California Department of Education
School District Organization Handbook
September 2019

# CHAPTER 9THE EFFECTS OF SCHOOLDISTRICT ORGANIZATION

This chapter lists the various effects of a school district reorganization on a school district and its employees, property, funds, obligations, bonded indebtedness, and state funding. This information is valuable to diverse groups during the processing of a school district organization proposal. An understanding of the legal requirements will be useful to petitioners, electors, and county committees when considering whether a school district organization proposal should be recommended for approval. New governing board members also will find this chapter useful because these requirements must be implemented once the school district organization proposal has been approved and a majority of the voters in the district have voted in favor of the proposal.

NOTES:

The guidance in this handbook is not binding on local educational agencies or other entities. Except for statutes, regulations, and court decisions that are referenced herein, the handbook is exemplary, and compliance with it is not mandatory (see California *Education Code* Section 33308.5).

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## A. Employees under Reorganization

### 1. Classified Employees

Any reorganization of a school district shall not affect the rights of persons employed in positions not requiring certification to retain the salary, leaves, and other benefits that they would have enjoyed, had the reorganization not occurred. (*EC* 35556, 45121) In a reorganization, the following general rules apply:

a. An employee of an original district that is included in a new district shall become an employee of the new district. (*EC* 35556[a])

b. Employees of a district regularly assigned to the territory being lost to another district shall become employees of the new district. Those whose assignments pertain to that territory, but who are not actually sited there, may elect to either remain with the original district or become employees of the new district. (*EC* 35556[b])

c. If a district’s territory is completely absorbed into two or more districts, regular employees will become employees of the district acquiring the respective territory. Employees not assigned to specific territory within the original district will join the district of their choice. (*EC* 35556[d])

d. Employees regularly assigned to a particular school shall be employees of the district in which the school is located unless the employee elects to remain with the original district. (*EC* 35556[e]) Certain conditions apply to the employee’s ability to remain with the original district. (*EC* 35556[c]), 44035]

e. In a new unified district, non-certificated employees shall continue in employment for not less than two years. (*EC* 45121)

f. As used in this section and in the subsequent section on certificated employees, “the school or other place in which any such employee is employed” and all references thereto, includes but is not limited to, the school services or school program that as a result of any reorganization of a school district will be provided by another district, regardless of whether any particular building or buildings in which such schoolwork or school program was conducted is physically located in the new district, and regardless of whether any new district resulting from such reorganization elects to provide for the education of its pupils by contracting with another school district until such time as the new district constructs its own facilities.

g. Except as stipulated earlier, nothing in the above section shall deprive the governing board of the acquiring district from making reasonable assignments of duties.

### 2. Certificated Employees

The reorganization of school districts shall not affect the classification of certificated employees already employed by any affected school district. (*EC* 35555) The new district shall offer employment as follows:

a. Permanent employees assigned to a building located within the new district shall remain at the school or facility to which they had been previously assigned, unless they elect to remain with the original district. (*EC* 35555, 44035)

b. Probationary employees assigned to a building located within the new district shall be employed by the new district unless the probationary employee is terminated by such a district prior to May 15. If employment continues, the probationary status shall remain unchanged. (*EC* 44803, 44949, 44955)

c. Permanent employees must select the district in which they choose to work before February 1 of the year in which the reorganization becomes effective for all purposes. The request may be made to either the board of the new district or the board of the original district. (*EC* 35555)

d. If permanent employees elect to stay with the remainder of the original district in such numbers that the district does not have sufficient positions to accommodate all the employees, then the surplus employees may be dismissed in reverse order of their seniority. (*EC* 44955)

Should the anticipated attrition of staff in the original district be approximately offset by the decline in enrollment in that district, including the loss of transferred students, this aspect may be used to diminish the number of offers of employment extended by the receiving district. (*EC* 44955)

### 3. Superintendent’s Contract or a New School District’s Legal Obligation to Former Superintendent

One issue not fully addressed has been whether a superintendent’s contract with an old school district involved in a unification becomes a legal obligation of the newly unified school district. Although there has not been a current definitive ruling on this issue, it appears likely that a unified district is not legally obligated to honor contract(s) with a former superintendent(s).

