

ASSEMBLY BILL

No. 2585

Introduced by Assembly Member Daly

February 21, 2014

An act to amend Section 42127 of the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2585, as introduced, Daly. School finance: school districts: budgets.

Existing law, on or before July 1 of each year requires a school district to hold a hearing on, and adopt, a budget for the subsequent fiscal year. Existing law requires the governing board of the school district to file the adopted budget with the county superintendent of schools, as specified. Existing law requires the county superintendent of schools to examine the adopted budget, as specified, to make certain determinations related to the adopted budget, and, on or before August 15, to approve, conditionally approve, or disapprove the adopted budget for each school district. If the adopted budget is conditionally approved or disapproved, existing law requires the county superintendent of schools, on or before August 15, to transmit to the governing board of the school district, in writing, his or her recommendations regarding revision of the budget and the reasons for those recommendations.

This bill would require the public hearing to be conducted in accordance with a specified provision related to proposed budgets. The bill, if the adopted budget of a school district is conditionally approved or disapproved as described above, would require the governing board of the school district, on or before September 8, and in conjunction with the county superintendent of schools, to review and respond to the

superintendent’s recommendations at a regular meeting of the governing board of the school district. The bill would require the response to include any revisions to the adopted budget and other proposed action to be taken, if any, as a result of the superintendent’s recommendations. By requiring school districts to undertake additional responsibilities related to the adoption of budgets, the bill would impose 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 42127 of the Education Code is amended
- 2 to read:
- 3 42127. (a) On or before July 1 of each year, the governing
- 4 board of each school district shall accomplish the following:
- 5 (1) Hold a public hearing *conducted in accordance with Section*
- 6 *42103* on the budget to be adopted for the subsequent fiscal year.
- 7 The budget to be adopted shall be prepared in accordance with
- 8 Section 42126. The agenda for that hearing shall be posted at least
- 9 72 hours before the public hearing and shall include the location
- 10 where the budget will be available for public inspection.
- 11 (A) For the 2011–12 fiscal year, notwithstanding any of the
- 12 standards and criteria adopted by the state board pursuant to Section
- 13 33127, each school district budget shall project the same level of
- 14 revenue per unit of average daily attendance as it received in the
- 15 2010–11 fiscal year and shall maintain staffing and program levels
- 16 commensurate with that level.
- 17 (B) For the 2011–12 fiscal year, the school district shall not be
- 18 required to demonstrate that it is able to meet its financial
- 19 obligations for the two subsequent fiscal years.
- 20 (2) Adopt a budget. Not later than five days after that adoption
- 21 or by July 1, whichever occurs first, the governing board of the

1 school district shall file that budget with the county superintendent
2 of schools. The budget and supporting data shall be maintained
3 and made available for public review. If the governing board of
4 the school district does not want all or a portion of the property
5 tax requirement levied for the purpose of making payments for the
6 interest and redemption charges on indebtedness as described in
7 paragraph (1) or (2) of subdivision (b) of Section 1 of Article
8 XIII A of the California Constitution, the budget shall include a
9 statement of the amount or portion for which a levy shall not be
10 made. For the 2014–15 fiscal year and each fiscal year thereafter,
11 the governing board of the school district shall not adopt a budget
12 before the governing board of the school district adopts a local
13 control and accountability plan, if an existing local control and
14 accountability plan or annual update to a local control and
15 accountability plan is not effective for the budget year. The
16 governing board of a school district shall not adopt a budget that
17 does not include the expenditures necessary to implement the local
18 control and accountability plan or the annual update to a local
19 control and accountability plan that is effective during the
20 subsequent fiscal year.

21 (b) The county superintendent of schools may accept changes
22 in any statement included in the budget, pursuant to subdivision
23 (a), of the amount or portion for which a property tax levy shall
24 not be made. The county superintendent of schools or the county
25 auditor shall compute the actual amounts to be levied on the
26 property tax rolls of the school district for purposes that exceed
27 apportionments to the school district pursuant to Chapter 6
28 (commencing with Section 95) of Part 0.5 of Division 1 of the
29 Revenue and Taxation Code. Each school district shall provide all
30 data needed by the county superintendent of schools or the county
31 auditor to compute the amounts. On or before August 15, the
32 county superintendent of schools shall transmit the amounts
33 computed to the county auditor who shall compute the tax rates
34 necessary to produce the amounts. On or before September 1, the
35 county auditor shall submit the rate computed to the board of
36 supervisors for adoption.

