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**AB-1825 Education finance: constitutional minimum funding obligation: local control funding formula.**  
(2017-2018)

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**Assembly Bill No. 1825**

**CHAPTER 39**

An act to amend Sections 2575, 14002, 41202, 41202.5, 42238.03, and 42287 of, to add Sections 41206.01, 41206.02, 41206.03, 41207.31, and 41207.45 to, and to repeal and add Section 41206 of, the Education Code, relating to education finance, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[ Approved by Governor June 27, 2018. Filed with Secretary of State June 27, 2018. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1825, Committee on Budget. Education finance: constitutional minimum funding obligation: local control funding formula.

(1) The Classroom Instructional Improvement and Accountability Act, an initiative approved by the voters as Proposition 98 at the November 8, 1988, statewide general election, amended the California Constitution to, among other things, set forth a formula for computing the minimum amount of revenues that the state is required to appropriate for the support of school districts and community college districts for each fiscal year.

Under existing law, within 9 months following the end of a fiscal year, the Superintendent of Public Instruction and the Director of Finance, and the Chancellor of the California Community Colleges and the Director of Finance, are required to recalculate, as necessary, and jointly certify all actual data relating to school districts, and community college districts, for the prior fiscal year for purposes of the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution.

This bill would revise and recast those provisions, and provide specified procedures, including timelines, for the calculation, recalculation, and certification of the state's minimum funding obligation to school districts and community college districts required by the California Constitution. The bill would provide specified timelines for comment and judicial challenge of the Director of Finance's final certification of the state's minimum funding obligation made pursuant to these provisions. The bill would establish the Proposition 98 Cost Allocation Schedule, to be utilized by the Director of Finance to account for Proposition 98 appropriations in excess of the amounts required to satisfy the minimum funding obligation to school districts and community college districts. The bill would authorize the Director of Finance to credit any amounts attributable to the Proposition 98 Cost Allocation Schedule to satisfy the minimum funding obligation to school districts and community college districts pursuant to the California Constitution for any prior fiscal year. If, after crediting all amounts attributable to the Proposition 98 Cost Allocation Schedule, there remains an outstanding balance in the minimum funding obligation to school districts and community college districts, the bill would appropriate the amounts necessary to satisfy the minimum funding obligation from the General Fund to the Controller, without regard to fiscal years, for allocation to school districts and community college districts, as specified.

(2) Existing law establishes a public school financing system that requires state funding for county superintendents of schools, school districts, and charter schools to be calculated pursuant to a local control funding formula, as specified. Existing law

requires, for the 2013–14 fiscal year and for each fiscal year thereafter, the Superintendent of Public Instruction to annually calculate a county local control funding formula for each county superintendent of schools, as provided.

Existing law requires the Superintendent to make certain computations for purposes of computing the amount of funding for necessary small high schools, as defined. Existing law requires the Superintendent to add a specified amount to the county local control funding formula for purposes of necessary small high schools.

Existing law also requires, commencing with the 2013–14 fiscal year and for each fiscal year thereafter, the Superintendent to calculate a base entitlement for the transition to the county local control funding formula for each county superintendent of schools, as provided. Existing law requires the amount of the base entitlement to be increased by a specified adjustment.

This bill would repeal the requirement that the Superintendent add the specified amount to the county local control funding formula for purposes of necessary small high schools, and would repeal the requirement that the amount of the base entitlement for the transition to the county local control funding formula for each county superintendent of schools be increased by the specified adjustment.

(3) Existing law provides specified cost-of-living adjustments to the amounts calculated pursuant to the local control funding formula and for necessary small schools. Existing law, upon full implementation of the local control funding formula, requires that those cost-of-living adjustments be made only if an appropriation for that purpose is included in the annual Budget Act.

This bill would repeal the requirement that, upon full implementation of the local control funding formula, those cost-of-living adjustments be made only if an appropriation for that purpose is included in the annual Budget Act.

(4) Existing law requires the Controller to transfer from the General Fund to Section A of the State School Fund during each fiscal year the amount of moneys required to meet the amounts apportioned pursuant to specified provisions of the local control funding formula, upon certification by the Superintendent of Public Instruction of that amount.

This bill instead would continuously appropriate from the General Fund to Section A of the State School Fund for allocation by the Controller any amounts necessary to meet the requirements of specified programs during each fiscal year, including, among others, the local control funding formula, the basic aid school district block grant, and the Open Enrollment Act, upon certification by the Superintendent of those amounts. By establishing a continuously appropriated fund, the bill would make an appropriation.

(5) Existing law specifies that funds appropriated for the Child Care and Development Services Act do not apply toward the constitutional minimum funding obligation for school districts and community college districts, with the exception of state funding for the part-day California state preschool programs and the After School Education and Safety Program.

This bill would additionally count toward the constitutional minimum funding obligation for school districts and community college districts state funding to specified local educational agencies to create a full day of care for children participating in the California state preschool program.

(6) This bill would appropriate \$100,000,000 from the General Fund to the Controller in the 2018–19 fiscal year for allocation to school districts and community college districts for the purpose of reducing the 2009–10 fiscal year outstanding balance of the minimum funding obligation to school districts and community college districts, as specified.

(7) This bill would provide that any judicial action or proceeding to challenge, review, set aside, void, or annul the provisions of the bill, or any portion of the bill, may proceed only by application or complaint filed within 45 days of the effective date of the bill.

(8) This bill would provide that if any section or part of the bill is for any reason held unconstitutional, unenforceable, or otherwise invalid, the entire act shall become inoperative.

(9) This bill would correct cross-references and make other nonsubstantive changes.

(10) Funds appropriated by this bill would be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution.

(11) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority   Appropriation: yes   Fiscal Committee: yes   Local Program: no

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

### **SECTION 1.** The Legislature finds and declares both of the following:

(a) Because current law does not provide school districts and community college districts with sufficient certainty regarding funding, this act increases the certainty of Proposition 98 funding by certifying the minimum Proposition 98 guarantee for past

years, by enacting a continuous appropriation for the local control funding formula, by increasing Proposition 98 funding to fund full-day preschool services provided by school districts with Proposition 98 dollars, and by improving the statutory process for certifying the minimum Proposition 98 guarantee to increase transparency, to reflect final data, and to appropriate settle-up funds in a timely manner.

(b) The provisions of this act are intended to be interrelated provisions that further the purposes of Proposition 98 by accomplishing all of the following:

- (1) Automatically appropriate and distribute to school districts all funds due to them under the local control funding formula, to help meet the Proposition 98 minimum guarantee through a steady stream of funding.
- (2) Certify the Proposition 98 minimum guarantee for past years to ensure more accurate calculations of the Proposition 98 minimum guarantee for the budget year and future years.
- (3) Enable a certification process that will establish a final calculation of the funding obligation to school districts and community college districts in a timely manner and ensure prompt payment of any outstanding settle-up funds.

**SEC. 2.** Section 2575 of the Education Code is amended to read:

**2575.** (a) Commencing with the 2013–14 fiscal year and for each fiscal year thereafter, the Superintendent shall calculate a base entitlement for the transition to the county local control funding formula for each county superintendent of schools based on the sum of the amounts computed pursuant to paragraphs (1) to (3), inclusive:

(1) Revenue limits in the 2012–13 fiscal year pursuant to Article 3 (commencing with Section 2550) of Chapter 12, as that article read on January 1, 2013, adjusted only for changes in average daily attendance claimed by the county superintendent of schools for pupils identified in clauses (i), (ii), and (iii) of subparagraph (A) of paragraph (4) of subdivision (c) of Section 2574 and for pupils attending juvenile court schools. For purposes of this paragraph, the calculation of an amount per unit of average daily attendance for pupils attending juvenile court schools shall be considered final for purposes of this section as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339. All other average daily attendance claimed by the county superintendent of schools and any other average daily attendance used for purposes of calculating revenue limits pursuant to Article 3 (commencing with Section 2550) of Chapter 12, as that article read on January 1, 2013, shall be considered final for purposes of this section as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(2) The sum of all of the following:

