

ASSEMBLY BILL

No. 438

Introduced by Assembly Member Robert Campbell

February 15, 1995

An act to amend Sections 1630, 41327, 42103, 42127.2, 42127.6, 42131, and 42647 of the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 438, as introduced, R. Campbell. General subject: School finance.

(1) Existing law requires the Superintendent of Public Instruction to provide notices to the county board of education and the county superintendent of schools (county superintendent), as specified, if he or she determines that the county office of education may be unable to meet its financial obligations, as specified, or the county office of education has a qualified or negative certification pursuant to specified provisions of existing law.

This bill would eliminate that requirement for negative certifications.

(2) Existing law requires a state-administrator to be appointed to certain school districts receiving emergency apportionments. The state-appointed administrator is required to prepare or obtain specified reports and plans, including, among other plans, a financial recovery plan.

This bill would require that financial plan to be a multiyear financial plan. The bill would also require the plan to repay

the state any and all loans to be submitted on annual basis on or before July 1, 1994.

(3) Existing law requires the governing board of each school district to hold a public hearing on the proposed school district budget in a district facility, or other place conveniently accessible to the residents of the district.

This bill would make technical changes to that provision.

(4) Existing law requires the governing board of a school district to select a budget review committee, as specified, and requires the budget review committee to review the proposed budget of the districts, as specified, no later than October 31. The Superintendent of Public Instruction may extend that deadline for a period of not more than 15 working days upon request by the budget review committee.

This bill would eliminate the requirement that the budget review committee request the extension of the deadline and the Superintendent of Public Instruction would continue to be authorized to extend the deadline.

(5) Existing law requires the county superintendent to notify the governing board of the school district and the Superintendent of Public Instruction if at any time during the fiscal year he or she determines that a school district may be unable to meet its financial obligations, as specified, or has a qualified or negative certification pursuant to specified existing law. The school district may appeal that determination. If the appeal is denied, not filed, or the district has a negative certification the county superintendent must, among other things, stay or rescind any action that is inconsistent with revisions to the school district budget that will enable the district to meet its financial obligations.

This bill would instead require the county superintendent to stay or rescind any action that is inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal year.

(6) Under existing law the governing board of each school district that files a qualified or negative certification for the second report, or is classified as qualified or negative by the county superintendent is required to provide a financial statement, as specified, to the county superintendent, the



Controller, and the Superintendent of Public Instruction not later than June 1.

This bill would instead require that financial statement to make projections of the district’s funds and cash balances for the period ending April 30 and would require the county superintendent, by June 15, to submit to the Superintendent of Public Instruction and the Controller, his or her comments on the financial statement projections and provide a progress report on actions taken by the district and the county superintendent since the second report.

(7) Existing law provides that, with the approval of the Superintendent of Public Instruction, the governing board of a unified school district or other specified school districts may cause warrants to be drawn against specified funds that are in the county treasury of the district for payment of the expenses of the district. To receive that approval the school district must submit a written application to the county superintendent. Upon receipt of the application, the county superintendent must cause a survey to be made of the district, as specified, according to standards prescribed by the Department of Finance.

This bill would instead require those standards to be required by the Controller.

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

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

1 SECTION 1. Section 1630 of the Education Code is
2 amended to read:
3 1630. (a) If at any time during the fiscal year the
4 Superintendent of Public Instruction determines that the
5 county office of education may be unable to meet its
6 financial obligations for the current or two subsequent
7 fiscal years or if the county office has a qualified ~~or~~
8 ~~negative~~ certification pursuant to Section 1240, he or she
9 shall notify the county board of education and the county
10 superintendent in writing of that determination, the basis
11 for the determination, and shall do the following, as



1 necessary, to ensure that the county office meets its
2 financial obligations:

3 (1) Assign a fiscal expert, paid for by the
4 Superintendent of Public Instruction, to advise the
5 county office on its financial problems.

