for clients with developmental or mental disabilities who are enrolled in state hospital education programs, including developmental centers, on the basis of an equal amount for each unit of average daily attendance, as defined by law.

(i) No Budget Act or other statutory provision shall direct that payments for public education made pursuant to this chapter be used for purposes and programs (including workload adjustments and maintenance of the level of service) authorized by Chapters 498, 565, and 1302 of the Statutes of 1983, Chapter 97 or 258 of the Statutes of 1984, or Chapter 1 of the Statutes of the 1983–84 Second Extraordinary Session.

(j) School districts and other agencies receiving funds distributed pursuant to this chapter may at their option utilize funds allocated by this chapter to provide additional funds for those purposes and programs prescribed by subdivision (i) for the purpose of enrichment or expansion.

(k) As a condition of receiving any moneys pursuant to subdivision (a) or (b), each district and county superintendent of schools shall establish a separate account for the receipt and expenditure of those moneys, which account shall be clearly identified as a lottery education account.

(l) Commencing with the 1998–99 fiscal year, and each year thereafter, for the purposes of subdivision (a), average daily attendance shall be increased by the statewide average rate of excused absences for the 1996–97 fiscal year as determined pursuant to the provisions of Chapter 855 of the Statutes of 1997. The statewide average excused absence rate, and the corresponding adjustment factor required for the operation of this subdivision, shall be certified to the State Controller by the Superintendent of Public Instruction.

(m) It is the intent of this chapter that all funds allocated from the California State Lottery Education Fund and pursuant to Section 8880.5.5 shall be used exclusively for the education of pupils and students and no funds shall be spent for acquisition of real property, construction of facilities, financing of research, or any other noninstructional purpose.

SEC. 6. Section 8880.5.5 is added to the Government Code, to read:

8880.5.5. (a) Notwithstanding Section 13340 of the Government Code, commencing with the 2009–10 fiscal year and each fiscal year thereafter, the following annual appropriations are hereby made from the General Fund:

(1) To the State Department of Education, for allocation to school districts, county offices of education, and charter schools serving kindergarten and grades 1 to 12, inclusive, or any part thereof, on the basis of an equal amount for each unit of average daily attendance, as defined by law and adjusted pursuant to subdivision (l) of Section 8880.5, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (a) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in average daily attendance, as defined by law and adjusted pursuant to subdivision (l) of Section 8880.5, for school districts, county offices of education, and charter schools serving kindergarten and grades 1 to 12, inclusive, from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(2) To the Board of Governors of the California Community Colleges, for allocation to community college districts, on the basis of an equal amount for each full time equivalent student, as defined by law, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (b) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in full time equivalent students for community college districts from the second preceding fiscal year to the preceding fiscal year and then by applying a cost of living adjustment pursuant to paragraph (10) of this subdivision.

(3) To the Board of Trustees of the California State University, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (c) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in full-time equivalent students for the California State University system from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(4) To the Regents of the University of California, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (d) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in full-time equivalent students for the University of California system from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(5) To the Board of Directors of the Hastings College of the Law, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (e) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in full-time equivalent students for the Hastings College of the Law from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(6) To the California Department of Corrections and Rehabilitation, for educational programs serving kindergarten and grades 1 to 12, inclusive, or any part thereof, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (f) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in equivalent average daily attendance for the Department of Corrections and Rehabilitation Division of Juvenile Justice from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(7) To the State Department of Education, for support of the State Special Schools, an amount equal to the payments made during the 2008–09 fiscal year pursuant to subdivision (g) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in equivalent average daily attendance for the State Special Schools from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(8) To the State Department of Developmental Services, for clients with developmental disabilities who are enrolled in developmental

center education programs, an amount equal to the payments made to the State Department of Developmental Services during the 2008–09 fiscal year pursuant to subdivision (h) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in equivalent average daily attendance for the State Department of Developmental Services from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(9) To the State Department of Mental Health, for clients with mental disabilities who are enrolled in state hospital education programs, an amount equal to the payments made to the State Department of Mental Health during the 2008–09 fiscal year pursuant to subdivision (h) of Section 8880.5, adjusted for inflation and attendance. The amount appropriated each year pursuant to this paragraph shall be determined by multiplying the amount appropriated in the preceding fiscal year by one plus the percent change in equivalent average daily attendance for the State Department of Mental Health from the second preceding fiscal year to the preceding fiscal year and then by applying a cost-of-living adjustment pursuant to paragraph (10) of this subdivision.

(10) The amounts appropriated pursuant to this subdivision shall be increased each year by the change in the cost-of-living determined pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B of the California Constitution.

(b) The amounts appropriated for the 2009–10 fiscal year pursuant to paragraphs (1), (2), (6), (7), (8), and (9) of subdivision (a) shall be in addition to the sums required by, and shall not be considered towards fulfilling the funding requirements of Section 8 of Article XVI of the California Constitution.

