

**ASSEMBLY BILL**

**No. 1318**

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**Introduced by Assembly Members Gray and Olsen**

February 27, 2015

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An act relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1318, as introduced, Gray. School finance: school districts: annual budgets: reserve balance.

In a fiscal year immediately after a fiscal year in which a transfer is made into the Public School System Stabilization Account, existing law prohibits a school district's adopted or revised budget from containing a combined assigned or unassigned ending fund balance that is in excess of either 2 or 3 times the minimum recommended reserve for economic uncertainties adopted by the State Board of Education, depending on the school district's units of average daily attendance. Existing law authorizes the county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to 2 consecutive fiscal years within a 3-year period if the school district provides documentation indicating that extraordinary fiscal circumstances substantiate the need for the balance.

This bill would express the intent of the Legislature to enact legislation regarding adequate levels of school district reserves, as specified.

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

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

1 SECTION 1. It is the intent of the Legislature to enact  
2 legislation that would modify Section 42127.01 of the Education  
3 Code, by adding new provisions covering adequate levels of school  
4 district reserves that (a) provide local communities with  
5 transparency on issues relating to the amounts of, and reasons for,  
6 school district reserves, including minimum reserves for economic  
7 uncertainty as well as assigned and unassigned ending balances,  
8 (b) provide school boards with adequate guidance on the reasons  
9 for, and uses of, reserve levels, including minimum reserves for  
10 economic uncertainty as well as assigned and unassigned ending  
11 balances, and (c) prioritize pupil needs and support.

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