6 (2) Conduct a study of the financial and budgetary
7 conditions of the county office. If, in the course of this
8 review, the Superintendent of Public Instruction
9 determines that his or her office requires analytical
10 assistance or expertise that is not available through the
11 county office, he or she may employ, at county office
12 expense, on a short-term basis, staff, including certified
13 public accountants, to provide the assistance and
14 expertise.

15 (3) Direct the county office to submit a financial
16 projection of all fund and cash balances of the county
17 office as of June 30 of the current year and subsequent
18 fiscal years as he or she requires.

19 (4) Require the county office to encumber all
20 contracts and other obligations, to prepare appropriate
21 cash flow analyses and monthly or quarterly budget
22 revisions, and to appropriately record all receivables and
23 payables.

24 (5) Direct the county office to submit a proposal for
25 addressing the fiscal conditions that resulted in the
26 determination that the county office may not be able to
27 meet its financial obligations.

28 (6) Withhold compensation of the county board of
29 education and the county superintendent for failure to
30 provide requested financial information.

31 (b) If, after taking the actions identified in subdivision
32 (a), the Superintendent of Public Instruction determines
33 that a county office will be unable to meet its financial
34 obligations for the current or subsequent fiscal year, he or
35 she shall notify the county board of education and the
36 county superintendent in writing of that determination
37 and the basis for that determination.

38 (c) If the Superintendent of Public Instruction makes
39 that determination, or if the county office has a negative
40 certification pursuant to Section 1240, the



1 Superintendent of Public Instruction, shall, as necessary
2 to enable the county office to meet its financial
3 obligations, do one or more of the following:

4 (1) Develop and impose, in consultation with the
5 county office governing board and the county
6 superintendent, revisions to the county office budget that
7 will enable the county to meet its financial obligations.

8 (2) Stay or rescind any action that is inconsistent with
9 any revision adopted pursuant to paragraph (1). The
10 Superintendent of Public Instruction shall inform the
11 county office governing board in writing of his or her
12 justification for any exercise of authority under this
13 paragraph.

14 (3) Assist in developing, in consultation with the
15 county office governing board and the county
16 superintendent, a financial plan that will enable the
17 county to meet its future obligations.

18 (d) This section does not authorize the
19 Superintendent of Public Instruction to abrogate any
20 provision of a collective bargaining agreement that was
21 entered into by a county office prior to the date upon
22 which the Superintendent of Public Instruction assumed
23 authority pursuant to subdivision (c).

24 (e) The county office shall pay reasonable fees
25 charged by the Superintendent of Public Instruction for
26 any administrative expenses incurred pursuant to
27 subdivision (c) or costs associated with improving the
28 office's financial management practices.

29 (f) Notwithstanding any other provision of law, a
30 county treasurer shall not honor any warrant when the
31 Superintendent of Public Instruction, as appropriate, has
32 disapproved that warrant, or has disapproved the order
33 on county office funds for which a warrant was prepared.

34 (g) For all purposes of errors and liability insurance
35 policies, a fiscal expert appointed pursuant to this section
36 shall be deemed to be an employee of the county office
37 of education. The Superintendent of Public Instruction
38 may require that the fiscal adviser be placed on the
39 county office of education payroll for the purposes of
40 remuneration, benefits, and payroll deductions.



1 (h) If staff *persons* are hired pursuant to paragraph (2)
 2 of subdivision (a), the Superintendent of Public
 3 Instruction may certify to the Controller an amount to be
 4 transferred to the State Department of Education, from
 5 the funds that otherwise would be apportioned to the
 6 county office of education pursuant to Section 2558, for
 7 the purpose of paying all costs incurred by that staff in
 8 performing their respective services. The Controller,
 9 upon receipt of that certification, shall transfer that
 10 amount.

11 (i) To facilitate the appointment of a county office
 12 fiscal officer and the employment of additional staff
 13 pursuant to paragraphs (1) and (2), respectively of
 14 subdivision (a), for the purposes of those paragraphs, the
 15 Superintendent of Public Instruction is exempt from the
 16 requirements of Article 6 (commencing with Section
 17 999) of Chapter 6 of Division 4 of the Military and
 18 Veterans Code and Part 2 (commencing with Section
 19 10100) of the Public Contracts Code.

