

Senate Bill No. 148

Passed the Senate September 4, 2015

Secretary of the Senate

Passed the Assembly September 2, 2015

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2015, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 35510, 35514, 35515, 35735, and 35736 of, to add Sections 35735.2, 35735.3, 35735.5, 35735.6, 35735.7, 35735.8, 35735.9, and 35735.10 to, to repeal and add Sections 35735.1 and 35735.4 of, and to repeal Section 35516 of, the Education Code, relating to school districts.

LEGISLATIVE COUNSEL'S DIGEST

SB 148, McGuire. School districts: reorganization: local control funding formula.

Existing law establishes a system of public elementary and secondary education in this state. Under this system, school districts throughout the state operate and maintain schools at which they provide instruction. Existing law establishes procedures under which new school districts may be formed by dissolving 2 or more existing school districts of the same kind from the entire territory of the original school districts, by forming one or more new school districts of the same kind from all or parts of one or more existing school districts of the same kind, or by unifying or deunifying school districts as specified. Under existing law, new school districts may also be formed through an action to transfer territory, including an action to transfer all or part of an existing school district to another existing school district.

Existing law also establishes a system of funding public elementary and secondary education in this state. This funding system includes, among other elements, a local control funding formula through which funds are apportioned to school districts for educational purposes based on the total number of pupils attending the schools in those districts and the number of those pupils who fall into specified categories, including English learners, pupils eligible for free or reduced-price meals, and foster youth.

This bill would enact numerous provisions specifying computations to determine the funding, pursuant to the local control funding formula, of school districts that are, or proposed to be, affected by the various types of actions that may be undertaken to reorganize districts, as defined.

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

SECTION 1. Section 35510 of the Education Code is amended to read:

35510. Unless the context otherwise requires, the definitions set forth in this article govern the construction of this chapter and Chapter 4 (commencing with Section 35700).

SEC. 2. Section 35514 of the Education Code is amended to read:

35514. As used in this chapter and in Chapter 4 (commencing with Section 35700):

(a) “Affected district” means a district that has been, or is proposed to be, affected by an action to reorganize pursuant to Section 35511 or by an action to lapse a district pursuant to Section 35780.1. Affected districts include all of the following district types:

(1) “Original district” means a district as it existed before an action to reorganize pursuant to Section 35511 or before an action to lapse a district pursuant to Section 35780.1. The boundaries of an “original district” are those of the district as it existed immediately before the action to reorganize or lapse.

(2) “Former district” means a district that has been wholly included in another district, or has had all of its territory made part of two or more other districts, through any action taken pursuant to Section 35511 or through a lapse pursuant to Section 35780.1. The boundaries of a former district are those of the district as it existed immediately before an action to reorganize or lapse.

(3) “New district” means a district that is formed from all or portions of one or more other districts by an action to reorganize taken pursuant to subdivision (a) of Section 35511. A new district does not exist before such an action.

(4) “Acquiring district” means a district that has all or portions of one or more other districts transferred into, or lapsed into, its boundaries pursuant to subdivision (b) of Section 35511 or Section 35780.1.

(5) “Divided district” means a district that has had a portion of its territory become part of a new district or transferred into one or more other districts by an action to reorganize taken pursuant to Section 35511.

(A) The “reorganized portion of a divided district” means the portion of the divided district’s territory that becomes part of a new district or is transferred into one or more other districts.

(B) The “remaining portion of a divided district” means the portion of the divided district’s territory that does not become part of a new district or that is not transferred into one or more other districts.

(6) “Reorganized district” means a district that is a “new district,” an “acquiring district,” or a “divided district.”

(b) “Districts” means school districts of every kind or class.

SEC. 3. Section 35515 of the Education Code is amended to read:

35515. “Component district” means an elementary school district that is included within a high school district or an elementary school district that is excluded from an action to unify a high school district but that continues to feed into the high schools of the new unified school district pursuant to subdivision (b) of Section 35542.

SEC. 4. Section 35516 of the Education Code is repealed.