In *Milsap v. San Pasqual Union School District* (1965), 232 Cal. App. 2d 333, the appellate court examined then existing law to determine that a newly unified district was not obligated to honor a contract with a superintendent of one of the old school districts absorbed in the unification. The court reviewed various pertinent sections of the *Education Code* and determined that although there were general provisions requiring a newly unified school district to comply with the obligations of a former district(s), such as contracts with classified employees, there was no specific provision requiring the new district to honor a contract with a former superintendent(s). The appellate court therefore concluded it was the Legislature’s intent not to impose the obligation of employment of a district superintendent on a newly unified school district. *Milsap v. San Pasqual Union School District (supra),* 232 Cal. App.2d at 335-36.

Similarly under current laws the *Education Code* specifically provides for continuance of employment contracts with classified and certificated employees but does not extend such contracts for district superintendents. It could thus be concluded that a new district has no obligation to honor an employment contract with any former superintendent.

### 4. Salaries after Reorganization

The power to determine employees’ salaries resides with the governing board of a school district. A new governing board must determine the salary policy of a newly created district. (*EC* 45022, 45160)

a. Non-unified District

The new board may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. All employees are entitled to transfer to the new district the benefits they accrued prior to reorganization. (*EC* 44976, 44984)

b. Unified District

The board of a new unified district may or may not adopt a salary schedule equal to or better than the best salary schedule of the original districts. The board has the power to increase or decrease salaries, and the new board could establish a lower salary schedule for teachers, thus decreasing their salaries. However, all non-certificated personnel must receive, for a period of two years, salaries, and benefits equal to those existing at the time of the election. (*EC* 45022, 45121, 45160) In summary, a new unified school board may reduce certificated employees’ salaries but may not reduce non-certificated employees’ salaries.

### 5. Adoption of Merit System

For reorganizations other than unifications, the governing board of the acquiring or new district must—if a majority of the classified employees voting on the adoption of a merit system approves it—adopt the merit system that had been adopted in the school district territory it acquired. For unifications, the governing board must employ classified employees in accordance with the system specified in Chapter 5, Article 6 (commencing with *EC* Section 45240) if an affected district had a merit system and a majority of the classified employees voting approve. In both cases, governing boards must adopt a merit system if the reorganized district contains all or part of the territory of two or more districts that had merit systems. Governing boards also have the option of adopting a merit system if the classified employees do not request an election and the number of classified employees from a former merit system district exceeds the number of employees from the acquiring non-merit system district. (*EC* 45119, 45120)

### 6. Role of Public Employment Relations Board (PERB)

The PERB has jurisdiction over employer-employee relations matters affecting all school districts. School districts and exclusive bargaining representatives for employees should be advised to contact PERB to determine whether employee unions in the former district(s) may continue to represent the new district’s employees and to determine the future validity of existing collective bargaining agreements.

Statutory provisions relating to the PERB’s formation, its powers and duties, and procedures for handling charges of unfair labor practices are found in *Government Code* sections 3541–3541.5.

### 7. Exemption from FICA for Pre-1986 Employee Wages

Wages of public employees hired prior to April 1, 1986, are not subject to the *Federal Insurance Contributions Act* (FICA) as long as the employee is continuously employed by the public agency. There is no definitive answer to the question of whether or not a school district unification results in a change of employer, thus breaking the continuous employment requirement for FICA exemption and causing employee wages to be subject to FICA. On one hand, a number of employees could have a new employer after a successful unification. On the other hand, the *Education Code* guarantees employees that there will be no change in their rights, status, or classification.

In the past, districts have received private letter rulings from the Internal Revenue Service (IRS) stating that unification of the districts does not violate the continuous employment requirement for FICA. It is recommended that districts, after unification, consult with legal counsel or IRS for a similar determination.

