

Senate Bill No. 1108

CHAPTER 216

An act to amend Sections 2558.46, 14041.5, 19325.1, 41203.1, 42238, 42238.44, 42238.146, 42238.23, 69522, 69525, 69529.5, 69766, 69768, 76300, and 84321 of, to amend and repeal Sections 56156.6, 56836.16, and 56836.17 of, to add Sections 56836.165, 56836.173, 66744, 84321.5, and 84760 to, and to repeal and add Section 41207 of, the Education Code, to amend Sections 17581.5 and 68926.3 of the Government Code, to amend Section 270 of the Public Utilities Code, and to repeal Item 6870-101-0959 of Section 2.00 of Chapter 157 of the Statutes of 2003, relating to education finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 11, 2004. Filed with
Secretary of State August 11, 2004.]

Senate Bill 1108 contains numerous changes to the law regarding schools consistent with the Budget that I have approved. Foremost among those provisions that I am approving are \$110 million for K-12 school district revenue limit equalization and statutory provisions allocating \$80 million in equalization funding for community colleges. Included in this bill, of great importance to school districts is the \$270 million in funding to reduce cuts made to revenue limits in the 2003-04 Budget, and a new mechanism to ensure that old Proposition 98 debts will be paid off beginning in 2006-07 at a pace the State can afford--\$150 million per year. Also included in this bill is \$138 million in one-time funds for instructional materials to schools in deciles 1 and 2 of the Academic Performance Index, and \$58.4 million to retire old debts for State mandates on schools.

However, I am eliminating three appropriations in his bill totaling over \$11 million that we were not part of the agreements I made with legislative leaders on education spending. With these deletions, I am setting aside the funds to focus on the education priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am deleting a change to law in Section 10 of the bill that adjusts state funding for revenue limits by the savings schools receive from lower Public Employees Retirement System rates. The change in Education Code Section 42238.23 exempts funds provided to regional occupational centers that are joint powers organizations from these reductions that apply to all other educational agencies. This is not equitable and is unwarranted. By deleting this amendment, existing law will be restored, which under the current interpretation of the Department of Education, will reduce the statutory appropriation for school revenue limits equitably to all educational agencies.

I am deleting the \$6,000,000 legislative augmentation in subparagraph (A) of paragraph (3) of subdivision (a) of Section 36 to provide Arts Works grants. While I am supportive of arts programs, this small, competitive grant program serves relatively few schools. These funds, which count towards Proposition 98 2003-04 obligations, will be appropriated to schools at a future date. During this time of fiscal difficulties, these funds



should be spent for educational priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am deleting the \$5,000,000 legislative augmentation in subparagraph (D) of paragraph (3) of subdivision (a) of Section 36 to start a new cohort for the Academic Improvement & Achievement Act. This small, competitive grant program helps only 12 districts out of the over 1,000 school districts in the state. The program has sufficient funding to complete the existing cohorts, and is set to sunset on July 1, 2005. These funds, which count towards the Proposition 98 obligation for 2003–04, will be appropriated at a future date. During this time of fiscal difficulties, these funds should be spent for educational priorities agreed to with education leaders to provide more flexible funding so local schools can fund their most important needs.

I am signing this bill with the following reductions:

I am deleting Section 10.

I am revising Section 36 as follows:

I reduce the total of the appropriations in subdivision (a) of Section 36 of this bill from \$926,527,000 to \$915,441,000 by deleting subparagraph (A) of paragraph (3) of subdivision (a), which contains an appropriation for \$6,000,000, and by deleting subparagraph (D) of paragraph (3) of subdivision (a), which contains an appropriation for \$5,000,000. I am also correcting the total of the appropriation to reflect the sum of the parts.

ARNOLD SCHWARZENEGGER, Governor

LEGISLATIVE COUNSEL'S DIGEST

SB 1108, Committee on Budget and Fiscal Review. Education finance.

(1) Existing law requires a revenue limit to be calculated for each school district and each county superintendent of schools and requires the amount of the revenue limit to be adjusted for various factors. Existing law requires the Superintendent of Public Instruction to take into account the revenue limit of a school district and county superintendent of schools when apportioning funding to school districts and county superintendents of schools. Existing law reduces the revenue limit for the 2003–04 and 2004–05 fiscal years by a deficit factor of 1.195% for county superintendents of schools and 1.198% for school districts, and further reduces it for those years by a deficit factor of 1.826% for both county superintendents of schools and school districts. Existing law requires the revenue limit computation for the 2005–06 fiscal year to be made as if the revenue limits for the 2003–04 and 2004–05 fiscal years had been determined without being reduced.

This bill would limit the 1.195% and 1.198% revenue limit reductions to the 2003–04 fiscal year, would reduce revenue limits for the 2004–05 and 2005–06 by 0.323%, reduce the revenue limit for the 2005–06 fiscal year by an additional 1.826%, and would postpone to the 2006–07 fiscal year the requirement that revenue limits be computed as if the reductions had not been made.

(2) Existing law requires the Superintendent of Public Instruction to make on or before July 2 of each calendar year the second principal



apportionment for the prior fiscal year and requires that this apportionment be counted toward meeting the state's minimum funding obligation for school districts and community college districts for the year in which the apportionment is made.

This bill would, for the 2003–04 school year, specify that the amount of apportionments for revenue limits that is to be counted toward meeting the state's minimum funding obligation for school districts and community college districts for the 2004–05 fiscal year is \$726,270,000. The bill would, for the 2004–05 school year, and each school year thereafter, specify that the amount of the apportionments for revenue limits that is to be counted toward meeting the state's minimum funding obligation for school districts and community college districts for the following fiscal year is \$715,118,000.

(3) Section 8 of Article XVI of the California Constitution imposes on the state annual minimum funding requirements for school districts and community college districts.

Existing law requires, for purposes of those minimum funding requirements, that all determinations of pertinent percentages, amounts, revenues, appropriations, allocations, proceeds of taxes, increases in cost of living, or enrollments be based upon the best available estimate until actual data becomes available, and then upon actual data when it is available.

Existing law requires the Superintendent of Public Instruction and the Director of Finance, within 9 months following the end of any fiscal year, to recalculate, as necessary, and jointly certify all actual data pertaining to school districts, as defined, for the prior fiscal year. Existing law similarly requires the Chancellor of the California Community Colleges and the Director of Finance, within 9 months following the end of any fiscal year, to recalculate, as necessary, and jointly certify all actual data pertaining to community college districts, as defined, for the prior fiscal year.

Existing law requires the Controller to set aside any amount of funding required of the state by Section 8 of Article XVI of the California Constitution to be appropriated to school districts and community college districts for that year, less any amounts already appropriated for that year, and, if not appropriated to school districts and community college districts by the Legislature within 90 days, to allocate the amount set aside to school districts and community college districts.

This bill would require the Superintendent of Public Instruction and the Director of Finance to jointly determine the outstanding balance, for the 1995–96 to 2003–04 fiscal years, inclusive, of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution, as defined to



include any maintenance factor that should have been allocated. If this determination is not made for any fiscal year by January 1, 2006, the bill would require the Controller to make the determination for each such fiscal year.

The bill would, commencing with the 2006–07 fiscal year, annually appropriate \$150,000,000 from the General Fund to the Controller for allocation to school districts and community college districts for the purpose of discharging in full this outstanding balance until the Director of Finance reports to the Legislature that the sum of appropriations made and allocated equals the total outstanding balance.

The bill would require the amount annually appropriated to be allocated to school districts and community college districts in a manner that reflects the proportion of regular average daily attendance in school districts to funded full-time equivalent students in community college districts, as specified.

The bill would require the amount annually appropriated to be applied to the outstanding balance of the minimum funding obligation to school districts and community college districts for the 1995–96 to 2003–04 fiscal years, inclusive, in chronological order beginning with the 1995-96 fiscal year.

The bill would require funding received by school districts and community college districts pursuant to this bill to first be deemed to be paid in satisfaction of any outstanding claims for reimbursement of state-mandated local costs for any fiscal year and would authorize funds received in excess of amounts offsetting mandate claims to be used for any other one-time purpose, as determined by the governing board of the school district or community college district.

The bill would authorize the Legislature, pursuant to the annual Budget Act or pursuant to a subsequently enacted statute, to specify other one-time uses for the funds appropriated pursuant to this bill so long as those appropriations are made for allocation to school districts or community college districts.

(4) Existing law authorizes the State Librarian to operate a telephonic reading system, as defined.

This bill would require that system to be funded from the Deaf and Disabled Telecommunications Program Administrative Committee Fund.

(5) Existing law requires, for the 1990–91 fiscal year and each fiscal year thereafter, that moneys to be applied by the state for the support of school districts and community college districts be distributed in accordance with certain calculations. Existing law makes this provision inapplicable to the fiscal years between the 1992–93 and 2003–04 fiscal years, inclusive.



This bill would, instead, make this provision inapplicable to the 1992–93 to 2004–05 fiscal years, inclusive.

(6) Existing law provides 2 revenue limit equalization adjustments for each school district for the 2003–04 fiscal year.

This bill would make one of the equalization adjustments apply for the 2004–05 fiscal year.

(7) Existing law prohibits the exclusion, from the calculations of the Public Employees' Retirement System rate reduction to revenue limits, of persons providing services to a local educational agency through use of a joint powers authority involving the local educational agency who would, in absence of the joint powers authority, otherwise be considered school employees and subject that rate reduction to revenue limits.

This bill would exempt from that prohibition persons providing services to a regional occupational center or program operating as a joint powers agency.

(8) Existing law provides that certain funding provisions relating to apportioning money to and reimbursing a school district and county superintendent of schools for special education instruction and services provided by nonpublic, nonsectarian schools and agencies to pupils in licensed children's institutions, foster family homes, residential medical facilities, and other similar facilities, do not apply if the school district in which the licensed children's institution or foster family home is located is also the district of residence of the parent of the individual with exceptional needs and the parent retains legal responsibility for the child's education.

This bill would make those provisions inoperative June 30, 2004, and provide for their repeal on July 1, 2006.

(9) Existing law requires the Superintendent of Public Instruction to apportion moneys to a school district and county superintendent of schools to fund costs associated with providing special education instruction, designated instruction and services, or both, by nonpublic, nonsectarian schools and agencies to pupils in licensed children's institutions, foster family homes, residential medical facilities, and other similar facilities. Existing law also authorizes the superintendent to reimburse a school district and county superintendent of schools for costs associated with the assessment and identification of those pupils.

This bill would make those provisions inoperative June 30, 2004, and provide for their repeal on July 1, 2006.

This bill would require the superintendent, commencing with the 2004–05 fiscal year and each fiscal year thereafter, to make certain calculations for, and the State Department of Education to apportion certain amounts to, special education local plan areas, as provided, with respect to children residing in foster family homes, foster family



agencies, group homes, skilled nursing homes, and other similar facilities.

(10) Existing law states the intent of the Legislature that the segments of higher education shall pursue the development of transfer agreement programs that specify the curricular requirements that must be met, and the level of achievement that must be attained, by community college students in order for those students to transfer to the campus, undergraduate college, or major of choice.

This bill would require the Trustees of the California State University, and would request the Regents of the University of California, to establish a dual admissions program, commencing with the 2004–05 academic year, in which eligible freshman applicants would be offered the opportunity to enter into a dual admissions agreement with one of those institutions. The bill would require the agreement to include a guarantee that the student will be admitted to the institution if the student successfully completes lower division coursework at a community college. The bill would require the California State University, and request the University of California, as appropriate, to offer counseling services to each student participant to ensure that the student is informed of the program requirements. The bill would require the agreement to guarantee that the community college campus attended by a participating student would waive the fees of that student, as prescribed.

By imposing additional duties on community college districts, this bill would impose a state-mandated local program.

(11) Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Existing law authorizes the commission to carry out prescribed tasks, and authorizes the commission to establish an auxiliary organization for the purpose of providing operational and administrative services for the commission's participation in the Federal Family Education Loan Program.

This bill would authorize the auxiliary organization to participate in activities approved by the commission and determined by the commission to be related to student financial aid, consistent with the general mission of the commission, and consistent with the purposes of prescribed provisions of federal law that are related to student financial aid. The bill would authorize the board of directors of the auxiliary organization established by the commission to meet in closed session to consider matters of a proprietary nature under certain circumstances.