SEC. 5. Section 35735 of the Education Code is amended to read:

35735. (a) Each proposal for the reorganization of school districts shall include a computation of the local control funding formula entitlement determined pursuant to Section 42238.02, as implemented by Section 42238.03, for the districts. That computation shall be an integral part of the proposal, and shall not be considered separately from the proposal. The funding computations for the reorganized school districts shall be made consistent with the calculations established in this article, and shall be based on the current information available for each affected school district for the second principal apportionment period for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

(b) The county superintendent of schools shall compute the local control funding formula entitlement pursuant to this article for a school district involved in an action to reorganize.

(c) (1) For a former school district that has been wholly included in more than one new or acquiring district, the county superintendent of schools with jurisdiction over the reorganized school district shall compute the local control funding formula

entitlement pursuant to this article. As part of this computation, and except as otherwise provided in this article, the county superintendent of schools may determine both of the following:

(2) (A) The prior year funded average daily attendance as of the second principal apportionment from each affected school district that will be served by each reorganized school district.

(B) Consistent with paragraph (1), the division of all of the following types of funding attributed to a former district when all of the territory of that former district is made part of two or more new or acquiring districts:

(i) Categorical program funding provided pursuant to subdivisions (g) and (h) of Section 42238.02, paragraph (2) of subdivision (a) of Section 42238.03, and subdivision (e) of Section 42238.03.

(ii) Economic recovery target payments computed pursuant to paragraph (2) of subdivision (d) of Section 42238.025.

(iii) Necessary small school allowances provided for minimum state aid pursuant to subparagraph (D) of paragraph (1) of subdivision (e) of Section 42238.03, except that in no case shall the allowance attributed to a single necessary small elementary or necessary small high school be divided among more than one new or acquiring district.

(3) The funding calculated pursuant to this subdivision shall be incorporated by the Superintendent into the new or acquiring district's calculations as if it were a former district that is wholly included in the new district, provided that the required information is submitted to the Superintendent within the timeframe established by the Superintendent. If the county superintendent of schools does not provide all of the information in paragraphs (1) and (2), the funding shall not be included in the new or acquiring district's calculations.

(d) For all actions to reorganize, except for those actions approved pursuant to subdivision (b) of Section 35710, or appealed pursuant to subdivision (c) of Section 35710, Section 35710.5, or Section 35711, the Superintendent shall compute the local control funding formula entitlement for a reorganized school district pursuant to Section 42238.02, as implemented by Section 42238.03.

(e) The Superintendent may make adjustments to the local control funding formula entitlements computed pursuant to

subdivisions (b) and (c), if those adjustments are necessary to cause those entitlements to be consistent with this article.

(f) For purposes of this article, a lapse pursuant to Section 35780.1 shall be considered an action to reorganize pursuant to subdivision (b) of Section 35511.

(g) Any costs incurred by the county superintendent of schools in preparing reports pursuant to this section or Sections 35735.1 to 35735.9, inclusive, may be billed to the affected school districts on a proportionate basis.

SEC. 6. Section 35735.1 of the Education Code is repealed.

SEC. 7. Section 35735.1 is added to the Education Code, to read:

35735.1. For purposes of paragraph (5) of subdivision (b) of Section 42238.02, reorganized districts shall have their percentages of unduplicated pupils calculated as follows:

(a) (1) For a new district in the first fiscal year of operation, include only the current fiscal year unduplicated pupil and enrollment counts used to establish the current fiscal year percentage.

(2) For a new district in the second fiscal year of operation, include only the current fiscal year and prior fiscal year unduplicated pupil and enrollment counts to establish the current fiscal year percentage.

(3) For a new district in the third and subsequent fiscal years of operation, include the current fiscal year, prior fiscal year, and second prior fiscal year unduplicated pupil and enrollment counts to establish the current fiscal year percentage.

(b) For an acquiring district in the first fiscal year of operation after the reorganization, retain the prior fiscal year and second prior fiscal year unduplicated pupil and enrollment counts from the fiscal years before the reorganization. For the current fiscal year and each subsequent fiscal year after reorganization, include the unduplicated pupil and enrollment counts for all pupils who are being served by the acquiring district.