## B. Disposition of Property, Funds, Records, and Obligations

### 1. Property

The allocation of various properties, funds, and obligations (other than real property) is often made part of the transfer agreement, having been specified either by the petitioners or the county committee. Real property and the personal property and fixtures normally situated at the site shall belong to the district in which the real property is located. All the other property, funds, and obligations (except bonded indebtedness) shall be divided pro rata among the districts in proportion to the assessed value of the transferred territory within each district unless otherwise stipulated in the plans and recommendations of the county committee. Other bases for distributing properties that may be used are Local Control Funding Formula (LCFF) entitlement, average daily attendance, value and location of property, or any other equitable means. (*EC* 35560, 35736)

### 2. Funds from the Sale of Bonds

Funds from the sale of previously issued school bonds may be used for the acquisition, construction, or improvement of only the school property that was a part of the original district or for such use in that same district. However, if the new or acquiring district accepts and assumes the original district’s bonded indebtedness, the funds may be used anywhere in the new or acquiring district and for the same voted purpose. (*EC* 35561)

### 3. Records

In the case of a district that has been completely absorbed by two or more districts on the same effective date, the required records shall be deposited with the district within which the office lies. Thereafter, employee records will be sent to the employees’ respective employers, or last employers. Pupil records are sent to the school district of the respective student’s last enrollment. (*EC* 35562)

In this same case, the county superintendent of schools who has jurisdiction over the original district shall assume all responsibility for the following (*EC* 35563):

a. Completing all records and reports.

b. Paying all outstanding obligations, except those resulting from contracts to be assumed by the new districts.

c. Preparing for proper filing of all records required to be kept permanently.

d. Distributing records of employees, students, and others, as required by law.

e. Employing an auditor as required by *Education Code* Section 41020.

f. Discharging such other functions as shall be deemed necessary.

In fulfilling the above responsibilities, the county superintendent may request help from the districts involved, and they shall release such employees to the county superintendent as are needed to carry out these responsibilities. Salaries and expenses of these employees shall be paid from accumulated funds of the dissolved district. (*EC* 35563).

### 4. Student Body Property, Funds, and Obligations

If a reorganization occurs so that a portion of the students are no longer residing in the original district, then the property, funds, and obligations of the former student body shall be divided among school districts by the county committee, providing that no share will exceed the proportion of students leaving to those enrolled. Such assets/liabilities shall be transferred to the school where the respective students are enrolled. Funds from devises, bequests, or gifts shall not be divided and will remain with the school where originally received. (*EC* 35564)

### 5. Dispute over Disposition of Funds

A board of arbitrators may be appointed to resolve any dispute over disposition of funds or property. The board shall consist of one member appointed by each district and one appointed by the county superintendent of schools having jurisdiction. By mutual accord, the county member may act as sole arbitrator; otherwise, arbitration will be the responsibility of the entire board. Expenses will be divided equally between the districts. The written finding and determination of the majority of the board of arbitrators is final, binding, and non-appealable. (*EC* 35565)

### 6. Property Tax Revenue

Section 99 of the *Revenue Taxation Code* provides for the reallocation of the property tax revenue when jurisdictional changes occur in the taxing agencies. Subdivision (b) of that section requires that the county assessor provide to the county auditor, within 30 days of receiving notification of the change of jurisdictions, a report that identifies the assessed valuations for the territory. The county auditor then estimates the amount of property tax revenue that is generated in the territory whose jurisdiction is changed. The auditor notifies the governing boards involved of the property tax revenue generated by the reorganized territory.

Subdivision (i) provides that, for any reorganization when one or more of the affected districts receives only basic aid apportionments, the affected governing boards shall negotiate the exchange in tax revenue between the districts, and, if they are unable to do so within 60 days after the effective date of the reorganization, the county board of education shall determine the amount of property tax revenue to be exchanged. If the affected districts are in more than one county, the State Board of Education decides the property tax revenue exchange.

In most cases, all of the tax revenue from the territory being reorganized would be transferred to the district receiving that territory. However, it is clear from Section 99 that the tax revenues to be transferred are subject to negotiation if one or more of the affected districts receives only basic aid apportionments. This exchange of tax revenue could also be set forth in the petition to reorganize districts.