20 SEC. 2. Section 41327 of the Education Code is
 21 amended to read:

22 41327. (a) In accordance with timelines, instructions,
 23 and a format established by the Superintendent of Public
 24 Instruction, the state-appointed administrator shall
 25 prepare or obtain the following reports and plans:

- 26 (1) A management review and recovery plan.
- 27 (2) A *multiyear* financial recovery plan. The *multiyear*
 28 financial recovery plan shall include a plan, *to be*
 29 *submitted annually on or before July 1*, to repay to the
 30 state any and all loans owed by the district. Pursuant to
 31 the *multiyear* financial recovery plan, the repayment by
 32 the district of any state loans shall comply with all of the
 33 following, notwithstanding any provision of Article 2
 34 (commencing with Section 41320):

35 (A) The loan or loans shall be repaid over a period of
 36 no more than 10 years following the initial disbursement
 37 of moneys under a loan as described in subdivision (a) of
 38 Section 41326. The repayment of the loan or loans shall
 39 commence not later than the fiscal year following the



1 year in which the loan described in that subdivision is
2 made.

3 (B) Interest shall accrue on the loan or loans as of the
4 date the funds are received, at the average annual
5 investment rate of the pooled investment account.

6 (3) During the period of service by the
7 state-appointed administrator, an annual report on the
8 financial condition of the district, including, but not
9 necessarily limited to, all of the following information:

10 (A) Specific actions taken to reduce district
11 expenditures or increase income to the district, and the
12 amount of the resulting cost savings and increases in
13 income.

14 (B) A copy of the adopted district budget for the
15 current fiscal year.

16 (C) The amount of the district budgetary reserve.

17 (D) The status of employee contracts.

18 (E) Any obstacles to the implementation of the
19 recovery plans described in paragraphs (1) and (2).

20 (b) Each of the reports or plans required under this
21 section, or under any other provision of law that requires
22 the district to prepare reports or plans, shall be submitted
23 to the Superintendent of Public Instruction for approval,
24 after his or her consideration of comments and
25 recommendations of the county superintendent of
26 schools. The Superintendent of Public Instruction may
27 accept and approve, for the purposes of this section, any
28 reports or plans that were prepared by or for the district
29 prior to the district's acceptance of a loan as described in
30 subdivision (a) of Section 41326.

31 (c) With the approval of the Superintendent of Public
32 Instruction, the state-appointed administrator shall have
33 authority to enter into agreements on behalf of the
34 district and, subject to any contractual obligation of the
35 district, to change any existing district rules, regulations,
36 policies, or practices as necessary for the effective
37 implementation of the recovery plans referred to in
38 subdivision (a).

39 SEC. 3. Section 42103 of the Education Code is
40 amended to read:



1 42103. The governing board of each school district
2 shall hold a public hearing on the proposed budget in a
3 district facility, or some other place conveniently
4 accessible to the residents of the district. The public
5 hearing shall be held any day on or before the date
6 specified for this purpose in subdivision ~~(f)~~ (e) or ~~(h)~~ (i),
7 respectively, of Section 42127, but not less than three
8 working days following availability of the proposed
9 budget for public inspection. At the hearing any resident
10 in the district may appear and object to the proposed
11 budget or any item in the budget.

12 The hearing may be concluded on the proposed budget
13 when there are no requests for further hearing on file,
14 and shall be concluded no later than the date specified for
15 this purpose in subdivision ~~(f)~~ (e) or ~~(h)~~ (i), respectively,
16 of Section 42127. The budget shall not be finally adopted
17 by the governing board of the district until after the
18 public hearing has been held.

