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SB-76 Education finance: constitutional minimum funding obligation: inflation and cost-of-living adjustments. (2019-2020)

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Senate Bill No. 76

CHAPTER 52

An act to amend Sections 14002, 41206.01, and 41206.03 of, and to add Section 41207.47 to, the Education Code, relating to education finance, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor July 01, 2019. Filed with Secretary of State July 01, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

SB 76, Committee on Budget and Fiscal Review. Education finance: constitutional minimum funding obligation: inflation and cost-of-living adjustments.

(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.

Existing law provides specified procedures for the calculation, recalculation, and certification of the state's minimum funding obligation to school districts and community college districts. Existing law establishes the Proposition 98 Cost Allocation Schedule, to be used 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. Existing law authorizes 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 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, existing law continuously appropriates the amounts necessary to satisfy the minimum funding obligation from the General Fund to the Controller for allocation to school districts and community college districts, as specified.

This bill would delete those provisions related to the Proposition 98 Cost Allocation Schedule and instead would require, if the Director of Finance determines that the state has applied moneys for the support of school districts and community college districts in excess of the state's minimum funding obligation for the fiscal year being certified, the excess moneys to be credited to the fiscal year being certified. If there remains an outstanding balance in the minimum funding obligation to school districts and community college districts for the fiscal year being certified, the bill would continuously appropriate the amounts necessary to satisfy the minimum funding obligation from the General Fund to the Controller for allocation to school districts and community college districts, as specified.

(2) Existing law continuously appropriates 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 Public Instruction of those amounts.

Commencing with the 2019–20 fiscal year, this bill would authorize the Director of Finance to reduce certain authorized and required inflation and cost-of-living adjustments to a percentage equal to or greater than the projected growth rate of the state's minimum funding obligation to school districts and community college districts, but not less than zero, if, for an upcoming fiscal year, the total amount necessary to meet the requirements of the programs described above is projected to exceed 89% of specified revenues and allocated proceeds of taxes that are necessary to meet the state's minimum funding obligation to school districts and community college districts, excluding appropriations made to the Chancellor of the California Community Colleges for allocation to community college districts. The bill would require the Director of Finance to report to the Legislature before the enactment of the annual Budget Act each fiscal year any amounts or percentages reduced from inflation or cost-of-living adjustments pursuant to these provisions for the upcoming fiscal year.

(3) This bill would appropriate \$282,237,000 from the General Fund to the Controller in the 2019–20 fiscal year for allocation to school districts and community college districts for the purpose of reducing the outstanding balance of the minimum funding obligation in the 2009–10, 2011–12, 2013–14, 2014–15, and 2016–17 fiscal years, as specified.

(4) This bill would declare that its provisions are not severable.

(5) 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.

(6) 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

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

SECTION 1. 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.

(c) (1) Notwithstanding subdivision (a), commencing with the 2019–20 fiscal year, if, for an upcoming fiscal year, the total amount necessary to meet the requirements of the programs specified in subdivision (b) is projected to be in excess of 89 percent of the General Fund and Education Protection Account revenues and allocated proceeds of taxes that are necessary to meet the requirements of Section 8 of Article XVI of the California Constitution, excluding appropriations made to the Chancellor of the California Community Colleges for allocation to community college districts, then before the enactment of the annual Budget Act for that fiscal year, the Director of Finance may reduce the following to a percentage equal to or greater than the projected growth rate of the minimum amount necessary to meet the requirements of Section 8 of Article XVI of the California Constitution, but not less than zero:

(A) The adjustments required pursuant to paragraph (4) of subdivision (a) of Section 2574, subparagraph (B) of paragraph (1) of subdivision (c) of Section 2574, subdivision (b) of Section 2575.1, paragraph (2) of subdivision (d) of Section 42238.02, and Section 42287.

(B) The inflation or cost-of-living adjustment otherwise authorized or required for all of the following programs:

- (i) Subdivision (b) of Section 8265.
- (ii) Subdivision (c) of Section 49536.

(iii) Subdivision (f) of Section 56836.08.

(iv) Subdivision (d) of Section 17581.6 of the Government Code.

(2) The percentage reductions made pursuant to subparagraph (B) of paragraph (1) shall be no less than the percentage reductions made pursuant to subparagraph (A) of paragraph (1).

(3) This subdivision shall not be construed to change the adjustment identified in paragraph (2) of subdivision (d) of Section 42238.02 for a prior fiscal year.

(4) Notwithstanding Section 10231.5 of the Government Code, the Director of Finance shall report to the Legislature, consistent with Section 9795 of the Government Code, before the enactment of the annual Budget Act each fiscal year any amounts or percentages reduced from inflation or cost-of-living adjustments pursuant to paragraph (1) for the upcoming fiscal year.

SEC. 2. Section 41206.01 of the Education Code is amended 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, and property taxes 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 and published data 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. 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 website 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 website 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. 3. Section 41206.03 of the Education Code is amended 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.

(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 moneys shall be credited to the fiscal year being certified.

