

Date of Hearing: March 22, 2023

ASSEMBLY COMMITTEE ON EDUCATION
Al Muratsuchi, Chair
AB 721 (Valencia) – As Introduced February 13, 2023

SUBJECT: School districts: budgets: public hearings: notice

SUMMARY: Requires school districts to post prominently on their internet homepage or in a newspaper information related to the dates and location of which the public may inspect the proposed school district budget. Specifically, **this bill:**

- 1) Requires school districts to post prominently on their internet homepage or in a newspaper of general circulation in the county information related to the dates and location at which its proposed budget may be inspected by the public, and the date and location of the public hearing on the proposed budget, at least 3 days before the availability of the proposed budget for public inspection.

EXISTING LAW:

- 1) Requires the governing board of each school district to hold a public hearing on the proposed budget in a school district facility, or some other place conveniently accessible to the residents of the school district. Requires the public hearing to be held any day on or before July 1 of each year, but not less than three working days following availability of the proposed budget for public inspection. Authorizes, any resident of the school district to appear and object to the proposed budget or any item in the budget.
- 2) Authorizes the public hearing to be concluded on the proposed budget when there are no requests for further hearing on file, and to be concluded no later than July 1 of each year. Prohibits the budget from being finally adopted by the governing board of the school district until after the public hearing has been held.
- 3) Requires the proposed budget to show expenditures, cash balances, and all revenues as required to be tabulated, and also to include an estimate of those figures, unaudited, for the preceding fiscal year. Requires any tax statement submitted by the governing board of the school district, any district tax requirement computed for the school year to which the proposed budget is intended to apply, and any recommendations made by the county superintendent of schools to be made available by the school district for public inspection in a facility of the school district or in some other place conveniently accessible to residents of the school district.
- 4) Requires the notification of dates and location or locations at which the proposed budget may be inspected by the public and the date, time, and location of the public hearing on the proposed budget to be published by the county superintendent of schools in a newspaper of general circulation in the school district or, if there is no newspaper of general circulation in the school district, in any newspaper of general circulation in the county, at least three days before the availability of the proposed budget for public inspection. Requires the publication of the dates and locations to occur no earlier than 45 days before the final date for the hearing, as specified, but not less than 10 days before the date set for hearing. Requires the

cost of the publication to be a legal and proper charge against the school district for which the publication is made. (Education Code (EC) 42103)

- 5) Requires, on or before July 1 of each year, the governing board of each school district to accomplish the following: hold a public hearing on the budget to be adopted for the subsequent fiscal year, and that the budget be prepared in accordance with Section 42126. Requires the agenda for that hearing to be posted at least 72 hours before the public hearing and to include the location where the budget will be available for public inspection.
- 6) Requires, not later than five days after that adoption or by July 1, whichever occurs first, the governing board of the school district to file that budget with the county superintendent of schools. Requires the budget and supporting data to be maintained and made available for public review.
- 7) Requires the county superintendent of schools to:
 - a) Examine the adopted budget to determine whether it complies with the standards and criteria adopted by the State Board of Education (SBE), as specified. Requires the county superintendent of schools to identify, if necessary, technical corrections that are required to be made to bring the budget into compliance with those standards and criteria.
 - b) Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. Requires the county superintendent of schools to either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits.
 - c) Determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan (LCAP) or annual update to the LCAP approved by the county superintendent of schools.
 - d) Determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. Requires, if the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties, the county superintendent of schools to verify that the school district complied with specified requirements.
 - e) Requires, on or before September 15, the county superintendent of schools to approve, conditionally approve, or disapprove the adopted budget for each school district.
- 8) Requires the Superintendent of Public Instruction (SPI) to review and certify the budget approved by the county. Requires, if the county superintendent of schools determines that the adopted budget for a school district does not satisfy that subdivision, the county superintendent of schools to conditionally approve or disapprove the budget and, not later than September 15, transmit to the governing board of the school district, in writing, the county superintendent of schools' recommendations regarding revision of the budget and the reasons for those recommendations, including, but not limited to, the amounts of any budget

adjustments needed before the county superintendent of schools can approve that budget. Authorizes the county superintendent of schools to assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. Authorizes the county superintendent of schools to appoint a committee to examine and comment on the county superintendent's review and recommendations, subject to the requirement that the committee report its findings to the county superintendent of schools no later than September 20.