The bill would require the commission to provide 45 days of advance written notice to the Director of Finance and the Joint Legislative Budget Committee prior to approving an amendment to an existing operating



agreement or any new operating agreement with an auxiliary organization or subsidiary auxiliary organization.

(12) Existing law requires the Student Aid Commission to annually report specified information to the Legislature with respect to the operation of the auxiliary organization.

This bill would require the commission to annually include information in this report relating to the level of compensation of managers and executives of the auxiliary organization. The bill would also require, commencing on April 1, 2005, and on April 1 of each year, ending on April 1, 2010, that the commission describe the actions taken, and report the costs incurred and the revenues realized, by the auxiliary organization in loan origination, disbursement services, loan servicing and repayment, secondary market, and private lender activities that the auxiliary organization undertakes as authorized by the bill.

(13) Existing law establishes the Student Loan Operating Fund and continuously appropriates the funds deposited in that fund to the commission for the purposes of its responsibilities relating to its participation in the Federal Family Education Loan Program.

This bill would authorize the commission to make advance payments from the Student Loan Operating Fund for the purpose of providing funding to the auxiliary organization for permitted student financial aid activities approved by the commission pursuant to a business plan adopted by the auxiliary organization and approved by the commission, thereby making an appropriation.

The bill would require the commission to provide 45 days of advance written notice to the Director of Finance and the Joint Legislative Budget Committee regarding the amount proposed to be transferred and a description of the approved student financial aid activities and related expenditures.

(14) Existing law sets the fee charged by the governing board of a community college district to a student at \$18 per unit per semester.

This bill would increase this fee to \$26 effective with the fall term of the 2004–05 academic year.

(15) Existing law requires the Board of Governors of the California Community Colleges to adopt regulations for the payment of apportionments to community college districts. Existing law requires the board of governors to certify estimated apportionments to the Controller on or before July 15, and for the first principal apportionment to be certified on or before February 20 and the 2nd principal apportionment to be certified on or before June 25, of each year. Existing law, commencing with the 2003–04 fiscal year, requires warrants for the 2nd principal apportionment in the amount of \$150,000,000 for general apportionments and \$50,000,000 for the Partnership for Excellence to



be drawn in July pursuant to the certification made, under existing law, in June of that same calendar year, thereby causing the apportionment to be paid in the fiscal year immediately following the certification of the 2nd principal apportionment.

This bill would instead require the warrant for the 2nd principal apportionment to be in the amount of \$200,000,000 for general apportionments and would delete the requirement that \$50,000,000 be for the Partnership for Excellence.

(16) Existing law establishes a system for the apportionment of state funding to community college districts. This system is generally based on calculations related to the number of full-time equivalent students (FTES) in attendance at each district.

This bill would prohibit the equalization funds appropriated in the annual Budget Act from being allocated to any district whose total local property taxes and student fee revenues exceed the revenue limit for that district, as specified. The bill would require the chancellor to define districts as large, medium, or small, as specified for purposes of distributing funds. The bill would describe the computations to be made, and the information to be collected and analyzed, by the chancellor in devising the equalization plan. The bill would require the chancellor to allocate funds for equalization within 30 days of enactment of the annual Budget Act.

(17) Existing law prohibits a school district from being required to implement or give effect to certain statutes, if the Legislature, the Commission on State Mandates, or a court determines the statute imposes a mandate requiring reimbursement pursuant to Section 6 of Article XIII B of the California Constitution and the Legislature identifies the statute in the Budget Act as being one for which reimbursement is not provided for that fiscal year. Existing law makes this prohibition applicable to the School Bus Safety II mandate statutes and the School Crimes Reporting II mandate statutes.

This bill would apply the prohibition to the Investment Reports mandate statutes, the Law Enforcement Sexual Harassment Training mandate statutes, and the County Treasury Oversight Committee mandate statutes.

(18) Existing law establishes a fee for filing a notice of appeal in a civil case appealed to a court of appeal, a fee for filing a petition for a writ within the original civil jurisdiction of the Supreme Court or a court of appeal and until January 1, 2005, requires \$65 of each fee collected in a civil case by the clerk of each court of appeal pursuant to this provision to be paid into the California State Law Library Special Account.



This bill would extend the requirement relating to the collection of these fees for deposit into the California State Law Library Special Account to January 1, 2010.

(19) Existing law appropriates \$2,383,000 to the Board of Governors of the California Community Colleges for the student services Foster Parent Training Program from the Foster Children and Parent Training Fund.

This bill would delete that appropriation.

(20) This bill would require the Superintendent of Public Instruction to reduce, by \$2,666,000, funding for basic aid districts from categorical education funds that are appropriated in the Budget Act of 2004. The bill would require the superintendent by June 1, 2005, to report to the Controller and the Director of Finance the amount to be reduced from each categorical education program and identify the corresponding item of appropriation in the Budget Act of 2004. The bill would provide that on June 15, 2005, the amounts appropriated by those items are reduced by the amounts reported by the superintendent. The bill would require that the reductions be reductions in the amounts appropriated for purposes of Section 8 of Article XVI of the California Constitution for the 2004–05 fiscal year.

(21) Existing law authorizes the governing board of a school district to establish community day schools for pupils who are expelled, probation referred, and referred by a school attendance review board or other district level referral process. Existing law requires the Superintendent of Public Instruction to apportion additional funds per unit of average daily attendance at community day schools and conditions this additional apportionment on the extent to which funds are appropriated for this purpose in the annual Budget Act or other legislation, except for certain expelled pupils for whom funds are continuously appropriated from the General Fund to Section A of the State School Fund.

This bill would authorize the Superintendent of Public Instruction, for purposes of computing the amount of funds continuously appropriated for attendance at community day schools by certain expelled pupils, to adjust, as specified, the hours of attendance in community day school programs that are reported by local educational agencies for the 2002–03 and 2003–04 fiscal years.

(22) Existing law establishes the Standardized Testing and Reporting (STAR) Program, which requires each school district, charter school, and county office of education to administer to each of its pupils in grades 2 to 11, inclusive, an achievement test and a standards-based achievement test, as specified.



This bill would require the Commission on State Mandates, on or before December 31, 2005, to reconsider certain decisions it issued relating to state reimbursement for the STAR Program, and to reconsider its parameters and guidelines for calculating the state reimbursement, in light of federal statutes enacted and state court decisions rendered since those mandates were enacted.

(23) The bill would appropriate \$926,527,000 from the General Fund of which \$368,151,000 would be appropriated for the 2005–06 fiscal year to the State Department of Education in specified amounts for apprentice programs, supplemental instruction, regional occupational centers and programs, home-to-school transportation, the Gifted and Talented Pupil Program, the Targeted Instructional Improvement Block Grant, adult education, community day schools, categorical programs for charter schools, and the School Safety Program and \$200,000,000 would be appropriated for the 2005–06 fiscal year to the Board of Governors of the California Community Colleges for general apportionments, as specified in the Budget Act of 2004. The bill would appropriate \$109,914,000 from the General Fund for the 2004–05 fiscal year for equalization purposes to the Superintendent of Public Instruction. The bill would appropriate \$248,376,000 from the General Fund for the 2003–04 fiscal year of which \$220,000,000 would be appropriated in specified amounts for arts education programs, deferred maintenance programs, instructional materials, the Academic Improvement and Achievement Act, and education mandate claims, and of which \$28,876,000 would be appropriated to the Board of Governors of the Community Colleges to provide one-time funding for scheduled maintenance, special repairs, instructional materials, and library materials replacement. The bill would provide that for the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, these amounts are General Fund revenues appropriated for school districts and community college districts.

(24) This bill would make specified funds appropriated pursuant to the Budget Act of 2001 available for expenditure through July 31, 2004, the Budget Act of 2002 available for expenditure through July 31, 2005, and the Budget Act of 2003 available for expenditure through July 31, 2006. The bill would revert the funds unexpended after those dates to the Proposition 98 Reversion Account.

(25) 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, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.



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.

(26) The bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

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

SECTION 1. Section 2558.46 of the Education Code is amended to read:

2558.46. (a) (1) For the 2003–04 fiscal year, the revenue limit for each county superintendent of schools determined pursuant to this article shall be reduced by a 1.195 percent deficit factor.

(2) For the 2004–05 and 2005–06 fiscal years, the revenue limit for each county superintendent of schools determined pursuant to this article shall be reduced by a 0.323 percent deficit factor.

(3) For the 2003–04, 2004–05, and 2005–06 fiscal years, the revenue limit for each county superintendent of schools determined pursuant to this article shall be further reduced by a 1.826 percent deficit factor.

(b) In computing the revenue limit for each county superintendent of schools for the 2006–07 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that county superintendent of schools had been determined for the 2003–04, 2004–05, and 2005–06 fiscal years without being reduced by the deficit factors specified in this section.

SEC. 2. Section 14041.5 of the Education Code is amended to read:

14041.5. (a) Notwithstanding subdivision (a) of Section 14041, commencing with the 2002–03 fiscal year, warrants for the principal apportionments for the month of June instead shall be drawn in July of the same calendar year pursuant to the certification made pursuant to Section 41335.

(b) Except as provided in subdivisions (c) and (d), for purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the warrants drawn pursuant to subdivision (a) shall be deemed to be “General Fund revenues appropriated to school districts,” as defined in subdivision (c) of Section 41202 for the fiscal year in which the warrants are drawn and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202, for the fiscal year in which the warrants are drawn.



(c) For the 2003–04 school year, the amount of apportionments for revenue limits computed pursuant to Section 42238 from any of the apportionments made pursuant to Section 14041 that are deemed “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 for the following fiscal year and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202, for the 2004–05 fiscal year shall be seven hundred twenty-six million two hundred seventy thousand dollars (\$726,270,000). Any amount in excess of seven hundred twenty-six million two hundred seventy thousand dollars (\$726,270,000) that is apportioned in July of 2004 is deemed “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 for the 2003–04 fiscal year and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202, for the 2003–04 fiscal year.

(d) For the 2004–05 school year, and each school year thereafter, the amount of apportionments for revenue limits computed pursuant to Section 42238 from any of the apportionments made pursuant to Section 14041 that are deemed “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 for the following fiscal year and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202, for the following fiscal year shall be seven hundred fifteen million one hundred eighteen thousand dollars (\$715,118,000). Any amount in excess of seven hundred fifteen million one hundred eighteen thousand dollars (\$715,118,000) that is apportioned in July of any year is deemed “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 for the prior fiscal year and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B” as defined in subdivision (e) of Section 41202, for the prior fiscal year.

SEC. 3. Section 19325.1 of the Education Code is amended to read:

19325.1. (a) The State Librarian may operate a telephonic reading system, fund the operation of telephonic reading systems operated by qualifying entities, or both.

(b) Pursuant to an appropriation in the annual Budget Act and in accordance with Section 270 of the Public Utilities Code, the telephonic



reading system is to be funded from the Deaf and Disabled Telecommunications Program Administrative Committee Fund.

(c) As used in this section, the following terms have the following meanings, unless otherwise indicated:

(1) “Telephonic reading system” means a system operated by the State Librarian or a qualifying entity, whereby a caller can hear the reading of material such as newspapers, magazines, newsletters, broadcast media schedules, transit route and schedule information, and other reference or time-sensitive materials, as determined by the operator of the system.

(2) “Qualifying entity” means any agency, instrumentality, or political subdivision of the state or any nonprofit organization whose primary mission is to provide services to people who are blind or visually impaired.

(d) Qualifying entities that were eligible, as of January 1, 2001, to receive funds from the State Librarian relating to the operation of a telephonic reading system may continue to receive funding from the State Librarian.

(e) The State Librarian, in cooperation with qualifying entities, may expand the type and scope of materials available on telephonic reading systems in order to meet the local, regional, or foreign language needs of print-disabled residents of this state. The State Librarian may also expand the scope of services and availability of telephonic reading services by current methods and technologies or by methods and technologies that may be developed. The State Librarian may inform current and potential patrons of the availability of telephonic reading service through appropriate means, including, but not limited to, direct mailings, direct telephonic contact, and public service announcements.

