

AMENDED IN SENATE JUNE 9, 2015  
AMENDED IN ASSEMBLY APRIL 21, 2015  
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 531**

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**Introduced by Assembly Member O'Donnell**  
*(Coauthors: Assembly Members Gray and Quirk)*

February 23, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 531, as amended, O'Donnell. School finance: budget calculations.

Existing law, unless the school district is granted an exemption, limits the amount of the combined assigned or unassigned ending fund balance contained in a school district's annual budget in any fiscal year immediately after a fiscal year in which a transfer is made into the Public School System Stabilization Account, and establishes a formula for calculating the maximum amount allowable for school districts with less than 400,000 units of average daily attendance, and a formula for school districts with more than 400,000 units of average daily attendance, as specified.

This bill would instead make the formula for school districts with less than 400,000 units of average daily attendance applicable to school districts with 400,000 units of average daily attendance or less. The bill would specify that the limitation on the combined assigned or unassigned ending fund balance does not apply to moneys in a committed ~~reserve~~, *fund balance*, as defined. The bill would also make a technical change by deleting an obsolete provision. To the extent the bill would impose

additional duties on school districts, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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

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

1 SECTION 1. Section 42127.01 of the Education Code is  
2 amended to read:  
3 42127.01. (a) In a fiscal year immediately after a fiscal year  
4 in which a transfer is made into the Public School System  
5 Stabilization Account, a school district budget that is adopted or  
6 revised pursuant to Section 42127 shall not contain a combined  
7 assigned or unassigned ending fund balance that is in excess of  
8 the following:  
9 (1) For school districts with 400,000 or fewer units of average  
10 daily attendance, the sum of the school district’s applicable  
11 minimum recommended reserve for economic uncertainties adopted  
12 by the state board pursuant to subdivision (a) of Section 33128,  
13 multiplied by two.  
14 (2) For school districts with more than 400,000 units of average  
15 daily attendance, the sum of the school district’s applicable  
16 minimum recommended reserve for economic uncertainties adopted  
17 by the state board pursuant to subdivision (a) of Section 33128,  
18 multiplied by three.  
19 (b) The limitation in subdivision (a) shall not apply to moneys  
20 in a committed reserve. For purposes of this section, “committed  
21 reserve” means moneys set aside for a designated future purpose  
22 by a majority vote of the governing board of the school district.  
23 *fund balance, as defined in the California School Accounting*  
24 *Manual.* Nothing in this section shall be interpreted to mean that  
25 the governing board of a school district may not, in a subsequent

1 year, redirect moneys in a committed ~~reserve~~ *fund balance* to an  
2 alternative purpose.

3 (c) A county superintendent of schools may grant a school  
4 district under its jurisdiction an exemption from the requirements  
5 of subdivision (a) for up to two consecutive fiscal years within a  
6 three-year period if the school district provides documentation  
7 indicating that extraordinary fiscal circumstances, including, but  
8 not limited to, multiyear infrastructure or technology projects,  
9 substantiate the need for a combined assigned or unassigned ending  
10 fund balance that is in excess of the minimum recommended  
11 reserve for economic uncertainties. As a condition of receiving an  
12 exception, a school district shall do all of the following:

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

16 (2) Identify the funding amounts in the budget adopted by the  
17 school district that are associated with the extraordinary fiscal  
18 circumstances.

19 (3) Provide documentation that no other fiscal resources are  
20 available to fund the extraordinary fiscal circumstances.

21 SEC. 2. If the Commission on State Mandates determines that  
22 this act contains costs mandated by the state, reimbursement to  
23 local agencies and school districts for those costs shall be made  
24 pursuant to Part 7 (commencing with Section 17500) of Division  
25 4 of Title 2 of the Government Code.