### 7. Property Distribution Process

While the *Education Code* specifies the details of the division of property, it does not specifically address the method under which this distribution shall take place. Where a sizable amount of property is involved, the county committee may want to ensure that an equitable process for distribution, agreed upon by all districts involved, will be established before the proposal is submitted to the State Board of Education or the electorate. (*EC* 35705.5, 35736)

The following illustrates methods that may be utilized by the county committee to ensure equitable distribution of personal property. They are suggestions only, and each committee should evaluate the process and make appropriate adjustments to fit their local conditions.

a. Personal property may be appraised for all purposes at current market value as of June 30 of the school year prior to the date that the new district becomes effective. This may be done by a certified appraisal firm selected by the county superintendent from a list submitted by each of the involved districts.

b. All personal property shall be listed on an inventory by category, specifying the current market value.

c. The total value of the personal property shall be distributed equitably. Methods for such division may include the ratio that the assessed valuation of each proposed district bears to the total assessed valuation of the area, the LCFF entitlement per student in each district, the number of school-age children residing in each portion of the district, the value and location of property, or any other method as may be deemed pertinent and equitable. (*EC* 35560, 35736)

d. The districts shall draw lots to determine which shall have first choice and which shall have second choice. The order shall be rotated after each list of ten items is selected.

e. Items shall be made available in lots of ten. The person whose turn it is to select first may purchase his or her share (ratio) of the ten items or may elect to decline to purchase any of the items in that lot of ten items. This process shall continue until all property has been distributed and all money credits expended.

f. Should one district decline to select a sufficient number of times so that items are remaining at the time when the other district(s) has expended its credit, the remaining district shall receive all items remaining and the distribution shall be deemed completed.

g. The necessary expenses and compensation of the appraisal shall be prorated and paid by each district on the basis of the ratio of assessed valuation. Other bases for prorating may be utilized.
(*EC* 35736)

## C. Bonded Indebtedness

### 1. Limitation on Reorganization

No territory shall be taken from any school district having any outstanding bonded indebtedness and made a part of another district where the action, if taken, would so reduce the last equalized assessed valuation of a district from which the territory was taken so that the outstanding bonded indebtedness of the district would exceed 5 percent of the assessed valuation remaining in the district for each level maintained, on the date the reorganization is effective. (*EC* 35572)

### 2. Merger

In case of a merger, the single resulting school district becomes liable for all outstanding bonded indebtedness of those districts merged.
(*EC* 35573)

### 3. Annexing Territory with No Property or Buildings

Annexed territory with no school property or buildings drops all liability to the former district, but shall automatically assume a proportionate share of the new school district’s bonded indebtedness. (*EC* 35575)

### 4. Annexing Territory with School Property and/or Buildings

The receiving school district takes possession of property and/or buildings on the day of annexation. The transferred territory drops all liability to the district of which it was formerly a part and assumes a proportionate share of the bonded indebtedness of the district of which it becomes a part. (*EC* 35576)

### 5. Liability for Loss of Assessed Value

When territory containing real property is transferred, the district acquiring the territory shall take possession of the real property and provide compensation as specified by the county committee or the *greater* of the following:

a. That ratio of the losing original district’s bonded indebtedness that equates to the transferring territory’s proportion of the losing original district’s assessed value;

or

b. That portion of the original district’s assessed value that was incurred for property acquisition and/or improvement within the transferring territory. (*EC* 35576[b], 35738)

### 6. Computation of Annual Tax Rate

The county board of supervisors shall compute the appropriate annual tax rate for bond interest and redemption. The county board of supervisors shall also compute tax rates for both the annual charge and the use charge for county school service fund programs. (*EC* 35576)

### 7. Authorized but Unsold Bonds

In the case of a school district that is completely divided into two or more other districts, the county board of supervisors shall certify that prior authorization to issue bonds be divided in the same proportion as the transferred territory’s assessed valuation was to the former district’s assessed valuation. Such bonds, if issued, are the new or acquiring school district’s liability (when applying Chapter 8 of *State School Building Aid Law of 1952*). (*EC* 35577)

When one district is annexed as a whole into another, its unsold bonds may be issued by the board of supervisors on behalf of the new or acquiring district, providing that such funds be expended only for the purpose(s) for which the bonds were originally authorized. (*EC* 35578)