(c) For the remaining portion of a divided district, the percentage calculation shall include the prior and second prior fiscal year unduplicated pupil and enrollment counts from the fiscal years before the reorganization. For the current and each subsequent fiscal year after reorganization, include only the unduplicated pupil

and enrollment counts for the pupils who are being served by the remaining portion of the divided district.

SEC. 8. Section 35735.2 is added to the Education Code, to read:

35735.2. For purposes of subdivisions (g) and (h) of Section 42238.02, paragraph (2) of subdivision (a) of Section 42238.03, and subdivision (e) of Section 42238.03, reorganized districts shall have categorical program funding determined as follows:

(a) (1) A new district shall retain the same amount of categorical funding received by each former district before the reorganization. A new district shall not retain any categorical funding received by divided districts before the reorganization.

(2) If the new district is composed wholly of former districts, it shall receive a reduction pursuant to paragraph (2) of subdivision (a) of Section 42238.03 only to the extent that the new district would have received a reduction in the 2012–13 fiscal year.

(3) If the new district is comprised of former districts and one or more divided districts, it shall receive a reduction pursuant to paragraph (2) of subdivision (a) of Section 42238.03 only to the extent that the former districts received a reduction in the 2012–13 fiscal year.

(b) (1) An acquiring district shall retain the same amount of categorical funding it received before the reorganization, plus the amount of categorical funding received by each former district before the reorganization. An acquiring district shall not retain any categorical funding received by divided districts before the reorganization.

(2) If the acquiring district is composed wholly of former districts, it shall receive a reduction pursuant to paragraph (2) of subdivision (a) of Section 42238.03 only to the extent that the acquiring district would have received a reduction in the 2012–13 fiscal year.

(3) If the acquiring district comprises a former district and one or more divided districts, it shall receive a reduction pursuant to paragraph (2) of subdivision (a) of Section 42238.03 only to the extent that the former district received a reduction in the 2012–13 fiscal year.

(c) (1) The remaining portion of a divided district shall retain the same amount of categorical funding it received before the reorganization.

(2) If a divided district received a reduction pursuant to paragraph (2) of subdivision (a) of Section 42238.03, it shall continue to receive that reduction.

(d) If the reorganization includes a former district that has been wholly included in more than one new or acquiring districts, the categorical funding shall be determined pursuant to subdivision (c) of Section 35735.

SEC. 9. Section 35735.3 is added to the Education Code, to read:

35735.3. (a) A new or acquiring district shall receive an economic recovery target payment pursuant to paragraph (2) of subdivision (d) of Section 42238.025 that is equal to the sum of the amounts determined for each former district that was eligible to receive an economic recovery target payment pursuant to paragraph (1) of subdivision (d) of Section 42238.025 before the reorganization.

(b) The remaining portion of a divided district shall retain the same amount of economic recovery target funding pursuant to paragraph (2) of subdivision (d) of Section 42238.025 that it was eligible to receive before the reorganization.

(c) If the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the economic recovery target funding shall be determined pursuant to subdivision (c) of Section 35735.

SEC. 10. Section 35735.4 of the Education Code is repealed.

SEC. 11. Section 35735.4 is added to the Education Code, to read:

35735.4. For purposes of subdivision (d) of Section 42238.03, a reorganized district shall be deemed to have a zero difference in the prior fiscal year if one of the following conditions is met:

(a) For a new district resulting from an action to reorganize pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511, each former district had a zero difference in the prior fiscal year.

(b) For a new district resulting from an action to reorganize pursuant to paragraph (4) subdivision (a) of Section 35511, the original district had a zero difference in the prior fiscal year.

(c) For an acquiring district affected by an action to reorganize taken pursuant to subdivision (b) of Section 35511, the acquiring district has a zero difference in the prior fiscal year.

SEC. 12. Section 35735.5 is added to the Education Code, to read:

35735.5. (a) For a new or acquiring district that has reorganized pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511 or subdivision (b) of Section 35511, the funding amount per unit of average daily attendance pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 42238.03 shall be calculated, as follows:

(1) If the reorganization took place before December 31, 2013, for each affected district:

(A) Blend the revenue limit pursuant to Section 35735.1, as that section read on January 1, 2013.