(A) (i) The amount of funding received from appropriations contained in Section 2.00 of the Budget Act of 2012, as adjusted by Section 12.42, in the following Items: 6110-104-0001, 6110-105-0001, 6110-107-0001, 6110-108-0001, 6110-111-0001, 6110-124-0001, 6110-128-0001, 6110-137-0001, 6110-144-0001, 6110-156-0001, 6110-181-0001, 6110-188-0001, 6110-189-0001, 6110-190-0001, 6110-193-0001, 6110-195-0001, 6110-198-0001, 6110-204-0001, 6110-208-0001, 6110-209-0001, 6110-211-0001, 6110-212-0001, 6110-227-0001, 6110-228-0001, 6110-232-0001, 6110-240-0001, 6110-242-0001, 6110-243-0001, 6110-244-0001, 6110-245-0001, 6110-246-0001, 6110-247-0001, 6110-248-0001, 6110-260-0001, 6110-265-0001, 6110-266-0001, 6110-267-0001, 6110-268-0001, and 6360-101-0001, 2012–13 fiscal year funding for the Class Size Reduction Program pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 of Division 4 of Title 2, as that chapter read on January 1, 2013, and 2012–13 fiscal year funding for pupils enrolled in community day schools who are mandatorily expelled pursuant to subdivision (d) of Section 48915. For purposes of this subparagraph, the 2012–13 fiscal year appropriations described in this subparagraph shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(ii) If a home-to-school transportation joint powers agency, established pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation, received an apportionment directly from the Superintendent pursuant to Item 6110-111-0001 of Section 2.00 of the Budget Act of 2012, as identified in clause (i), the joint powers agency may identify the member local educational agencies and transfer entitlement to that funding to any of those member local educational agencies by reporting to the Superintendent, on or before September 30, 2015, the reassignment of a specified amount of the joint powers agency's 2012–13 fiscal year entitlement to the member local educational agency. Commencing with the 2015–16 fiscal year, the Superintendent shall add the reassigned amounts to the amounts calculated pursuant to this paragraph. These funds shall be subject to the requirements specified in paragraph (1) of subdivision (k).

(B) The amount of local revenues used to support a regional occupational center or program established and maintained by a county superintendent of schools pursuant to Section 52301.

(3) For the 2014–15 fiscal year and for each fiscal year thereafter, the sum of the amounts apportioned to the county superintendent of schools pursuant to subdivision (f) in all prior years.

(b) The Superintendent shall annually compute a county local control funding formula transition adjustment for each county superintendent of schools as follows:

(1) Subtract the amount computed pursuant to subdivision (a) from the amount computed pursuant to subdivision (e) of Section 2574. A difference of less than zero shall be deemed to be zero.

(2) Divide the difference for each county superintendent of schools calculated pursuant to paragraph (1) by the total sum of the differences for all county superintendents of schools calculated pursuant to paragraph (1).

(3) Multiply the proportion calculated for each county superintendent of schools pursuant to paragraph (2) by the amount of funding specifically appropriated for purposes of subdivision (f). The amount calculated shall not exceed the difference for the county superintendent of schools calculated pursuant to paragraph (1).

(c) The Superintendent shall subtract from the amount calculated pursuant to subdivision (a) the sum of each of the following:

(1) Local property tax revenues received pursuant to Section 2573 in the then current fiscal year.

(2) The amount received pursuant to subparagraph (C) of paragraph (3) of subdivision (a) of Section 33607.5 of the Health and Safety Code that is considered property taxes pursuant to that section.

(3) The amount, if any, received pursuant to Sections 34177, 34179.5, 34179.6, 34183, and 34188 of the Health and Safety Code.

(4) The amount, if any, received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.

(d) The Superintendent shall subtract from the amount computed pursuant to subdivision (e) of Section 2574 the sum of the amounts computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (c).

(e) The Superintendent shall annually apportion to each county superintendent of schools the amount calculated pursuant to subdivision (c) unless the amount computed pursuant to subdivision (c) is negative. If the amount computed is negative, except as provided in subdivision (f), an amount of property tax of the county superintendent of schools equal to the negative amount shall be deemed restricted and not available for expenditure during the fiscal year. In the following fiscal year, that amount, excluding any amount of funds used for purposes of subdivision (f), shall be considered restricted local property tax revenue for purposes of subdivision (a) of Section 2578. State aid shall not be apportioned to the county superintendent of schools pursuant to this subdivision if the amount computed pursuant to subdivision (c) is negative.

(f) (1) The Superintendent shall apportion, from an appropriation specifically made for this purpose, the amount computed pursuant to subdivision (b), or, if the amount computed pursuant to subdivision (c) is negative, the sum of the amounts computed pursuant to subdivisions (b) and (c) if the sum is greater than zero.

(2) The Superintendent shall apportion any portion of the appropriation made for purposes of paragraph (1) that is not apportioned pursuant to paragraph (1) pursuant to the following calculation:

(A) Add the amount calculated pursuant to subdivision (b) to the amount computed pursuant to subdivision (a) for a county superintendent of schools.

(B) Subtract the amount computed pursuant to subparagraph (A) from the amount computed pursuant to subdivision (e) of Section 2574 for the county superintendent of schools.

(C) Divide the difference for the county superintendent of schools computed pursuant to subparagraph (B) by the sum of the differences for all county superintendents of schools computed pursuant to subparagraph (B).

(D) Multiply the proportion computed pursuant to subparagraph (C) by the unapportioned balance in the appropriation. That product shall be the county superintendent of schools' proportion of total need.

(E) Apportion to each county superintendent of schools the amount calculated pursuant to subparagraph (D), or if subdivision (c) is negative, apportion the sums of subdivisions (b) and (c) and subparagraph (D) of this subdivision if the sum is greater than zero.

(F) The Superintendent shall repeat the computation made pursuant to this paragraph, accounting for any additional amounts apportioned after each computation, until the appropriation made for purposes of paragraph (1) is fully

apportioned.

(G) The total amount apportioned pursuant to this subdivision to a county superintendent of schools shall not exceed the difference for the county superintendent of schools calculated pursuant to paragraph (1) of subdivision (b).

(H) For purposes of this paragraph, the proportion of need that is funded from any appropriation made specifically for purposes of this subdivision in the then current fiscal year shall be considered fixed as of the second principal apportionment for that fiscal year. Adjustments to a county superintendent of schools' total need computed pursuant to subparagraph (D) after the second principal apportionment for the then current fiscal year shall be funded based on the fixed proportion of need that is funded for that fiscal year pursuant to this subdivision, and shall be continuously appropriated pursuant to Section 14002.

(g) (1) For a county superintendent of schools for whom, in the 2013–14 fiscal year, the amount computed pursuant to subdivision (c) is less than the amount computed pursuant to subdivision (d), in the first fiscal year following the fiscal year in which the sum of the apportionments computed pursuant to subdivisions (e) and (f) is equal to, or greater than, the amount computed pursuant to subdivision (d) of this section, the Superintendent shall apportion to the county superintendent of schools the amount computed in subdivision (d) in that fiscal year and each fiscal year thereafter instead of the amounts computed pursuant to subdivisions (e) and (f).

(2) For a county superintendent of schools for whom, in the 2013–14 fiscal year, the amount computed pursuant to subdivision (c) is greater than the amount computed pursuant to subdivision (d), in the first fiscal year in which the amount computed pursuant to subdivision (c) would be less than the amount computed pursuant to subdivision (d), the Superintendent shall apportion to the county superintendent of schools the amount computed in subdivision (d) in that fiscal year and each fiscal year thereafter instead of the amounts computed pursuant to subdivisions (e) and (f).

(3) In each fiscal year, the Superintendent shall determine the percentage of county superintendents of schools that are apportioned funding that is less than the amount computed pursuant to subdivision (d), as of the second principal apportionment of the fiscal year. If the percentage is less than 10 percent, the Superintendent shall apportion to those county superintendents of schools funding equal to the amount computed in subdivision (d) in that fiscal year and for each fiscal year thereafter instead of the amounts calculated pursuant to subdivisions (e) and (f).

(4) If the calculation pursuant to subdivision (d) is negative and the Superintendent apportions to a county superintendent of schools the amount computed pursuant to subdivision (d) pursuant to paragraph (1), (2), or (3) of this subdivision, an amount of property tax of the county superintendent of schools equal to the negative amount shall be deemed restricted and not available for expenditure during that fiscal year. In the following fiscal year the restricted amount shall be considered restricted local property tax revenue for purposes of subdivision (a) of Section 2578.

(h) Commencing with the 2013–14 fiscal year, the Superintendent shall apportion to a county superintendent of schools an amount of state aid, including any amount apportioned pursuant to subdivisions (f) and (g), that is no less than the amount calculated in subparagraph (A) of paragraph (2) of subdivision (a).

