

Date of Hearing: March 26, 2025

ASSEMBLY COMMITTEE ON EDUCATION

Al Muratsuchi, Chair

AB 629 (Ward) – As Amended March 10, 2025

SUBJECT: School districts: equipment inventory

SUMMARY: Raises the threshold amount from \$500 to \$1500 for the requirement of the governing board of a school district to establish and maintain a historical inventory of each item of equipment acquired by the school district that has a current market value that exceeds \$1,500 per item. Specifically, **this bill:**

- 1) Requires the governing board of a school district to establish and maintain a historical inventory, an audit trace inventory system, or any other inventory system authorized by the State Board of Education (SBE) to contain the description, name, identification number, date of acquisition, location of use, and original cost, of each item of equipment acquired by the school district that has a current market value that exceeds \$1,500 per item.
- 2) Requires the governing board of a school district to also include the date and manner of disposal for each item of equipment in the inventory system upon disposal of the item.
- 3) Authorizes, if a school district does not know the original cost of an item, the school district to use a reasonable estimate of the original cost.
- 4) Requires the Superintendent of Public Instruction (SPI) to biennially adjust the threshold market value for the 12-month period ending in the prior fiscal year, rounded to the nearest \$50.
- 5) Requires the SPI to post the adjusted threshold market value to the California Department of Education's (CDE) website.

EXISTING LAW:

- 1) Requires the governing board of each school district, to establish and maintain a historical inventory, an audit trace inventory system, or any other inventory system authorized by the SBE, to contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds \$500 per item, the date of acquisition, the location of use, and the time and mode of disposal. Authorizes a reasonable estimate of the original cost to be used if the actual original cost is unknown. (Education Code 35168)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, "Current law requires school districts to maintain a historical inventory of all equipment valued at over \$500 that includes a description of the item, its name, original cost, date of acquisition, location of use, and time and mode of disposal. The

\$500 value threshold triggering inclusion in the inventory was established in 1984 and has never been adjusted for inflation.

Since 1984, inflation has increased prices by an average of approximately 200% and as a result the number and category of items included in the inventory has increased significantly. At the Riverside County Office of Education (COE), the inventory includes over 42,000 items – nearly half of which would not be included if the \$500 threshold was adjusted for inflation to reflect the actual cost of goods in today's money.

As the number of items in the inventory increases, so does the staff time and cost required to maintain it. The Riverside COE and the San Diego Unified School District (USD) each spend approximately \$500,000 annually complying with this requirement. In an era where the cost of student devices increases frequently, the cost, time and effort to develop the inventory will continue to increase significantly.

While maintaining an equipment inventory is good practice, the \$500 threshold required by law no longer reflects current-day prices. Adjusting the threshold for inflation would reduce the burden on staff and save costs while maintaining the intent of the law.”

School district historical inventory threshold has not been updated for four decades. EC 35168 requires school districts to establish and maintain a historical inventory that includes specified information, including original cost, of all items of equipment whose current market value exceeds \$500 per item. Due to the fact that this section of current law has not been amended since 1984, the dollar threshold for equipment to be included in the inventory has not been adjusted for inflation for more than 40 years.

School districts report that, over time, the inventory has grown to a point where tens of thousands of items are required to be included. Many large school districts and COEs have a full-time staff member simply to track assets, and apart from them, other units collectively spend hundreds of hours tracking and verifying their assets each year. The sponsors of the bill, San Diego USD and Riverside COE both estimate spending \$500,000 annually to complete the inventory. According to both local educational agencies, updating the threshold and prospectively providing for a biennial inflation adjustment will save school districts and COEs across the state millions of dollars without impacting the original intent of the statute. San Diego USD reports that with the cost of student devices (such as tablets and laptops) increasing year-over-year, the district expects them to pass the \$500 threshold in the near future. When that happens, it will increase the number of items in San Diego USD's inventory by more than 30,000, significantly increasing the cost and workload of inventory maintenance.

This bill would change the current dollar threshold for items to be included in the inventory from \$500 to \$1500, which reflects the effects of inflation since 1984. Prospectively, the bill would implement a biennial inflation adjustment, based on the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce, Bureau of Economic Analyst for the 12-month period ending in the prior fiscal year. This index is the same that is used by the CDE to adjust the bid threshold for contracts awarded by school districts. The sponsoring local educational agencies (LEAs) estimate that changing the estimate will reduce the size of their inventories by half. Among the items that would fall below the new

threshold are desk chairs, lawn mowers, hand tools, some musical instruments, and some athletic equipment (e.g., football helmets).

Capitalization threshold. Property is capitalized for accounting purposes when certain conditions are met. A capitalization threshold is the minimum value of assets that are treated as capital expenditures and included in financial statements. School districts have a capitalization threshold of \$10,000 (\$5,000 for federal purposes); the discrepancy between the asset inventory requirement value and the capitalization threshold is currently significant.

The cost, time, and effort of inventorying and maintaining inventory on items that are so low cost is burdensome for staff and administrators. School districts provide lists of inventory to school sites each year that they must reconcile. A single high school may have an inventory list hundreds of pages long.

Arguments in support. The San Diego USD (co-sponsor) writes, “Current law requires school districts to maintain a historical inventory of all equipment valued at over \$500 that includes a description of the item, its name, original cost, date of acquisition, location of use, and time and mode of disposal. Since this requirement was established in 1984, inflation has increased costs by roughly 200%, but the \$500 threshold has never been adjusted for inflation. As a result, the number and category of items included in the inventory has risen dramatically. At San Diego USD the inventory now includes over 130,000 items, many of which would have cost well below the \$500 threshold when the law was enacted in the 1980s. The cost of student devices is expected to rise to above \$500 in the near future, which would increase the number of items in our inventory by an additional 30,000.

As the number of items in the inventory grows, so does the staff time, effort, and costs required to maintain it. At San Diego USD, maintaining this inventory takes hundreds of staff hours and costs the district over \$500,000. While maintaining an equipment inventory is good practice, the \$500 threshold required by law no longer reflects current-day prices. Adjusting the threshold for inflation would reduce the burden on staff and save costs while maintaining the intent of the law.

Related legislation. AB 3757 (Hughes), Chapter 482, Statutes of 1984, requires the governing board of each school district, to establish and maintain a historical inventory, or an audit trace inventory system, or any other inventory system authorized by the SBE, to contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds \$500 per item, the date of acquisition, the location of use, and the time and mode of disposal. Authorizes a reasonable estimate of the original cost to be used if the actual original cost is unknown.

REGISTERED SUPPORT / OPPOSITION:

Support

Corona-Norco Unified School District
Desert Sands Unified School District
Jurupa Unified School District
Menifee Union School District
Office of the Riverside County Superintendent of Schools

Riverside Unified School District
San Diego Unified School District

Opposition

None on file

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