(c) The amounts appropriated for the 2009–10 fiscal year pursuant to paragraphs (1), (2), (6), (7), (8), and (9) of subdivision (a) shall not offset or in any way reduce the maintenance factor determined pursuant to subdivisions (d) and (e) of Section 8 of Article XVI of the California Constitution, and shall be in addition to the amount of maintenance factor allocated in the 2009–10 fiscal year pursuant to subdivision (e) of Section 8 of Article XVI of the California Constitution.

(d) Commencing with the 2010–11 fiscal year and each fiscal year thereafter, for the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made by paragraphs (1), (2), (6), (7), (8), and (9) of subdivision (a) of this section for the prior fiscal year shall be deemed to be included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code.

(e) Commencing with the 2010–11 fiscal year, the percentage determined pursuant to paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, as adjusted pursuant to Chapter 2 (commencing with Section 41200) of Part 24 of the Education Code, shall be increased by adding to it the number of percentage points determined by dividing the total amount allocated pursuant to subdivisions (a), (b), (f), (g), and (h) of Section 8880.5 for the 2008–09 fiscal year by the total General Fund revenues that may be appropriated pursuant to Article XIII B of the California Constitution for the 2008–09 fiscal year.

(f) Commencing with the 2009–10 fiscal year, references in law to lottery education funds, to funds allocated pursuant to Section 8880.5, to funds allocated from the California State Lottery Education Fund, or similar references in law to the proceeds of lottery revenues allocated for the benefit of public education to the entities described in subdivisions (a), (b), (f), (g), and (h) of Section 8880.5 shall be deemed to be references to the funds appropriated pursuant to this section. This subdivision shall be broadly construed to effectuate its

purpose.

SEC. 7. Section 8880.25 of the Government Code is amended to read:

8880.25. Operation of the Lottery

~~The~~

~~8880.25. The Lottery shall be initiated and operated so as to produce the maximum amount of net revenues to supplement the total amount of money allocated for public education in California available for allocation pursuant to Sections 8880.4 and 8880.4.5.~~

SEC. 12. Section 8880.56 of the Government Code is amended to read:

8880.56. (a) Notwithstanding ~~any other provisions~~ *provision of this chapter or of any other law, the director may purchase or lease goods and services as are necessary for effectuating the purposes of this chapter has express authority, subject only to commission approval, to make any and all expenditures that are necessary or reasonable for effectuating the purposes of this chapter, including, but not limited to, payment for the costs of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, consumer, retailer, and employee incentives, public relations, communications, compensation paid to the lottery game retailers, bonding for lottery game retailers, printing, distribution of tickets or shares, reimbursement of costs of services provided to the lottery by other governmental entities, and payment for the costs of any other goods and services necessary or reasonable for effectuating the purposes of this chapter.* The director may not contract with any private party for the operation and administration of the California State Lottery, created by this chapter. However, this section does not preclude procurements ~~which~~ *that* integrate functions such as game design, supply, advertising, and public relations. In all procurement decisions, the director shall, subject to the approval of the commission, award contracts to the responsible supplier submitting the ~~lowest and best~~ proposal that maximizes the benefits to the state in relation to the areas of security, competence, experience, and timely performance, shall take into account the particularly sensitive nature of the California State Lottery and shall act to promote and ensure integrity, security, honesty, and fairness in the operation and administration of the lottery and the objective of raising net revenues for the benefit of the public purpose described in this chapter. *With regard to employee incentives, the director shall exercise his or her authority consistent with the provisions of Chapter 10.3 (commencing with Section 3512) of Division 4 of Title 1.*

(b) Notwithstanding any other provision of this chapter, the following shall apply to contracts or procurement by the lottery:

(1) To ensure the fullest competition, the commission shall adopt and publish competitive bidding procedures for the award of any procurement or contract involving an expenditure of more than ~~one five hundred thousand dollars (\$100,000)~~ *(\$500,000)*. The competitive bidding procedures shall include, but not be limited to, requirements for submission of bids and accompanying documentation, guidelines for the use of requests for proposals, invitations to bid, or other methods of bidding, and a bid protest procedure. The director shall determine whether the goods or services subject to this paragraph are available through existing contracts or price schedules of the Department of General Services.

(2) The contracting standards, procedures, and rules contained in this subdivision shall also apply with respect to any subcontract involving an expenditure of more than ~~one five hundred thousand dollars (\$100,000)~~ *(\$500,000)*. The commission shall establish, as part of its bidding procedures for general contracts, subcontracting guidelines that implement this requirement.

(3) The provisions of Article 1 (commencing with Section 11250) of Chapter 3 of Part 1 of Division 3 apply to the commission.

(4) The commission is subject to the Small Business Procurement and Contract Act, as provided in Chapter 6.5 (commencing with Section 14835) of Part 5.5 of Division 3.