(B) Multiply the average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective by the per unit of average daily attendance amount computed pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 42238.03.

(C) Add the products determined in subparagraph (B) and divide by the sum of units of average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective for all affected districts.

(2) If the reorganization took place after December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective by the per unit of average daily attendance amount computed pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 42238.03.

(B) Add the products determined in subparagraph (A) and divide by the sum of units of average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective for all affected districts.

(3) (A) For purposes of paragraphs (1) and (2), average daily attendance shall be the funded average daily attendance as of the second principal apportionment.

(B) If the reorganization includes a divided district, the following shall apply:

(i) For purposes of paragraph (1), the average daily attendance shall be estimated by the county office of education and reported

to the department based on the units of average daily attendance to be served by the reorganized district.

(ii) For purposes of paragraph (2), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district in the first fiscal year the reorganization becomes effective. If no average daily attendance of the divided district is estimated to be served in the first fiscal year of the reorganization, the divided district's funding shall not be included in the blending calculation made pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 42238.03.

(C) For purposes of paragraph (1) or (2), if the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the average daily attendance shall be the average daily attendance reported pursuant to subdivision (c) of Section 35735.

(b) For a new district formed as a result of deunification pursuant to paragraph (4) of subdivision (a) of Section 35511, the funding amount per unit of average daily attendance pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 42238.03 shall be equal to the amount calculated for the original district for the fiscal year before the fiscal year in which the reorganization is to become effective.

SEC. 13. Section 35735.6 is added to the Education Code, to read:

35735.6. (a) For a new or acquiring district that has reorganized pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511 or subdivision (b) of Section 35511, the funding amount per unit of average daily attendance pursuant to subparagraph (A) of paragraph (1) of subdivision (e) of Section 42238.03, shall be calculated as follows:

(1) If the reorganization took place before December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective by the per unit of average daily attendance amount computed pursuant to subparagraph (A) of paragraph (1) of subdivision (e) of Section 42238.03.

(B) Add the products determined in subparagraph (A), and divide that sum by the sum of units of average daily attendance for the fiscal year two years immediately preceding the fiscal year in which the reorganization is to become effective for all affected districts.

(C) No adjustment shall be made for paragraphs (2) and (3) of subdivision (a) of Section 35735.1, as that section read on January 1, 2013.

(2) If the reorganization took place after December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective by the per unit of average daily attendance amount computed pursuant to subparagraph (A) of paragraph (1) of subdivision (e) of Section 42238.03.

(B) Add the products determined in subparagraph (A), and divide by the sum of units of average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective for all affected school districts.

(3) (A) For purposes of paragraphs (1) and (2), average daily attendance shall be the funded average daily attendance as of the second principal apportionment.

(B) If the reorganization includes a divided district, the following shall apply:

(i) For purposes of paragraph (1), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district.

(ii) For purposes of paragraph (2), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district in the fiscal year the first reorganization becomes effective. If no average daily attendance of the divided district is estimated to be served in the first fiscal year of the reorganization, the divided district's funding shall not be included in the blending calculation made pursuant to subparagraph (A) of paragraph (1) of subdivision (e) of Section 42238.03.

(C) For purposes of paragraph (1) or (2), if the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the average daily attendance shall be the average daily attendance reported pursuant to subdivision (c) of Section 35735.

(b) For a new district formed as a result of deunification pursuant to paragraph (4) of subdivision (a) of Section 35511, the funding amount per unit of average daily attendance pursuant to subparagraph (A) of paragraph (1) of subdivision (e) of Section 42238.03 shall be equal to the amount calculated for the original district for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

SEC. 14. Section 35735.7 is added to the Education Code, to read:

35735.7. For a new or acquiring district that has reorganized pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511 or subdivision (b) of Section 35511, the funding amount per unit of average daily attendance pursuant to paragraph (4) of subdivision (a) of Section 42238.03 shall be calculated as follows:

(a) If the reorganization took place before December 31, 2013:

(1) For each affected district, divide the amount of funding received in the immediately preceding fiscal year pursuant to paragraph (4) of subdivision (a) of Section 42238.03 as of the second principal apportionment by the units of average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

(2) For each affected district, multiply the amount determined in paragraph (1) by the average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective.