- 9) Requires, if the adopted budget of a school district is conditionally approved or disapproved, on or before October 8, the governing board of the school district, in conjunction with the county superintendent of schools, to review and respond to the recommendations of the county superintendent of schools at a regular meeting of the governing board of the school district. Requires the response to include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.
- 10) Requires, not later than 45 days after the Governor signs the annual Budget Act, the school district to make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act. (EC 42127)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. The author states, "AB 721 is a common sense modernization bill that will amplify the voices of parents and students, while at the same time, save school districts funding. Parents' voices matter. When parents are informed of when and where a school district budget is available for review, it creates opportunities for parents to get involved and potentially be a part of the process and provide input and/or feedback regarding the school district budget. California has invested massive resources in programs and frameworks to support schools, and students and to transform California's education ecosystem. Given the importance of public education and the investments of taxpayers towards education, an open and transparent budget process fosters trust in local communities between the school district and families and helps ensure that public investments are used to support local school and student needs. A transparent, accessible, and inclusive budget process supports better student outcomes, better fiscal outcomes, and more equitable school policies.

Increased awareness and access to a school's budget increase success. The current and outdated requirement to expect families to look through local newspapers for budget notices is both unrealistic and out of touch with our technological and societal advancements. AB 721 will allow families and local communities the ability to get involved in the budget process should they desire, while simultaneously reducing local school district costs."

Key provisions of the bill. Existing law requires county superintendents of schools to review and approve, conditionally approve, or disapprove the adopted district budget. Further, county superintendents of schools are required to publish information related to the date and location the proposed budget will be available for public inspection at least three days before the availability, in a newspaper of general circulation in the school district, or if there is no newspaper of general circulation in the school district, in any newspaper of general circulation in the county. This bill would shift the posting responsibility away from the county superintendent of schools to the school district. This bill would also authorize a school district to post the notice prominently on

the homepage of the school district's website or in a newspaper pursuant to the existing requirement. The bill's sponsor, the Orange County Department of Education, reports that publications can cost \$300 to \$800 per post. By offering school districts the authorization to post this notice requirement on the homepage of their website, school districts could potentially save both time and costs associated with publishing.

AB 1200. AB 1200 was enacted in the 1991-92 Session to ensure that LEAs throughout California are adequately prepared to meet their financial obligations. The concern arose following the bankruptcy of the Richmond School District and the fiscal collapse of a few other districts that were preparing to request an emergency loan from the state. AB 1200 improved fiscal procedures, standards, and accountability at the local level and expanded the role of COEs in monitoring school districts by mandating that COEs intervene under certain circumstances to ensure districts can meet their financial obligations.

AB 1200 appropriated funding for COEs to offset the cost of any new program or higher level of service required by the new district oversight provisions. These activities include conducting reviews, examinations, and audits of districts, and providing written notifications of the results, at least annually, on the fiscal solvency of the districts with disapproved budgets, qualified or negative certifications, or districts facing fiscal uncertainty. Funding for AB 1200 County Office of Education Fiscal Oversight was appropriated every year for distribution to COEs until 2013-14 when funding for this program was subsumed in the LCFF.

AB 1200 also created the Fiscal Crisis and Management Assistance Team (FCMAT), in order to help LEAs meet and maintain their financial obligations. The role of FCMAT has been updated several times by the Legislature since 1991, including added responsibilities with regard to community colleges, and districts that have received emergency state appropriations.

LEA budget reports and fiscal oversight. LEAs are required to file two reports during a fiscal year (interim reports) on the status of the LEA's financial health. The first interim report is due December 15th for the period ending October 31st. The second interim report is due March 17th for the period ending January 31st. County superintendents are to report to the SPI and the State Controller the certification for all districts in their county within 75 days after the close of the reporting period.