If the board of supervisors chooses to issue the bonds in the names of the former school districts, the bonds still remain the liability of the new or acquiring districts when the new or acquiring district’s bonding capacity is computed and/or when aid is applied for under the *State School Building Aid Law of 1952*, Chapter 8 (commencing with Section 16000) of Part 10. (*EC* 35579)

### 8. Mello-Roos Community Facility Districts

Mello-Roos Community Facility Districts (CFDs) are voter-created public districts operated under the control of a board of directors. Often the CFD is created to provide infrastructure to a school district. Special taxes are levied on real property in the CFD to pay for school facilities. The school board is then designated as the board of directors of the CFD. This can become a problem in the event of a reorganization of territory that includes the CFD. For example, a high school district board may operate as the board of directors of a CFD within its boundaries. When a unified school district is formed along these same boundaries, legal steps must be taken to change the board of directors of the CFD from the high school district board to a newly formed unified school district board. Although it is clearly better to anticipate this possibility and provide for a board of directors that can be changed in the CFD’s organizational and bond documents, it must be kept in mind that there is a covenant between the board of directors of the CFD and bond holders regarding the governance of the CFD, which must be honored. Bond counsel must be consulted to make any necessary changes to the conditions prescribed in the CFD’s organization and bond documents. In some cases, legislation may be necessary.

### 9. School Facilities Fees

Statutes governing the collection and expenditure of school facilities fees require that those fees be expended for the purpose for which they were collected: providing the school facilities needed and having students come from the development on which the fees were assessed. Thus, it is recommended that unexpended school facilities fees be allocated and distributed on the bases of their sources.

## D. Suitable School Facilities

As a result of certain reorganizations, a new district or a district acquiring additional students may not have suitable facilities in which employees of the district can educate all students who are residents of the district. Typically, these circumstances involve a new unified school district that has been formed without an existing high school within its boundaries.

Clearly, a new district without suitable facilities for all its students must make some arrangement to serve its unhoused students. The new district likely would contract with another district (or districts) for the education of its unhoused students and such interdistrict average daily attendance must be claimed by the district of attendance for apportionment purposes (*EC* 46304).

If, after five years from the date of reorganization, the district is still unable to provide school facilities to educate all of its own students, the State Superintendent of Schools (Superintendent) shall annually report and recommend to the State Board of Education whether the district should be lapsed. If lapsation is recommended by the Superintendent, the State Board of Education may direct the County Committee on School District Organization to revert the reorganized district to its former status or to have it annexed to one or more neighboring districts (*EC* 35780).

## E. Funding for Reorganized Districts

Chapter 47, Statutes of 2013 (Assembly Bill [AB] 97)—enacted as part of the 2013–14 budget package—made major changes to the way the state funds school districts. The goal of this new school finance system, known as the Local Control Funding Formula (LCFF), is to simplify how state funding is provided to school districts. Upon enactment of LCFF, revenue limits and most state categorical programs were eliminated. School districts now receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds. The LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors.

Similarly, this new school finance system made major changes to the funding calculation for school districts after an action to reorganize pursuant to *EC* Section 35511. Implementation of the LCFF began in the 2013–14 fiscal year. Because LCFF required additional resources and the State could not afford to fully implement it all at once, it was expected that it would take several years to be fully funded. Beginning with the 2019–20 fiscal year, LCFF funding targets enacted as a part of AB 97 have been reached and LCFF was fully implemented.

### 1. Overview of Funding Impact for Reorganized Districts Prior to LCFF

Prior to LCFF, when districts reorganized, the revenue limit for the reorganized district was calculated in two steps: (1) the blending of base revenue limits of the affected districts and (2) the calculation of an adjustment for salary and benefit differentials. The blending of the base revenue limits of the original affected districts used a weighted average approach that was largely revenue neutral to the districts and the State, and did not yield any increased funding to the reorganized district.