(f) The State Librarian may enter into contracts or other agreements that he or she determines to be appropriate to provide telephonic reading services pursuant to this section.

SEC. 4. Section 41203.1 of the Education Code is amended to read:

41203.1. (a) For the 1990–91 fiscal year and each fiscal year thereafter, allocations calculated pursuant to Section 41203 shall be distributed in accordance with calculations provided in this section. Notwithstanding Section 41203, and for the purposes of this section, school districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California shall be regarded as separate segments of public education, and each of these three segments of public education shall be entitled to receive respective shares of the amount calculated pursuant to Section 41203 as though the calculation made pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution were to be applied separately



to each segment and the base year for the purposes of this calculation under paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution were based on the 1989–90 fiscal year. Calculations made pursuant to this subdivision shall be made so that each segment of public education is entitled to the greater of the amounts calculated for that segment pursuant to paragraph (1) or (2) of subdivision (b) of Section 8 of Article XVI of the California Constitution.

(b) If the single calculation made pursuant to Section 41203 yields a guaranteed amount of funding that is less than the sum of the amounts calculated pursuant to subdivision (a), then the amount calculated pursuant to Section 41203 shall be prorated for the three segments of public education.

(c) Notwithstanding any other law, this section does not apply to the 1992–93 to 2004–05 fiscal years, inclusive.

SEC. 5. Section 41207 of the Education Code is repealed.

SEC. 6. Section 41207 is added to the Education Code, to read:

41207. (a) Notwithstanding Section 41206, by January 1, 2006, the Superintendent of Public Instruction and the Director of Finance shall jointly determine the outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1995–96 to 2003–04 fiscal years, inclusive. The Director of Finance shall notify the Governor and Legislature of the amount of the outstanding balance for each fiscal year between the 1995–96 and 2003–04 fiscal years, inclusive, and the total amount of the outstanding balance for those years. This notification does not constitute a certification for purposes of Section 41206.

(b) If the joint determination required pursuant to subdivision (a) is not made for any fiscal year by January 1, 2006, the Controller shall make the determination for that fiscal year or years and shall notify the Governor and Legislature of that determination on or before March 1, 2006. This notification does not constitute a certification for purposes of Section 41206.

(c) For purposes of this section, the outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for a fiscal year is the amount, if any, by which the amount required to be applied by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution, including any maintenance factor that should have been allocated in that fiscal year pursuant to subdivision (e) of Section 8 of Article XVI, exceeds the amount applied by the state for the



support of school districts and community college districts for that fiscal year.

(d) Commencing with the 2006–07 fiscal year, the sum of one hundred fifty million dollars (\$150,000,000) is hereby annually appropriated from the General Fund to the Controller for allocation to school districts and community college districts for the purpose of discharging in full the outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution identified in subdivision (a) or (b) of this section. This annual appropriation shall continue until the Director of Finance reports to the Legislature that the sum of appropriations made and allocated pursuant to this subdivision equals the total outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution determined pursuant to subdivision (a) or (b), as applicable.

(1) The amount annually appropriated pursuant to this subdivision shall be allocated to school districts and community college districts in a manner that reflects the proportion of regular average daily attendance in school districts, as defined in subdivision (a) of Section 41209, to funded full-time equivalent students in community college districts, as those numbers are reported at the time of the second principal apportionment for the fiscal year prior to the fiscal year in which funds are to be received.

(2) The Controller shall allocate funds annually appropriated pursuant to this subdivision to school districts and community college districts based on attendance information provided by the department and Chancellor of the California Community Colleges on August 15 of each year commencing with the 2006–07 fiscal year, unless otherwise provided by the Legislature pursuant to subdivision (g). For purposes of this subdivision a school district includes a county office of education and a charter school.

(e) For purposes of Section 8 of Article XVI of the California Constitution, the amounts appropriated and allocated pursuant to this section shall be applied to the outstanding balance of the minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1995–96 to 2003–04 fiscal years, inclusive, in chronological order beginning with the 1995–96 fiscal year and shall be deemed to be appropriations made and allocated in the fiscal year in which the deficiencies resulting in the outstanding balance were incurred. When the amount determined to be owed for each fiscal year pursuant to subdivision (a) or (b) is fully appropriated and allocated pursuant to



subdivision (d), the data used in the computations made under subdivision (a) or (b) and the total amount owed by the state for the support of school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for that fiscal year, including as much of the maintenance factor for that fiscal year determined pursuant to subdivision (d) of Section 8 of Article XVI as has been allocated as required by subdivision (e) of Section 8 of Article XVI by virtue of the payments made under this section, shall be deemed certified for purposes of Section 41206.

(f) Funding received by school districts and community college districts pursuant to this section shall first be deemed to be paid in satisfaction of any outstanding claims pursuant to Section 6 of Article XIII B of the California Constitution for reimbursement of state-mandated local costs for any fiscal year. Notwithstanding any amounts that are deemed, pursuant to this subdivision, to be paid in satisfaction of outstanding claims for reimbursement of state-mandated local costs, the Controller may audit any claim as allowed by law and may reduce any amount owed by a local educational agency pursuant to an audit by reducing amounts owed for any other mandate claims. The Controller shall apply amounts received by each school district or community college district against any balances of unpaid claims for reimbursement of state-mandated local costs and interest in chronological order beginning with the earliest claim. The Controller shall report to each local educational agency the amounts of any claims and interest that are offset from funds provided pursuant to this section and shall report a summary of the amounts offset for each mandate for each fiscal year to the Department of Finance and the fiscal committees of the Legislature. The governing board of a school district or community college district may expend funds received pursuant to this section in excess of amounts offsetting mandate claims for any other one-time purposes, as determined by the governing board.

(g) The Legislature may specify in the annual Budget Act or other statute other one-time purposes for which the funds appropriated pursuant to this section shall be used so long as those appropriations are made for allocation to school districts or community college districts.

SEC. 7. Section 42238 of the Education Code is amended to read:

42238. (a) For the 1984–85 fiscal year and each fiscal year thereafter, the county superintendent of schools shall determine a revenue limit for each school district in the county pursuant to this section.

(b) The base revenue limit for a fiscal year shall be determined by adding to the base revenue limit for the prior fiscal year the following amounts:



- (1) The inflation adjustment specified in Section 42238.1.
 - (2) For the 1995–96 fiscal year, the equalization adjustment specified in Section 42238.4.
 - (3) For the 1996–97 fiscal year, the equalization adjustments specified in Sections 42238.41, 42238.42, and 42238.43.
 - (4) For the 1985–86 fiscal year, the amount received per unit of average daily attendance in the 1984–85 fiscal year pursuant to Section 42238.7.
 - (5) For the 1985–86, 1986–87, and 1987–88 fiscal years, the amount per unit of average daily attendance received in the prior fiscal year pursuant to Section 42238.8.
 - (6) For the 2004–05 fiscal year, the equalization adjustment specified in Section 42238.44.
- (c) Except for districts subject to subdivision (d), the base revenue limit computed pursuant to subdivision (b) shall be multiplied by the district average daily attendance computed pursuant to Section 42238.5.
- (d) (1) For districts for which the number of units of average daily attendance determined pursuant to Section 42238.5 is greater for the current fiscal year than for the 1982–83 fiscal year, compute the following amount, in lieu of the amount computed pursuant to subdivision (c):
- (A) Multiply the base revenue limit computed pursuant to subdivision (c) by the average daily attendance computed pursuant to Section 42238.5 for the 1982–83 fiscal year.
 - (B) Multiply the lesser of the amount in subdivision (c) or 1.05 times the statewide average base revenue limit per unit of average daily attendance for districts of similar type for the current fiscal year by the difference between the average daily attendance computed pursuant to Section 42238.5 for the current and 1982–83 fiscal years.
 - (C) Add the amounts in subparagraphs (A) and (B).
- (2) This subdivision shall become inoperative on July 1, 1998.
- (e) For districts electing to compute units of average daily attendance pursuant to paragraph (2) of subdivision (a) of Section 42238.5, the amount computed pursuant to Article 4 (commencing with Section 42280) shall be added to the amount computed in subdivision (c) or (d), as appropriate.
- (f) For the 1984–85 fiscal year only, the county superintendent shall reduce the total revenue limit computed in this section by the amount of the decreased employer contributions to the Public Employees’ Retirement System resulting from enactment of Chapter 330 of the Statutes of 1982, offset by any increase in those contributions, as of the 1983–84 fiscal year, resulting from subsequent changes in employer contribution rates.



(g) The reduction required by subdivision (f) shall be calculated as follows:

(1) Determine the amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public Employees’ Retirement System employer contribution rate in effect immediately prior to the enactment of Chapter 330 of the Statutes of 1982 was in effect during the 1983–84 fiscal year.

(2) Subtract from the amount determined in paragraph (1) the greater of subparagraph (A) or (B):

(A) The amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public Employees’ Retirement System employer contribution rate in effect immediately after the enactment of Chapter 330 of the Statutes of 1982 was in effect during the 1983–84 fiscal year.

(B) The actual amount of employer contributions made to the Public Employees’ Retirement System in the 1983–84 fiscal year.

(3) For purposes of this subdivision, employer contributions to the Public Employees’ Retirement System for either of the following shall be excluded from the calculation specified above:

(A) Positions supported totally by federal funds that were subject to supplanting restrictions.

(B) Positions supported, to the extent of employer contributions not exceeding twenty-five thousand dollars (\$25,000) by any single educational agency, from a revenue source determined on the basis of equity to be properly excludable from the provisions of this subdivision by the Superintendent of Public Instruction with the approval of the Director of Finance.

(4) For accounting purposes, the reduction made by this subdivision may be reflected as an expenditure from appropriate sources of revenue as directed by the Superintendent of Public Instruction.

(h) The Superintendent of Public Instruction shall apportion to each school district the amount determined in this section less the sum of:

(1) The district’s property tax revenue received pursuant to Chapter 3 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of the Revenue and Taxation Code.

(2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of the Revenue and Taxation Code.

(3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of the Government Code.

(4) Prior years’ taxes and taxes on the unsecured roll.

(5) Fifty percent of the amount received pursuant to Section 41603.

(6) The amount, if any, received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of



Division 24 of the Health and Safety Code), except for any amount received pursuant to Section 33401 or 33676 of the Health and Safety Code that is used for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance, except for any amount received pursuant to Section 33492.15, paragraph (4) of subdivision (a) of Section 33607.5, or Section 33607.7 of the Health and Safety Code that is allocated exclusively for educational facilities.

(7) For a unified school district, other than a unified school district that has converted all of its schools to charter status pursuant to Section 47606, the amount of statewide average general-purpose funding per unit of average daily attendance received by school districts for each of four grade level ranges, as computed by the department pursuant to Section 47633, multiplied by the average daily attendance, in corresponding grade level ranges, of any pupils who attend charter schools funded pursuant to Chapter 6 (commencing with Section 47630) of Part 26.8 for which the district is the sponsoring local educational agency, as defined in Section 47632, and who reside in and would otherwise have been eligible to attend a noncharter school of the district.

(i) A transfer of seventh and eighth grade pupils between an elementary school district and a high school district shall not result in the receiving district receiving a revenue limit apportionment for those pupils that exceeds 105 percent of the statewide average revenue limit for the type and size of the receiving school district.

SEC. 8. Section 42238.44 of the Education Code is amended to read:

42238.44. (a) This section shall be known and may be cited as, the Fairness in Education Funding Act.

(b) (1) For the 2004–05 fiscal year, the Superintendent of Public Instruction shall compute an equalization adjustment for each school district, so that the 2003–04 base revenue limit per unit of average daily attendance of a district is not less than the 2003–04 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (c).

(2) For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.

(c) Subdivision (b) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District	ADA
Elementary	less than 101
Elementary	more than 100



High School	less than 301
High School	more than 300
Unified	less than 1,501
Unified	more than 1,500

(d) The Superintendent of Public Instruction shall compute a revenue limit equalization adjustment for each school district’s base revenue limit per unit of average daily attendance as follows:

(1) Multiply the amount computed for each school district pursuant to subdivision (b) by the average daily attendance used to calculate the revenue limit for the 2004–05 fiscal year of a district.

(2) Divide the amount appropriated for purposes of this section for the 2004–05 fiscal year by the statewide sum of the amount computed pursuant to paragraph (1).