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. There are three types of certifications classifications:

- Positive certification: A positive certification is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years;
- Qualified certification: A qualified certification is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years; and
- Negative certification: A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

The SPI may reclassify the certification of any COE or reclassify a certification based on an appeal by a school district.

In accordance with AB 1200, the county superintendent of schools has fiscal oversight responsibility over school districts in the county and the SPI has fiscal oversight responsibility over COEs. The county superintendent has authority to disapprove a school district's budget, or authority to declare a school district in jeopardy of being unable to meet its financial obligations through a qualified or negative certification at interim financial reporting periods or at any time during the year. Such action results in various authorized forms of intervention on the part of the COE including assigning external consultants, requiring a district fiscal recovery plan, or even disallowing certain district expenditures. The SPI has similar authority to intervene in fiscal matters of the COE.

Recommended Committee Amendments. *Staff recommends that the bill be amended* as follows:

- Require that the posting of the locations be either: proximately on the homepage of the school district website by the school district, or in a newspaper of general circulation by the school district or on behalf of the school district by the county superintendent of schools.
- Require the county superintendent of schools to verify the posting requirement is met.

Arguments in support. The Orange County Department of Education states, "This measure increases transparency for parents and community members by allowing school districts the flexibility to post information regarding the school budget, including where and how the budget may be reviewed and the date and location of budget hearings, on the district website homepage. The website posting could be in addition to, or in lieu of, the existing requirement for this information to be published in a local newspaper. AB 721 would align the requirements for district budget processes and publication with website requirements for related documents. This flexibility provided by AB 721 would allow local educational agencies to best meet the needs of their communities and reach parents in ways with which they are familiar.

The OCDE provides support and mandated fiscal oversight to 28 school districts across 34 cities serving approximately 475,000 students. We support AB 721 because parents and community members commonly refer to local school district websites for pertinent information regarding their schools. School districts and county offices of education currently post important information, such as the Local Control Accountability Plan (LCAP), event announcements, and board of education meeting information prominently on the homepage of their websites.

Parent voices matter. When parents are able to more easily receive and access information about the school budget process, it creates opportunities for parents to provide input regarding school district budgeting, programs, and priorities. An open and transparent budget process fosters trust between the school district and families and helps ensure that public investments are used wisely to support student needs. AB 721 holds the potential to save money for districts while creating a more transparent and inclusive budget process that supports better student outcomes, better fiscal outcomes, and more equitable school policies."

Arguments in opposition. The California News Publishers Association, California Black Media, Ethnic Media Services, and Howard Jarvis Taxpayers Association state, "AB 721 sets a dangerous precedent by dismissing a public notice statutory scheme in effect since 1943 and today spans more than 1,700 sections of code. The term 'newspaper of general circulation' is a

term of art that applies only to printed publications that have been legally deemed to distribute substantially to subscribers in the area. The school districts' websites cannot say the same.

Newspapers of general circulation remain the most effective means to convey public notices because they are legally deemed to reach a 'substantial' number of readers in the area. Moving notice on proposed budgets solely online would only defeat transparency.

Public notice newspaper advertising is an extension of journalism that protects the authenticity of and access public information. In this case it also helps protect the peace of mind of many millions of Californians. Please do not disrupt this vital aspect of service to the people."

Related legislation. AB 1326 (Megan Dahle) of the 2023-24 Session would require a school district, within 10 days of making a provisional appointment to fill a vacancy on the school district governing board to post the notice in three public places in the school district, in a newspaper of general circulation, and on the school district's website.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of School Business Officials (CASBO)
Office of the Riverside County Superintendent of Schools
Orange County Department of Education
Riverside County Public K-12 School District Superintendents

Opposition

California Black Media
California News Publishers Association
Ethnic Media Services
Howard Jarvis Taxpayers Association (HJTA)

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