(5) In advertising or awarding any general contract for the procurement of goods and services exceeding five hundred thousand dollars (\$500,000), the commission and the director shall require all bidders or contractors, or both, to include specific plans or arrangements to utilize subcontracts with socially and economically disadvantaged small business concerns. The subcontracting plans shall delineate the nature and extent of the services to be utilized, and those concerns or individuals identified for subcontracting if known.

It is the intention of the Legislature in enacting this section to establish as an objective of the utmost importance the advancement of business opportunities for these small business concerns in the private business activities created by the California State Lottery. In that regard, the commission and the director shall have an affirmative duty to achieve the most feasible and practicable level of participation by socially and economically disadvantaged small business concerns in its procurement programs.

By July 1, 1986, the commission shall adopt proposal evaluation procedures, criteria, and contract terms which are consistent with the advancement of business opportunities for small business concerns in the private business activities created by the California State Lottery and which will achieve the most feasible and practicable level of participation by socially and economically disadvantaged small business concerns in its procurement programs. The proposal evaluation procedures, criteria, and contract terms adopted shall be reported in writing to both houses of the Legislature on or before July 1, 1986.

For the purposes of this section, socially and economically disadvantaged persons include women, Black Americans, Hispanic Americans, Native Americans (including American Indians, Eskimos, Aleuts, and Native Hawaiians), Asian-Pacific Americans (including persons whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, and Taiwan), and other minorities or any other natural persons found by the commission to be disadvantaged.

The commission shall report to the Legislature by July 1, 1987, and by each July 1 thereafter, on the level of participation of small businesses, socially and economically disadvantaged businesses, and California businesses in all contracts awarded by the commission.

(6) The commission shall prepare and submit to the Legislature by October 1 of each year a report detailing the lottery's purchase of goods and services through the Department of General Services. The report shall also include a listing of contracts awarded for more than one hundred thousand dollars (\$100,000), the name of the contractor, amount and term of the contract, and the basis upon which the contract was awarded.

~~The~~

(c) ~~The~~ lottery shall fully comply with the requirements of paragraphs (2) to (5), inclusive, *of subdivision (b)*, except that any function or role which is otherwise the responsibility of the Department of Finance or the Department of General Services shall instead, for purposes of this subdivision, be the sole responsibility of the lottery, which shall have the sole authority to perform that function or role.

(d) *Where a conflict exists between the provisions of this chapter and any other provision of law, the provisions of this chapter shall control.*

SEC. 14. Section 8880.63 of the Government Code is repealed.

~~8880.63. As nearly as practical, 50 percent of the total projected revenue, computed on a fiscal-year basis, accruing from the sales of all lottery tickets or shares shall be apportioned for payment of prizes.~~

SEC. 15. Section 8880.64 of the Government Code is amended to read:

8880.64. (a) Expenses of the lottery shall include all costs incurred ~~in the operation and administration of the lottery and all costs resulting from any contracts entered into for the purchase or lease of goods and services required by the lottery, including, but not limited to, the costs~~

~~of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, incentives, public relations, communications, compensation paid to the lottery game retailers, bonding for lottery game retailers, printing, distribution of tickets or shares, reimbursement of costs of services provided to the lottery by other governmental entities, and for the costs for any other goods and services necessary for effectuating the purposes of this chapter pursuant to Section 8880.56. As a promotional expense, the commission may supplement the prize pool of a game or games upon its determination that a supplement will benefit the public purpose of this chapter.~~

~~(b) (1) Not more than 16 percent of the total annual revenues accruing from the sale of all lottery tickets and shares from all lottery games shall be expended for the payment of the expenses of the lottery.~~

~~(2)~~

~~(b) Expenses recorded as a result of a nonmonetary exchange shall not be considered an expense for the purposes of Section Sections 8880.4 and 8880.4.5 and this section. "Nonmonetary exchange" means a reciprocal transfer, in compliance with generally accepted accounting principles, between the lottery and another entity that results in the lottery acquiring assets or services and the lottery providing assets or services.~~

SEC. 16. Section 8880.65 of the Government Code is amended to read:

~~8880.65. Transfer of Net Revenues~~

~~The funds remaining in the State Lottery Fund after accrual of all revenues to the State Lottery Fund, and after accrual of all obligations of the Lottery for prizes, expenses, and the repayment of any funds advanced from the temporary line of credit for initial startup costs and interest thereon shall be deemed to be the net revenues of the Lottery.~~

~~8880.65. (a) For the purposes of this chapter, the total revenues of the lottery shall include all revenue received by the California State Lottery, including, but not limited to, revenue from the sale of tickets or shares, merchandising revenue, advertising revenue, interest earnings on moneys in the State Lottery Fund, and unclaimed prizes returned to or retained by the State Lottery Fund. The net revenues of the lottery shall include total revenues remaining after accrual of all obligations of the lottery for prizes and expenses.~~