(3) Multiply the amount computed for the school district pursuant to paragraph (1) of subdivision (b) by the amount computed pursuant to paragraph (2).

(e) (1) For the purposes of this section, the 2003–04 statewide 90th percentile base revenue limit determined pursuant to paragraph (1) of subdivision (b), and the fraction computed pursuant to paragraph (2) of subdivision (d) for the 2003–04 second principal apportionment, shall be final, and shall not be recalculated at subsequent apportionments. The fraction computed pursuant to paragraph (2) of subdivision (d) shall not, under any circumstances, exceed 1.00. For purposes of determining the size of a school district pursuant to subdivision (c), county superintendents of schools, in conjunction with the Superintendent of Public Instruction, shall use school district revenue limit average daily attendance for the 2003–04 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).

(2) For the purposes of calculating the size of a school district pursuant to subdivision (c), the Superintendent of Public Instruction shall include units of average daily attendance of any charter school for which the school district is the chartering agency.

(3) For the purposes of computing the target amounts pursuant to subdivision (b), the Superintendent of Public Instruction shall count all charter school average daily attendance toward the average daily attendance of the school district that is the chartering agency.

SEC. 9. Section 42238.146 of the Education Code is amended to read:

42238.146. (a) (1) For the 2003–04 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 1.198 percent deficit factor.



(2) For the 2004–05 and 2005–06 fiscal years, the revenue limit for each school district determined pursuant to this article shall be reduced by a 0.323 percent deficit factor.

(3) For the 2003–04, 2004–05, and 2005–06 fiscal years, the revenue limit for each school district determined pursuant to this article shall be further reduced by a 1.826 percent deficit factor.

(b) In computing the revenue limit for each school district for the 2006–07 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2003–04, 2004–05, and 2005–06 fiscal years without being reduced by the deficit factors specified in this section.

SEC. 10. Section 42238.23 of the Education Code is amended to read:

42238.23. (a) Notwithstanding any other provision of law, persons providing services to local educational agencies through use of a joint powers authority involving the local educational agency who would, in absence of the joint powers authority, otherwise be considered school employees and subject to the Public Employees’ Retirement System rate reduction to revenue limits authorized in Section 42238.12, shall not be excluded from the calculations of the Public Employees’ Retirement System reduction authorized in that section.

(b) This section does not apply to persons providing services to a regional occupational center or program that operates as a joint powers agency pursuant to Section 52301.

SEC. 11. Section 56156.6 of the Education Code is amended to read:

56156.6. (a) If the district in which the licensed children’s institution or foster family home is located is also the district of residence of the parent of the individual with exceptional needs, and if the parent retains legal responsibility for the child’s education, Sections 56836.16 and 56836.17 shall not apply.

(b) This section shall become inoperative on June 30, 2004, and, as of July 1, 2006, is repealed, unless a later enacted statute, that becomes operative on or before July 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 12. Section 56836.16 of the Education Code is amended to read:

56836.16. (a) For the 1998–99 fiscal year and each fiscal year thereafter, the superintendent shall apportion to each school district and county superintendent providing programs pursuant to Article 5 (commencing with Section 56155) of Chapter 2 an amount equal to the difference, if any, between (1) the costs of master contracts with nonpublic, nonsectarian schools and agencies to provide special



education instruction, designated instruction and services, or both, to pupils in licensed children's institutions, foster family homes, residential medical facilities, and other similar facilities funded under this chapter, plus the costs of special education instruction, designated instruction and services, or both, provided directly by a school district with less than 3,000 average daily attendance, to pupils who reside in a skilled nursing facility, and (2) the state income received by the district or county superintendent for providing these programs. The sum of the excess cost, plus any state or federal income for these programs, may not exceed the cost of master contracts with nonpublic, nonsectarian schools and agencies to provide special education and designated instruction and services for these pupils, nor may it exceed the cost of providing special education instruction, designated instruction and services to pupils who reside in a skilled nursing facility, as determined by the superintendent.

(b) The cost of master contracts with nonpublic, nonsectarian schools and agencies, or the cost of providing special education instruction, designated instruction and services to pupils who reside in a skilled nursing facility, that a school district or county office of education reports under this section may not include any of the following costs that a school district, county office of education, or special education local plan area may incur:

- (1) Administrative or indirect costs for the local educational agency.
- (2) Direct support costs for the local educational agency.

(3) Transportation costs provided either directly, or through a nonpublic, nonsectarian school or agency master contract or individual services agreement for use of services or equipment owned, leased, or contracted, by a school district, special education local plan area, or county office of education for any pupils enrolled in nonpublic, nonsectarian schools or agencies, unless provided directly or subcontracted by that nonpublic, nonsectarian school or agency pursuant to subdivisions (a) and (b) of Section 56366.

(4) Costs for services routinely provided by the school district or county office of education including all of the following, unless the board grants a waiver under Section 56101:

(A) School psychologist services, other than those described in Sections 56324 and 56363 and included in a master contract and individual services agreement under subdivision (a) of Section 56366, and other than those provided directly by a school district pursuant to the individualized education program of a pupil residing in a skilled nursing facility.

(B) School nurse services, other than those described in Sections 49423.5, 56324, and 56363 and included in a master contract and individual services agreement under subdivision (a) of Section 56366,



and other than those provided directly by a school district pursuant to the individualized education program of a pupil residing in a skilled nursing facility.

(C) Language, speech, and hearing services, other than those included in a master contract and individual services agreement under subdivision (a) of Section 56366, and other than those provided directly by a school district pursuant to the individualized education program of a pupil residing in a skilled nursing facility.

(D) Modified, specialized, or adapted physical education services other than those included in a master contract and individual services agreement under subdivision (a) of Section 56366, and other than those provided directly by a school district pursuant to the individualized education program of a pupil residing in a skilled nursing facility.

(E) Other services not specified by a pupil's individualized education program or funded by the state on a caseload basis.

(5) Costs for nonspecial education programs or settings, including those provided for individuals with exceptional needs between the ages of birth and five years, inclusive, pursuant to Sections 56431 and 56441.8.

(6) Costs for nonpublic, nonsectarian school or agency placements outside of the state, unless placement of the pupil is done pursuant to subdivisions (e) and (f) of Section 56365.

(7) Costs for related nonpublic, nonsectarian school pupil assessments by a school psychologist or school nurse pursuant to Sections 56320 and 56324.

(8) Costs for services that the nonpublic, nonsectarian school or agency is not certified to provide.

(9) Costs for services provided by personnel who do not meet the requirements specified in subdivision (k) of Section 56366.1.

(10) Costs for services provided by public school employees, unless those services are provided pursuant to the individualized education program of a pupil residing in a skilled nursing facility.

(c) A nonpublic, nonsectarian school or agency shall not claim and is not entitled to receive reimbursement for attendance unless the site where the pupil is receiving special education or designated instruction and services is certified.

(d) This section shall become inoperative on June 30, 2004, and, as of July 1, 2006, is repealed, unless a later enacted statute that becomes operative on or before July 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 13. Section 56836.165 is added to the Education Code, to read:



56836.165. (a) For the 2004–05 fiscal year and each fiscal year thereafter, the superintendent shall calculate for each special education local plan area an amount based on (1) the number of children and youth residing in foster family homes and foster family agencies, (2) the licensed capacity of group homes licensed by the State Department of Social Services, and (3) the number of children and youth ages 3 through 21 referred by the State Department of Developmental Services who are residing in skilled nursing facilities or intermediate care facilities licensed by the State Department of Health Services and the number of youth ages 18 through 21 referred by the State Department of Developmental Services who are residing in community care facilities licensed by the State Department of Social Services.

(b) The department shall assign each facility described in paragraphs (1), (2), and (3) of subdivision (a) a severity rating. The severity ratings shall be on a scale from 1 to 14. Foster family homes shall be assigned a severity rating of 1. Foster family agencies shall be assigned a severity rating of 2. Facilities described in paragraph (2) of subdivision (a) shall be assigned the same severity rating as its State Department of Social Services rate classification level. For facilities described in paragraph (3) of subdivision (a), skilled nursing facilities shall be assigned a severity rating of 14, intermediate care facilities shall be assigned a severity rating of 11, and community care facilities shall be assigned a severity rating of 8.

(c) (1) The department shall establish a “bed allowance” for each severity level. For the 2004–05 fiscal year, the bed allowance shall be calculated as described in paragraph (2). For the 2005–06 fiscal year and each fiscal year thereafter, the department shall increase the bed allowance by the inflation adjustment computed pursuant to Section 42238.1. The department shall not establish a bed allowance for any facility defined in paragraphs (2) and (3) of subdivision (a) if it is not licensed by the State Department of Social Services or the State Department of Health Services.

(2) (A) The bed allowance for severity level 1 shall be five hundred two dollars (\$502).

(B) The bed allowance for severity level 2 shall be six hundred ten dollars (\$610).

(C) The bed allowance for severity level 3 shall be one thousand four hundred thirty-four dollars (\$1,434).

(D) The bed allowance for severity level 4 shall be one thousand six hundred forty-nine dollars (\$1,649).

(E) The bed allowance for severity level 5 shall be one thousand eight hundred sixty-five dollars (\$1,865).



(F) The bed allowance for severity level 6 shall be two thousand eighty dollars (\$2,080).

(G) The bed allowance for severity level 7 shall be two thousand two hundred ninety-five dollars (\$2,295).

(H) The bed allowance for severity level 8 shall be two thousand five hundred ten dollars (\$2,510).

(I) The bed allowance for severity level 9 shall be five thousand four hundred fifty-one dollars (\$5,451).

(J) The bed allowance for severity level 10 shall be five thousand eight hundred eighty-one dollars (\$5,881).

(K) The bed allowance for severity level 11 shall be nine thousand four hundred sixty-seven dollars (\$9,467).

(L) The bed allowance for severity level 12 shall be thirteen thousand four hundred eighty-three dollars (\$13,483).

(M) The bed allowance for severity level 13 shall be fourteen thousand three hundred forty-three dollars (\$14,343).

(N) The bed allowance for severity level 14 shall be twenty thousand eighty-one dollars (\$20,081).

(d) (1) For each fiscal year, the department shall calculate an out-of-home care funding amount for each special education local plan area as the sum of amounts computed pursuant to paragraphs (2), (3), and (4). The State Department of Social Services and the State Department of Developmental Services shall provide the State Department of Education with the residential counts identified in paragraphs (2), (3), and (4).

(2) The number of children and youth residing on April 1 in foster family homes and foster family agencies located in each special education local plan area times the appropriate bed allowance.

(3) The capacity on April 1 of each group home licensed by the State Department of Social Services located in each special education local plan area times the appropriate bed allowance.

(4) The number on April 1 of children and youth (A) ages 3 through 21 referred by the State Department of Developmental Services who are residing in skilled nursing facilities and intermediate care facilities licensed by the State Department of Health Services located in each special education local plan area times the appropriate bed allowance, and (B) ages 18 through 21 referred by the State Department of Developmental Services who are residing in community care facilities licensed by the State Department of Social Services located in each special education local plan area times the appropriate bed allowance.

SEC. 14. Section 56836.17 of the Education Code is amended to read:



56836.17. (a) The superintendent may reimburse each school district and county office of education providing programs pursuant to Article 5 (commencing with Section 56155) of Chapter 2 for assessment and identification costs for pupils who reside in licensed children's institutions, foster family homes, residential medical facilities, and other similar facilities who are placed in state-certified nonpublic, nonsectarian schools. The superintendent may also reimburse each school district and county office of education for assessment and identification costs for pupils who reside in a skilled nursing facility and are served directly by a school district with less than 3,000 average daily attendance.

(b) Actual costs under this section shall not include either administrative or indirect costs, or any proration of support costs.

(c) The total amount reimbursed statewide under this section shall not exceed the amount appropriated for these purposes in any fiscal year. If the superintendent determines that this amount is insufficient to reimburse all claims, the superintendent shall prorate the deficiency among all school districts or county offices of education submitting claims.

(d) This section shall become inoperative on June 30, 2004, and, as of July 1, 2006, is repealed, unless a later enacted statute that becomes operative on or before July 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 15. Section 56836.173 is added to the Education Code, to read:

56836.173. (a) The department shall apportion to each special education local plan area the amount determined in this section.

