

Proposition 98 Accruals and Accounting for Proposition 98 following Tax Filing Extensions

Sec. 1. Section 33218.2 is hereby added to the Education Code as follows.:

Notwithstanding any other law, a local educational agency may recognize for budgetary and financial reporting purposes any amount of state allocations received in a fiscal year, pursuant to paragraph (1) of subdivision (b) or paragraph (3) of subdivision (d) of Section 41206.04, in the fiscal year in which it was received.

Sec. 2. Section 41202 of the Education Code is hereby amended:

The words and phrases set forth in subdivision (b) of Section 8 of Article XVI of the Constitution of the State of California shall have the following meanings:

(a) "Moneys to be applied by the State," as used in subdivision (b) of Section 8 of Article XVI of the California Constitution, means appropriations from the General Fund that are made for allocation to school districts, as defined, or community college districts. An appropriation that is withheld, impounded, or made without provisions for its allocation to school districts or community college districts shall not be considered to be "moneys to be applied by the State."

(b) "General Fund revenues which may be appropriated pursuant to Article XIII B," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means General Fund revenues that are the proceeds of taxes as defined by subdivision (c) of Section 8 of Article XIII B of the California Constitution, including, for the 1986–87 fiscal year only, any revenues that are determined to be in excess of the appropriations limit established pursuant to Article XIII B of the California Constitution for the fiscal year in which they are received. General Fund revenues for a fiscal year to which paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution is being applied shall include, in that computation, only General Fund revenues for that fiscal year that are the proceeds of taxes, as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, and shall not include prior fiscal year revenues. Commencing with the 1995–96 fiscal year, and each fiscal year thereafter, "General Fund revenues that are the proceeds of taxes," as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, includes any portion of the proceeds of taxes received from the state sales tax that are transferred to the counties pursuant to, and only if, legislation is enacted during the 1995–96 fiscal year the purpose of which is to realign children's programs. The amount of the proceeds of taxes shall be computed for any fiscal year in a manner consistent with the manner in which the amount of the proceeds of taxes was computed by the Department of Finance for purposes of the Governor's Budget for the Budget Act of 1986 (Chapter 186 of the Statutes of 1986).

(c) "General Fund revenues appropriated for school districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section

41302.5, regardless of whether those appropriations were made from the General Fund to the Superintendent, to the Controller, or to any other fund or state agency for the purpose of allocation to school districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(d) "General Fund revenues appropriated for community college districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(e) "Total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, and community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Superintendent, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to school districts and community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

(f) "General Fund revenues appropriated for school districts and community college districts, respectively" and "moneys to be applied by the state for the support of school districts and community college districts," as used in Section 8 of Article XVI of the California Constitution, shall include funds appropriated to local educational agencies, as defined in Section 8208, for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, funds appropriated to local educational agencies, as defined in Section 8208, to create a full day of care for children participating in the California state preschool program, and funds appropriated for the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1, and shall not include any of the following:

(1) Any appropriation that is not made for allocation to a school district, as defined in Section 41302.5, or to a community college district, regardless of whether the appropriation is made for any purpose that may be considered to be for the benefit to a school district, as defined in Section 41302.5, or a community college district. This paragraph shall not be construed to exclude any funding appropriated to local educational agencies, as defined in Section 8208, for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, to local educational agencies, as defined in Section 8208, to create a full day of care for children participating in the California state preschool program, or for the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1.

(2) Any appropriation made to the Teachers' Retirement Fund or to the Public Employees' Retirement Fund except those appropriations for reimbursable state mandates imposed on or before January 1, 1988.

(3) Any appropriation made to service any public debt approved by the voters of this state.

(4) With the exception of the programs identified in paragraph (1), commencing with the 2011–12 fiscal year, any funds appropriated for the Child Care and Development Services Act, pursuant to Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1.

(5) Any budgetary or financial reporting action taken to support the requirements of Section 41206.04.

(g) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for school districts as defined, those local revenues, except revenues identified pursuant to paragraph (5) of subdivision (j) of Section 42238.02, that are used to offset state aid for school districts in calculations performed pursuant to Sections 2558 and 42238 and Chapter 7.2 (commencing with Section 56836) of Part 30.

(h) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for community college districts, those local revenues that are used to offset state aid for community college districts. In no event shall the revenues or receipts derived from student fees be considered "allocated local proceeds of taxes."

(i) For purposes of calculating the 4-percent entitlement pursuant to subdivision (a) of Section 8.5 of Article XVI of the California Constitution, "the total amount required pursuant to Section 8(b)" shall mean the General Fund aid required for schools pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution, and shall not include allocated local proceeds of taxes.