However, in many cases the adjustment for salary and benefit differentials yielded an increase to the reorganized district’s base revenue limit of up to 10 percent of the blended revenue limit. The calculation of this adjustment started with the determination of the average cost of certificated salaries and benefits per full-time equivalent employee (FTE) in the affected districts, and then identified the cost of increasing the certificated employees in the component districts with low average costs up to the level of the district with the highest average costs. A second, parallel calculation was performed for classified employees. The sum of these changes for both certificated and classified employees, divided by the total ADA for the reorganized district, was added to the reorganized district’s base revenue limit (up to the 10 percent of the blended revenue limit).

### 2. Overview of LCFF Funding Calculations

As noted previously, LCFF eliminated revenue limits—so they are no longer the most significant factor in the calculation of a reorganized district’s funding (although they are a still one of the factors used). The LCFF allocation has the following components:

* A base rate for each student in each of the following grade spans: K-3, 4-6, 7-8, and 9-12. In-lieu of the base grant, some students in qualifying school districts receive funding for small schools that meet geographical distance requirements.
* A base rate adjustment of 10.4 percent for each student in the K-3 grade span: K-3 (to cover costs associated with reducing and maintaining an average class enrollment of 24 students), and a base rate adjustment of 2.9 percent for each student in the 9-12 grade span).
* Supplemental funding for each targeted student (i.e. English Learner, low–income, or foster) (unduplicated count).
* Concentration funding for each target student in the district above a threshold of 55 percent of enrollment.
* Categorical funding from three existing programs—the Targeted Instructional Improvement Block Grant, the Home–to–School (HTS) Transportation program, and the Small School District Bus Replacement program—as an add–on to the LCFF. Districts that received funding from these programs in 2012–13 continue to receive that same amount of funding in addition to what the LCFF provides each year.
* Economic Recovery Target add–on to districts for which the previous funding system would have generated greater levels of funding than LCFF.

### 3. LCFF Allocations for Reorganized Districts

Beginning in 2019–20, all school districts are funded based on their LCFF targets as implemented by AB 97. While this greatly simplifies the calculations that are needed to blend funding rates in a school district reorganization, there still are several funding elements that must be determined. In addition, because the Education Protection Account provides funding based on the historical revenue limit of all school districts, calculations are needed to establish a proxy revenue limit for reorganized school districts.

Below is a general explanation of each component that will be blended to determine the new funding rates for the reorganized district[[1]](#footnote-1).

#### a. 2012–13 Adjusted Revenue Limit Per ADA, Rates 1, 2, 3

The rates for each of the affected districts are weighted based on the amount of average daily attendance (ADA) from each former district that will be served by the reorganized district, and averaged to come up with new LCFF funding rates.

1. Rate 1: 2012–13 Deficited Base Revenue Limit Rate
2. Rate 2: 2012–13 Other Revenue Limit Rate
3. Rate 3: 2012–13 Adjusted Revenue Limit Rate for Minimum State Aid

#### b. Necessary Small School Funding

Similarly, the Necessary Small School (NSS) Add-ons will be weighted to determine the new Add-on amounts for the reorganized district (if applicable).

i. NSS Add-on for the NSS Allowance for the Target

ii. NSS Add-on for the NSS Allowance for the Floor

In addition, the 2012–13 NSS allowance for minimum state aid may be added depending on the type of reorganization.

#### c. 2012–13 Categorical Program Entitlements Subsumed into LCFF

Depending on the type of reorganization, categorical program entitlements may be added together.

#### d. Economic Recovery Target

Depending on the type of reorganization, the economic recovery target entitlements may be added together (if applicable).

### 4. Resources

The California Department of Education (CDE) has created an Excel Workbook to assist county offices of education and school districts with calculating LCFF funding rates for affected school districts, which can then be used to estimate LCFF funding for the reorganized district. For additional information or to request a copy of the instructions and Excel file please send an email to PASE@cde.ca.gov.

Additionally, the Fiscal and Crisis Management Team (FCMAT) maintains an LCFF calculator to assist with the calculation of LCFF funding rates. The FCMAT calculator is available on the Internet at <http://fcmat.org/local-control-funding-formula-resources/>.