19 The proposed budget shall show expenditures, cash
20 balances, and all revenues as required to be tabulated in
21 Sections 42122 and 42123, and also shall include an
22 estimate of those figures, unaudited, for the preceding
23 fiscal year. In addition, any tax statement submitted by
24 the district governing board pursuant to subdivision (a)
25 of Section 42127, any district tax requirement computed
26 pursuant to subdivision (b) of Section 42127 for the school
27 year to which the proposed budget is intended to apply,
28 and any recommendations made by the county
29 superintendent pursuant to subdivision (d) of Section
30 42127 shall be made available by the district for public
31 inspection in a facility of the district or in some other
32 place conveniently accessible to residents of the district.

33 Notification of dates and location or locations at which
34 the proposed budget may be inspected by the public and
35 the date, time, and location of the public hearing on the
36 proposed budget shall be published by the county
37 superintendent of schools in a newspaper of general
38 circulation in the district or, if there is no such newspaper,
39 in any newspaper of general circulation in the county, at
40 least three days prior to the availability of the proposed



1 budget for public inspection. The publication of the dates
2 and location shall occur no earlier than 45 days prior to the
3 final date for the hearing as specified in subdivision (f)
4 (e) or ~~(h)~~-(i), respectively, of Section 42127, but not less
5 than 10 days prior to the date set for hearing. The cost of
6 the publication shall be a legal and proper charge against
7 the school district for which the publication is made.

8 SEC. 4. Section 42127.2 of the Education Code is
9 amended to read:

10 42127.2. (a) ~~The district~~-governing board of a school
11 district shall, no later than five working days after the
12 receipt of a candidate list from the Superintendent of
13 Public Instruction pursuant to Section 42127.1, select a
14 budget review committee, and the Superintendent of
15 Public Instruction shall convene the committee no later
16 than five working days following that selection. If the
17 governing board fails to select a committee within the
18 period of time permitted by this subdivision, the
19 Superintendent of Public Instruction instead shall select
20 and convene the budget review committee no later than
21 10 working days after the district's receipt of the
22 candidate list.

23 (b) No later than October 31, the budget review
24 committee shall review the proposed budget of the
25 district and the underlying fiscal policies of the district
26 and transmit to the Superintendent of Public Instruction,
27 the county superintendent of schools, and the ~~district~~
28 governing board of the school district either of the
29 following:

30 (1) The recommendation that the school district
31 budget be approved.

32 (2) A report disapproving the school district budget
33 and setting forth recommendations for revisions to the
34 school district budget that would enable the district to
35 meet its financial obligations both in the current fiscal
36 year and with regard to the district's multiyear financial
37 commitments.

38 ~~Upon request of the budget review committee, the~~
39 The Superintendent of Public Instruction may extend the



1 deadline set forth in subdivision (b) for a period of not
2 and more than 15 working days.

3 (d) The Superintendent of Public Instruction shall
4 establish criteria and procedures governing the
5 performance by budget review committees of their
6 duties under this section.

7 (e) Upon request of the county superintendent of
8 schools, the Controller’s office may conduct an audit or
9 review of the fiscal condition of the school district in order
10 to assist a budget review committee or regional review
11 committee for the purposes of this section.

12 SEC. 5. Section 42127.6 of the Education Code is
13 amended to read:

14 42127.6. (a) If at any time during the fiscal year the
15 county superintendent of schools determines that a
16 school district may be unable to meet its financial
17 obligations for the current or two subsequent fiscal years
18 or if a school district has a qualified ~~or negative~~
19 certification pursuant to Section 42131, he or she shall
20 notify the ~~school district~~ governing board *of the school*
21 *district* and the Superintendent of Public Instruction in
22 writing of that determination, the basis for the
23 determination, and shall do any or all of the following, as
24 necessary, to ensure that the district meets its financial
25 obligations:

26 (1) Assign a fiscal expert, paid for by the county
27 superintendent, to advise the district on its financial
28 problems.

29 (2) Conduct a study of the financial and budgetary
30 conditions of the district. If, in the course of this review,
31 the county superintendent determines that his or her
32 office requires analytical assistance or expertise that is not
33 available through the district, he or she may employ, on
34 a short-term basis, with the approval of the
35 Superintendent of Public Instruction, staff, including
36 certified public accountants, to provide the assistance and
37 expertise. The school district shall pay 75 percent and the
38 county office of education shall pay 25 percent of these
39 staff costs.