(j) This section shall become inoperative on December 15, 2012, and, as of January 1, 2013, is repealed, only if the Schools and Local Public Safety Protection Act of 2012 (Attorney General reference number 12-0009) is not approved by the voters at the November 6, 2012, statewide general election, or if the provisions of that act that modify personal income tax rates do not become operative due to a conflict with another initiative measure that is approved at the same election and receives a greater number of affirmative votes.

Sec. 3. Section 41206.04 is hereby added to the Education Code:

(a) The Legislature finds and declares the following:

(1) The calculation of the state's minimum funding obligation pursuant paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution must be based upon actual tax revenue data when it is available.

(2) Due to winter storms in early 2023, the United States Internal Revenue Service extended the tax filing deadlines for the 2022 tax year to November 16, 2023, for over 99 percent of California taxpayers. The Franchise Tax Board conformed to this action and extended the state income and corporate tax filing deadlines to November 16, 2023. Because of these extensions, the Legislature did not have actual 2022 tax revenue data at the time the 2023 Budget Act was enacted upon which to determine the accurate state minimum funding obligation for the 2022-23 fiscal year.

(3) Due to the lack of actual data, the estimated minimum funding obligation appropriated in the 2023 Budget Act was in total eight billion seven million five hundred thirty-eight thousand dollars (\$8,007,538,000) over the actual minimum funding obligation.

(4) It is the Legislature's intent to provide a methodology in this section to correct the state's minimum funding obligation to school districts and community colleges pursuant to paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution in any fiscal year in which actual tax revenue data is not available before May 1 due to personal and corporate tax filing extensions, without reducing school funding already allocated in an impacted fiscal year.

(b) Notwithstanding subdivision (b) of Section 41206.03, if the state's minimum funding obligation to school districts and community college districts is determined pursuant to paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution in the 2023-24 fiscal year:

(1) Seven billion ninety-seven million two hundred ninety-six thousand dollars (\$7,097,296,000) allocated to support school district and charter school local control funding formula apportionments pursuant to Sections 42238.02 and 42238.03 and the associated warrants issued pursuant to Section 14041 shall not be recognized as an allocation provided in satisfaction of the state's minimum funding obligation to school districts and community college districts in the 2022-23 fiscal year pursuant to Section 8

of Article XVI of the California Constitution and shall not be considered excess monies credited to the 2022-23 fiscal year for the purpose of subdivision (b) of Section 41206.03.

(2) Nine hundred ten million two hundred forty-two thousand dollars (\$910,242,000) allocated to support community college student centered funding formula apportionments pursuant to Section 84750.4 and the associated warrants issued pursuant to section 84320 shall not be recognized as an allocation provided in satisfaction of the state's minimum funding obligation to school districts and community college districts in the 2022-23 fiscal year pursuant to Section 8 of Article XVI of the California Constitution and shall not be considered excess monies credited to the 2022-23 fiscal year for the purpose of subdivision (b) of Section 41206.03.

(c)(1) If subdivision (b) is operational, in the 2025-26 fiscal year, and annually for four fiscal years thereafter through the 2029-30 fiscal year, one billion four hundred nineteen million four hundred sixty thousand dollars (\$1,419,460,000) shall be recognized for budgetary and financial reporting purposes, pursuant to Section 12460 of the Government Code, as an allocation from the General Fund to the Superintendent to support local control funding formula entitlements attributable to the 2022-23 fiscal year pursuant to Sections 42238.02 and 42238.03 and to support the associated warrants issued pursuant to Section 14041 in the 2022-23 fiscal year. This subparagraph requires only that the specified portions of the allocation made in the 2022-23 fiscal year be recognized in the specified fiscal years, and nothing in this subparagraph shall be interpreted to require new appropriations in these fiscal years.

(2) If subdivision (b) is operational, in the 2025-26 fiscal year, and annually for four fiscal years thereafter through the 2029-30 fiscal year, one hundred eighty-two million forty-nine thousand dollars (\$182,049,000) shall be recognized for budgetary and financial reporting purposes, pursuant to Section 12460 of the Government Code, as an allocation from the General Fund to the Board of Governors of the California Community Colleges to support student centered funding formula entitlements attributable to the 2022-23 fiscal year pursuant to Section 84750.4 and to support the associated warrants issued pursuant to Section 84320 in the 2022-23 fiscal year. This subparagraph requires only that the specified portions of the allocation made in the 2022-23 fiscal year be recognized in the specified fiscal years, and nothing in this subparagraph shall be interpreted to require new appropriations in these fiscal years.