(c) If 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 website. 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.

SEC. 4. Section 41207.47 is added to the Education Code, to read:

41207.47. (a) (1) The sum of two hundred eighty-two million two hundred thirty-seven thousand dollars (\$282,237,000) is hereby appropriated in the 2019–20 fiscal year from the General Fund to the Controller for allocation to school districts and community colleges for purposes of reducing 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, 2011–12, 2013–14, 2014–15, and 2016–17 fiscal years.

(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) Ninety-eight million four hundred fifty-four thousand dollars (\$98,454,000) to the Controller for allocation by the Superintendent pursuant to Section 42238.02.

(B) Thirteen million four hundred eighty-six thousand dollars (\$13,486,000) 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 college districts for deferred maintenance, instructional materials, and other activities, as specified in subdivisions (a) and (b) of Provision 22 of Item 6870-101-0001 of the Budget Act of 2018 (Chapter 29 of the Statutes of 2018 (Senate Bill 840 of the 2017–18 Regular Session)). These funds shall be available for one-time use until June 30, 2021.

(C) Four hundred thirty-eight thousand dollars (\$438,000) 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 college districts for the California Community Colleges Strong Workforce Program, as specified in subdivision (b) of Provision 13 of Item 6870-101-001 of the Budget Act of 2018.

(D) Two million two hundred fifty thousand dollars (\$2,250,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to support expansion of veteran

resource centers at the following community colleges, provided that the colleges commit to meeting or making progress towards meeting the minimum standards developed by the Office of the Chancellor of the California Community Colleges:

(i) One million five hundred thousand dollars (\$1,500,000) shall be allocated to MiraCosta College.

(ii) Seven hundred fifty thousand dollars (\$750,000) shall be allocated to Norco College.

(E) Two million four hundred thousand dollars (\$2,400,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to support the creation of a basic needs and veteran resource center at Sacramento City College.

(F) Four million seven hundred fifty thousand dollars (\$4,750,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to support the improvement of workforce development programs at the following colleges:

(i) One million dollars (\$1,000,000) shall be allocated to Modesto Junior College.

(ii) One million dollars (\$1,000,000) shall be allocated to Bakersfield College.

(iii) One million dollars (\$1,000,000) shall be allocated to Fresno City College.

(iv) One million dollars (\$1,000,000) shall be allocated to San Bernardino Valley College.

(v) Seven hundred fifty thousand dollars (\$750,000) shall be allocated to Norco College.

(G) One million dollars (\$1,000,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to support startup funds to implement a construction trades program in the Counties of Lake and Mendocino at Mendocino College.

(H) Three million nine hundred thousand dollars (\$3,900,000) 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 to address student hunger needs pursuant to Section 66027.8 and student basic needs.

(I) Three million five hundred thousand dollars (\$3,500,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to provide support for a one-time reentry grant program.

(J) One million five hundred thousand dollars (\$1,500,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to support implementation of the California Community College Teacher Credentialing Partnership Pilot Act pursuant to Chapter 603 of the Statutes of 2018 (Senate Bill 577 of the 2017–18 Regular Session).

(K) Five hundred thousand dollars (\$500,000) 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 college districts for a systemwide assessment of college-based food programs.

(L) One million dollars (\$1,000,000) for transfer by the Controller to Section B of the State School Fund for allocation by the Chancellor of the California Community Colleges to Palo Verde College to support the development of a childcare center.

(M) One hundred forty-nine million fifty-nine thousand dollars (\$149,059,000) to the Controller for allocation by the Superintendent pursuant to Section 42238.02 to offset moneys from the General Fund paid to the San Francisco Unified School District and San Francisco County Office of Education as a result of a miscalculation of offsetting property tax revenues in the 2016–17 fiscal year.

(b) (1) For purposes of Section 8 of Article XVI of the California Constitution, of the amount appropriated pursuant to subdivision (a), thirty million five hundred thirty-seven thousand dollars (\$30,537,000) 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.

(2) For purposes of Section 8 of Article XVI of the California Constitution, of the amount appropriated pursuant to subdivision (a), forty-seven million six hundred nineteen thousand dollars (\$47,619,000) 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 2011–12 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.

(3) For purposes of Section 8 of Article XVI of the California Constitution, of the amount appropriated pursuant to subdivision (a), one hundred seventy-one million nine hundred thirty-seven thousand dollars (\$171,937,000) 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 2013–14 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.

(4) For purposes of Section 8 of Article XVI of the California Constitution, of the amount appropriated pursuant to subdivision (a), thirty-one million five hundred eleven thousand dollars (\$31,511,000) 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 2014–15 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.

(5) For purposes of Section 8 of Article XVI of the California Constitution, of the amount appropriated pursuant to subdivision (a), six hundred thirty-three thousand dollars (\$633,000) 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 2016–17 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. 5. The provisions of this act are not severable. If any provision of this act or its application is held invalid, all other provisions of this act shall also be held invalid.

SEC. 6. 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.