(i) (1) For the 2013–14 and 2014–15 fiscal years only, a county superintendent of schools who, in the 2012–13 fiscal year, from any of the funding sources identified in paragraph (1) or (2) of subdivision (a), received funds on behalf of, or provided funds to, a regional occupational center or program joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing instruction to pupils enrolled in grades 9 to 12, inclusive, shall not redirect that funding for another purpose unless otherwise authorized by law or pursuant to an agreement between the regional occupational center or program joint powers agency and the contracting county superintendent of schools.

(2) For the 2013–14 and 2014–15 fiscal years only, if a regional occupational center or program joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing instruction to pupils enrolled in grades 9 to 12, inclusive, received, in the 2012–13 fiscal year, an apportionment of funds directly from any of the funding sources identified in subparagraph (A) of paragraph (2) of subdivision (a), the Superintendent shall apportion that same amount to the regional occupational center or program joint powers agency.

(j) For the 2013–14 and 2014–15 fiscal years only, a county superintendent of schools who, in the 2012–13 fiscal year, from any of the funding sources identified in paragraph (1) or (2) of subdivision (a), received funds on behalf of, or provided funds to, a home-to-school transportation joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation shall not redirect that funding for another purpose unless otherwise authorized by law or pursuant to an agreement between the home-to-school transportation joint powers agency and the contracting county superintendent of schools.

(k) (1) In addition to subdivision (j), of the funds a county superintendent of schools receives for home-to-school transportation programs, the county superintendent of schools shall expend, pursuant to former Article 2 (commencing with Section 39820) of Chapter 1 of Part 23.5 of Division 3 of Title 2, former Article 10 (commencing with Section 41850) of Chapter 5 of Part 24 of Division 3 of Title 2, and the Small School District Transportation program, as set forth in former Article 4.5 (commencing with Section 42290) of Chapter 7 of Part 24 of Division 3 of Title 2, as those articles read on January 1, 2013, no less for those programs than the amount of funds the county superintendent of schools expended for home-to-school transportation in the 2012–13 fiscal year.

(2) For the 2013–14 and 2014–15 fiscal years only, if a home-to-school transportation joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation received, in the 2012–13 fiscal year, an apportionment of funds directly from the Superintendent from any of the funding sources identified in subparagraph (A) of paragraph (2) of subdivision (a), the Superintendent shall apportion that same amount to the home-to-school transportation joint powers agency.

(3) For the 2013–14 and 2014–15 fiscal years only, of the funds a county superintendent of schools receives for purposes of regional occupational centers or programs, or adult education, the county superintendent of schools shall expend no less for each of those programs than the amount of funds the county superintendent of schools expended for purposes of regional occupational centers or programs, or adult education, respectively, in the 2012–13 fiscal year. For purposes of this paragraph, a county superintendent of schools may include expenditures made by a school district within the county for purposes of regional occupational centers or programs so long as the total amount of expenditures made by the school districts and the county superintendent of schools equals or exceeds the total amount required to be expended for purposes of regional occupational centers or programs pursuant to this paragraph and paragraph (7) of subdivision (a) of Section 42238.03.

(l) The funds apportioned pursuant to this section and Section 2574 shall be available to implement the activities required pursuant to Article 4.5 (commencing with Section 52059.5) of Chapter 6.1 of Part 28 of Division 4 of Title 2.

**SEC. 3.** Section 14002 of the Education Code is amended to read:

**14002.** (a) Notwithstanding any other law, upon certification of the Superintendent pursuant to Sections 41330, 41332, and 41335, any amount necessary to meet the requirements of programs specified in subdivision (b) during each fiscal year are hereby continuously appropriated from the General Fund to Section A of the State School Fund for allocation by the Controller.

(b) Programs included for purposes of this section, are all of the following:

(1) Chapter 12.5 (commencing with Section 2574) of Part 2.

(2) Section 41544.

(3) Article 2 (commencing with Section 42238) of Chapter 7 of Part 24 of Division 3 of Title 2.

(4) Section 47663.

(5) Article 7 (commencing with Section 48300) of Chapter 2 of Part 27 of Division 4 of Title 2.

(6) Article 10 (commencing with Section 48350) of Chapter 2 of Part 27 of Division 4 of Title 2.

**SEC. 4.** Section 41202 of the Education Code is amended to read:

**41202.** The words and phrases set forth in subdivision (b) of Section 8 of Article XVI of the Constitution of the State of California shall have the following meanings:

(a) "Moneys to be applied by the State," as used in subdivision (b) of Section 8 of Article XVI of the California Constitution, means appropriations from the General Fund that are made for allocation to school districts, as defined, or community college districts. An appropriation that is withheld, impounded, or made without provisions for its allocation to school districts or community college districts shall not be considered to be "moneys to be applied by the State."

(b) "General Fund revenues which may be appropriated pursuant to Article XIII B," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means General Fund revenues that are the proceeds of taxes as defined by subdivision (c) of Section 8 of Article XIII B of the California Constitution, including, for the 1986–87 fiscal year only, any revenues that are determined to be in excess of the appropriations limit established pursuant to Article XIII B of the California Constitution for the fiscal year in which they are received. General Fund revenues for a fiscal year to which paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution is being applied shall include, in that computation, only General Fund revenues for that fiscal year that are the proceeds of taxes, as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, and shall not include prior fiscal year revenues. Commencing with the 1995–96 fiscal year, and each fiscal

year thereafter, "General Fund revenues that are the proceeds of taxes," as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, includes any portion of the proceeds of taxes received from the state sales tax that are transferred to the counties pursuant to, and only if, legislation is enacted during the 1995–96 fiscal year the purpose of which is to realign children's programs. The amount of the proceeds of taxes shall be computed for any fiscal year in a manner consistent with the manner in which the amount of the proceeds of taxes was computed by the Department of Finance for purposes of the Governor's Budget for the Budget Act of 1986 (Chapter 186 of the Statutes of 1986).

(c) "General Fund revenues appropriated for school districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, regardless of whether those appropriations were made from the General Fund to the Superintendent, to the Controller, or to any other fund or state agency for the purpose of allocation to school districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(d) "General Fund revenues appropriated for community college districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(e) "Total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, and community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Superintendent, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to school districts and community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(f) "General Fund revenues appropriated for school districts and community college districts, respectively" and "moneys to be applied by the state for the support of school districts and community college districts," as used in Section 8 of Article XVI of the California Constitution, shall include funds appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, funds appropriated to local educational agencies, as defined in subdivision (a) of Section 8208, to create a full day of care for children participating in the California state preschool program, and funds appropriated for the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1, and shall not include any of the following:

(1) Any appropriation that is not made for allocation to a school district, as defined in Section 41302.5, or to a community college district, regardless of whether the appropriation is made for any purpose that may be considered to be for the benefit to a school district, as defined in Section 41302.5, or a community college district. This paragraph shall not be construed to exclude any funding appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, to create a full day of care for children participating in the California state preschool program, or for the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1.

(2) Any appropriation made to the Teachers' Retirement Fund or to the Public Employees' Retirement Fund except those appropriations for reimbursable state mandates imposed on or before January 1, 1988.

(3) Any appropriation made to service any public debt approved by the voters of this state.

(4) With the exception of the programs identified in paragraph (1), commencing with the 2011–12 fiscal year, any funds appropriated for the Child Care and Development Services Act, pursuant to Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1.

(g) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for school districts as defined, those local revenues, except revenues identified pursuant to paragraph (5) of subdivision (j) of Section 42238.02, that are used to offset state aid for school districts in calculations performed pursuant to Sections 2558 and 42238 and Chapter 7.2 (commencing with Section 56836) of Part 30.

(h) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for community college districts, those local revenues that are used to offset state aid for community college districts. In no event shall the revenues or receipts derived from student fees be considered "allocated local proceeds of taxes."

(i) For purposes of calculating the 4-percent entitlement pursuant to subdivision (a) of Section 8.5 of Article XVI of the California Constitution, "the total amount required pursuant to Section 8(b)" shall mean the General Fund aid required for schools pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution, and shall not include allocated local proceeds of taxes.

(j) This section shall become inoperative on December 15, 2012, and, as of January 1, 2013, is repealed, only if the Schools and Local Public Safety Protection Act of 2012 (Attorney General reference number 12-0009) is not approved by the voters at the November 6, 2012, statewide general election, or if the provisions of that act that modify personal income tax rates do not become operative due to a conflict with another initiative measure that is approved at the same election and receives a greater number of affirmative votes.