(3) The actions taken pursuant to paragraphs (1) and (2) of this subdivision shall not be credited as General Fund revenues appropriated to school districts and community colleges to meet the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution in the fiscal year in which the action is taken and shall not be included in the total allocations to school districts and community college districts from General

Fund proceeds of taxes pursuant to Article XIII B in the fiscal year in which the action is taken.

(d) (1) Notwithstanding subdivision (b) of Section 41206.03, this subdivision shall apply, commencing with the 2024-25 fiscal year and each fiscal year thereafter, to any fiscal year in which:

(A) California personal and corporate income tax filing deadlines are extended to conform with filing extensions announced by the United States Internal Revenue Service, which result in the delay of personal and corporate tax revenue collection until after May 1 in counties that in total contributed a majority of personal and corporate tax revenue to the state in the fiscal year prior to the fiscal year impacted by the tax filing extension; and

(B) The state's minimum funding obligation to school districts and community college districts is determined pursuant to paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution in the fiscal year following the fiscal year impacted by the tax filing extension.

(2) In any fiscal year to which this subdivision applies pursuant to paragraph (1), the Department of Finance shall calculate the difference between the appropriation made to meet the state's minimum funding obligation pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution to school districts and community college districts in the impacted fiscal year and the actual minimum funding obligation to school districts and community college districts pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution.

(3) If the amount calculated pursuant to paragraph (2) is positive:

(A) The difference shall not be considered General Fund revenues appropriated to school districts and community colleges to meet the state's minimum funding obligation pursuant to Section 8 of Article XVI of the California Constitution in the fiscal year in which the allocations were made;

(B) The difference shall not be included in the total allocations to school districts and community college districts from General Fund proceeds of taxes pursuant to Article XIII B of the California Constitution in the fiscal year in which the allocation is made; and

(C) The difference shall not be considered excess monies credited to the fiscal year certified pursuant to subdivision (b) of Section 41206.03.

(4) Of the amount calculated pursuant to paragraph (2), the Department of Finance shall determine the respective amounts that are not to be considered General Fund appropriations to school districts and community colleges to meet the state's minimum funding obligation pursuant to Section 8 of Article XVI of the California Constitution and that shall be attributable to (A) local control funding formula entitlements pursuant to Sections 42238.02 and 42238.03 for the applicable fiscal year and to support the

associated warrants issued pursuant to Section 14041; and (B) student centered funding formula entitlements pursuant to Section 84750.4 for the applicable fiscal year and to support the associated warrants issued pursuant to Section 84320 for the applicable fiscal year.

(5) If the amount calculated pursuant to paragraph (2) is positive, in the third fiscal year subsequent to the impacted fiscal year, and annually for four fiscal years thereafter, five equal amounts shall be recognized for budgetary and financial reporting purposes, pursuant to Section 12460 of the Government Code, as an allocation from the General Fund to both:

(A) the Superintendent, to support local control funding formula entitlements pursuant to Sections 42238.02 and 42238.03 and to support the associated warrants issued pursuant to Section 14041 for the applicable fiscal year, in an amount equal to 89.07% of the total calculated pursuant to paragraph (2). This subparagraph requires only that the specified portions of the allocation made in the impacted fiscal year be recognized in the specified fiscal years, and nothing in this subparagraph shall be interpreted to require new appropriations in the specified fiscal years; and

(B) the Board of Governors of the California of the California Community Colleges, to support student centered funding formula entitlements pursuant to Section 84750.4 and to support the associated warrants issued pursuant to Section 84320 for the applicable fiscal year, in an amount equal to 10.93% of the total calculated pursuant to paragraph (2). This subparagraph requires only that the specified portions of the allocation made in the impacted fiscal year be recognized in the specified fiscal years, and nothing in this subparagraph shall be interpreted to require new appropriations in the specified fiscal years.

(6) The actions taken pursuant to paragraph (5) of this subdivision shall not be considered General Fund revenues appropriated to school districts and community colleges to meet the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution in the fiscal year in which the appropriation is provided and shall not be included in the total allocations to school districts and community college districts from General Fund proceeds of taxes pursuant to Article XIII B in the fiscal year in which the appropriation is provided.

Sec. 4. Section 84323 is hereby added to the Education Code as follows:

Notwithstanding any other law, a community college district may recognize for budgetary and financial reporting purposes any amount of state allocations received in a fiscal year, pursuant to paragraph (2) of subdivision (b) or paragraph (3) of subdivision (d) of Section 41206.04, in the fiscal year in which it was received.