(3) Add the products determined in paragraph (2), and divide that sum by the sum of the average daily attendance determined in paragraph (2) for all affected districts.

(b) If the reorganization took place after December 31, 2013:

(1) For each affected district, divide the amount of funding received in the immediately preceding fiscal year pursuant to paragraph (4) of subdivision (a) of Section 42238.03 as of the second principal apportionment by the units of average daily attendance for the fiscal year prior to the fiscal year in which the reorganization is to become effective.

(2) For each affected district, multiply the amount determined in paragraph (1) by the average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

(3) Add the products determined in paragraph (2), and divide that sum by the sum of the average daily attendance determined in paragraph (2) for all affected districts.

(c) (1) For purposes of subdivisions (a) and (b), average daily attendance shall be the funded average daily attendance as of the second principal apportionment.

(2) If the reorganization includes a divided district, the following shall apply:

(A) For purposes of subdivision (a), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district.

(B) For purposes of subdivision (b), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district in the first fiscal year the reorganization becomes effective. If no average daily attendance of the divided district is estimated to be served in the first fiscal year of the reorganization, the divided district's funding shall not be included in the blending calculation pursuant to paragraph (4) of subdivision (a) of Section 42238.03.

(3) For purposes of subdivisions (a) and (b), if the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the average daily attendance shall be the average daily attendance reported pursuant to subdivision (c) of Section 35735.

SEC. 15. Section 35735.8 is added to the Education Code, to read:

35735.8. (a) For a new or acquiring district that has reorganized pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511 or subdivision (b) of Section 35511, the funding amount per unit of average daily attendance pursuant to Sections 42289 to 42289.5, inclusive, for purposes of determining funding pursuant to paragraph (2) of subdivision (i) of Section 42283.02, shall be calculated as follows:

(1) If the reorganization took place before December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective by the amount computed pursuant to subdivision (b) of Section 42287 for the fiscal year two years before the fiscal year in which the reorganization is to become effective.

(B) Add the products determined in subparagraph (A), and divide that sum by the sum of units of average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective for all affected districts.

(C) Increase the amount determined in subparagraph (B) by the percentage calculated pursuant to paragraph (2) of subdivision (d) of Section 42238.02 for the fiscal year immediately preceding the fiscal year in which reorganization is to become effective.

(2) If the reorganization took place after December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective by the amount computed pursuant to subdivision (b) of Section 42287 for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

(B) Add the products determined in subparagraph (A), and divide that sum by the sum of units of average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective for all affected districts.

(3) (A) For purposes of paragraphs (1) and (2), average daily attendance shall be the funded average daily attendance as of the second principal apportionment.

(B) If the reorganization includes a divided district, both of the following shall apply:

(i) For purposes of paragraph (1), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district.

(ii) For purposes of paragraph (2), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district in the first year the

reorganization becomes effective. If no average daily attendance of the divided district is estimated to be served in the first year of the reorganization, the divided district's funding shall not be included in the blending calculation pursuant to paragraph (2) of subdivision (i) of Section 42238.02.

(C) For purposes of paragraph (1) or (2), if the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the average daily attendance shall be the average daily attendance reported pursuant to subdivision (c) of Section 35735.

(b) For a new district formed as a result of deunification pursuant to paragraph (4) of subdivision (a) of Section 35511, the funding amount per unit of average daily attendance shall be equal to the amount calculated for the original district for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

SEC. 16. Section 35735.9 is added to the Education Code, to read:

35735.9. (a) For a new district or acquiring district that has reorganized pursuant to paragraph (1), (2), or (3) of subdivision (a) of Section 35511 or subdivision (b) of Section 35511, the funding amount per unit of average daily attendance pursuant to Sections 42289 to 42289.5, inclusive, for purposes of determining funding pursuant to subparagraph (D) of paragraph (1) of subdivision (a) of Section 42283.03, shall be calculated as follows:

(1) If the reorganization took place before December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective by the amount per unit of average daily attendance that corresponds to the 2012–13 fiscal year funding amounts pursuant to Sections 42289 to 42289.5, inclusive, and Section 42238.146, as that section read on June 15, 2015.