~~The~~

~~(b) For fiscal years prior to the 2009–10 fiscal year, the net revenues of the Lottery lottery shall be transferred from the State Lottery Fund not less than quarterly to the California State Lottery Education Fund.~~

~~(c) Commencing with the 2009–10 fiscal year, the net revenues of the lottery shall be transferred from the State Lottery Fund as required by Section 8880.4.5.~~

SEC. 17. Section 5 of the California State Lottery Act of 1984 is amended to read:

~~Sec. 5. No provision The provisions of this Act, except Sections 8880.5 and 8880.5.5 which may be amended only by a vote of the People, may be changed except to further its purpose for the purpose of modernizing the California State Lottery or to further the purposes of this Act as set forth in Sections 8880.1 and 8880.25 of the Government Code by a bill passed by a vote of two-thirds of the membership of both houses of the Legislature and signed by the Governor.~~

PROPOSITION 1D

This amendment proposed by Assembly Bill 17 of the 2009–2010 Third Extraordinary Session (Chapter 11, 2009–2010 Third Extraordinary Session) is submitted to the people in accordance with the provisions of Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Health and Safety Code and amends a section of, and adds a section to, the Revenue and

Taxation Code; therefore, provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Section 130105 of the Health and Safety Code is amended to read:

130105. The California Children and Families Trust Fund is hereby created in the State Treasury.

(a) The California Children and Families Trust Fund shall consist of moneys collected pursuant to the taxes imposed by Section 30131.2 of the Revenue and Taxation Code.

(b) All costs to implement this act shall be paid from moneys deposited in the California Children and Families Trust Fund.

(c) The State Board of Equalization shall determine within one year of the passage of this act the effect that additional taxes imposed on cigarettes and tobacco products by this act has on the consumption of cigarettes and tobacco products in this state. To the extent that a decrease in consumption is determined by the State Board of Equalization to be the direct result of additional taxes imposed by this act, the State Board of Equalization shall determine the fiscal effect the decrease in consumption has on the funding of any Proposition 99 (the Tobacco Tax and Health Protection Act of 1988) state health-related education or research programs in effect as of November 1, 1998, and the Breast Cancer Fund programs that are funded by excise taxes on cigarettes and tobacco products. Funds shall be transferred from the California Children and Families Trust Fund to those affected programs as necessary to offset the revenue decrease directly resulting from the imposition of additional taxes by this act. These reimbursements shall occur, and at any times, as determined necessary to further the intent of this subdivision.

(d) The California Children and Families Trust Fund shall be used to provide direct health care services, human services, including services for at-risk families who are involved with the child welfare system administered by the county welfare department, and direct early education services, including preschool and child care. Moneys shall be allocated and appropriated from the California Children and Families Trust Fund, except as authorized in subparagraph (H) of paragraph (1), and Section 30131.45 of the Revenue and Taxation Code, as follows:

(1) Twenty percent shall be allocated and appropriated to separate accounts of the state commission for expenditure according to the following formula:

~~(A) Six percent shall be deposited in a Mass Media Communications Account for expenditures for communications to the general public utilizing television, radio, newspapers, and other mass media on subjects relating to and furthering the goals and purposes of this act, including, but not limited to, methods of nurturing and parenting that encourage proper childhood development, the informed selection of child care, information regarding health and social services, the prevention and cessation of tobacco, alcohol, and drug use by pregnant women, the detrimental effects of secondhand smoke on early childhood development, and to ensure that children are ready to enter school.~~

~~(B)~~

(A) Five percent shall be deposited in an Education Account for expenditures to ensure that children are ready to enter school and for programs relating to education, including, but not limited to, the development of educational materials, professional and parental education and training, and technical support for county commissions in the areas described in subparagraph (A) of paragraph (1) of subdivision (b) of Section 130125.

~~(C)~~

(B) Three percent shall be deposited in a Child Care Account for expenditures to ensure that children are ready to enter school and for

programs relating to child care, including, but not limited to, the education and training of child care providers, the development of educational materials and guidelines for child care workers, and other areas described in subparagraph (B) of paragraph (1) of subdivision (b) of Section 130125.

~~(D)~~

(C) Three percent shall be deposited in a Research and Development Account for expenditures to ensure that children are ready to enter school and for the research and development of best practices and standards for all programs and services relating to early childhood development established pursuant to this act, and for the assessment and quality evaluation of those programs and services.

~~(E)~~

(D) One percent shall be deposited in an Administration Account for expenditures for the administrative functions of the state commission. Any funds not needed for the administrative functions of the state commission may be transferred to the Unallocated Account described in subparagraph ~~(F)~~ (E), upon approval by the state commission.

