

AMENDED IN SENATE MARCH 27, 2006

SENATE BILL

No. 1514

Introduced by Senator Maldonado
(Coauthor: Assembly Member Daucher)

February 23, 2006

An act to amend ~~Sections 1622 and 42127~~ *Section 42140* of the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1514, as amended, Maldonado. School finance: retirement benefit liabilities.

(1) Under existing law, if a school district or county office of education provides health and welfare benefits for employees upon their retirement and those benefits will continue after the employees reach 65 years of age, the superintendent of the school district or county superintendent of schools, as applicable, is required annually to provide information to the governing board of the school district or the county board of education regarding the estimated accrued but unfunded costs of those benefits, as specified. Under existing law, those requirements became inoperative on January 1, 2005.

This bill would make those requirements operative on January 1, 2007, without regard to whether the benefits continue after the employees reach 65 years of age. By requiring the superintendent of a school district or the county superintendent of schools to resume the performance of those duties, the bill would impose a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the

state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

~~Existing law requires the superintendent of a school district or county superintendent of schools, as appropriate, to annually provide information, based on an actuarial report as specified, to the governing board of the school district or the county board of education, as appropriate, regarding the estimate accrued but unfunded cost of any health and welfare benefits that the school district or county office of education provides to employees upon their retirement that continue after the employees reach 65 years of age. Existing law also requires the superintendent of the school district or the county superintendent of schools, as appropriate, to present the cost information and a copy of the actuarial report on which the costs are based at a public meeting of the governing board of the school district or the county board of education, as appropriate. Existing law requires the governing board of the school district or the county board of education, as appropriate, to disclose at that meeting whether or not it will reserve a sufficient amount of money in its budget to fund the present value of the benefits of existing retirees, the future cost of benefits of employees who are eligible for benefits in the current fiscal year, or both, and to certify to the county superintendent of schools or the Superintendent of Public Instruction, as appropriate, the amount of money, if any, that has been reserved in the applicable budget for the cost of the benefits.~~

~~Existing law requires the budget of a school district to be approved by its governing board or county office of education, as applicable, and then by the county superintendent of schools or the Superintendent, respectively, as specified.~~

~~This bill would prohibit the Superintendent from approving a county board of education budget, as specified, unless the budget discloses the long-term liabilities of the school district or school districts governed by the county board for retirement benefits, based on actuarial studies, and includes a plan for satisfying those obligations that is demonstrated by the proposed budget and accompanying documentation. This bill also would prohibit a county superintendent of schools from developing or approving a school district budget, as specified, unless the budget discloses the long-term liabilities of the~~

school district for retirement benefits, based on actuarial studies, and includes a plan for satisfying those obligations that is demonstrated by the proposed budget and accompanying documentation.

This bill also would make technical, nonsubstantive changes to those provisions of existing law.

By prohibiting the approval of the budgets of county boards of education or school districts with governing boards unless they contain the specified information on long-term liabilities for retirement benefits related to the applicable school district or school districts and a plan for satisfying those obligations, this bill would require county boards of education and school districts to undertake actions to meet those requirements, which extend beyond the current requirements for county boards of education and school districts, thereby imposing a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. Section 42140 of the Education Code is
2 amended to read:
3 42140. (a) If a school district or county office of education,
4 either individually or as a member of a joint powers agency,
5 provides health and welfare benefits for employees upon their
6 retirement, and those benefits will continue after the employees
7 reach 65 years of age, the superintendent of the school district or
8 county superintendent of schools, as appropriate, annually shall
9 provide information to the governing board of the school district
10 or the county board of education, as appropriate, regarding the
11 estimated accrued but unfunded cost of those benefits. The
12 estimate of cost shall be based upon an actuarial report that
13 incorporates annual fiscal information and is obtained by the

1 superintendent at least every three years. The actuarial report
2 shall be performed by an actuary who is a member of the
3 American Academy of Actuaries. If the school district or county
4 office of education regularly contracts for an actuarial report for
5 other fiscal matters, a separate actuarial report is not required, if
6 the estimate of costs required by this subdivision is separately
7 and clearly set forth in that report.

8 (b) The cost information required by subdivision (a) and a
9 copy of the actuarial report on which the estimated costs are
10 based shall be presented by the superintendent at a public
11 meeting of the governing board. At that meeting, the governing
12 board shall disclose, as a separate agenda item, whether or not it
13 will reserve a sufficient amount of money in its budget to fund
14 the present value of the health and welfare benefits of existing
15 retirees or the future cost of employees who are eligible for
16 benefits in the current fiscal year, or both.

17 (c) The governing board annually shall certify to the county
18 superintendent of schools the amount of money, if any, that it has
19 decided to reserve in its budget for the cost of those benefits, and
20 shall submit to the county superintendent of schools any budget
21 revisions that may be necessary to account for that budget
22 reserve.

23 (d) The county board of education annually shall certify to the
24 Superintendent of Public Instruction the amount of money, if
25 any, that has been reserved in the budget of the county office of
26 education for the cost of those benefits.

27 ~~(e) This section is inoperative on January 1, 2005.~~

28 *SEC. 2. If the Commission on State Mandates determines that*
29 *this act contains costs mandated by the state, reimbursement to*
30 *local agencies and school districts for those costs shall be made*
31 *pursuant to Part 7 (commencing with Section 17500) of Division*
32 *4 of Title 2 of the Government Code.*

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**All matter omitted in this version of the bill
appears in the bill as introduced in
Senate, February 23, 2006 (JR11)**

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