37 (c) The county superintendent of schools shall do all of the
38 following:

39 (1) Examine the adopted budget to determine whether it
40 complies with the standards and criteria adopted by the state board

1 pursuant to Section 33127 for application to final local educational
2 agency budgets. The county superintendent of schools shall
3 identify, if necessary, technical corrections that are required to be
4 made to bring the budget into compliance with those standards
5 and criteria.

6 (2) Determine whether the adopted budget will allow the school
7 district to meet its financial obligations during the fiscal year and
8 is consistent with a financial plan that will enable the school district
9 to satisfy its multiyear financial commitments. In addition to his
10 or her own analysis of the budget of each school district, the county
11 superintendent of schools shall review and consider studies, reports,
12 evaluations, or audits of the school district that were commissioned
13 by the school district, the county superintendent of schools, the
14 Superintendent, and state control agencies and that contain
15 evidence that the school district is showing fiscal distress under
16 the standards and criteria adopted in Section 33127 or that contain
17 a finding by an external reviewer that more than 3 of the 15 most
18 common predictors of a school district needing intervention, as
19 determined by the County Office Fiscal Crisis and Management
20 Assistance Team, are present. The county superintendent of schools
21 shall either conditionally approve or disapprove a budget that does
22 not provide adequate assurance that the school district will meet
23 its current and future obligations and resolve any problems
24 identified in studies, reports, evaluations, or audits described in
25 this paragraph.

26 (3) Determine whether the adopted budget includes the
27 expenditures necessary to implement the local control and
28 accountability plan or annual update to the local control and
29 accountability plan approved by the county superintendent of
30 schools.

31 (d) (1) On or before August 15, the county superintendent of
32 schools shall approve, conditionally approve, or disapprove the
33 adopted budget for each school district. For the 2014–15 fiscal
34 year and each fiscal year thereafter, the county superintendent of
35 schools shall disapprove a budget if the county superintendent of
36 schools determines that the budget does not include the
37 expenditures necessary to implement a local control and
38 accountability plan or an annual update to the local control and
39 accountability plan approved by the county superintendent of
40 schools. If a school district does not submit a budget to the county

1 superintendent of schools, the county superintendent of schools
2 shall develop, at school district expense, a budget for that school
3 district by September 15 and transmit that budget to the governing
4 board of the school district. The budget prepared by the county
5 superintendent of schools shall be deemed adopted, unless the
6 county superintendent of schools approves any modifications made
7 by the governing board of the school district. The approved budget
8 shall be used as a guide for the school district's priorities. The
9 Superintendent shall review and certify the budget approved by
10 the county. If, pursuant to the review conducted pursuant to
11 subdivision (c), the county superintendent of schools determines
12 that the adopted budget for a school district does not satisfy
13 paragraph (1), (2), or (3) of that subdivision, he or she shall
14 conditionally approve or disapprove the budget and, not later than
15 August 15, transmit to the governing board of the school district,
16 in writing, his or her recommendations regarding revision of the
17 budget and the reasons for those recommendations, including, but
18 not limited to, the amounts of any budget adjustments needed
19 before he or she can approve that budget. The county
20 superintendent of schools may assign a fiscal adviser to assist the
21 school district to develop a budget in compliance with those
22 revisions. In addition, the county superintendent of schools may
23 appoint a committee to examine and comment on the
24 superintendent's review and recommendations, subject to the
25 requirement that the committee report its findings to the county
26 superintendent of schools no later than August 20. For the 2011–12
27 fiscal year, notwithstanding any of the standards and criteria
28 adopted by the state board pursuant to Section 33127, the county
29 superintendent of schools, as a condition on approval of a school
30 district budget, shall not require a school district to project a lower
31 level of revenue per unit of average daily attendance than it
32 received in the 2010–11 fiscal year nor require the school district
33 to demonstrate that it is able to meet its financial obligations for
34 the two subsequent fiscal years.

35 (2) Notwithstanding any other provision of this article, for the
36 2014–15 fiscal year and each fiscal year thereafter, the budget
37 shall not be adopted or approved by the county superintendent of
38 schools before a local control and accountability plan or update to
39 an existing local control and accountability plan for the budget
40 year is approved.