~~(F)~~ Two

(E) Eight percent shall be deposited in an Unallocated Account for expenditure by the state commission for any of the purposes of this act described in Section 130100 provided that none of these moneys shall be expended for the administrative functions of the state commission. *The Unallocated Account shall be used to ensure that every county commission has a base level of funding of at least four hundred thousand dollars (\$400,000).*

~~(G)~~

(F) In the event that, for whatever reason, the expenditure of any moneys allocated and appropriated for the purposes specified in subparagraphs (A) to ~~(F)~~ (E), inclusive, is enjoined by a final judgment of a court of competent jurisdiction, then those moneys shall be available for expenditure by the state commission for mass media communication emphasizing the need to eliminate smoking and other tobacco use by pregnant women, the need to eliminate smoking and other tobacco use by persons under 18 years of age, and the need to eliminate exposure to secondhand smoke.

~~(H)~~

(G) Any moneys allocated and appropriated to any of the accounts described in subparagraphs (A) to ~~(F)~~ (E), inclusive, that are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same account for the next fiscal period.

(H) *Notwithstanding subparagraph (G), balances of up to three hundred forty million dollars (\$340,000,000), but not less than two hundred seventy-five million dollars (\$275,000,000) in the accounts described in subparagraphs (A) to (E), inclusive, that are not encumbered or expended by July 1, 2009, shall be redirected to support state health and human services programs for children up to five years of age. The state commission shall ensure that these reserves are available for this purpose. For purposes of this subparagraph, "state health and human services programs" includes, but is not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health care services.*

(2) Eighty percent shall be allocated and appropriated to county commissions in accordance with Section 130140.

(A) The moneys allocated and appropriated to county commissions shall be deposited in each local Children and Families Trust Fund administered by each county commission, and shall be expended only for the purposes authorized by this act and in accordance with the county strategic plan approved by each county commission. *Notwithstanding any other provision of law and the designation of the local Children and Families Trust Fund as a trust fund, the local controller may use the money in the fund for loans to the local general*

fund. Any such loan shall be repaid from the general fund with interest computed at the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund or account. This subparagraph does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.

(B) Any moneys allocated and appropriated to any of the county commissions that are not encumbered or expended within any applicable period prescribed by law shall (together with the accrued interest on the amount) revert to and remain in the same local Children and Families Trust Fund for the next fiscal period under the same conditions as set forth in subparagraph (A).

(e) All grants, gifts, or bequests of money made to or for the benefit of the state commission from public or private sources to be used for early childhood development programs shall be deposited in the California Children and Families Trust Fund and expended for the specific purpose for which the grant, gift, or bequest was made. The amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the state commission pursuant to paragraph (1) of subdivision (d).

(f) All grants, gifts, or bequests of money made to or for the benefit of any county commission from public or private sources to be used for early childhood development programs shall be deposited in the local Children and Families Trust Fund and expended for the specific purpose for which the grant, gift, or bequest was made. The amount of any such grant, gift, or bequest shall not be considered in computing the amount allocated and appropriated to the county commissions pursuant to paragraph (2) of subdivision (d).

SEC. 2. Section 130150 of the Health and Safety Code is amended to read:

130150. (a) (1) On or before October 15 of each year, each county commission shall conduct an audit of, and issue a written report on the implementation and performance of, its functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended, the progress toward, and the achievement of, program goals and objectives, and information on programs funded and populations served for all funded programs.

On or before November 1 of each year, each county commission shall submit its audit and report to the state commission for inclusion in the state commission's consolidated report required in subdivision (b). Each commission shall submit its report in a format prescribed by the state commission if the state commission approves that format in a public meeting prior to the fiscal year during which it is to be used by the county commissions. The state commission shall develop the format in consultation with the county commissions.

(2) *The audits and reports of each county commission shall be transmitted to its respective board of supervisors, the county auditor, and to the state commission. The county auditor shall serve on the local county commission in an ex-officio capacity.*

(b) The state commission shall, on or before January 31 of each year, do both of the following:

(1) Conduct an audit and prepare a written report on the implementation and performance of the state commission functions during the preceding fiscal year, including, at a minimum, the manner in which funds were expended and the progress toward, and the achievement of, program goals and objectives.

(2) Prepare a written report that consolidates, summarizes, analyzes, and comments on the annual audits and reports submitted by all of the county commissions and the Controller for the preceding fiscal year. The written report shall include a listing, by category, of the aggregate expenditures on program areas funded by the state and county commissions pursuant to the purposes of this act, according to a format prescribed by the state commission. This report by the state commission shall be transmitted to the Governor, the Legislature, and each county commission.

(3) In the event a county commission does not submit the information

prescribed in subdivision (a), the state commission may withhold funds that would otherwise have been allocated to the county commission from the California Children and Families Trust Fund pursuant to Section 130140 until the county commission submits the data as required by subdivision (a).

