

AMENDED IN ASSEMBLY MARCH 15, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 2689**

---

**Introduced by Assembly Member Gray**

February 19, 2016

---

An act to amend Section ~~42610~~ 42127.01 of the Education Code, relating to school finance.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2689, as amended, Gray. School district funds: expenditures and appropriations: excess funds: districts: annual budgets: reserve balance.

*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 instead prohibit a school district's adopted or revised budget from containing a combined assigned or unassigned ending fund balance that is in excess of an unspecified multiple of the minimum recommended reserve for economic uncertainties adopted by the state board. The bill would also repeal an obsolete provision.*

~~Existing law requires any amounts added to the general reserve of the school district in excess of the amount already budgeted to not be available for the appropriation by the school district for the current fiscal year, except as provided.~~

~~This bill would make nonsubstantive changes to this law.~~

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

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

4 (2) Identify the funding amounts in the budget adopted by the  
5 school district that are associated with the extraordinary fiscal  
6 circumstances.

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

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16 ~~not become operative and is repealed on January 1, 2015.~~

17 SECTION 1. Section 42610 of the Education Code is amended  
18 to read:

19 42610. ~~(a) Any amounts added to the general reserve of the~~  
20 ~~school district in excess of the amount already budgeted shall not~~  
21 ~~be available for appropriation by the school district for the current~~  
22 ~~fiscal year except by the following procedure. The governing board~~  
23 ~~of the school district shall, by formal action of the board, pass a~~  
24 ~~resolution setting forth the need according to major classification~~  
25 ~~of school district expenditures to be met from a portion of the~~  
26 ~~general reserve derived from assured income in excess of the total~~  
27 ~~amount anticipated in the budget. The resolution shall be submitted~~  
28 ~~to the county superintendent of schools.~~

29 ~~(b) The county superintendent of schools shall approve a~~  
30 ~~resolution for the appropriation of income to the extent that the~~  
31 ~~income was not anticipated in the budget of the school district.~~

32 ~~(c) On the first day of July of each year, the general reserve~~  
33 ~~together with unexpended balances of appropriations and income~~  
34 ~~in excess of anticipated income for the preceding fiscal year shall~~  
35 ~~be placed to the credit of the school district, and the school district~~  
36 ~~shall include all money so credited in the balance shown in the~~  
37 ~~budget for the ensuing fiscal year.~~