1 (3) Direct the school district to submit a financial
2 projection of all fund and cash balances of the district as
3 of June 30 of the current year and subsequent fiscal years
4 as he or she requires.

5 (4) Require the district to encumber all contracts and
6 other obligations, to prepare appropriate cash flow
7 analyses and monthly or quarterly budget revisions, and
8 to appropriately record all receivables and payables.

9 (5) Direct the district to submit a proposal for
10 addressing the fiscal conditions that resulted in the
11 determination that the district may not be able to meet
12 its financial obligations.

13 (6) Withhold compensation of the members of the
14 governing board and the district superintendent for
15 failure to provide requested financial information. This
16 action may be appealed to the Superintendent of Public
17 Instruction pursuant to subdivision (b).

18 Any contract entered into by a county superintendent
19 of schools for the purposes of this subdivision is subject to
20 the approval of the Superintendent of Public Instruction.

21 (b) Within five days of the county superintendent
22 making the determination specified in subdivision (a), a
23 school district may appeal the basis of the determination,
24 and any of the proposed actions that the county
25 superintendent has indicated that he or she will take to
26 further examine the financial condition of the district.
27 The Superintendent of Public Instruction shall sustain or
28 deny any or all parts of the appeal within 10 days.

29 (c) If, after taking the actions identified in subdivision
30 (a), *or if after consultation with the Superintendent of*
31 *Public Instruction* the county superintendent determines
32 that a district will be unable to meet its financial
33 obligations for the current or subsequent fiscal year, he or
34 she shall notify the school district governing board and
35 the Superintendent of Public Instruction in writing of
36 that determination and the basis for that determination.

37 (d) Within five days of the county superintendent
38 making the determination specified in subdivision (c), a
39 school district may appeal that determination to the
40 Superintendent of Public Instruction. The



1 Superintendent of Public Instruction shall sustain or deny
2 the appeal within 10 days.

3 (e) If the appeal described in subdivision (d) is
4 denied, not filed, or the district has a negative
5 certification pursuant to Section 42131, the county
6 superintendent, in consultation with the Superintendent
7 of Public Instruction, shall, as necessary to enable the
8 district to meet its financial obligation, do one or more of
9 the following:

10 (1) Develop and impose, in consultation with the
11 Superintendent of Public Instruction and the school
12 district governing board, revisions to the school district
13 budget that will enable the district to meet its financial
14 obligations *if the county superintendent has determined*
15 *that the district will be unable to meet its financial*
16 *obligations for the current or subsequent fiscal year.*

17 (2) Stay or rescind any action that is inconsistent with
18 ~~any revision adopted pursuant to paragraph (1) the~~
19 *school district's ability to meet its obligations for the*
20 *current or subsequent fiscal year.* The county
21 superintendent of schools shall inform the school district
22 governing board in writing of his or her justification for
23 any exercise of authority under this paragraph.

24 (3) Assist in developing, in consultation with the
25 ~~school district~~ governing board *of the school district*, a
26 financial plan that will enable the district to meet its
27 future obligations.

28 (f) This section does not authorize the county
29 superintendent to abrogate any provision of a collective
30 bargaining agreement that was entered into by a school
31 district prior to the date upon which the county
32 superintendent of schools assumed authority pursuant to
33 subdivision (e).

34 (g) The school district shall pay 75 percent and the
35 county office of education shall pay 25 percent of the
36 administrative expenses incurred pursuant to subdivision
37 (e) or costs associated with improving the district's
38 financial management practices. The Superintendent of
39 Public Instruction shall develop, and distribute to
40 affected school districts and county offices of education,



1 advisory guidelines regarding the appropriate amount of
2 administrative expenses charged pursuant to this
3 subdivision.