1 (3) (A) *If the adopted budget of a school district is conditionally*
 2 *approved or disapproved pursuant to paragraph (1), on or before*
 3 *September 8, the governing board of the school district, in*
 4 *conjunction with the county superintendent of schools, shall review*
 5 *and respond to the recommendations of the county superintendent*
 6 *of schools at a regular meeting of the governing board of the school*
 7 *district. The response shall include any revisions to the adopted*
 8 *budget and other proposed actions to be taken, if any, as a result*
 9 *of those recommendations.*

10 (B) *On or before September 8, the governing board of the school*
 11 *district shall adopt the revised budget and file it with the county*
 12 *superintendent of schools.*

13 ~~(e) On or before September 8, the governing board of the school~~
 14 ~~district shall revise the adopted budget to reflect changes in~~
 15 ~~projected income or expenditures subsequent to July 1, and to~~
 16 ~~include any response to the recommendations of the county~~
 17 ~~superintendent of schools, shall adopt the revised budget, and shall~~
 18 ~~file the revised budget with the county superintendent of schools.~~
 19 ~~Before revising the budget, the governing board of the school~~
 20 ~~district shall hold a public hearing regarding the proposed revisions,~~
 21 ~~to be conducted in accordance with Section 42103. In addition, if~~
 22 ~~the adopted budget is disapproved pursuant to subdivision (d), the~~
 23 ~~governing board of the school district and the county~~
 24 ~~superintendent of schools shall review the disapproval and the~~
 25 ~~recommendations of the county superintendent of schools regarding~~
 26 ~~revision of the budget at the public hearing. The revised budget~~
 27 ~~and supporting data shall be maintained and made available for~~
 28 ~~public review.~~

29 (1) ~~For the 2011–12 fiscal year, notwithstanding any of the~~
 30 ~~standards and criteria adopted by the state board pursuant to Section~~
 31 ~~33127, each school district budget shall project the same level of~~
 32 ~~revenue per unit of average daily attendance as it received in the~~
 33 ~~2010–11 fiscal year and shall maintain staffing and program levels~~
 34 ~~commensurate with that level.~~

35 (2) ~~For the 2011–12 fiscal year, the school district shall not be~~
 36 ~~required to demonstrate that it is able to meet its financial~~
 37 ~~obligations for the two subsequent fiscal years.~~

38 (f)

1 (e) On or before September 22, the county superintendent of
2 schools shall provide a list to the Superintendent identifying all
3 school districts for which budgets may be disapproved.

4 ~~(g)~~

5 (f) (1) The county superintendent of schools shall examine the
6 revised budget to determine whether it (1) complies with the
7 standards and criteria adopted by the state board pursuant to Section
8 33127 for application to final local educational agency budgets,
9 (2) allows the school district to meet its financial obligations during
10 the fiscal year, (3) satisfies all conditions established by the county
11 superintendent of schools in the case of a conditionally approved
12 budget, and (4) is consistent with a financial plan that will enable
13 the school district to satisfy its multiyear financial commitments,
14 and, not later than October 8, shall approve or disapprove the
15 revised budget. If the county superintendent of schools disapproves
16 the budget, he or she shall call for the formation of a budget review
17 committee pursuant to Section 42127.1, unless the governing board
18 of the school district and the county superintendent of schools
19 agree to waive the requirement that a budget review committee be
20 formed and the department approves the waiver after determining
21 that a budget review committee is not necessary. Upon the grant
22 of a waiver, the county superintendent of schools immediately has
23 the authority and responsibility provided in Section 42127.3. Upon
24 approving a waiver of the budget review committee, the department
25 shall ensure that a balanced budget is adopted for the school district
26 by November 30. If no budget is adopted by November 30, the
27 Superintendent may adopt a budget for the school district. The
28 Superintendent shall report to the Legislature and the Director of
29 Finance by December 10 if any school district, including a school
30 district that has received a waiver of the budget review committee
31 process, does not have an adopted budget by November 30. This
32 report shall include the reasons why a budget has not been adopted
33 by the deadline, the steps being taken to finalize budget adoption,
34 the date the adopted budget is anticipated, and whether the
35 Superintendent has or will exercise his or her authority to adopt a
36 budget for the school district. For the 2011–12 fiscal year,
37 notwithstanding any of the standards and criteria adopted by the
38 state board pursuant to Section 33127, the county superintendent
39 of schools, as a condition on approval of a school district budget,
40 shall not require a school district to project a lower level of revenue

1 per unit of average daily attendance than it received in the 2010–11
2 fiscal year nor require the school district to demonstrate that it is
3 able to meet its financial obligations for the two subsequent fiscal
4 years.