**SEC. 5.** Section 41202.5 of the Education Code is amended to read:

**41202.5.** (a) The Legislature finds and declares both of the following:

(1) The Legislature acted to implement Proposition 98 soon after its passage by defining "total allocations to school districts and community college districts from General Fund proceeds of taxes" to include the entirety of programs funded under the Child Care and Development Services Act (Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1).

(2) In *California Teachers Assn. v. Hayes* (1992) 5 Cal.App.4th 1513, the Court of Appeal permitted the inclusion of child care within the Proposition 98 minimum funding guarantee but left open the possibility of excluding particular child care programs that did not directly advance and support the educational mission of school districts.

(b) It is the intent of the Legislature to clarify that the part-time state preschool programs and the After School Education and Safety Program fall within the Proposition 98 minimum guarantee and to fund other child care programs less directly associated with school districts from appropriations that do not count toward the Proposition 98 minimum guarantee.

(c) Notwithstanding any other law, for purposes of making the computations required by subdivision (b) of Section 8 of Article XVI of the California Constitution in the 2011–12 fiscal year and each subsequent fiscal year, both of the following apply:

(1) For purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, "General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986–87" does not include General Fund revenues appropriated for any program within Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1, with the exception of (A) the part-day California state preschool programs set forth in Article 7 (commencing with Section 8235), (B) funds appropriated to local educational agencies, as defined in subdivision (a) of Section 8208, to create a full day of care for children participating in the California state preschool program, and (C) the After School Education and Safety Program in Article 22.5 (commencing with Section 8482). The Director of Finance shall adjust accordingly "the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986–87," for purposes of applying that percentage in the 2011–12 fiscal year and each subsequent fiscal year in making the calculations required under paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution.

(2) General Fund revenues appropriated in the 2010–11 fiscal year or any subsequent fiscal year for any program within Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1, with the exception of (A) the part-day California state preschool programs set forth in Article 7 (commencing with Section 8235), (B) funds appropriated to local educational agencies, as defined in subdivision (a) of Section 8208, to create a full day of care for children participating in the California state preschool program, and (C) the After School Education and Safety Program in Article 22.5 (commencing with Section 8482), are not included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B" for purposes of paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution.

**SEC. 6.** Section 41206 of the Education Code, as added by Section 8 of Chapter 82 of the Statutes of 1989, is repealed.

**SEC. 7.** Section 41206 of the Education Code, as amended by Chapter 66 of the Statutes of 1993, is repealed.

**SEC. 8.** Section 41206 is added to the Education Code, immediately following Section 41205, to read:

**41206.** The Legislature finds and declares all of the following:

(a) Proposition 98 was enacted by the voters in 1988 to provide a minimum funding level for schools. The Legislature can exceed the minimum funding level required by Proposition 98 but it cannot provide less funding than the California Constitution requires,



unless the Legislature suspends the minimum funding level pursuant to a separately enacted statute, adopted with a two-thirds vote of the Legislature.

(b) The local control funding formula is the primary means of allocating Proposition 98 funds and was enacted to increase local control, to simplify the allocation of school funding to school districts, and to increase school funding across the state, providing the largest increases to school districts serving our neediest pupils.

(c) Now that the transition to the local control funding formula is complete, it is time to enhance the certainty of Proposition 98 by ensuring local control funding formula funds flow to school districts without delay.

(d) The act adding this section furthers the purposes of Proposition 98 through enactment of a continuous appropriation for local control funding formula funding that is automatically adjusted for increases in the cost of living and changes in enrollment to provide the funding guaranteed to school districts under the California Constitution.

(e) With enactment of a continuous appropriation comes a heightened need to know with certainty the amount of funding that is required to be provided to school districts under the California Constitution.

(f) While prior law created a mechanism to certify the Proposition 98 minimum guarantee to provide certainty and to allocate owed funds to schools in a timely manner, the mechanism was unenforceable and rarely implemented.

(g) The Proposition 98 minimum guarantee was last certified in the 2008–09 fiscal year by statute. Outstanding issues, including when a maintenance factor is created, how the maintenance factor is repaid, the impact on the guarantee of funding and revenue changes, as well as which programs can be funded with Proposition 98 funds, have delayed certification of the Proposition 98 minimum funding guarantee. These delays in certification create uncertainty, lead to questions regarding the level of funding required for certain years, and can lead to delays in payment of settle-up funds. Notwithstanding the significance of outstanding issues, school districts and the state need to know with certainty the total amount of funding to which they are entitled and the state's plan for providing all of that funding.

(h) Section 41207.31 certifies the Proposition 98 minimum guarantee for the 2009–10 to 2015–16, inclusive, fiscal years based on final school enrollment, personal income, and revenue data. Section 41206.01 replaces the existing certification process, with a new transparent, mandatory process to certify the Proposition 98 minimum guarantee and provide settle-up funds on a timely basis commencing with the 2016–17 fiscal year minimum guarantee.

(i) Section 41206.01 is in addition to existing law that provides for calculation and recalculation of the minimum funding obligation to school districts under Section 8 of Article XVI of the California Constitution, as well as provisions in current law that account for necessary revenues being set aside for these obligations.

**SEC. 9.** Section 41206.01 is added to the Education Code, immediately following Section 41206 as added by Section 8 of this act, to read:

**41206.01.** (a) For purposes of subdivision (b) of Section 8 of Article XVI of the California Constitution, all determinations of percentages, amounts, revenues, appropriations, allocations, proceeds of taxes, increases in cost of living, or enrollments shall be based upon the best available estimate until actual data becomes available, and then upon actual data when it is available.

(b) Each year, by no later than April 25, the Superintendent shall provide the Director of Finance the latest available school enrollment data, allocated local proceeds of taxes received by school districts, apportionment data calculated and the related funding allocated pursuant to Section 14002, and all other final allocations of funds provided to school districts for the prior fiscal year.

(c) Each year, by no later than April 25, the Chancellor of the California Community Colleges shall provide the Director of Finance final community college enrollment data, allocated local proceeds of taxes received by community college districts, and final allocations of all funds provided to community college districts for the prior fiscal year.

(d) Every year, by no later than May 14 following the end of the prior fiscal year, based on the data provided by the Superintendent and the Chancellor of the California Community Colleges pursuant to subdivisions (b) and (c), and on the Department of Finance's final projection of General Fund revenues for the prior fiscal year, the Director of Finance shall recalculate the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the prior fiscal year. As part of the May Revision to the Governor's Budget required by subdivision (e) of Section 13308 of the Government Code, the Director of Finance shall publish the Department of Finance's calculation and the underlying data supporting the calculation, including the percentage for purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, whether paragraph (1), (2), or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution is applicable, the creation or restoration of the maintenance factor, school district and community college enrollment, General Fund revenues, changes in per capita personal income, changes in per capita General Fund revenues, property taxes, and any proposed allocation schedule for outstanding funding to be provided in

satisfaction of the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the prior fiscal year.

(e) The Superintendent, the Chancellor of the California Community Colleges, and interested parties shall submit any comments on the Department of Finance's proposed calculations, published data, and proposed allocation schedule to the Director of Finance and to the Joint Legislative Budget Committee by no later than June 6 of each year.

(f) The Director of Finance shall review any comments directed at the proposed Proposition 98 certification and allocation schedule. Comments not directed at the proposed Proposition 98 certification or allocation schedule shall be considered irrelevant and shall not be responded to by the Director of Finance. The Director of Finance shall accept or reject any timely relevant comments. If the Director of Finance accepts a comment, the Director of Finance shall include a written explanation of how the proposed Proposition 98 certification and allocation schedule addresses or accommodates the comment. If the Director of Finance rejects a comment, the Director of Finance shall include a written explanation of the reason for the rejection of the comment. These comments and the Director of Finance's response to the comments shall be provided to the Legislature, consistent with Section 9795 of the Government Code, and published on the Department of Finance's Internet Web site by no later than June 30 of each year. The Legislature shall consider the comments and responses, may hold public hearings as necessary, and shall provide any additional written comments to the Director of Finance no later than July 31 of each year. The Director of Finance shall take into consideration any comments provided by the Legislature and issue a final certification of the state's minimum funding obligation to school districts and community college districts required by subdivision (b) of Section 8 of Article XVI of the California Constitution for the fiscal year being certified by no later than August 15 of each year. This information shall be published on the Department of Finance's Internet Web site by the same date. The final certification, including the underlying data and calculations, shall also be published in a separate schedule of the Governor's Budget submitted to the Legislature by no later than January 10 of the following year.