4 (h) Notwithstanding Section 42647 or 42650, or any
5 other provision of law, a county treasurer shall not honor
6 any warrant when, pursuant to Sections 42127 to 42127.6,
7 inclusive, the county superintendent ~~of schools~~ or the
8 Superintendent of Public Instruction, as appropriate, has
9 disapproved that warrant, or has disapproved the order
10 on school district funds for which a warrant was prepared.

11 SEC. 6. Section 42131 of the Education Code is
12 amended to read:

13 42131. (a) (1) Pursuant to the reports required by
14 Section 42130, the governing board of each school district
15 shall certify, in writing, within 45 days after the close of
16 the period being reported, whether or not the school
17 district is able to meet its financial obligations for the
18 remainder of the fiscal year and, based on current
19 forecasts, for the subsequent fiscal year. These
20 certifications shall be based upon the board's assessment,
21 on the basis of standards and criteria for fiscal stability
22 adopted by the State Board of Education pursuant to
23 Section 33127, of the district budget, as revised to reflect
24 current information regarding the adopted state budget,
25 district property tax revenues pursuant to Sections 95 to
26 100, inclusive, of the Revenue and Taxation Code, and
27 ending balances for the preceding fiscal year as reported
28 pursuant to Section 42100. The certifications shall be
29 classified as positive, qualified, or negative, as prescribed
30 by the Superintendent of Public Instruction for the
31 purposes of determining subsequent actions by the
32 Superintendent of Public Instruction, the Controller, or
33 the county superintendent of schools, pursuant to
34 subdivisions (b) and (c). These certifications shall be
35 based upon the financial and budgetary reports required
36 by Section 42130 but may include additional financial
37 information known by the governing board to exist at the
38 time of each certification. For purposes of this
39 subdivision, a negative certification shall be assigned to
40 any school district that, based upon current projections,



1 will be unable to meet its financial obligations for the
2 remainder of the fiscal year or the subsequent fiscal year.
3 A qualified certification shall be assigned to any school
4 district that, based upon current projections, may not
5 meet its financial obligations for the current fiscal year or
6 two subsequent fiscal years. A positive certification shall
7 be assigned to any school district that, based upon current
8 projections, will meet its financial obligations for the
9 current fiscal year and subsequent two fiscal years.

10 (2) A copy of each certification and a copy of the
11 report submitted to the governing board pursuant to
12 Section 42130 shall be filed with the county
13 superintendent of schools. If a county office of education
14 receives a positive certification when it determines a
15 negative or qualified certification should have been filed,
16 the county superintendent of schools shall change the
17 certification to negative or qualified, as appropriate, and,
18 no later than 75 days after the close of the period being
19 reported, shall provide notice of that action to the
20 governing board of the school district and to the
21 Superintendent of Public Instruction. No later than five
22 days after a school district receives notice of a change by
23 the county superintendent of schools in the district's
24 certification to negative or qualified, the governing board
25 of the district may submit an appeal to the
26 Superintendent of Public Instruction regarding the
27 validity of that change, in accordance with the criteria
28 applied to those designations pursuant to this subdivision.
29 No later than 10 days after receiving that appeal, the
30 Superintendent of Public Instruction shall determine the
31 certification to be assigned to the district, and shall notify
32 the school district governing board and the county
33 superintendent of schools of that determination.

34 Copies of any certification in which the governing
35 board is unable to certify unqualifiedly that these
36 financial obligations will be met and a copy of the report
37 submitted to the governing board pursuant to Section
38 42130 shall be sent by the county office of education to the
39 Controller and the Superintendent of Public Instruction
40 at the time of the certification, together with a completed



1 transmittal form provided by the Superintendent of
2 Public Instruction. Within 75 days after the close of the
3 reporting period on all school district certifications that
4 are classified as qualified or negative pursuant to this
5 section, the appropriate county superintendent of schools
6 shall submit to the Superintendent of Public Instruction
7 and the Controller his or her comments on those
8 certifications and report any action proposed or taken
9 pursuant to subdivision (b).

