

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 1318**

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**Introduced by Assembly Members Gray and Olsen**

February 27, 2015

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An act to amend Section 42127.01 of the Education Code, relating to school finance.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1318, as amended, Gray. School finance: school districts: annual budgets: reserve balance.

*Existing law, unless the school district is granted an exemption, limits the amount of the combined assigned or unassigned ending fund balance contained in a school district's annual budget in any fiscal year immediately after a fiscal year in which a transfer is made into the Public School System Stabilization Account. Existing law establishes a formula for calculating the maximum amount allowable for school districts with less than 400,000 units of average daily attendance and establishes a formula for school districts with more than 400,000 units of average daily attendance, as specified.*

*This bill would revise the formula for school districts with less than 400,000 units of average daily attendance and the formula for school districts with more than 400,000 units of average daily attendance, as specified. The bill also would make a technical change by deleting an obsolete provision.*

~~In a fiscal year immediately after a fiscal year in which a transfer is made into the Public School System Stabilization Account, existing law prohibits a school district's adopted or revised budget from containing a combined assigned or unassigned ending fund balance that~~

~~is in excess of either 2 or 3 times the minimum recommended reserve for economic uncertainties adopted by the State Board of Education, depending on the school district's units of average daily attendance. Existing law authorizes the county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to 2 consecutive fiscal years within a 3-year period if the school district provides documentation indicating that extraordinary fiscal circumstances substantiate the need for the balance.~~

~~This bill would express the intent of the Legislature to enact legislation regarding adequate levels of school district reserves, as specified.~~

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

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

1     SECTION 1. Section 42127.01 of the Education Code is  
2     amended to read:  
3     42127.01. (a) In a fiscal year immediately after a fiscal year  
4     in which a transfer is made into the Public School System  
5     Stabilization Account, a school district budget that is adopted or  
6     revised pursuant to Section 42127 shall not contain a combined  
7     assigned or unassigned ending fund balance that is in excess of  
8     the following:  
9     (1) For school districts with fewer than 400,000 units of average  
10    daily attendance, the sum of the school district's applicable  
11    minimum recommended reserve for economic uncertainties adopted  
12    by the state board pursuant to subdivision (a) of Section 33128,  
13    multiplied by ~~two~~. \_\_\_\_.  
14    (2) For school districts with more than 400,000 units of average  
15    daily attendance, the sum of the school district's applicable  
16    minimum recommended reserve for economic uncertainties adopted  
17    by the state board pursuant to subdivision (a) of Section 33128,  
18    multiplied by ~~three~~. \_\_\_\_.  
19    (b) A county superintendent of schools may grant a school  
20    district under its jurisdiction an exemption from the requirements  
21    of subdivision (a) for up to two consecutive fiscal years within a  
22    three-year period if the school district provides documentation  
23    indicating that extraordinary fiscal circumstances, including, but  
24    not limited to, multiyear infrastructure or technology projects,  
25    substantiate the need for a combined assigned or unassigned ending

1 fund balance that is in excess of the minimum recommended  
2 reserve for economic uncertainties. As a condition of receiving an  
3 exception, a school district shall do all of the following:

4 (1) Provide a statement that substantiates the need for an  
5 assigned and unassigned ending fund balance that is in excess of  
6 the minimum recommended reserve for economic uncertainties.

7 (2) Identify the funding amounts in the budget adopted by the  
8 school district that are associated with the extraordinary fiscal  
9 circumstances.

10 (3) Provide documentation that no other fiscal resources are  
11 available to fund the extraordinary fiscal circumstances.

12 ~~(e) This section shall become operative on December 15, 2014,~~  
13 ~~only if Assembly Constitutional Amendment No. 1 of the 2013–14~~  
14 ~~Second Extraordinary Session is approved by the voters at the~~  
15 ~~November 4, 2014, statewide general election. If Assembly~~  
16 ~~Constitutional Amendment No. 1 of the 2013–14 Second~~  
17 ~~Extraordinary Session is not approved by the voters at the~~  
18 ~~November 4, 2014, statewide general election, this section shall~~  
19 ~~not become operative and is repealed on January 1, 2015.~~

20 ~~SECTION 1. It is the intent of the Legislature to enact~~  
21 ~~legislation that would modify Section 42127.01 of the Education~~  
22 ~~Code, by adding new provisions covering adequate levels of school~~  
23 ~~district reserves that (a) provide local communities with~~  
24 ~~transparency on issues relating to the amounts of, and reasons for,~~  
25 ~~school district reserves, including minimum reserves for economic~~  
26 ~~uncertainty as well as assigned and unassigned ending balances,~~  
27 ~~(b) provide school boards with adequate guidance on the reasons~~  
28 ~~for, and uses of, reserve levels, including minimum reserves for~~  
29 ~~economic uncertainty as well as assigned and unassigned ending~~  
30 ~~balances, and (c) prioritize pupil needs and support.~~