(b) For the 2004–05 and 2005–06 fiscal years, the amount apportioned shall be as follows:

(1) If the out-of-home care funding amount calculated for a special education local plan area is less than or equal to the amount a special education local plan area received pursuant to former Sections 56836.16 and 56836.17 for the 2002–03 fiscal year, the special education local plan area shall receive the same amount it received for the 2002–03 fiscal year. For purposes of this section, the amount of funding received by a special education local plan area for the 2002–03 fiscal year shall be based on the annual certification of the 2002–03 fiscal year.

(2) For special education local plan areas other than those funded through paragraph (1), special education local plan areas shall receive the amount received for the 2002–03 fiscal year plus the amount calculated in paragraph (3).

(3) For special education local plan areas other than those funded through paragraph (1), each special education local plan area shall also



receive the difference between the out-of-home care funding amount for the special education local plan area and the amount received for the 2002–03 fiscal year for that special education local plan area divided by the sum of the difference between the out-of-home care funding amount and the amount received in the 2002–03 fiscal year for all special education local plan areas times the amount of funds provided for Section 56836.165 in the annual Budget Act that has not been allocated in paragraph (1) or (2).

(c) For the 2006–07 fiscal year, the amount apportioned shall be as follows:

(1) If the out-of-home care funding amount calculated for a special education local plan area for the 2006–07 fiscal year is less than or equal to the amount a special education local plan area received for the 2005–06 fiscal year, the special education local plan area shall receive the same amount it received for the 2005–06 fiscal year less 20 percent of the difference between the amount received for the 2005–06 fiscal year and the out-of-home care funding amount computed for the 2006–07 fiscal year.

(2) For special education local plan areas other than those funded through paragraph (1), special education local plan areas shall receive the amount received for the 2005–06 fiscal year.

(3) For special education local plan areas other than those funded through paragraph (1), each special education local plan area shall also receive the difference between the out-of-home care funding amount for that special education local plan area and the amount received for the 2005–06 fiscal year for that special education local plan area divided by the sum of the difference between the out-of-home care funding amount and the amount received in the 2005–06 fiscal year for all special education local plan areas times the amount of funds provided for Section 56836.165 in the annual Budget Act that has not been allocated in paragraph (1) or (2).

(d) For the 2007–08 fiscal year, the amount apportioned shall be as follows:

(1) If the out-of-home care funding amount calculated for a special education local plan area for the 2007–08 fiscal year is less than or equal to the amount a special education local plan area received for the 2006–07 fiscal year, the special education local plan area shall receive the same amount it received for the 2006–07 fiscal year less 25 percent of the difference between the amount received for the 2006–07 fiscal year and the out-of-home care funding amount computed for the 2007–08 fiscal year.



(2) For special education local plan areas other than those funded through paragraph (1), special education local plan areas shall receive the amount received for the 2006–07 fiscal year.

(3) For special education local plan areas other than those funded through paragraph (1), each special education local plan area shall also receive the difference between the out-of-home care funding amount for that special education local plan area and the amount received for the 2006–07 fiscal year for that special education local plan area divided by the sum of the difference between the out-of-home care funding amount and the amount received in the 2006–07 fiscal year for all special education local plan areas times the amount of funds provided for Section 56836.165 in the annual Budget Act that has not been allocated in paragraph (1) or (2).

(e) For the 2008–09 fiscal year, the amount apportioned shall be as follows:

(1) If the out-of-home care funding amount calculated for a special education local plan area for the 2008–09 fiscal year is less than or equal to the amount a special education local plan area received for the 2007–08 fiscal year, the special education local plan area shall receive the same amount it received for the 2007–08 fiscal year less 33 percent of the difference between the amount received for the 2007–08 fiscal year and the out-of-home care funding amount computed for the 2008–09 fiscal year.

(2) For special education local plan areas other than those funded through paragraph (1), special education local plan areas shall receive the amount received for the 2007–08 fiscal year.

(3) For special education local plan areas other than those funded through paragraph (1), each special education local plan area shall also receive the difference between the out-of-home care funding amount for that special education local plan area and the amount received for the 2007–08 fiscal year for that special education local plan area divided by the sum of the difference between the out-of-home care funding amount and the amount received in the 2007–08 fiscal year for all special education local plan areas times the amount of funds provided for Section 56836.165 in the annual Budget Act that has not been allocated in paragraph (1) or (2).

(f) For the 2009–10 fiscal year, the amount apportioned shall be as follows:

(1) If the out-of-home care funding amount calculated for a special education local plan area for the 2009–10 fiscal year is less than or equal to the amount a special education local plan area received for the 2008–09 fiscal year, the special education local plan area shall receive the same amount it received for the 2008–09 fiscal year less 50 percent



of the difference between the amount received for the 2008–09 fiscal year and the out-of-home care funding amount computed for the 2009–10 fiscal year.

(2) For special education local plan areas other than those funded through paragraph (1), special education local plan areas shall receive the amount received for the 2008–09 fiscal year.

(3) For special education local plan areas other than those funded through paragraph (1), each special education local plan area shall also receive the difference between the out-of-home care funding amount for that special education local plan area and the amount received for the 2008–09 fiscal year for that special education local plan area divided by the sum of the difference between the out-of-home care funding amount and the amount received in the 2008–09 fiscal year for all special education local plan areas times the amount of funds provided for Section 56836.165 in the annual Budget Act that has not been allocated in paragraph (1) or (2).

(g) Beginning in the 2010–11 fiscal year, the amount provided to special education local plan areas shall be equal to the amount calculated pursuant to Section 56836.165. If the sum of the amounts for all special education local plan areas exceeds the Budget Act appropriation for this purpose, the department shall apply proportionate reductions to all special education local plan areas.

SEC. 16. Section 66744 is added to the Education Code, to read:

66744. (a) (1) Commencing with the 2004–05 academic year, and each academic year thereafter, the Trustees of the California State University shall establish a dual admissions program for eligible freshman applicants. Under this program, eligible freshman applicants may be offered the opportunity to enter into a dual admissions agreement with the California State University.

(2) Student participation in the dual admissions program under this subdivision is voluntary. It is the intent of the Legislature that the incentives provided in paragraph (3) shall encourage students otherwise eligible for admission to the California State University to attend a campus of the California Community Colleges for their lower-division coursework.

(3) The agreement shall include, but is not necessarily limited to, all of the following incentives:

(A) A guarantee that the student will be admitted to a California State University campus during a future academic year, provided that the student successfully completes lower-division transfer requirements at a campus of the California Community Colleges.

(B) Notwithstanding Section 76300, for each student who enrolls under this subdivision at a campus of the California Community



Colleges pursuant to the dual admissions program in the 2004–05 academic year, a guarantee that any campus of the California Community Colleges shall waive fees for up to two academic years, irrespective of financial need, while that student is enrolled at that campus.

(C) For each student who enrolls, under this subdivision, at a campus of the California Community Colleges pursuant to the dual admissions program in the 2005–06 academic year, or any academic year thereafter, a guarantee that any campus of the California Community Colleges shall waive fees for each financially needy student. For the purposes of this paragraph, financial need shall be determined by the standards established by the Board of Governors of the California Community Colleges in Section 58620 of Title 5 of the California Code of Regulations or in a successor regulation.

(D) A guarantee that the student will receive counseling services from the California State University to ensure that the student is informed of the appropriate course requirements to be eligible for transfer to the California State University, and is also informed of the various financial aid options.

(4) The Chancellor of the California State University shall annually submit to the Director of Finance, as part of the budget preparation process, an estimate of the number of students expected to participate, under this subdivision, in the dual admissions program in the succeeding academic year.

(b) (1) Commencing with the 2004–05 academic year, and each academic year thereafter, the Legislature requests that the Regents of the University of California establish a dual admissions program for eligible freshman applicants. Under this program, eligible freshman applicants may be offered the opportunity to enter into a dual admissions agreement with the University of California.

(2) Student participation in the dual admissions program under this subdivision is voluntary. It is the intent of the Legislature that the incentives provided in paragraph (3) shall encourage students otherwise eligible for admission to the University of California to attend a campus of the California Community Colleges for their lower-division coursework.

(3) The agreement shall include, but is not necessarily limited to, all of the following incentives:

(A) A guarantee that the student will be admitted to a University of California campus during a future academic year, provided that the student successfully completes lower-division transfer requirements at a campus of the California Community Colleges.



(B) Notwithstanding Section 76300, for each student who enrolls under this subdivision at a campus of the California Community Colleges pursuant to the dual admissions program in the 2004–05 academic year, a guarantee that any campus of the California Community Colleges shall waive fees for up to two academic years, irrespective of financial need, while that student is enrolled at that campus.

(C) For each student who enrolls, under this subdivision, at a campus of the California Community Colleges pursuant to the dual admissions program in the 2005–06 academic year, or any academic year thereafter, a guarantee that any campus of the California Community Colleges shall waive fees for each financially needy student. For the purposes of this paragraph, financial need shall be determined by the standards established by the Board of Governors of the California Community Colleges in Section 58620 of Title 5 of the California Code of Regulations or in a successor regulation.

(D) A guarantee that the student will receive counseling services from the University of California to ensure that the student is informed of the appropriate course requirements to be eligible for transfer to the University of California, and is also informed of the various financial aid options.

(4) The President of the University of California is requested to annually submit to the Director of Finance, as part of the budget preparation process, an estimate of the number of students expected to participate, under this subdivision, in the dual admissions program in the succeeding academic year.

SEC. 17. Section 69522 of the Education Code is amended to read:

69522. (a) The commission may establish an auxiliary organization for the purpose of providing operational and administrative services for the commission’s participation in the Federal Family Education Loan Program, or for other activities approved by the commission and determined by the commission to be all of the following:

- (1) Related to student financial aid.
- (2) Consistent with the general mission of the commission.
- (3) Consistent with the purposes of the federal Higher Education Act of 1965 (Public Law 89-329) and amendments thereto.

(b) The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law in Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the Corporations Code, except that, if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail.



(c) The commission shall maintain its responsibility for financial aid program administration, policy leadership program evaluation, and information development and coordination. The auxiliary organization shall provide operational and support services essential to the administration of the Federal Family Education Loan Program and other permitted activities that are related to student financial aid, if those services are determined by the commission to be consistent with the overall mission of the commission. The implementation and effectuation of the auxiliary organization shall be carried out so as to enhance the administration and delivery of commission programs and services. The commission shall conduct regular performance evaluations of the operation of auxiliary organizations in furtherance of its fiscal and fiduciary responsibilities for approved programs.

(d) The operations of the auxiliary organization shall be conducted in conformity with an operating agreement approved annually by the commission. On and after January 1, 2002, the commission may approve an operating agreement for a period not to exceed five years. Prior to approval, the commission shall provide the proposed operating agreement to the Department of Finance for its review and comment. The operations of the auxiliary organization shall be limited to services prescribed in that agreement. Prior to approval of any amendment to an existing operating agreement or any new operating agreement with an auxiliary organization or subsidiary auxiliary organization for the purpose of delineating new services or activities authorized pursuant to subdivision (a), the commission shall provide the Director of Finance and the Joint Legislative Budget Committee with at least 45 days advance notice in writing that includes a description of the proposed operating agreement. If the Director of Finance or the Joint Legislative Budget Committee notifies the commission regarding issues of concern with the proposed operating agreement, the commission shall convene a meeting of appropriate representatives from the commission, the Department of Finance, and the Legislature to resolve those issues.

(e) The commission shall oversee the development and operations of the auxiliary organization in a manner that ensures broad public input and consultation with representatives of the financial aid community, colleges and universities, and state agencies.

SEC. 18. Section 69525 of the Education Code is amended to read:

69525. (a) The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission. One member of the board of directors shall be an employee of the auxiliary organization, and one member of the board of directors shall be a student enrolled in a California public or private postsecondary educational institution. The commission shall



determine the composition of the remainder of the board of directors, including both the size and categories of membership of the board.

(b) The board of directors shall, during each fiscal year, hold at least one business meeting each quarter. The board of directors shall have the benefit of the advice and counsel of at least one attorney admitted to practice law in this state and at least one licensed certified public accountant. Neither the attorney nor the certified public accountant need be members of the board.