10 (3) All reports and certifications required under this
11 subdivision shall be in a format or on forms prescribed by
12 the Superintendent of Public Instruction, and shall be
13 based on standards and criteria for fiscal stability adopted
14 by the State Board of Education pursuant to Section
15 33127.

16 (4) This subdivision shall not preclude the submission
17 of additional budgetary or financial reports by the county
18 superintendent of schools to the district governing board,
19 or to the Superintendent of Public Instruction.

20 (b) As to any school district having a negative or
21 qualified certification, the county superintendent of
22 schools shall exercise his or her authority, as necessary,
23 pursuant to Section 42127.6.

24 (c) Within 75 days after the close of each reporting
25 period, each county superintendent of schools shall
26 report to the Controller and the Superintendent of Public
27 Instruction as to whether the governing board of each of
28 the school districts under his or her jurisdiction has
29 submitted the certification required by subdivision (a).
30 That report shall account for all districts under the
31 jurisdiction of the county office of education and indicate
32 the type of certification filed by each district.

33 (d) The Controller's office may conduct an audit or
34 review of the fiscal condition of any district having a
35 negative or qualified certification.

36 (e) ~~The governing board of each~~ *Each governing*
37 *board of a* school district ~~that files filing~~ a qualified or
38 negative certification for the second report required ~~for~~
39 ~~any fiscal year~~ under Section 42130, or ~~for which the~~
40 ~~second report~~ is classified as qualified or negative by the



1 county superintendent of schools, shall provide to the
 2 county superintendent of schools, the Controller, and the
 3 Superintendent of Public Instruction no later than June
 4 1, a financial statement ~~that projects the fund and cash~~
 5 ~~balances of the district as of June 30~~ *projections of the*
 6 *district's fund and cash balances through June 30 for the*
 7 *period ending April 30. By June 15, the county*
 8 *superintendent of schools shall submit to the*
 9 *Superintendent of Public Instruction and the Controller*
 10 *his or her comments on these financial statement*
 11 *projections and provide a progress report on actions*
 12 *taken by the district and the county superintendent since*
 13 *the second report. The governing boards of all other*
 14 school districts are encouraged to develop a similar
 15 financial statement for use in developing the beginning
 16 fund balances of the district for the ensuing fiscal year.

17 (f) Any school district for which the county board of
 18 education serves as the governing board is not subject to
 19 subdivisions (a) to (f), inclusive, but is governed instead
 20 by the interim report, monitoring, and review
 21 procedures set forth in subdivision (j) of Section 1240 and
 22 in Article 2 (commencing with Section 1620) of Chapter
 23 5 of Part 2.

24 SEC. 7. Section 42647 of the Education Code is
 25 amended to read:

26 42647. With the approval of the Superintendent of
 27 Public Instruction, the governing board of a unified
 28 school district, or district with over 10,000 average daily
 29 attendance, may cause to be drawn all warrants on the
 30 county treasurer against all the funds, except debt
 31 service, of the district in the county treasury in the
 32 payment of the expenses of the district. The warrants
 33 shall be issued by a person designated as the district
 34 auditor or district disbursing officer for the school district
 35 on the county treasurer in favor of the persons entitled
 36 thereto in payment of all claims chargeable against the
 37 district ~~which~~ *that* have been legally examined, allowed,
 38 and ordered paid by the governing board. The district
 39 auditor shall issue warrants on the county treasurer for all
 40 debts and demands against the district when the amounts



1 are fixed by law. The form of the warrant shall be as
2 prescribed by the governing board and approved by the
3 county auditor or county treasurer having jurisdiction.

4 Notwithstanding Section 42631, the cost of printing the
5 warrants shall be borne by the district.

6 No county officer shall be responsible for producing
7 reports, statements, and other data relating to or based on
8 these payments of the expenses of the districts. Those
9 districts issuing warrants as provided by this section shall
10 provide the county superintendent of schools, in the form
11 prescribed by him or her, with the data necessary to make
12 retirement reports and other reports required of him or
13 her by law. All warrants, vouchers, and supporting
14 documents shall be kept by the school districts that draw
15 their own warrants.