(g) Any judicial action to challenge, review, set aside, void, or annul the Director of Finance's final certification of the state's minimum funding obligation pursuant to subdivision (f) shall be filed no later than the 90th day following issuance of the certification. That action shall be given precedence on the court's docket. The filing of that action shall not stay the appropriation or allocation of any sums deemed by the Director of Finance to be due pursuant to Section 41206.03.

**SEC. 10.** Section 41206.02 is added to the Education Code, immediately following Section 41206.01 as added by Section 9 of this act, to read:

**41206.02.** Notwithstanding Section 41206.01, the process for certifying the state's minimum funding obligation to school districts and community college districts required by subdivision (b) of Section 8 of Article XVI of the California Constitution for the 2016–17 fiscal year shall follow the process set forth below:

(a) No later than July 6, 2018, the Superintendent shall provide the Director of Finance the latest available school enrollment data, allocated local proceeds of taxes received by school districts, apportionment data calculated and the related funding allocated pursuant to Section 14002, and all other final allocations of funds provided to school districts for the 2016–17 fiscal year.

(b) No later than July 6, 2018, the Chancellor of the California Community Colleges shall provide the Director of Finance final community college enrollment data, allocated local proceeds of taxes received by community college districts, and final allocations of all funds provided to community college districts for the 2016–17 fiscal year.

(c) No later than July 11, 2018, and based on the data provided by the Superintendent and the Chancellor of the California Community Colleges pursuant to subdivisions (a) and (b), and on the Department of Finance's final projection of 2016–17 fiscal year General Fund revenues included in the 2018 May Revision pursuant to subparagraph (B) of paragraph (1) of subdivision (a) of Section 13308 of the Government Code, the Director of Finance shall recalculate the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 2016–17 fiscal year. As part of recalculating the minimum funding obligation, the Director of Finance shall make the supporting data used to make the calculation available on the Department of Finance's Internet Web site, including the percentage for purposes of paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, whether paragraph (1), (2), or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution is applicable, the creation or restoration of the maintenance factor, school and community college enrollment, General Fund revenues, changes in per capita personal income, changes in per capita General Fund revenues, and property taxes.

(d) The Superintendent, the Chancellor of the California Community Colleges, and interested parties shall submit any comments on the Department of Finance's proposed calculations and published data for the 2016–17 fiscal year to the Director of Finance and to the Joint Legislative Budget Committee by no later than August 1, 2018.

(e) The Director of Finance shall review any comments directed at the proposed Proposition 98 certification. Comments not directed at the proposed Proposition 98 certification shall be considered irrelevant and shall not be responded to by the Director of Finance. The Director of Finance shall accept or reject any timely relevant comments. If the Director of Finance accepts a

comment, the Director of Finance shall include a written explanation of how the proposed Proposition 98 certification addresses or accommodates the comment. If the Director of Finance rejects a comment, the Director of Finance shall include a written explanation of the reason for the rejection of the comment. These comments and the Director of Finance's response to the comments shall be provided to the Legislature, consistent with Section 9795 of the Government Code, and published on the Department of Finance's Internet Web site by no later than August 15, 2018. The Legislature shall consider the comments and responses, may hold public hearings as necessary, and shall provide any additional written comments to the Director of Finance no later than August 31, 2018. The Director of Finance shall take into consideration any comments provided by the Legislature and issue a final certification of the state's minimum funding obligation to school districts and community college districts required by subdivision (b) of Section 8 of Article XVI of the California Constitution for the 2016–17 fiscal year, no later than September 15, 2018. This information shall be published on the Department of Finance's Internet Web site by the same date. The final certification, including the underlying data and calculations, shall also be published in a separate schedule of the Governor's Budget submitted to the Legislature by no later than January 10, 2019.

(f) Any judicial action to challenge, review, set aside, void, or annul the Director of Finance's final certification of the state's minimum funding obligation pursuant to subdivision (e) must be filed no later than the 90th day following issuance of the certification. That action shall be given precedence on the court's docket. The filing of that action shall not stay the appropriation or allocation of any sums deemed by the Director of Finance to be due pursuant to Section 41206.03.

**SEC. 11.** Section 41206.03 is added to the Education Code, immediately following Section 41206.02 as added by Section 10 of this act, to read:

**41206.03.** (a) Pursuant to the implementing legislation of Proposition 98, for purposes of Section 8 of Article XVI of the California Constitution, appropriations for deficiencies or prior year adjustments shall be deemed to be appropriations in the fiscal year in which the deficiencies or prior year adjustments occurred, unless otherwise provided by law. Consistent with that principle, there is hereby established the Proposition 98 Cost Allocation Schedule, which shall be utilized by the Director of Finance to account for Proposition 98 appropriations in excess of the amounts required to satisfy the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution, as determined for each prior fiscal year pursuant to the certification process established in Sections 41206.01 and 41206.02, that are available for allocation for prior year deficiencies.

(b) If the Director of Finance determines, pursuant to the certification process established in Sections 41206.01 and 41206.02, that the state has applied moneys for the support of school districts and community college districts in an amount that exceeds the minimum amount required pursuant to Section 8 of Article XVI of the California Constitution for the fiscal year being certified, the excess, not to exceed 1 percent of the value of the Proposition 98 minimum funding obligation certified for the fiscal year, shall be credited to the Proposition 98 Cost Allocation Schedule and shall be allocated to meet Proposition 98 minimum funding obligations pursuant to subdivision (c). At no time shall the balance credited to the Proposition 98 Cost Allocation Schedule exceed 1 percent of the value of the Proposition 98 minimum funding obligation for the fiscal year being certified.

(c) The Director of Finance may credit any amounts attributable to the Proposition 98 Cost Allocation Schedule to satisfy an obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for any prior fiscal year, including any allocation already required under a schedule previously adopted pursuant to subdivision (d). Any amounts credited pursuant to this subdivision shall be deemed to be appropriations made and allocated in the prior fiscal year for which they are designated.

(d) If, after crediting all amounts attributable to the Proposition 98 Cost Allocation Schedule, there remains an outstanding balance in the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the fiscal year being certified, notwithstanding Section 13340 of the Government Code, the amounts necessary to satisfy that obligation are hereby appropriated from the General Fund to the Controller, without regard to fiscal years, for purposes of this subdivision. By no later than September 1 of each year, the Director of Finance shall provide in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee a schedule for the allocation of the outstanding balance. By no later than October 1 of each year, the Director of Finance shall provide to the Controller a schedule for the allocation of the outstanding balance pursuant to subparagraph (C) of paragraph (1) of subdivision (a) of Section 13308 of the Government Code. The Controller shall allocate the outstanding balance based on the schedule provided to the Controller by the Director of Finance, unless an alternative plan for repayment of the outstanding obligation has already been adopted as part of the annual budget process, or is enacted in statute by no later than August 31. The plan set forth by the Director of Finance pursuant to this subdivision shall be published on the Department of Finance's Internet Web site. The outstanding obligation shall be allocated as follows:

(1) To school districts 89.07 percent in proportion to the enrollment in school districts as determined for purposes of Section 8.5 of Article XVI of the California Constitution.

(2) To community college districts 10.93 percent in proportion to the enrollment in community college districts as determined for purposes of Section 8.5 of Article XVI of the California Constitution.

(e) As part of the final certification issued pursuant to subdivision (f) of Section 41206.01 and subdivision (e) of Section 41206.02, the Director of Finance shall identify any amounts to be credited to the Proposition 98 Cost Allocation Schedule pursuant to subdivision (b), any amounts attributable to the Proposition 98 Cost Allocation Schedule that are necessary to meet the minimum funding obligation to school districts and community college districts required by subdivision (b) of Section 8 of Article XVI of the California Constitution pursuant to subdivision (c), and the current balance credited to the Proposition 98 Cost Allocation Schedule. This information shall also be published in a separate schedule of the Governor's Budget submitted to the Legislature by no later than January 10 of the following year.

**SEC. 12.** Section 41207.31 is added to the Education Code, immediately following Section 41207.3, to read:

**41207.31.** The Director of Finance shall, based on the data provided by the Superintendent and the Chancellor of the California Community Colleges, certify the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for fiscal years 2009–10 to 2015–16, inclusive, no later than July 11, 2018. The certification for fiscal years 2009–10 to 2015–16, inclusive, shall be subject to subdivisions (c) to (f), inclusive, of Section 41206.02, including, among other things, that the Director of Finance shall issue a final certification of the state's minimum funding obligation to school districts and community college districts required by subdivision (b) of Section 8 of Article XVI of the California Constitution for the fiscal years 2009–10 to 2015–16, inclusive, no later than September 15, 2018.