(B) Add the products determined in subparagraph (A), and divide that sum by the sum of units of average daily attendance for the fiscal year two years before the fiscal year in which the reorganization is to become effective for all affected districts.

(2) If the reorganization took place after December 31, 2013, for each affected district:

(A) Multiply the average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective by the amount per unit of average daily attendance that corresponds to the 2012–13 fiscal year funding amounts pursuant to Sections 42289 to 42289.5, inclusive, and Section 42238.146, as that section read on June 15, 2015.

(B) Add the products determined in subparagraph (A), and divide that sum by the sum of units of average daily attendance for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective for all affected districts.

(3) (A) For purposes of paragraphs (1) and (2), average daily attendance shall be the funded average daily attendance as of the second principal apportionment.

(B) If the reorganization includes a divided district, the following shall apply:

(i) For purposes of paragraph (1), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district.

(ii) For purposes of paragraph (2), the average daily attendance shall be estimated by the county office of education and reported to the department based on the units of average daily attendance to be served by the reorganized district in the first fiscal year the reorganization becomes effective. If no average daily attendance of the divided district is estimated to be served in the first fiscal year of the reorganization, the divided district's funding shall not be included in the blending calculation pursuant to subparagraph (D) of paragraph (1) of subdivision (a) of Section 42238.03.

(C) For purposes of paragraph (1) or (2), if the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the average daily attendance shall be the average daily attendance reported pursuant to subdivision (c) of Section 35735.

(b) For a new district formed as a result of deunification pursuant to paragraph (4) of subdivision (a) of Section 35511, the funding amount per unit of average daily attendance shall be equal to the amount calculated for the original district for the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

SEC. 17. Section 35735.10 is added to the Education Code, to read:

35735.10. For the purpose of determining funding pursuant to subparagraph (D) of paragraph (1) of subdivision (e) of Section 42238.03, the following shall apply to districts affected by reorganization pursuant to Section 35511 or a lapse pursuant to Section 35780.1:

(a) A new district shall receive the same amount of the 2012–13 fiscal year funding allowance provided for qualifying necessary small elementary schools and necessary small high schools received by each former district in the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective if the former district has been wholly included in the new district.

(b) An acquiring district shall retain the same amount as the 2012–13 fiscal year funding allowance provided for its qualifying necessary small elementary schools and necessary small high schools in the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective and any such allowance provided to a former district if the former district has been wholly included in the acquiring district.

(c) A divided district shall retain the same amount of the 2012–13 fiscal year funding allowance provided for its qualifying necessary small elementary schools and necessary small high schools in the fiscal year immediately preceding the fiscal year in which the reorganization is to become effective.

(d) If the reorganization includes a former district that has been wholly included in more than one new or acquiring district, the necessary small school allowance for minimum state aid shall be determined pursuant to subdivision (c) of Section 35735.

SEC. 18. Section 35736 of the Education Code is amended to read:

35736. Plans and recommendations may include a proposal for dividing the property, other than real property, and obligations of any school district proposed to be divided between two or more school districts, or proposed to be partially included in one or more school districts. As used in this section, “property” includes funds, cash on hand, and moneys due but uncollected on the date reorganization becomes effective for all purposes, and state apportionments based on average daily attendance earned in the year immediately preceding the date reorganization becomes

effective for all purposes. In providing for this division, the plans and recommendations may consider the assessed valuation of each portion of the school district, the local control funding formula allocation pursuant to Section 42238.02, as implemented by Section 42238.03, in each school district, the number of children of schoolage residing in each portion of the school district, the value and location of the school property, and such other matters as may be deemed pertinent and equitable. Any such proposal shall be an integral part of the proposal and not a separate proposition.

Approved _____, 2015

Governor