5 (2) Notwithstanding any other law, for the 2014–15 fiscal year
6 and each fiscal year thereafter, if the county superintendent of
7 schools disapproves the budget for the sole reason that the county
8 superintendent of schools has not approved a local control and
9 accountability plan or an annual update to the local control and
10 accountability plan filed by the school district pursuant to Section
11 52061, the county superintendent of schools shall not call for the
12 formation of a budget review committee pursuant to Section
13 42127.1.

14 ~~(h)~~

15 (g) Not later than October 8, the county superintendent of
16 schools shall submit a report to the Superintendent identifying all
17 school districts for which budgets have been disapproved or budget
18 review committees waived. The report shall include a copy of the
19 written response transmitted to each of those school districts
20 pursuant to paragraph (1) of subdivision (d).

21 ~~(i)~~

22 (h) Notwithstanding any other provision of this section, the
23 budget review for a school district shall be governed by paragraphs
24 (1), (2), and (3), rather than by ~~subdivisions (e) and (g), paragraph~~
25 ~~(3) of subdivision (d) and subdivision (f)~~, if the governing board
26 of the school district so elects and notifies the county
27 superintendent of schools in writing of that decision, not later than
28 October 31 of the immediately preceding calendar year. On or
29 before July 1, the governing board of a school district for which
30 the budget review is governed by this subdivision, rather than by
31 ~~subdivisions (e) and (g), paragraph (3) of subdivision (d) and~~
32 ~~subdivision (f)~~, shall conduct a public hearing regarding its
33 proposed budget in accordance with Section 42103.

34 (1) If the adopted budget of a school district is disapproved
35 pursuant to subdivision (d), on or before September 8, the
36 governing board of the school district, in conjunction with the
37 county superintendent of schools, shall review the superintendent's
38 recommendations at a regular meeting of the governing board of
39 the school district and respond to those recommendations. The
40 response shall include any revisions to the adopted budget and

1 other proposed actions to be taken, if any, as a result of those
2 recommendations.

3 (2) On or before September 22, the county superintendent of
4 schools shall provide a list to the Superintendent identifying all
5 school districts for which a budget may be tentatively disapproved.

6 (3) Not later than October 8, after receiving the response
7 required under paragraph (1), the county superintendent of schools
8 shall review that response and either approve or disapprove the
9 budget. Except as provided in paragraph (2) of subdivision ~~(g)~~,
10 *(f)*, if the county superintendent of schools disapproves the budget,
11 he or she shall call for the formation of a budget review committee
12 pursuant to Section 42127.1, unless the governing board of the
13 school district and the county superintendent of schools agree to
14 waive the requirement that a budget review committee be formed
15 and the department approves the waiver after determining that a
16 budget review committee is not necessary. Upon the grant of a
17 waiver, the county superintendent has the authority and
18 responsibility provided to a budget review committee in Section
19 42127.3. Upon approving a waiver of the budget review committee,
20 the department shall ensure that a balanced budget is adopted for
21 the school district by November 30. The Superintendent shall
22 report to the Legislature and the Director of Finance by December
23 10 if any school district, including a school district that has received
24 a waiver of the budget review committee process, does not have
25 an adopted budget by November 30. This report shall include the
26 reasons why a budget has not been adopted by the deadline, the
27 steps being taken to finalize budget adoption, and the date the
28 adopted budget is anticipated. For the 2011–12 fiscal year,
29 notwithstanding any of the standards and criteria adopted by the
30 state board pursuant to Section 33127, the county superintendent
31 of schools, as a condition on approval of a school district budget,
32 shall not require a school district to project a lower level of revenue
33 per unit of average daily attendance than it received in the 2010–11
34 fiscal year nor require the school district to demonstrate that it is
35 able to meet its financial obligations for the two subsequent fiscal
36 years.

37 (4) Not later than 45 days after the Governor signs the annual
38 Budget Act, the school district shall make available for public
39 review any revisions in revenues and expenditures that it has made

1 to its budget to reflect the funding made available by that Budget
2 Act.

3 ~~(j)~~

4 (i) Any school district for which the county board of education
5 serves as the governing board of the school district is not subject
6 to subdivisions (c) to ~~(h)~~, (g), inclusive, but is governed instead
7 by the budget procedures set forth in Section 1622.

8 SEC. 2. If the Commission on State Mandates determines that
9 this act contains costs mandated by the state, reimbursement to
10 local agencies and school districts for those costs shall be made
11 pursuant to Part 7 (commencing with Section 17500) of Division
12 4 of Title 2 of the Government Code.