**SEC. 13.** Section 41207.45 is added to the Education Code, immediately following Section 41207.44, to read:

**41207.45.** (a) (1) The sum of one hundred million dollars (\$100,000,000) is hereby appropriated in the 2018–19 fiscal year from the General Fund to the Controller for allocation to school districts and community college districts for the purpose of reducing the 2009–10 fiscal year outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution.

(2) The amount appropriated pursuant to paragraph (1) shall be allocated to school districts and community college districts, as described in subdivision (a) of Section 41203.1, in accordance with the following:

(A) Eighty-nine million seventy thousand dollars (\$89,070,000) for transfer by the Controller to Section A of the State School Fund for allocation by the Superintendent pursuant to this section.

(B) Ten million nine hundred thirty thousand dollars (\$10,930,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to community colleges districts for deferred maintenance, instructional materials, and other activities, as specified in Provision 22 of Item 6870-101-0001 of Section 2.0 of the Budget Act of 2018.

(3) The amount allocated to school districts pursuant to subparagraph (A) of paragraph (2) shall be distributed on the basis of an equal amount per unit of average daily attendance, as those average daily attendance numbers are reported at the time of the second principal apportionment of the 2017–18 fiscal year.

(4) The amount allocated to community college districts pursuant to subparagraph (B) of paragraph (2) shall be distributed on the basis of an equal amount per enrolled full-time equivalent student, as those numbers of students are reported at the time of the second principal apportionment for the 2017–18 fiscal year.

(5) For purposes of this section, a school district includes a county office of education and a charter school.

(b) (1) If a school district is required to repay claims disallowed under the School-Based Medi-Cal Administrative Activities or Local Educational Agency Medi-Cal Billing Option programs for the 2009–10 to 2015–16 fiscal years, inclusive, the Controller shall, upon notification from the Department of Finance, withhold up to the specified amounts owed by the applicable school districts from the allocations made to those school districts pursuant to subparagraph (A) of paragraph (2) of subdivision (a).

(2) The Controller shall transfer the amounts withheld pursuant to paragraph (1) to the General Fund as reimbursement of the payments made by the state in the 2017–18 and the 2018–19 fiscal years to the federal Centers for Medicare and Medicaid Services on behalf of those school districts.

(c) Funding received by school districts pursuant to subparagraph (A) of paragraph (2) of subdivision (a), less any amount withheld pursuant to subdivision (b), shall first be deemed to be paid in satisfaction of any outstanding claims pursuant to Section 6 of Article XIII B of the California Constitution for reimbursement of state-mandated local program costs for any fiscal year. Notwithstanding Section 12419.5 of the Government Code and any amounts that are deemed, pursuant to this subdivision, to be paid in satisfaction of outstanding claims for reimbursement of state-mandated local program costs, the Controller may audit any

claim as allowed by law and may recover any amount owed by school districts pursuant to an audit only by reducing amounts owed for any other mandate claims. Under no circumstances shall a school district be required to remit funding back to the state to pay for disallowed costs identified by a Controller audit of claimed reimbursable state-mandated local program costs. The Controller shall not recover any amount owed by a school district pursuant to an audit of claimed reimbursable state-mandated local program costs by reducing any amount owed a school district or community college district for any purpose other than amounts owed for any other mandate claims. The Controller shall apply amounts received by each school district against any balances of unpaid claims for reimbursement of state-mandated local program costs and interest in chronological order beginning with the earliest claim. The Controller shall report to each school district the amounts of any claims and interest that are offset from funds provided pursuant to this section and shall report a summary of the amounts offset for each mandate for each fiscal year to the Department of Finance and the fiscal committees of each house of the Legislature.

(d) (1) The governing board of a school district may expend the one-time funds received pursuant to subparagraph (A) of paragraph (2) of subdivision (a) for any purpose, as determined by the governing board.

(2) It is the intent of the Legislature that school districts prioritize the use of these one-time funds for professional development, induction for beginning teachers with a focus on relevant mentoring, instructional materials, technology infrastructure, employee benefits, and any other investments necessary to support implementation of the common core academic content standards in English language arts and mathematics, the implementation of English language development standards, and the implementation of the Next Generation Science standards.

(e) For purposes of Section 8 of Article XVI of the California Constitution, the amounts appropriated pursuant to subdivision (a) shall be applied to the outstanding balance of the minimum funding obligation to school districts and community college districts, pursuant to Section 8 of Article XVI of the California Constitution, for the 2009–10 fiscal year, and shall be deemed to be appropriations made and allocated in that fiscal year in which the deficiencies resulting in the outstanding balance were incurred.

**SEC. 14.** Section 42238.03 of the Education Code is amended to read:

**42238.03.** (a) Commencing with the 2013–14 fiscal year and each fiscal year thereafter, the Superintendent shall calculate a base entitlement for the transition to the local control funding formula for each school district and charter school equal to the sum of the amounts computed pursuant to paragraphs (1) to (4), inclusive. The amounts computed pursuant to paragraphs (1) to (4), inclusive, shall be continuously appropriated pursuant to Section 14002.

(1) The current fiscal year base entitlement funding level shall be the sum of all of the following:

(A) For school districts, revenue limits in the 2012–13 fiscal year as computed pursuant to Article 2 (commencing with Section 42238), as that article read on January 1, 2013, divided by the 2012–13 average daily attendance of the school district computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the school district computed pursuant to Section 42238.05. A school district's 2012–13 fiscal year revenue limit funding shall exclude amounts computed pursuant to Article 4 (commencing with Section 42280). For purposes of this subparagraph, 2012–13 fiscal year average daily attendance and 2012–13 fiscal year revenue limits shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(B) (i) For charter schools, general purpose funding in the 2012–13 fiscal year as computed pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as that article read on January 1, 2013, and the amount of in-lieu property tax provided to the charter school pursuant to Section 47635, as that section read on June 30, 2013, divided by the 2012–13 average daily attendance of the charter school computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the charter school computed pursuant to Section 42238.05. For purposes of this subparagraph, 2012–13 fiscal year average daily attendance and 2012–13 fiscal year general purpose funding, as computed pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as that article read on January 1, 2013, shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(ii) The amount computed pursuant to clause (i) shall exclude funds received by a charter school pursuant to Section 47634.1, as that section read on January 1, 2013.

(C) The amount computed pursuant to subparagraph (A) shall exclude funds received pursuant to Section 47633, as that section read on January 1, 2013.

(D) For school districts, funding for qualifying necessary small high schools and necessary small elementary schools shall be adjusted to reflect the funding levels that correspond to the 2012–13 necessary small high school and necessary small

elementary school allowances pursuant to Article 4 (commencing with Section 42280) and former Section 42238.146, as those provisions read on January 1, 2013.

(2) (A) Entitlements from items contained in Section 2.00, as adjusted pursuant to Section 12.42, of the Budget Act of 2012 for Items 6110-104-0001, 6110-105-0001, 6110-108-0001, 6110-111-0001, 6110-124-0001, 6110-128-0001, 6110-137-0001, 6110-144-0001, 6110-156-0001, 6110-181-0001, 6110-188-0001, 6110-189-0001, 6110-190-0001, 6110-193-0001, 6110-195-0001, 6110-198-0001, 6110-204-0001, 6110-208-0001, 6110-209-0001, 6110-211-0001, 6110-212-0001, 6110-227-0001, 6110-228-0001, 6110-232-0001, 6110-240-0001, 6110-242-0001, 6110-243-0001, 6110-244-0001, 6110-245-0001, 6110-246-0001, 6110-247-0001, 6110-248-0001, 6110-260-0001, 6110-265-0001, 6110-267-0001, 6110-268-0001, and 6360-101-0001, 2012–13 fiscal year funding for the Class Size Reduction Program pursuant to former Chapter 6.10 (commencing with Section 52120) of Part 28 of Division 4, as it read on January 1, 2013, and 2012–13 fiscal year funding for pupils enrolled in community day schools who are mandatorily expelled pursuant to subdivision (d) of Section 48915. The entitlement for basic aid school districts shall include the reduction of 8.92 percent as applied pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 89 of Chapter 38 of the Statutes of 2012. For purposes of this subparagraph, 2012–13 fiscal year entitlements shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(B) Commencing with the 2014–15 fiscal year, the entitlements identified in subparagraph (A) shall be adjusted to reflect the exclusion of one-time redevelopment agency liquid asset recovery revenue, pursuant to Section 34179.5 and following, of the Health and Safety Code, before the application of the 8.92-percent reduction applied pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 3 of Chapter 2 of the Statutes of 2012.