## F. Other Funding Issues

### 1. No State Board Waivers Available

The calculation of the new base LCFF entitlement for a reorganized school district is not subject to waiver either by the State Board of Education or by the Superintendent of Public Instruction (*EC* Section 33050).

### 2. Declining Enrollment Adjustment

Under current law, a school district is funded for the greater of current or prior-year ADA (ref. *EC* Section 42238.05). Prior to a school district reorganization involving the merger of two or more districts, if some of the component districts are declining while the others are growing, those that are declining still benefit from the declining enrollment adjustment. But after the reorganization, any growth in ADA in one district would offset the decline in ADA in another district, resulting in a reduction in declining enrollment protection. Of course, there would be no loss in declining enrollment protection if all component districts were growing, or all declining.

### 3. Special Education

Under current law, special education funding for each Special Education Local Plan Area (SELPA) is based on that SELPA’s total ADA. As a result, a SELPA’s total funding would not be affected by a school district reorganization, except in the case where a reorganization changed a SELPA’s boundaries. Each district now receives a share of a SELPA’s total funding based on the SELPA’s local allocation formula. As a result, there is no change in funding to a SELPA (except in the rare instance where the district reorganization affects a SELPA’s boundaries). Rather, the SELPA whose member districts are affected by a reorganization—not the state—will need to adjust the distribution of special education revenues to reflect the reorganization.

## G. Completion and Effective Dates

### 1. Completion of Reorganization Action

A reorganization action is complete when the board of supervisors, upon receiving proper evidence that such action was approved as provided by law, makes an order to create, change, or terminate the appropriate school boundaries. (*EC* 35530, 35765) *Education Code* sections 1043 and 1080 allow the transfer of responsibilities of the county board of supervisors to the county board of education. In those counties where such action has resulted in the responsibilities for school district organization being transferred to the county board of education, making the order to create, change, or terminate the appropriate school boundaries may be the responsibility of the county board of education or the county superintendent of schools.

### 2. Effective Date of Change

Changes to school district organization shall be effective upon the date when all the following are completed (*EC* 35532):

a. Determination of the assessed valuation of any district(s) affected by the action.

b. Appointment or election of members of the governing board.

c. Preparation and submission of the school district budgets.

d. Election or appointment of an executive officer and other employees required to service the immediate needs of the district.

e. Election or appointment of employees for the ensuing school year.

f. Calling and conducting of any elections authorized by law relative to the financing of the district, including bonded indebtedness tax rates and State School Building Fund.

g. Expenditure of funds available to the district.

h. Exercise by the governing board of the school district of other powers and duties vested in governing boards of the districts of the same type of class and not inconsistent with other provisions of this code.

i. Receipt and expenditure of funds transferred pursuant to *EC* Section 42623.

j. Issuing and selling of bonds.

The reorganization shall be effective for all purposes on July 1 of the calendar year following the calendar year in which the board of supervisors ordered the action, if the matter has been filed with the State Board of Equalization by December 1 of the year in which the board of supervisors creates the order. (*EC* 35534, 35765, *Government Code* 54900, 54901)

### 3. Continuation of Existing Governing Board

In a district that has been wholly absorbed, the governing board will continue to function and have all powers and duties until the action is effective for all purposes. (*EC* 35533)

### 4. Powers of a New Governing Board to Secure Options

A new governing board may secure options to purchase land and issue bonds as soon as it has been appointed or elected and the respective districts have been named. (*EC* 35536)

### 5. Authority for County Superintendent to Monitor Fiscal Operations

Effective upon certification of election results for any reorganized district, the county superintendent of schools may exercise any of the powers and duties of *EC* 42127.6 regarding the reorganized district until the reorganized district becomes effective for all purposes. Moreover, the county superintendent of schools and school districts affected by a reorganization are subject to requirements pursuant to *EC* 35740 whenever an affected district considers taking action “on any matter that could have a material fiscal impact on, or impose a debt or liability on, the original, proposed, or reorganized school district.”

1. If a new or acquiring district contains territory from districts that continue to exist, the new or acquiring district will not retain any categorical funding received by those districts that continue to exist (see *EC* Section 35735.2). [↑](#footnote-ref-1)