

California Coalition for
Fair School Finance
A Community Education Project

SUMMARY OF PROVISIONS
OF POST-PROPOSITION 13 LEGISLATION FOR FUNDING EDUCATION

Senate Bill 154, 6/28/78 Assembly Bill 2190, the
Senate Bill 2212, 6/30/78 State Budget, 1978-79
Senate Bill 2199, 6/27/78

The passage of Proposition 13 on June 5, 1978, forced emergency revision of California's system for financing education. SB 154 and 2212 specified how schools will be funded in 1978-79; SB 2199 extended the deadline for final adoption of district budgets; and AB 2190 established the State Budget for 1978-79.

AB 65, the comprehensive school finance law signed last September, 1977, specified mechanisms for equalizing school district expenditures and tax rates and for enlarging categorical aid programs. Most of these provisions were included in the post-Proposition 13 legislation. The sections of AB 65 which were dependent on funding from additional local property taxes--guaranteed yield program, minimum tax rate, and "recapture"--could not be included.

SB 154
ct 3

State Appropriations

The Legislature appropriated \$4.2 billion to the State School Fund, including \$2.2 billion from the surplus as replacement for the property tax revenues eliminated by Proposition 13. The appropriation, when apportioned to districts and combined with their share of the remaining local property tax and their "excess" reserves, will result in an average 10% reduction in districts' revenues statewide. The appropriation for categorical (special program or special purpose) aid was also reduced 10%, to \$383,179,000.

SB 154
Sects 1,
2, 10

Emergency Loan Fund and Indebtedness Fund

A total of \$870 million was placed in a newly created Local Agency Emergency Loan Fund to make short-term loans available to public agencies, including school districts, which needed help in meeting expenses at the end of the 1977-78 fiscal year and in the beginning of the 1978-79 fiscal year.

SB 154
Sect 16

Another \$30 million was placed in a Local Agency Indebtedness Fund for temporary assistance to school districts with outstanding debts which were not voter-approved. Repayment of those debts depended on a district's ability to levy a special local tax on property, now impossible.

SB 154
ct 18

(OVER)

SB 154
Section 2

A school district's share of the post-Proposition 13 local property tax will be pro rata, that is, distributed according to the proportion the district received of total property taxes raised in its county last year.

The formula: the district's 77-78 property tax revenue
divided by the county total tax revenue
times the levy of \$4 per \$100 assessed valuation
equals the district's share.

The share for other local public agencies will be according to a three-year average of their previous proportions.

The effect of this provision depends on the actual amount of local property taxes collected. If that amount varies from the projections, local districts' share will have to be adjusted accordingly.

Property taxes levied to cover indebtedness approved by voters before June 1, 1978, may continue to be levied on top of the Proposition 13 rate. Property taxes previously levied to cover indebtedness which was not approved by voters may no longer be levied.

Categorical Aid

SB 154
Section 10

Funding for categorical aid programs delineated in AB 65 and elsewhere were cut a straight 10%, with the exceptions noted below. No programs were eliminated. Distribution and regulations will remain as specified in AB 65.

Exceptions to the 10% cut: special education (not including MGM)
child development
State Teachers' Retirement System

Budget Deadlines and Funding Cycles

SB 2199

The deadline for the final adoption of local budgets was extended one month to give districts more time to adjust to the changes required by the emergency legislation. The extra payment of state surplus monies began in July to compensate for reduced property tax revenues.

Salary Freeze and Contracts

SB 154
Chapter 4

Monies from the state surplus or state loan funds may not be apportioned to a public agency which provides employees with a cost-of-living increase above that granted to state employees. The governor vetoed the cost-of-living increase for state employees in the 1978 State budget. Therefore, all public agencies are prevented from providing cost-of-living increases if they wish to accept state aid.

SB 2190
Chapter 359

SB 154 rendered existing contracts which included cost-of-living increases null and void and subject to renegotiation. SB 2212 amended SB 154 to say that only the cost-of-living provision, and not the whole contract, is null and void. Questions about the legality of this section are pending.

State Apportionment, or Block Grant

SB 154
Sect 2

A district's revenue is composed of three sources primarily: a lump sum payment from the state, local property tax money, and "excess" reserves. The calculation of the state apportionment is:

the district's revenue limit (see description below)
minus the district's pro rata share of local property tax
"excess" ending balance or reserves
revenue from the timber tax
income from prior years' taxes
tax balances (areawide, equalization aid offset) and
other minor adjustments
equals the state payment.

Restrictions on the use of block grant funds are:

SB 2212
AB 2190

funding for child development programs must be maintained at last year's level if they were covered by a permissive tax;

funding of certain adult education programs must be maintained at 90% of last year's level, including English-as-a-second-language, citizenship, apprenticeships, short-term vocational programs;

summer school for graduating seniors and for "substantially handi-capped persons" had to be provided.

SB 154
Sect 4

With the above exceptions, districts may choose not to provide certain programs, such as K-12 summer school or community service activities. The intention of the block grant was to provide some flexibility within district budgets.

Education Code requirements and related regulations remain in effect except where modified by these emergency laws.

Revenue Limits

SB 154
Sect 2

A district's revenue for 1978-79 is based on its revenue limit from last year, increased by selected allowances from AB 65, and decreased by 9 to 15% as described below.

The revenue limit calculation is approximately:

the 77-78 revenue limit per ADA
+ the AB 65 inflation allowance (up to 11% for low-spending dis-
tricts, as low as 3% for high-spending districts)
x the 78-79 estimated regular K-12 ADA plus the actual 77-78
summer school ADA (but not 78-79 summer school ADA).

To this sub-total is added:

SB 2212

an adjustment for declining enrollment per AB 65
revenue limit overrides (increases) levied in 1977-78 or approved
by voters before July 1, 1977

mandated cost allowances per SB 90 (Gregorio)

STRS adjustment

adult education revenue limit, based on 77-78 adult ADA only revenue from permissive override taxes levied in 1977-78 (such as community services, meals for the needy, child development) necessary small high schools allowances and miscellaneous additional adjustments required by law.

This total must then be reduced by 9 to 15%.

Reduction in Revenue Limits, or "deficit factor"

B 154
ect 2

Projections of the total amount of money available to fund schools forced an average 10% reduction in the estimated 78-79 budgets. All districts are required to reduce their revenue limits by 9 to 15%. The higher a district's projected revenue limit, the closer to 15% its reduction. A district with a low revenue limit is closer to a 9% cut. A high-spending elementary district has a revenue limit of at least \$1861, high school \$2141, unified \$1983. A low-spending elementary district's revenue limit is no less than \$1241, h.s. \$1427, unified \$1322. Districts in between use the sliding scale formula in SB 154.

The sliding scale reduction is intended to help narrow the disparities between high-spending and low-spending districts as required under the Serrano v. Priest decision.

"Excess" Reserves

B 154
ect 2, 5

Local school districts are required to deduct a portion of their ending balances, reserves, from their calculated share of the state apportionment. The deduction is 33% of the reserves which exceed 5% of the 77-78 revenue and beginning balance, or \$50,000, whichever is greater.

B 2212

"Reserves" do not include noncash assets (stores, inventory), assets on hand ordered before June 6, assets for self-insurance committed before June 6, assets for law or court-ordered restrictions, or assets approved prior to June 6 for capital outlay projects.

Capital Outlay

Proposition 13 eliminated a district's ability to go into debt to finance facilities by prohibiting additional local property taxes to be levied.

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