(3) The allocations pursuant to Sections 42606 and 47634.1, as those sections read on January 1, 2013, divided by the 2012–13 average daily attendance of the charter school computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the charter school computed pursuant to Section 42238.05.

(4) The amount allocated to a school district or charter school pursuant to paragraph (3) of subdivision (b) for the fiscal years before the current fiscal year divided by the average daily attendance of the school district or charter school for the fiscal years before the current fiscal year computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the school district or charter school computed pursuant to Section 42238.05. For purposes of this paragraph, the amount allocated pursuant to paragraph (3) of subdivision (b) for the fiscal years before the current fiscal year, and the average daily attendance of the school district or charter school for the fiscal years before the current fiscal year, as computed pursuant to Section 42238.05, shall be considered final as of the third recertification of the annual apportionment.

(5) (A) For the 2013–14 and 2014–15 fiscal years only, a school district that, in the 2012–13 fiscal year, from any of the funding sources identified in paragraph (1) or (2), received funds on behalf of, or provided funds to, a regional occupational center or program joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing instruction to secondary pupils shall not redirect that funding for another purpose unless otherwise authorized in law or pursuant to an agreement between the regional occupational center or program joint powers agency and the contracting school district.

(B) For the 2013–14 and 2014–15 fiscal years only, if a regional occupational center or program joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing instruction to pupils enrolled in grades 9 to 12, inclusive, received, in the 2012–13 fiscal year, an apportionment of funds directly from any of the funding sources identified in subparagraph (A) of paragraph (2) of subdivision (a), the Superintendent shall apportion that same amount to the regional occupational center or program joint powers agency.

(6) (A) (i) For the 2013–14 and 2014–15 fiscal years only, a school district that, in the 2012–13 fiscal year, from any of the funding sources identified in paragraph (1) or (2), received funds on behalf of, or provided funds to, a home-to-school transportation joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation shall not redirect that funding for another purpose unless otherwise authorized in law or pursuant to an agreement between the home-to-school transportation joint powers agency and the contracting school district.

(ii) For the 2013–14 and 2014–15 fiscal years only, if a home-to-school transportation joint powers agency established in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation received, in the 2012–13 fiscal year, an apportionment of funds directly from the Superintendent from any of the funding sources identified in subparagraph (A) of paragraph (2) of subdivision (a), the Superintendent shall apportion that same amount to the home-to-school transportation joint powers agency.

(iii) If a home-to-school transportation joint powers agency, established pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code for purposes of providing pupil transportation, received an apportionment directly from the Superintendent from any of the funding sources specified in subparagraph (A) of paragraph (2) of subdivision (a) for the 2012–13 fiscal year, the joint powers agency may identify the member local educational agencies and transfer entitlement to that funding to any of those member local educational agencies by reporting to the Superintendent, on or before September 30, 2015, the reassignment of a specified amount of the joint powers agency's 2012–13 fiscal year entitlement to the member local educational agency. Commencing with the 2015–16 fiscal year, the Superintendent shall add the reassigned amounts to the amounts calculated pursuant to subparagraph (A) of paragraph (2) of subdivision (a).

(B) In addition to subparagraph (A), of the funds a school district receives for home-to-school transportation programs the school district shall expend, pursuant to former Article 2 (commencing with Section 39820) of Chapter 1 of Part 23.5, former Article 10 (commencing with Section 41850) of Chapter 5, and the Small School District Transportation program, as set forth in former Article 4.5 (commencing with Section 42290), as those articles read on January 1, 2013, no less for those programs than the amount of funds the school district expended for home-to-school transportation in the 2012–13 fiscal year.

(7) For the 2013–14 and 2014–15 fiscal years only, of the funds a school district receives for purposes of regional occupational centers or programs, or adult education, the school district shall expend no less than the amount of funds the school district expended for purposes of regional occupational centers or programs, or adult education, respectively, in the 2012–13 fiscal year. For purposes of this paragraph, a school district may include expenditures made by its county office of education within the school district for purposes of regional occupational centers or programs so long as the total amount of expenditures by the school district and the county office of education equal or exceed the total amount required to be expended for purposes of regional occupational centers or programs pursuant to this paragraph and paragraph (3) of subdivision (k) of Section 2575.

(8) For the 2013–14 and 2014–15 fiscal years only, and for purposes of ensuring the continuity of essential induction and training services for beginning teachers, the Alameda County Superintendent of Schools shall withhold five hundred eighty-one thousand five hundred forty dollars (\$581,540) from the local control funding formula apportionments of the Newark Unified School District, and from those withheld funds shall allocate the following amounts to the following entities:

(A) One hundred forty-seven thousand nine hundred twenty dollars (\$147,920) to the Alameda Unified School District.

(B) One hundred four thousand dollars (\$104,000) to the San Leandro Unified School District.

(C) One hundred sixty-four thousand six hundred twenty dollars (\$164,620) to the Berkeley Unified School District.

(D) One hundred sixty-five thousand dollars (\$165,000) to the San Lorenzo Unified School District.

(b) Compute an annual local control funding formula transition adjustment for each school district and charter school as follows:

(1) Subtract the amount computed pursuant to paragraphs (1) to (4), inclusive, of subdivision (a) from the amount computed for each school district or charter school under the local control funding formula entitlements computed pursuant to Section 42238.02. School districts and charter schools with a negative difference shall be deemed to have a zero difference.

(2) Each school district's and charter school's total need, as calculated pursuant to paragraph (1), shall be divided by the sum of all school districts' and charter schools' total need to determine the school district's or charter school's respective proportions of total need.

(3) (A) Each school district's and charter school's proportion of total need shall be multiplied by any available appropriations specifically made for purposes of this subdivision, and added to the school district's or charter school's funding amounts as calculated pursuant to subdivision (a).

(B) For purposes of subparagraph (A), the proportion of total need that is funded from any available appropriations specifically made for purposes of this subdivision for a fiscal year shall be considered fixed as of the second principal apportionment for that fiscal year. Adjustments to a school district's or charter school's total need, as computed pursuant to paragraph (1), subsequent to the second principal apportionment for a fiscal year, shall be funded based on the fixed proportion of total need that is funded for that fiscal year pursuant to this subdivision and shall be continuously appropriated pursuant to Section 14002.

(4) If the total amount of funds appropriated for purposes of paragraph (3) pursuant to this subdivision are sufficient to fully fund any positive amounts computed pursuant to paragraph (1), the local control funding formula grant computed pursuant to subdivision (c) of Section 42238.02 shall be adjusted to ensure that any available appropriation authority is expended for purposes of the local control funding formula.

(c) The Superintendent shall subtract from the amounts computed pursuant to subdivisions (a) and (b) the sum of the following:

(1) (A) For school districts, the property tax revenue received pursuant to Chapter 3.5 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.

(B) For charter schools, the in-lieu property tax amount provided to a charter school pursuant to Section 47635.

(2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of Division 2 of the Revenue and Taxation Code.

(3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of Part 1 of Division 4 of Title 2 of the Government Code.

(4) Prior years' taxes and taxes on the unsecured roll.

(5) Fifty percent of the amount received pursuant to Section 41603.

(6) The amount, if any, received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), less any amount received pursuant to Section 33401 or 33676 of the Health and Safety Code that is used for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance and that is not an amount received pursuant to Section 33492.15, or paragraph (4) of subdivision (a) of Section 33607.5, or Section 33607.7 of the Health and Safety Code that is allocated exclusively for educational facilities.

(7) The amount, if any, received pursuant to Sections 34177, 34179.5, 34179.6, 34183, and 34188 of the Health and Safety Code.

(8) Revenue received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.

(d) A school district or charter school that has a zero difference pursuant to paragraph (1) of subdivision (b) in the prior fiscal year shall receive an entitlement equal to the amount calculated pursuant to Section 42238.02 in the current fiscal year and future fiscal years.