(c) The state commission shall make copies of each of its annual audits and reports available to members of the general public on request and at no cost. The state commission shall furnish each county commission with copies of those documents in a number sufficient for local distribution by the county commission to members of the general public on request and at no cost.

(d) Each county commission shall make copies of its annual audits and reports available to members of the general public on request and at no cost.

SEC. 3. Section 30131.4 of the Revenue and Taxation Code is amended to read:

30131.4. (a) All moneys raised pursuant to taxes imposed by Section 30131.2 shall be appropriated and expended only for the purposes expressed in the California Children and Families Act, and shall be used only to supplement existing levels of service and not to fund existing levels of service, *except as authorized in subparagraph (H) of paragraph (1) of subdivision (d) of Section 130105 of the Health and Safety Code and Section 30131.45*. No moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose.

(b) Notwithstanding any other provision of law and the designation of the California Children and Families Trust Fund as a trust fund, the Controller may use the money raised pursuant to Section 30131.2 for the California Children and Families Trust Fund and all accounts created pursuant to subdivision (d) of Section 130105 of the Health and Safety Code *and Section 30131.45* for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with the interest commencing to accrue on the date the loan is made from the fund or account. This subdivision does not authorize any transfer that will interfere with the carrying out of the object for which this fund or those accounts were created.

SEC. 4. Section 30131.45 is added to the Revenue and Taxation Code, to read:

30131.45. *Prior to the distribution of moneys from the California Children and Families Trust Fund as provided under Section 130105 of the Health and Safety Code, for state fiscal years 2009–10, 2010–11, 2011–12, 2012–13, and 2013–14, two hundred sixty-eight million dollars (\$268,000,000) shall be transferred annually to the Proposition 10 Health and Human Services Fund, which is hereby created in the State Treasury, to support state health and human services programs for children up to five years of age. These funds shall be expended, upon appropriation by the Legislature, as part of the annual budget process or in another statute. For purposes of this section, “state health and human services programs” include, but is not limited to, early intervention and prevention services for infants and toddlers with developmental disabilities, child welfare services, adoption assistance, foster care, kinship guardianship assistance payments (Kin-GAP), and direct health care services.*

PROPOSITION 1E

This amendment proposed by Senate Bill 10 of the 2009–2010 Third Extraordinary Session (Chapter 15, 2009–2010 Third Extraordinary Session) is submitted to the people in accordance with Section 10 of Article II of the California Constitution.

This proposed law amends sections of the Welfare and Institutions Code; therefore, provisions proposed to be deleted are printed in

~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Section 5891 of the Welfare and Institutions Code is amended to read:

5891. (a) The funding established pursuant to this act shall be utilized to expand mental health services. ~~These~~ *Except as authorized in paragraph (7) of subdivision (a) of Section 5892, these* funds shall not be used to supplant existing state or county funds utilized to provide mental health services. ~~The~~ *Except as authorized in paragraph (7) of subdivision (a) of Section 5892, state* shall continue to provide financial support for mental health programs with not less than the same entitlements, amounts of allocations from the General Fund and formula distributions of dedicated funds as provided in the last fiscal year which ended prior to the effective date of this act. The state shall not make any change to the structure of financing mental health services, which increases a county’s share of costs or financial risk for mental health services unless the state includes adequate funding to fully compensate for such increased costs or financial risk. These funds shall only be used to pay for the programs authorized in Section 5892. These funds may not be used to pay for any other program. These funds may not be loaned to the state General Fund or any other fund of the state, or a county general fund or any other county fund for any purpose other than those authorized by Section 5892.

(b) Notwithstanding subdivision (a), the Controller may use the funds created pursuant to this part for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. Any such loan shall be repaid from the General Fund with interest computed at 110 percent of the Pooled Money Investment Account rate, with interest commencing to accrue on the date the loan is made from the fund. This subdivision does not authorize any transfer that would interfere with the carrying out of the object for which these funds were created.

SEC. 2. Section 5892 of the Welfare and Institutions Code is amended to read:

5892. (a) In order to promote efficient implementation of this act allocate the following portions of funds available in the Mental Health Services Fund in 2005–06 and each year thereafter:

(1) In 2005–06, 2006–07, and in 2007–08 10 percent shall be placed in a trust fund to be expended for education and training programs pursuant to Part 3.1.

(2) In 2005–06, 2006–07 and in 2007–08 10 percent for capital facilities and technological needs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association to implement plans developed pursuant to Section 5847.

(3) Twenty percent for prevention and early intervention programs distributed to counties in accordance with a formula developed in consultation with the California Mental Health Directors Association pursuant to Part 3.6 (commencing with Section 5840) of this division. Each county’s allocation of funds shall be distributed only after its annual program for expenditure of such funds has been approved by the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845.