(c) No member of the board of directors shall be financially interested in any contract or other transaction entered into by the board of which he or she is a member, and, except as provided in subdivision (d), any contract or transaction entered into in violation of this subdivision is void.

(d) No contract or other transaction entered into by the board of directors is void under subdivision (c), nor shall any member of that board be disqualified or deemed guilty of misconduct in office under those provisions, if both of the following circumstances exist:

(1) The member's financial interest is disclosed or known to the board of directors and noted in the minutes, and the board of directors thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of that financially interested member or members.

(2) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

(e) Subdivision (d) does not apply if any of the following circumstances exists:

(1) The contract or transaction is between the auxiliary organization and a member of the board of directors.

(2) The contract or transaction is between the auxiliary organization and a partnership or unincorporated association of which any member of the board of directors is a partner or in which he or she is the owner or holder, directly or indirectly, of a proprietorship interest.

(3) The contract or transaction is between the auxiliary organization and a corporation in which any member of the board of directors is the owner or holder, directly or indirectly, of 5 percent or more of the outstanding common stock.

(4) A member of the board of directors is interested in a contract or transaction within the meaning of subdivision (c) and, without first disclosing that interest to the board of directors at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction.

(f) It is unlawful for any person to utilize any information, not a matter of public record, that is received by him or her by reason of his



or her membership on the board of directors, for personal pecuniary gain, regardless of whether he or she is or is not a member of the board of directors at the time that gain is realized.

(g) (1) The board of directors of the auxiliary organization shall conduct its business in public meetings in accordance with the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code).

(2) Notwithstanding paragraph (1), the board of directors of the auxiliary organization may hold a closed session to consider a matter of a proprietary nature the discussion of which would disclose a trade secret or proprietary business information that could potentially cause economic harm to the auxiliary organization or cause it to violate an agreement with a third party to maintain the information in confidence if that agreement was made in good faith and for reasonable business purposes.

(3) Notwithstanding any other law, the commission may hold a closed session to consider a matter that may properly be considered in closed session by the board of directors of the auxiliary organization pursuant to paragraph (2).

SEC. 19. Section 69529.5 of the Education Code is amended to read:

69529.5. (a) The commission shall report the following information to the Legislature on April 1 of each year, with respect to the operation of the auxiliary organization:

(1) A description of the services provided by the auxiliary organization.

(2) The auxiliary organization's annual budget, funded activities, and personnel, including the sources of revenue available to fund its operations.

(3) Descriptions of changes made in the delivery of loans to California students and enhancements to programs and activities administered by the commission. The descriptions shall reflect all changes, both positive and negative.

(4) The level of compensation of managers and executives of the auxiliary organization.

(b) Commencing on April 1, 2005, and on April 1 of each year, ending on April 1, 2010, the commission shall specifically describe the actions taken, and report the costs incurred and the revenues realized, by the auxiliary organization in loan origination, disbursement services, loan servicing and repayment, secondary market, and private lender activities that the auxiliary organization undertakes pursuant to subdivision (a) of Section 69522.



SEC. 20. Section 69766 of the Education Code is amended to read:
69766. (a) The Federal Student Loan Reserve Fund and the Student Loan Operating Fund are hereby created in the State Treasury. On January 1, 2000, the State Guaranteed Loan Reserve Fund shall cease to exist, and funds deposited, or required to be deposited in that fund, shall be transferred to the Federal Student Loan Reserve Fund or to the Student Loan Operating Fund and allocated to those funds in accordance with the requirements of federal law.

(b) All money received for the purposes of this article from federal, state or local governments, including any money deposited in the State Guaranteed Loan Reserve Fund, or from other private or public sources, shall be deposited in the Federal Student Loan Reserve Fund or the Student Loan Operating Fund and allocated to those funds in accordance with the requirements of federal law. Funds deposited in the Federal Student Loan Reserve Fund or the Student Loan Operating Fund are not part of the General Fund, as defined in Section 16300 of the Government Code. No moneys from the General Fund shall be deposited in the Federal Student Loan Reserve Fund or the Student Loan Operating Fund.

(c) The contents of the Federal Student Loan Reserve Fund are federal funds, administered in accordance with federal laws and regulations. The contents of the Student Loan Operating Fund are state funds within the custody and control of the Student Aid Commission.

(d) Notwithstanding Section 13340 of the Government Code, all moneys deposited in the Federal Student Loan Reserve Fund and the Student Loan Operating Fund are hereby continuously appropriated, without regard to fiscal years, for purposes of this article. The continuous appropriation made by this section shall be available to assume the obligation under any outstanding budget act appropriation from the State Guaranteed Loan Reserve Fund as it existed prior to January 1, 2000.

(e) The total amount of all outstanding debts, obligations, and liabilities that may be incurred or created under this article or under Article 2.5 (commencing with Section 69522), including any obligation to repay to the United States any funds provided under Title IV of the “Higher Education Act of 1965,” and extensions thereof or amendments thereto, or any similar act of Congress, is limited to the amount contained in the Federal Student Loan Reserve Fund or the Student Loan Operating Fund, and the state shall not be liable to the United States, or to any other person or entity, beyond the amount contained in the Federal Student Loan Reserve Fund or the Student Loan Operating Fund for any debts, obligations, and liabilities.

SEC. 21. Section 69768 of the Education Code is amended to read:



69768. (a) The funds in the Federal Student Loan Reserve Fund and the Student Loan Operating Fund shall be paid out by the State Treasurer on warrants drawn by the Controller, or through a transfer between the Federal Student Loan Reserve Fund and the Student Loan Operating Fund, and requisitioned by the commission in carrying out the purposes of this article and the federal act.

(b) The commission is hereby authorized to make advance payments from the Student Loan Operating Fund to the auxiliary organization for services rendered to the commission under Article 2.5 (commencing with Section 69522). The commission is hereby authorized to make advance payments from the Student Loan Operating Fund to the auxiliary organization for the purpose of providing funding necessary for other permitted student financial aid activities approved by the commission pursuant to a business plan adopted by the auxiliary organization and approved by the commission, provided the commission first provides the Director of Finance and the Joint Legislative Budget Committee with at least 45 days advance notice in writing that includes the amount proposed to be transferred and a description of the approved student financial aid activities and related expenditures to be undertaken. If the Director of Finance or the Joint Legislative Budget Committee notifies the commission regarding issues of concern with the proposed transfer of funds, the commission shall convene a meeting of appropriate representatives of the commission, the Department of Finance, and the Legislature to resolve those issues. Notwithstanding any other law, advance payments to the auxiliary organization and any fees charged by the auxiliary organization for services rendered to the commission pursuant to an operating agreement may be deposited with a private financial institution.

SEC. 22. Section 76300 of the Education Code is amended to read:

76300. (a) The governing board of each community college district shall charge each student a fee pursuant to this section.

(b) (1) The fee prescribed by this section shall be eighteen dollars (\$18) per unit per semester, effective with the fall term of the 2003–04 academic year.

(2) Notwithstanding paragraph (1), the fee prescribed by this section shall be twenty-six dollars (\$26) per unit per semester, effective with the fall term of the 2004–05 academic year.

(3) The chancellor shall proportionately adjust the amount of the fee for term lengths based upon a quarter system and also shall proportionately adjust the amount of the fee for summer sessions, intersessions, and other short-term courses. In making these adjustments, the chancellor may round the per unit fee and the per term or per session fee to the nearest dollar.



(c) For the purposes of computing apportionments to community college districts pursuant to Section 84750, the chancellor shall subtract, from the total revenue owed to each district, 98 percent of the revenues received by districts from charging a fee pursuant to this section.

(d) The chancellor shall reduce apportionments by up to 10 percent to any district that does not collect the fees prescribed by this section.

(e) The fee requirement does not apply to any of the following:

(1) Students enrolled in the noncredit courses designated by Section 84757.

(2) California State University or University of California students enrolled in remedial classes provided by a community college district on a campus of the University of California or a campus of the California State University, for whom the district claims an attendance apportionment pursuant to an agreement between the district and the California State University or the University of California.

(3) Students enrolled in credit contract education courses pursuant to Section 78021, if the entire cost of the course, including administrative costs, is paid by the public or private agency, corporation, or association with which the district is contracting and if these students are not included in the calculation of the full-time equivalent students (FTES) of that district.

(f) The governing board of a community college district may exempt special part-time students admitted pursuant to Section 76001 from the fee requirement.

(g) (1) The fee requirements of this section shall be waived for any student who, at the time of enrollment, is a recipient of benefits under the Temporary Assistance to Needy Families program, the Supplemental Security Income/State Supplementary Program, or a general assistance program or has demonstrated financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid.

(2) The governing board of a community college district also shall waive the fee requirements of this section for any student who demonstrates eligibility according to income standards established by the board of governors and contained in Section 58620 of Title 5 of the California Code of Regulations.

(h) The fee requirements of this section shall be waived for any student who, at the time of enrollment is a dependent, or surviving spouse who has not remarried, of any member of the California National Guard who, in the line of duty and while in the active service of the state, was killed, died of a disability resulting from an event that occurred while in the active service of the state, or is permanently disabled as a



result of an event that occurred while in the active service of the state. “Active service of the state,” for the purposes of this subdivision, refers to a member of the California National Guard activated pursuant to Section 146 of the Military and Veterans Code.

(i) The fee requirements of this section shall be waived for any student who is the surviving spouse or the child, natural or adopted, of a deceased person who met all of the requirements of Section 68120.

(j) The fee requirements of this section shall be waived for any student in an undergraduate program, including a student who has previously graduated from another undergraduate or graduate program, who is the dependent of any individual killed in the September 11, 2001, terrorist attacks on the World Trade Center and the Pentagon or the crash of United Airlines Flight 93 in southwestern Pennsylvania, if that dependent meets the financial need requirements set forth in Section 69432.7 for the Cal Grant A Program and either of the following apply:

(1) The dependent was a resident of California on September 11, 2001.

(2) The individual killed in the attacks was a resident of California on September 11, 2001.

(k) A determination of whether a person is a resident of California on September 11, 2001, for purposes of subdivision (j) shall be based on the criteria set forth in Chapter 1 (commencing with Section 68000) of Part 41 for determining nonresident and resident tuition.

(l) (1) “Dependent,” for purposes of subdivision (j), is a person who, because of his or her relationship to an individual killed as a result of injuries sustained during the terrorist attacks of September 11, 2001, qualifies for compensation under the federal September 11th Victim Compensation Fund of 2001 (Title IV (commencing with Section 401) of Public Law 107-42).

(2) A dependent who is the surviving spouse of an individual killed in terrorist attacks of September 11, 2001, is entitled to the waivers provided in this section until January 1, 2013.

(3) A dependent who is the surviving child, natural or adopted, of an individual killed in the terrorist attacks of September 11, 2001, is entitled to the waivers under subdivision (j) until that person attains the age of 30 years.

(4) A dependent of an individual killed in the terrorist attacks of September 11, 2001, who is determined to be eligible by the California Victim Compensation and Government Claims Board, is also entitled to the waivers provided in this section until January 1, 2013.

(m) (1) It is the intent of the Legislature that sufficient funds be provided to support the provision of a fee waiver for every student who demonstrates eligibility pursuant to subdivisions (g) to (j), inclusive.



(2) From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to 2 percent of the fees waived pursuant to subdivisions (g) to (j), inclusive. From funds provided in the annual Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) to (j), inclusive, for determination of financial need and delivery of student financial aid services, on the basis of the number of students for whom fees are waived. Funds allocated to a community college district for determination of financial need and delivery of student financial aid services shall supplement, and shall not supplant, the level of funds allocated for the administration of student financial aid programs during the 1992–93 fiscal year.

(n) The board of governors shall adopt regulations implementing this section.

SEC. 23. Section 84321 of the Education Code is amended to read:

84321. (a) Notwithstanding any other law, for the 2003–04 fiscal year, warrants for the principal apportionments for the month of June, for general apportionments in the amount of one hundred fifty million dollars (\$150,000,000) and for the Partnership for Excellence in the amount of fifty million dollars (\$50,000,000), shall instead be drawn in July of the same calendar year pursuant to the certification made under Section 84320.