(e) Notwithstanding paragraph (2) of subdivision (g), or the computations pursuant to subdivisions (b) to (d), inclusive, and Section 42238.02, commencing with the 2013–14 fiscal year, a school district or charter school shall receive state-aid funding of no less than the sum of the amounts computed pursuant to paragraphs (1) to (3), inclusive.

(1) (A) For school districts, revenue limits in the 2012–13 fiscal year as computed pursuant to Article 2 (commencing with Section 42238), as that article read on January 1, 2013, divided by the 2012–13 average daily attendance of the school district computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the school district computed pursuant to Section 42238.05. A school district's 2012–13 revenue limit funding shall exclude amounts computed pursuant to Article 4 (commencing with Section 42280). For purposes of this subparagraph, 2012–13 fiscal year average daily attendance and 2012–13 fiscal year revenue limits shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(B) (i) For charter schools, general purpose funding in the 2012–13 fiscal year as computed pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as that article read on January 1, 2013, and the amount of in-lieu property tax provided to the charter school in the 2012–13 fiscal year pursuant to Section 47635, as that section read on January 1, 2013, divided by the 2012–13 average daily attendance of the charter school computed pursuant to Section 42238.05. That quotient shall be multiplied by the current fiscal year average daily attendance of the charter school computed pursuant to Section 42238.05. For purposes of this subparagraph, 2012–13 fiscal year average daily attendance and 2012–13 fiscal year general purpose funding, as computed pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as that article read on January 1, 2013, shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(ii) The amount computed pursuant to clause (i) shall exclude funds received by a charter school pursuant to Section 47634.1, as that section read on January 1, 2013.

(C) The amount computed pursuant to subparagraph (A) shall exclude funds received pursuant to Section 47633, as that section read on January 1, 2013.



(D) For school districts, the 2012–13 funding allowance provided for qualifying necessary small high schools and necessary small elementary schools pursuant to Article 4 (commencing with Section 42280) and Section 42238.146, as those provisions read on January 1, 2013.

(E) The amount computed pursuant to subparagraphs (A) to (D), inclusive, shall be reduced by the sum of the amount computed pursuant to paragraphs (1) to (8), inclusive, of subdivision (c).

(2) (A) Entitlements from items contained in Section 2.00, as adjusted pursuant to Section 12.42, of the Budget Act of 2012 for Items 6110-104-0001, 6110-105-0001, 6110-108-0001, 6110-111-0001, 6110-124-0001, 6110-128-0001, 6110-137-0001, 6110-144-0001, 6110-156-0001, 6110-181-0001, 6110-188-0001, 6110-189-0001, 6110-190-0001, 6110-193-0001, 6110-195-0001, 6110-198-0001, 6110-204-0001, 6110-208-0001, 6110-209-0001, 6110-211-0001, 6110-212-0001, 6110-227-0001, 6110-228-0001, 6110-232-0001, 6110-240-0001, 6110-242-0001, 6110-243-0001, 6110-244-0001, 6110-245-0001, 6110-246-0001, 6110-247-0001, 6110-248-0001, 6110-260-0001, 6110-265-0001, 6110-267-0001, 6110-268-0001, and 6360-101-0001, 2012–13 fiscal year funding for the Class Size Reduction Program pursuant to former Chapter 6.10 (commencing with Section 52120) of Part 28 of Division 4, as it read on January 1, 2013, and 2012–13 fiscal year funding for pupils enrolled in community day schools who are mandatorily expelled pursuant to subdivision (d) of Section 48915. The entitlement for basic aid school districts shall include the reduction of 8.92 percent as applied pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 89 of Chapter 38 of the Statutes of 2012. For purposes of this subparagraph, 2012–13 fiscal year entitlements shall be considered final as of the annual apportionment for the 2012–13 fiscal year, as calculated for purposes of the certification required on or before February 20, 2014, pursuant to Sections 41332 and 41339.

(B) Commencing with the 2014–15 fiscal year, the entitlements identified in subparagraph (A) shall be adjusted to reflect the exclusion of one-time redevelopment agency liquid asset recovery revenue, pursuant to Section 34179.5 and following, of the Health and Safety Code, before the application of the 8.92-percent reduction applied pursuant to subparagraph (A) of paragraph (1) of subdivision (a) of Section 3 of Chapter 2 of the Statutes of 2012.

(C) The Superintendent shall annually apportion any entitlement provided to the state special schools from the items specified in subparagraph (A) to the state special schools in the same amount as the state special schools received from those items in the 2012–13 fiscal year.

(D) Commencing with the 2015–16 fiscal year, any portion of funding transferred to a school district or charter school by a joint powers agency pursuant to clause (iii) of subparagraph (A) of paragraph (6) of subdivision (a) shall be deemed to be included in the entitlements specified in subparagraph (A) for the school district or charter school.

(3) The allocations pursuant to Sections 42606 and 47634.1, as those sections read on January 1, 2013, divided by the 2012–13 average daily attendance of the charter school. That quotient shall be multiplied by the current fiscal year average daily attendance of the charter school.

(f) (1) For purposes of this section, commencing with the 2013–14 fiscal year and until all school districts and charter schools equal or exceed their local control funding formula target computed pursuant to Section 42238.02, as determined by the calculation of a zero difference pursuant to paragraph (1) of subdivision (b), a newly operational charter school shall be determined to have a prior year funding amount per unit of average daily attendance equal to the lesser of:

(A) The prior year funding amount per unit of average daily attendance for the school district in which the charter school is physically located. The Superintendent shall calculate the funding amount per unit of average daily attendance for this purpose by dividing the total local control funding formula entitlement, calculated pursuant to subdivisions (a) and (b), received by that school district in the prior year by prior year funded average daily attendance of that school district. For purposes of this subparagraph, a charter school that is physically located in more than one school district shall use the calculated local control funding entitlement per unit of average daily attendance of the school district with the highest prior year funding amount per unit of average daily attendance. For purposes of this subparagraph, the prior year funding amount per unit of average daily attendance for the school district in which the charter school is physically located shall be considered final as of the second principal apportionment of the prior fiscal year.

(B) The charter school's local control funding formula rate computed pursuant to subdivisions (c) to (i), inclusive, of Section 42238.02.

(2) For charter schools funded pursuant to paragraph (1), the charter school shall be eligible to receive growth funding pursuant to subdivision (b) toward meeting the newly operational charter school's local control funding formula target.

(3) Upon a determination that all school districts and charter schools equal or exceed the local control funding formula target computed pursuant to Section 42238.02, as determined by the calculation of a zero difference pursuant to paragraph (1) of subdivision (b) for all school districts and charter schools, this subdivision shall not apply and the charter school shall receive an allocation equal to the amount calculated under Section 42238.02 in that fiscal year and future fiscal years.

(4) For purposes of this subdivision, the determination of a charter school's physical location shall be considered final as of the second principal apportionment for the applicable fiscal year.

(g) (1) In each fiscal year the Superintendent shall determine the percentage of school districts that are apportioned funding pursuant to this section that is less than the amount computed pursuant to Section 42238.02 as of the second principal apportionments of the fiscal year. If the percentage is less than 10 percent, the Superintendent shall apportion funding to school districts and charter schools equal to the amount computed pursuant to Section 42238.02 in that fiscal year.

(2) For each fiscal year thereafter, the Superintendent shall apportion funding to a school district and charter school equal to the amount computed pursuant to Section 42238.02.

**SEC. 15.** Section 42287 of the Education Code is amended to read:

**42287.** (a) For the 1984–85 fiscal year to the 2012–13 fiscal year, inclusive, the Superintendent shall increase the funding amounts specified in Sections 42282 and 42284 by an amount proportionate to the increase applied to the statewide average revenue limit for unified school districts for the then current fiscal year.

(b) Commencing with the 2013–14 fiscal year, the Superintendent shall increase the funding amounts specified in Sections 42282 and 42284, as previously increased pursuant to subdivision (a) and Sections 42289 to 42289.5, inclusive, by the percentage calculated pursuant to paragraph (2) of subdivision (d) of Section 42238.02 for the then current fiscal year.

**SEC. 16.** Any judicial action or proceeding to challenge, review, set aside, void, or annul the provisions of this act, or any portion of this act, may proceed only by application or complaint filed within 45 days of the effective date of this act.

**SEC. 17.** It is the intent of the Legislature to simultaneously enact each and every section of this act, and every part thereof. If any section or part of this act is for any reason held unconstitutional, unenforceable, or otherwise invalid, the entire act shall become inoperative.

**SEC. 18.** This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.