(4) The allocation for prevention and early intervention may be increased in any county which the department determines that such increase will decrease the need and cost for additional services to severely mentally ill persons in that county by an amount at least commensurate with the proposed increase. The statewide allocation for prevention and early intervention may be increased whenever the Mental Health Services Oversight and Accountability Commission determines that all counties are receiving all necessary funds for services to severely mentally ill persons and have established prudent reserves and there are additional revenues available in the fund.

(5) The balance of funds shall be distributed to county mental health programs for services to persons with severe mental illnesses pursuant to Part 4 (commencing with Section 5850), for the children's system of care and Part 3 (commencing with Section 5800), for the adult and older adult system of care.

(6) Five percent of the total funding for each county mental health program for Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division, shall be utilized for innovative programs pursuant to an approved plan required by Section 5830 and such funds may be distributed by the department only after such programs have been approved by the Mental Health Services Oversight and Accountability Commission established pursuant to Section 5845.

(7) *Prior to the distribution of funds under paragraphs (1) to (5), inclusive, effective July 1, 2009, the sum of two hundred twenty-six million seven hundred thousand dollars (\$226,700,000) shall be redirected to support the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program as administered by the State Department of Mental Health for the 2009–10 fiscal year. For the 2010–11 fiscal year prior to the distribution of funds under paragraphs (1) to (5), inclusive, effective July 1, 2010, the sum of two hundred twenty-six million seven hundred thousand dollars (\$226,700,000) shall be redirected to support the EPSDT program, except that this amount may be adjusted to fund caseload as appropriate in the EPSDT program, but the total amount redirected for the 2010–11 fiscal year shall not exceed the sum of two hundred thirty-four million dollars (\$234,000,000). This paragraph shall become inoperative on July 1, 2011.*

(b) In any year after 2007–08, programs for services pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division may include funds for technological needs and capital facilities, human resource needs, and a prudent reserve to ensure services do not have to be significantly reduced in years in which revenues are below the average of previous years. The total allocation for purposes authorized by this subdivision shall not exceed 20 percent of the average amount of funds allocated to that county for the previous five years pursuant to this section.

(c) The allocations pursuant to subdivisions (a) and (b) shall include funding for annual planning costs pursuant to Section 5848. The total of such costs shall not exceed 5 percent of the total of annual revenues received for the fund. The planning costs shall include funds for county mental health programs to pay for the costs of consumers, family members and other stakeholders to participate in the planning process and for the planning and implementation required for private provider contracts to be significantly expanded to provide additional services pursuant to Part 3 (commencing with Section 5800), and Part 4 (commencing with Section 5850) of this division.

(d) Prior to making the allocations pursuant to subdivisions (a), (b) and (c), the department shall also provide funds for the costs for itself, the California Mental Health Planning Council and the Mental Health Services Oversight and Accountability Commission to implement all duties pursuant to the programs set forth in this section. Such costs shall not exceed 5 percent of the total of annual revenues received for the fund. The administrative costs shall include funds to assist consumers and family members to ensure the appropriate state and county agencies give full consideration to concerns about quality, structure of service delivery or access to services. The amounts allocated for administration shall include amounts sufficient to ensure adequate research and evaluation regarding the effectiveness of services being provided and achievement of the outcome measures set forth in Part 3 (commencing with Section 5800), Part 3.6 (commencing with Section 5840), and Part 4 (commencing with Section 5850) of this division.

(e) In 2004–05 funds shall be allocated as follows:

(1) 45 percent for education and training pursuant to Part 3.1 (commencing with Section 5820) of this division.

(2) 45 percent for capital facilities and technology needs in the manner specified by paragraph (2) of subdivision (a).

(3) 5 percent for local planning in the manner specified in subdivision (c) and

(4) 5 percent for state implementation in the manner specified in subdivision (d).

(f) Each county shall place all funds received from the State Mental Health Services Fund in a local Mental Health Services Fund. The Local Mental Health Services Fund balance shall be invested consistent with other county funds and the interest earned on such investments shall be transferred into the fund. The earnings on investment of these funds shall be available for distribution from the fund in future years.

(g) All expenditures for county mental health programs shall be consistent with a currently approved plan or update pursuant to Section 5847.

(h) Other than funds placed in a reserve in accordance with an approved plan, any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the fund and available for other counties in future years, provided however, that funds for capital facilities, technological needs or education and training may be retained for up to 10 years before reverting to the fund.

(i) If there are still additional revenues available in the fund after the Mental Health Services Oversight and Accountability Commission has determined there are prudent reserves and no unmet needs for any of the programs funded pursuant to this section, including all purposes of the Prevention and Early Intervention Program, the commission shall develop a plan for expenditures of such revenues to further the purposes of this act and the Legislature may appropriate such funds for any purpose consistent with the commission's adopted plan which furthers the purposes of this act.