(b) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the warrants drawn pursuant to subdivision (a) shall be deemed to be “General Fund revenues appropriated for community college districts,” as defined in subdivision (d) of Section 41202, for the fiscal year in which the warrants are drawn, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202, for the fiscal year in which the warrants are drawn.

SEC. 24. Section 84321.5 is added to the Education Code, to read:

84321.5. (a) Notwithstanding any other provision of law, commencing with the 2004–05 fiscal year, warrants for the principal apportionments for the month of June, for general apportionments in the amount of two hundred million dollars (\$200,000,000), shall instead be drawn in July of the same calendar year pursuant to the certification made under Section 84320.

(b) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the warrants drawn



pursuant to subdivision (a) shall be deemed to be “General Fund revenues appropriated for community college districts,” as defined in subdivision (d) of Section 41202, for the fiscal year in which the warrants are drawn, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202, for the fiscal year in which the warrants are drawn.

SEC. 25. Section 84760 is added to the Education Code, to read:
84760. Notwithstanding any other law:

(a) (1) Equalization funds appropriated in the annual Budget Act shall be allocated to districts in accordance with this section. These funds shall not be allocated to any district whose total local property taxes and student fee revenues exceed the revenue limit for that district under program-based funding, unless the district’s funded per-credit full-time equivalent students (FTES) revenue derived from these revenue sources falls below the 90th percentile in funding per-credit FTES for comparably sized districts, as defined in subdivision (b).

(2) Funds shall be allocated by the chancellor within 30 days of enactment of the annual Budget Act.

(b) For purposes of distributing funds, the chancellor shall define districts as either large, medium, or small, in accordance with all of the following:

(1) A district is large if its total of funded credit FTES exceeds 6,250, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(2) A district is medium if its total of funded credit FTES exceeds 4,000 but does not exceed 6,250, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(3) A district is small if its total of funded credit FTES does not exceed 4,000 FTES, based on the 2003–04 second principal apportionment, as modified for any subsequent growth adjustments.

(c) (1) The chancellor shall compute an equalization adjustment for each applicable large community college district, so that no district’s 2003–04 fiscal year base funding per credit FTES is less than the 2003–04 fiscal year base funding per credit FTES above which fall not less than 10 percent of the total statewide funded credit FTES for large districts.

(2) The chancellor shall compute an equalization adjustment for each applicable medium district, so that base funding per credit FTES is not less than the base funding per credit FTES equalization target determined for large districts under paragraph (1), multiplied by 1.03. This 3 percent adjustment for the medium district equalization target is



intended to reasonably recognize diseconomies of scale for these districts.

(3) The chancellor shall compute an equalization adjustment for each applicable small community college district, so that base funding per credit FTES is not less than the base funding per credit FTES equalization target determined for large districts in paragraph (1), multiplied by 1.10. This 10 percent adjustment for the small district equalization target is intended to reasonably recognize diseconomies of scale for small districts, and approximates the difference in targets utilized by the state for elementary and secondary unified school district equalization allocations.

(d) The chancellor shall calculate the total equalization funding necessary to bring all districts up to the target funding per FTES levels determined pursuant to subdivision (c), and shall prepare a simulation of the allocations to each eligible district in this situation.

(e) If the amount appropriated for equalization in the annual Budget Act is less than the amount identified pursuant to subdivision (d), the chancellor shall prorate available equalization funding for each eligible district in proportion to the amount of funds necessary to fully fund those districts.

(f) The chancellor may promulgate regulations on an emergency basis to the extent necessary to complete the adoption of regulations to implement this section within the 2004–05 fiscal year.

(g) The chancellor shall provide a report by October 1, 2004, to the Joint Legislative Budget Committee, the appropriate policy and fiscal committees in each house of the Legislature, the Department of Finance, and the Legislative Analyst specifying the total calculated equalization cost for each eligible district as well as the prorated allocation provided to each eligible district in the 2004–05 fiscal year. The report shall include an evaluation of options and recommendations for revising allocation practices for funds available in subsequent years through restorations in workload, growth funding, and cost-of-living adjustments that further the objective of equalizing funding, consistent with the methodology in this section. The report shall also specify any regulatory and statutory changes necessary to effect the recommendations in future fiscal years.

SEC. 26. Section 17581.5 of the Government Code is amended to read:

17581.5. (a) A school district shall not be required to implement or give effect to the statutes, or portion thereof, identified in subdivision (b) during any fiscal year and for the period immediately following that fiscal year for which the Budget Act has not been enacted for the subsequent fiscal year if all of the following apply:



(1) The statute, or portion thereof, is determined by the Legislature, the commission, or any court to mandate a new program or higher level of service requiring reimbursement of local agencies pursuant to Section 6 of Article XIII B of the California Constitution.

(2) The statute, or portion thereof, is specifically identified by the Legislature in the Budget Act for the fiscal year as being one for which reimbursement is not provided for that fiscal year. For purposes of this paragraph, a mandate shall be considered to have been specifically identified by the Legislature only if it has been included within the schedule of reimbursable mandates shown in the Budget Act and it is specifically identified in the language of a provision of the item providing the appropriation for mandate reimbursements.

(b) This section applies only to the following mandates:

(1) The School Bus Safety II mandate (Chapter 642 of the Statutes of 1992; Chapter 831 of the Statutes of 1994; and Chapter 739 of the Statutes of 1997).

(2) The School Crimes Reporting II mandate (Chapter 759 of the Statutes of 1992 and Chapter 410 of the Statutes of 1995).

(3) The Investment Reports mandate (Chapter 783 of the Statutes of 1995).

(4) The Law Enforcement Sexual Harassment Training mandate (Chapter 126 of the Statutes of 1993).

(5) The County Treasury Oversight Committee mandate (Chapter 784 of the Statutes of 1995).

SEC. 27. Section 68926.3 of the Government Code is amended to read:

68926.3. (a) Notwithstanding any other provision of law, sixty-five dollars (\$65) of each fee collected in a civil case by the clerk of each court of appeal pursuant to Section 68926 shall be paid into the State Treasury for deposit in a special account in the General Fund to be known as the California State Law Library Special Account, which account is hereby established.

(b) Moneys deposited in the California State Law Library Special Account shall be available for the support of the California State Law Library upon appropriation thereto by the Legislature in the annual Budget Act.

(c) This section shall remain in effect only until January 1, 2010, and as of that date, is repealed, unless a later statute that is enacted before that date extends or repeals that date.

SEC. 28. Section 270 of the Public Utilities Code, as amended by Section 1 of Chapter 903 of the Statutes of 2001, is amended to read:

270. (a) The following funds are hereby created in the State Treasury:



(1) The California High-Cost Fund-A Administrative Committee Fund.

(2) The California High-Cost Fund-B Administrative Committee Fund.

(3) The Universal Lifeline Telephone Service Trust Administrative Committee Fund.

(4) The Deaf and Disabled Telecommunications Program Administrative Committee Fund.

(5) The Payphone Service Providers Committee Fund.

(6) The California Teleconnect Fund Administrative Committee Fund.

(b) Moneys in the funds may only be expended pursuant to this chapter and upon appropriation in the annual Budget Act. Any appropriation from the California High-Cost Administrative Committee Fund-B for the purposes of the grant program established in Section 276.5 of the Public Utilities Code regarding rural telecommunications infrastructure, may not be made until all of the following events have occurred:

(1) The United States Supreme Court has decided Iowa Utilities Board v. Federal Communications Commission (219 F.3d 744 (8th Cir.); certiorari granted January 22, 2001).

(2) The commission recalculates the statewide average cost to serve a residential line stated in Decision 96-10-066, as it determines to be appropriate.

(3) The commission is current on all claims made by carriers for service provided in high-cost areas, except for those claims that the commission is in the process of investigating, contesting, or disallowing.

(c) Moneys in each fund may not be appropriated, or in any other manner transferred or otherwise diverted, to any other fund or entity, except as provided for in Sections 276 and 276.5 and Sections 19325 and 19325.1 of the Education Code.

(d) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2006, deletes or extends that date.

SEC. 29. Section 270 of the Public Utilities Code, as added by Section 2 of Chapter 903 of the Statutes of 2001, is amended to read:

270. (a) The following funds are hereby created in the State Treasury:

(1) The California High-Cost Fund-A Administrative Committee Fund.

(2) The California High-Cost Fund-B Administrative Committee Fund.



(3) The Universal Lifeline Telephone Service Trust Administrative Committee Fund.

(4) The Deaf and Disabled Telecommunications Program Administrative Committee Fund.

(5) The Payphone Service Providers Committee Fund.

(6) The California Teleconnect Fund Administrative Committee Fund.

(b) Moneys in the funds may only be expended pursuant to this chapter and upon appropriation in the annual Budget Act.

(c) Moneys in each fund may not be appropriated, or in any other manner transferred or otherwise diverted, to any other fund or entity, except as provided in Sections 19325 and 19325.1 of the Education Code.

(d) This section shall become operative on January 1, 2006.

SEC. 30. Item 6870-101-0959 of Section 2.00 of Chapter 157 of the Statutes of 2003 is repealed.

SEC. 31. The Superintendent of Public Instruction shall reduce funding for basic aid districts from the categorical education funds appropriated in Section 2.00 of the Budget Act of 2004 by a total of two million six hundred sixty-six thousand dollars (\$2,666,000). The reduction shall be allocated as follows:

(a) The Superintendent of Public Instruction shall calculate a reduction for each district that was a basic aid district in the 2003–04 fiscal year that is proportionate to its revenue limit as determined at the second principal apportionment of the 2004–05 fiscal year that will achieve the amount of savings specified in this section.

(b) (1) On or before October 26, 2004, the Superintendent of Public Instruction shall notify each district of the reduction amount calculated for that district pursuant to subdivision (a).

(2) On or before February 1, 2005, each district shall notify the Superintendent of Public Instruction of the specific categorical education programs in which the reductions for that district shall be applied and the amount of the reduction for each program, provided that no reduction may be made to a program identified as requiring a maintenance of effort. The Superintendent of Public Instruction shall withhold or recover the identified amount of funds as necessary.

(3) This section does not obligate the state to refund or repay reductions made pursuant to this section. A decision by a school district to reduce funding pursuant to this section for a state-mandated local program shall constitute a waiver of the subvention of funds that the school district is otherwise entitled to pursuant to Section 6 of Article XIII B of the California Constitution in the amount so reduced and that



decision shall be made only after the school district first considers reductions to voluntary categorical education programs.

(c) If a district does not receive property tax revenue sufficient to fully fund its revenue limit during the 2004–05 fiscal year, any reductions to that district’s categorical education funding by this section shall be restored.

(d) No later than June 1, 2005, the Superintendent of Public Instruction shall report to the Controller and the Director of Finance the amount to be reduced from each categorical education program and identify the corresponding item of appropriation in the Budget Act of 2004 to be reduced. The reductions shall equal the total amount to be reduced pursuant to this section. On June 15, 2005, the amounts appropriated by the Budget Act of 2004 in the items identified by the Superintendent of Public Instruction are hereby reduced by the amounts reported by the Superintendent of Public Instruction. The amounts so reduced shall revert to the unexpended balance of the General Fund. The reductions pursuant to this subdivision shall be reductions in the amount appropriated for purposes of Section 8 of Article XVI of the California Constitution for the 2004–05 fiscal year.

(e) For purposes of this section, “basic aid school district” means a school district that does not receive from the state, for any fiscal year in which the section is applied, an apportionment of state funds pursuant to subdivision (h) of Section 42238 of the Education Code.

SEC. 32. (a) Notwithstanding any other law, for the purpose of computing the amount of funds continuously appropriated from the General Fund to Section A of the State School Fund pursuant to subdivision (f) of Section 48664 of the Education Code for community day school programs operated in the 2002–03 and 2003–04 fiscal years, the Superintendent of Public Instruction may adjust the hours of attendance in community day school programs reported by local educational agencies, for the purposes of calculating the additional funding pursuant to subdivision (a) of Section 48664 of the Education Code, as follows:

(1) The Superintendent of Public Instruction may deem a portion of the hours of attendance for pupils in attendance in community day school programs during the 2002–03 fiscal year who were not expelled pursuant to subdivision (d) of Section 48915 of the Education Code, as reported to the State Department of Education by local educational agencies on or before June 30, 2004, to have been expelled pursuant to subdivision (d) of Section 48915 of the Education Code. This action shall not result in a reallocation of unexpended balances pursuant to paragraph (2) of subdivision (a) of Section 48664 of the Education Code.