16 Notwithstanding Section 27005 of the Government
17 Code, or any other section requiring orders for warrants
18 or warrants to be signed by the county superintendent of
19 schools or the county auditor, or both, the county
20 treasurer shall pay the warrant, if money is available.

21 Notwithstanding Section 41000, except for assessing
22 and tax collecting, the county auditor and the county
23 treasurer may charge those districts that draw their own
24 warrants for the cost of all fiscal services.

25 The person authorized by the governing board of the
26 district to issue warrants pursuant to this section shall
27 execute an official bond in an amount fixed by the
28 governing board conditioned upon the faithful
29 performance of his or her duties under this section. A
30 county superintendent of schools or a county auditor shall
31 not be liable under the terms of their bonds or otherwise
32 for any warrant issued pursuant to this section. It is not
33 intended that this provision shall be applied so as to
34 impair the obligation of any contract in the bond of ~~such~~
35 *the* officer in effect on the effective date of this section.

36 A listing of the warrants issued under this section by
37 each school district shall be forwarded to the county
38 auditor having jurisdiction, upon his or her request, and
39 to the county superintendent of schools having
40 jurisdiction over the district on the same day warrants are



1 issued. The listing, which may be magnetic tape, punched
2 cards, or in other form, shall report, among other things,
3 the warrant number, date of the warrant, amount of the
4 warrant, the name of the payee, and the fund on which
5 drawn.

6 The form and content of the warrant listing shall be as
7 prescribed by the governing board and approved by the
8 county auditor having jurisdiction.

9 Each unified school district or district with over 10,000
10 average daily attendance ~~which~~*that* issues warrants
11 pursuant to this section shall furnish monthly to the
12 county superintendent of schools and the county auditor
13 of the county of jurisdiction, upon his or her request, a
14 statement showing for the current fiscal year to date, for
15 each required expenditure classification, the amount
16 budgeted, actual expenditures, encumbrances and
17 unencumbered balances.

18 In order to obtain the approval of the Superintendent
19 of Public Instruction, a unified school district, or district
20 with over 10,000 average daily attendance, shall file a
21 written application with the county superintendent of
22 schools of jurisdiction. Upon receipt of an application
23 from the district, the county superintendent of schools
24 shall cause a survey to be made of the district's accounting
25 controls by an independent certified public accountant or
26 public accountant in accordance with standards
27 prescribed by the ~~Department of Finance~~*Controller*.
28 The certified public accountant or public accountant
29 shall report his or her findings and recommendations to
30 the county superintendent, county auditor, and to the
31 applicant district.

32 The county superintendent shall forward the district's
33 application, together with his or her other
34 recommendations and the recommendations of the
35 county auditor and a report of the survey, to the
36 Superintendent of Public Instruction for approval or
37 disapproval of the application. The Superintendent of
38 Public Instruction shall approve the application only if he
39 or she finds that the accounting controls of the district are
40 adequate. If the Superintendent of Public Instruction



1 determines that these controls are inadequate, he or she
2 shall disapprove the application.

3 The county superintendent of schools shall be
4 reimbursed for all costs incident to the accounting
5 controls survey made pursuant to the district's
6 application from the district's funds.

7 When approved by the Superintendent of Public
8 Instruction, the issuance of warrants pursuant to this
9 section shall be effective at the beginning of the fiscal
10 year if the approval had been made prior to the preceding
11 first day in January. ~~In the event that~~ *If* the issuance of
12 warrants has been disapproved, the Superintendent of
13 Public Instruction and the county superintendent of
14 schools shall state the specific steps ~~which~~ *that* must be
15 taken by the school district in order to receive approval.
16 If at any time the county superintendent of schools
17 determines that the accounting controls of the district
18 have become inadequate, he or she may recommend to
19 the Superintendent of Public Instruction that the
20 approval be revoked, to be effective on the first day of the
21 next following fiscal year.

