

**Introduced by Senators Fuller, Bates, Berryhill, Huff, Morrell,
Nielsen, and Vidak**

(Principal coauthors: Assembly Members Baker, Bigelow, Harper,
Lackey, Olsen, and Wilk)

February 27, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

SB 774, as introduced, Fuller. School finance: school 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 repeal those provisions.

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2 repealed.

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:~~

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

32 (2) ~~Identify the funding amounts in the budget adopted by the~~
33 ~~school district that are associated with the extraordinary fiscal~~
34 ~~circumstances.~~

35 (3) ~~Provide documentation that no other fiscal resources are~~
36 ~~available to fund the extraordinary fiscal circumstances.~~

37 (c) ~~This section shall become operative on December 15, 2014,~~
38 ~~only if Assembly Constitutional Amendment No. 1 of the 2013-14~~

1 ~~Second Extraordinary Session is approved by the voters at the~~
2 ~~November 4, 2014, statewide general election. If Assembly~~
3 ~~Constitutional Amendment No. 1 of the 2013-14 Second~~
4 ~~Extraordinary Session is not approved by the voters at the~~
5 ~~November 4, 2014, statewide general election, this section shall~~
6 ~~not become operative and is repealed on January 1, 2015.~~

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