(2) The Superintendent of Public Instruction may deem a portion of the hours of attendance for pupils in attendance in community day school programs during the 2003–04 fiscal year who were not expelled pursuant to subdivision (d) of Section 48915 of the Education Code, as reported to the State Department of Education by local educational agencies on or before June 30, 2005, to have been expelled pursuant to subdivision (d) of Section 48915 of the Education Code. This action shall not result in a reallocation of unexpended balances pursuant to paragraph (2) of subdivision (a) of Section 48664 of the Education Code.

(b) Notwithstanding any adjustments in hours of attendance made pursuant to this section, no local educational agency shall receive funding for community day school pupils in excess of the maximum amounts allowed pursuant to Article 3 (commencing with Section 48660) of Chapter 4 of Part 27 of the Education Code.

SEC. 33. (a) It is the intent of the Legislature and the Governor that the equalization formulas in Sections 42238.44 and 42238.46 of the Education Code not be deemed to be a precedent for the distribution to school districts of additional equalization funding in any fiscal year subsequent to the 2004–05 fiscal year.

(b) It is the intent of the Legislature and the Governor that, by the end of the 2005–06 fiscal year, the Legislature enact a new statutory formula for the distribution of equalization funding in any fiscal year subsequent to the 2004–05 fiscal year and that the new statutory formula provide an equitable distribution to school districts of equalization funding relative to the distribution to school districts of general purpose revenues.

SEC. 34. Notwithstanding any other law, the Commission on State Mandates shall, on or before December 31, 2005, reconsider its decision in 97-TC-23, relating to the Standardized Testing and Reporting (STAR) program mandate, and its parameters and guidelines for calculating the state reimbursement for that mandate pursuant to Section 6 of Article XIII B of the California Constitution for each of the following statutes in light of federal statutes enacted and state court decisions rendered since these statutes were enacted:

- (a) Chapter 975 of the Statutes of 1995.
- (b) Chapter 828 of the Statutes of 1997.
- (c) Chapter 576 of the Statutes of 2000.
- (d) Chapter 722 of the Statutes of 2001.

SEC. 35. It is the intent of the Legislature that, as part of the annual budget process, the Director of Finance consider the provision of additional enrollment growth funding to the California Community Colleges to support the students in that system who are participating in the dual admissions program.



SEC. 36. (a) The sum of nine hundred twenty-six million five hundred twenty-seven thousand dollars (\$926,527,000) is hereby appropriated from the General Fund in accordance with the following schedule:

(1) The following amounts are appropriated for the 2005–06 fiscal year:

(A) The sum of five million nine hundred thirty-three thousand dollars (\$5,933,000) to the State Department of Education for apprenticeship programs to be expended consistent with the requirements specified in Item 6110-103-0001 of Section 2.00 of the Budget Act of 2004.

(B) The sum of eighty-five million eight hundred sixty-six thousand dollars (\$85,866,000) to the State Department of Education for supplemental instruction to be expended consistent with the requirements specified in Item 6110-104-0001 of Section 2.00 of the Budget Act of 2004. Of the amount appropriated by this subparagraph, forty-eight million six hundred fifty-two thousand dollars (\$48,652,000) shall be expended consistent with Schedule (1) of Item 6110-104-0001 of Section 2.00 of the Budget Act of 2004, eleven million seven hundred forty-nine thousand dollars (\$11,749,000) shall be expended consistent with Schedule (2) of that item, four million four hundred sixty-nine thousand dollars (\$4,469,000) shall be expended consistent with Schedule (3) of that item, and twenty million nine hundred ninety-six thousand dollars (\$20,996,000) shall be expended consistent with Schedule (4) of that item.

(C) The sum of thirty-seven million fifty-one thousand dollars (\$37,051,000) to the State Department of Education for regional occupational centers and programs to be expended consistent with the requirements specified in Schedule (1) of Item 6110-105-0001 of Section 2.00 of the Budget Act of 2004.

(D) The sum of fifty million one hundred three thousand dollars (\$50,103,000) to the State Department of Education for home-to-school transportation to be expended consistent with the requirements specified in Schedule (1) of Item 6110-111-0001 of Section 2.00 of the Budget Act of 2004.

(E) The sum of four million ninety-two thousand dollars (\$4,092,000) to the State Department of Education for the Gifted and Talented Pupil Program to be expended consistent with the requirements specified in Item 6110-124-0001 of Section 2.00 of the Budget Act of 2004.

(F) The sum of ninety-five million three hundred ninety-seven thousand dollars (\$95,397,000) to the State Department of Education for Targeted Instructional Improvement Grant Program to be expended



consistent with the requirements specified in Item 6110-132-0001 of Section 2.00 of the Budget Act of 2004.

(G) The sum of forty-two million nine hundred fifty-nine thousand dollars (\$42,959,000) to the State Department of Education for adult education to be expended consistent with the requirements specified in Schedule (1) of Item 6110-156-0001 of Section 2.00 of the Budget Act of 2004.

(H) The sum of four million five hundred fifty-eight thousand dollars (\$4,558,000) to the State Department of Education for community day schools to be expended consistent with the requirements specified in Item 6110-190-0001 of Section 2.00 of the Budget Act of 2004.

(I) The sum of five million two hundred ninety-eight thousand dollars (\$5,298,000) to the State Department of Education for categorical block grants for charter schools to be expended consistent with the requirements specified in Item 6110-211-0001 of Section 2.00 of the Budget Act of 2004.

(J) The sum of thirty-six million eight hundred ninety-four thousand dollars (\$36,894,000) to the State Department of Education for the School Safety Block Grant to be expended consistent with the requirements specified in Schedule (1) of Item 6110-228-0001 of Section 2.00 of the Budget Act of 2004.

(K) The sum of two hundred million dollars (\$200,000,000) to the Board of Governors of the California Community Colleges for apportionments, to be expended in accordance with the requirements specified for Schedule (1) of Item 6870-101-0001 of Section 2.00 of the Budget Act of 2004.

(2) The sum of one hundred nine million nine hundred fourteen thousand dollars (\$109,914,000) is appropriated for the 2004–05 fiscal year to the Superintendent of Public Instruction for the purposes of Section 42238.44 of the Education Code, to be allocated to school districts on a pro rata basis.

(3) The following amounts are appropriated for the 2003–04 fiscal year:

(A) The sum of six million dollars (\$6,000,000) to the State Department of Education for arts education programs conducted by local educational agencies pursuant to guidelines developed by the State Department of Education and approved by the State Board of Education, as authorized by Chapter 5.1 (commencing with Section 8820) of Part 6 of the Education Code.

(B) The sum of twelve million six hundred four thousand dollars (\$12,604,000) to the State Department of Education for transfer to the State School Deferred Maintenance Fund to be available for funding applications received by the Department of General Services, Office of



Public School Construction from school districts for deferred maintenance projects pursuant to Section 17584 of the Education Code.

(C) (i) The sum of one hundred thirty-eight million dollars (\$138,000,000) to the State Department of Education for transfer to the Instructional Materials Fund.

(ii) The funds appropriated pursuant to subparagraph (A) shall be apportioned to school districts on the basis of an equal amount per pupil enrolled in schools in decile 1 or 2 of the Academic Performance Index (API), as ranked in the 2003–04 API pursuant to Section 52056 of the Education Code.

(iii) The funds apportioned pursuant to subparagraph (B) shall be used to purchase standards-aligned instructional materials pursuant to Section 60605 of the Education Code.

(D) The sum of five million dollars (\$5,000,000) to the State Department of Education for the purposes of the Academic Improvement and Achievement Act as set forth in Chapter 12 (commencing with Section 11020) of Part 7 of the Education Code.

(E) The sum of fifty-eight million three hundred ninety-six thousand dollars (\$58,396,000) to the Controller to pay for prior year state obligations for education mandate claims and interest. The Controller shall use the funds to pay for the oldest claims of those no longer subject to audit pursuant to subdivision (a) of Section 17558.5 of the Government Code, including accrued interest. No payments shall be made from these funds on any claims for the Standardized Testing and Reporting (STAR) Program, schoolsite councils, Brown Act reform, School Bus Safety II, or the removal of chemicals.

(F) The sum of twenty-eight million three hundred seventy-six thousand dollars (\$28,376,000) to the Board of Governors of the California Community Colleges to provide one-time funding to districts for scheduled maintenance, special repairs, instructional materials, and library materials replacement. These funds shall be expended for the purposes of and be subject to the conditions of expenditures pursuant to Schedule (24.5) of Item 6870-101-0001 of the Budget Act of 2003 (Ch. 157, Stats. 2003).

(b) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made by subparagraphs (A) to (J), inclusive, of paragraph (1) of subdivision (a) shall be deemed to be “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 of the Education Code, for the 2005–06 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article



XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code for the 2005–06 fiscal year.

(c) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subparagraph (K) of paragraph (1) of subdivision (a) shall be deemed to be “General Fund revenues appropriated for community college districts,” as defined in subdivision (d) of Section 41202 of the Education Code, for the 2005–06 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code, for the 2005–06 fiscal year.

(d) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by paragraph (2) of subdivision (a) shall be deemed to be “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 of the Education Code for the 2004–05 fiscal year and be included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code for the 2004–05 fiscal year.

(e) For the purpose of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriations made by subparagraphs (A) to (E), inclusive, of paragraph (3) of subdivision (a) shall be deemed to be “General Fund revenues appropriated for school districts,” as defined in subdivision (c) of Section 41202 of the Education Code, for the 2003–04 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code for the 2003–04 fiscal year.

(f) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by subparagraph (F) of paragraph (3) of subdivision (a) shall be deemed to be “General Fund revenues appropriated for community college districts,” as defined in subdivision (d) of Section 41202 of the Education Code, for the 2003–04 fiscal year, and included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code for the 2003–04 fiscal year.

SEC. 37. Notwithstanding any other law, the funds appropriated pursuant to Items 6110-103-0001, 6110-104-0001, 6110-105-0001,



6110-156-0001, 6110-161-0001, 6110-190-0001, 6110-204-0001, 6110-205-0001, and 6110-211-0001 of Section 2.00 of the Budget Act of 2001 (Ch. 106, Stats. 2001) shall be available for expenditure through July 31, 2004, and after that date, all remaining unexpended funds in those items shall revert to the Proposition 98 Reversion Account.

SEC. 38. Notwithstanding any other law, the funds appropriated pursuant to Items 6110-103-0001, 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-161-0001, 6110-190-0001, 6110-204-0001, 6110-205-0001, and 6110-211-0001 of Section 2.00 of the Budget Act of 2002 (Ch. 379, Stats. 2002) shall be available for expenditure through July 31, 2005, and after that date, all remaining unexpended funds in those items shall revert to the Proposition 98 Reversion Account.

SEC. 39. Notwithstanding any other law, the funds appropriated pursuant to Items 6110-103-0001, 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-161-0001, 6110-190-0001, and 6110-211-0001 of Section 2.00 of the Budget Act of 2003 (Ch. 157, Stats. 2003) shall be available for expenditure through July 31, 2006, and after that date, all remaining unexpended funds in those items shall revert to the Proposition 98 Reversion Account.

SEC. 40. Notwithstanding Sections 42238.1 and 42238.15 of the Education Code or any other law, the cost-of-living adjustment for Items 6110-104-0001, 6110-105-0001, 6110-156-0001, 6110-158-0001, 6110-161-0001, 6110-189-0001, 6110-190-0001, 6110-191-0001, 6110-196-0001, 6110-232-0001, 6110-234-0001, and 6110-235-0001 of Section 2.00 of the Budget Act of 2004, and those items identified in subdivision (b) of Section 12.40 of the Budget Act of 2004 shall be 2.41 percent. All funds appropriated in the items identified in this section are in lieu of the amounts that would otherwise be appropriated pursuant to any other law.

SEC. 41. Notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

SEC. 42. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to make the necessary statutory changes to implement the Budget Act of 2004 at the earliest time possible, it is necessary that this



act take effect immediately.

O

95