PROPOSITION 1F

This amendment proposed by Senate Constitutional Amendment 8 of the 2009–2010 Regular Session (Resolution Chapter 3, Statutes of 2009) expressly amends the California Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

PROPOSED AMENDMENT TO SECTION 8 OF ARTICLE III

SEC. 8. (a) The California Citizens Compensation Commission is hereby created and shall consist of seven members appointed by the Governor. The commission shall establish the annual salary and the medical, dental, insurance, and other similar benefits of state officers.

(b) The commission shall consist of the following persons:

(1) Three public members, one of whom has expertise in the area of compensation, such as an economist, market researcher, or personnel manager; one of whom is a member of a nonprofit public interest organization; and one of whom is representative of the general population and may include, among others, a retiree, homemaker, or person of median income. No person appointed pursuant to this paragraph may, during the 12 months prior to his or her appointment, have held public office, either elective or appointive, have been a candidate for elective public office, or have been a lobbyist, as defined by the Political Reform Act of 1974.

(2) Two members who have experience in the business community, one of whom is an executive of a corporation incorporated in this State which ranks among the largest private sector employers in the State based on the number of employees employed by the corporation in this State and one of whom is an owner of a small business in this State.

(3) Two members, each of whom is an officer or member of a labor organization.

(c) The Governor shall strive insofar as practicable to provide a balanced representation of the geographic, gender, racial, and ethnic diversity of the State in appointing commission members.

(d) The Governor shall appoint commission members and designate a chairperson for the commission not later than 30 days after the effective date of this section. The terms of two of the initial appointees shall expire on December 31, 1992, two on December 31, 1994, and three on December 31, 1996, as determined by the Governor. Thereafter, the term of each member shall be six years. Within 15 days of any vacancy, the Governor shall appoint a person to serve the unexpired portion of the term.

(e) No current or former officer or employee of this State is eligible for appointment to the commission.

(f) Public notice shall be given of all meetings of the commission, and the meetings shall be open to the public.

(g) On or before December 3, 1990, the commission shall, by a single resolution adopted by a majority of the membership of the commission, establish the annual salary and the medical, dental, insurance, and other similar benefits of state officers. The annual salary and benefits specified in that resolution shall be effective on and after December 3, 1990.

Thereafter, at or before the end of each fiscal year, the commission shall, by a ~~single~~ resolution adopted by a majority of the membership of the commission, adjust ~~the annual salary and~~ the medical, dental, insurance, and other similar benefits of state officers. ~~The annual salary and~~ benefits specified in the resolution shall be effective on and after the first Monday of the next December.

Thereafter, at or before the end of each fiscal year, the commission shall adjust the annual salary of state officers by a resolution adopted by a majority of the membership of the commission. The annual salary specified in the resolution shall be effective on and after the first Monday of the next December, except that a resolution shall not be adopted or take effect in any year that increases the annual salary of any state officer if, on or before the immediately preceding June 1, the Director of Finance certifies to the commission, based on estimates for the current fiscal year, that there will be a negative balance on June 30 of the current fiscal year in the Special Fund for Economic Uncertainties in an amount equal to, or greater than, 1 percent of estimated General Fund revenues.

(h) In establishing or adjusting the annual salary and the medical, dental, insurance, and other similar benefits, the commission shall consider all of the following:

(1) The amount of time directly or indirectly related to the performance of the duties, functions, and services of a state officer.

(2) The amount of the annual salary and the medical, dental, insurance, and other similar benefits for other elected and appointed officers and officials in this State with comparable responsibilities, the judiciary, and, to the extent practicable, the private sector, recognizing, however, that state officers do not receive, and do not expect to receive, compensation at the same levels as individuals in the private sector with comparable experience and responsibilities.

(3) The responsibility and scope of authority of the entity in which the state officer serves.

(4) Whether the Director of Finance estimates that there will be a negative balance in the Special Fund for Economic Uncertainties in an amount equal to or greater than 1 percent of estimated General Fund revenues in the current fiscal year.

(i) Until a resolution establishing or adjusting the annual salary and the medical, dental, insurance, and other similar benefits for state officers takes effect, each state officer shall continue to receive the same annual salary and the medical, dental, insurance, and other similar benefits received previously.

(j) All commission members shall receive their actual and necessary expenses, including travel expenses, incurred in the performance of their duties. Each member shall be compensated at the same rate as members, other than the chairperson, of the Fair Political Practices Commission, or its successor, for each day engaged in official duties, not to exceed 45 days per year.

(k) It is the intent of the Legislature that the creation of the commission should not generate new state costs for staff and services. The Department of Personnel Administration, the Board of Administration of the Public Employees' Retirement System, or other appropriate agencies, or their successors, shall furnish, from existing resources, staff and services to the commission as needed for the performance of its duties.

(l) "State officer," as used in this section, means the Governor, Lieutenant Governor, Attorney General, Controller, Insurance Commissioner, Secretary of State, Superintendent of Public Instruction, Treasurer, member of the State Board of Equalization, and Member of the Legislature.