



# BUSINESS & FACILITIES

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## **Funding Statutes Providing For Reimbursement To School Districts For Mandate-Claim Amounts Do Not Violate California Constitution.**

Under article XIII B, section 6, subdivision (a) of the California Constitution, the State of California must reimburse local governments when it requires them to provide a “new program or higher level of service.” This provision prohibits the state from shifting financial responsibility for carrying out government functions to local agencies.

In 2017, the state legislature enacted Government Code section 17581.96, in which the Legislature appropriated money for distribution to school districts for reimbursement of unpaid claims for state-mandated local program costs and interest for fiscal year 2017-2018 pursuant to Section 6 of article XIII B. The remaining funds would serve as unrestricted state funding that could be used as each school district found appropriate. In 2018, the Legislature enacted a similar statute, Government Code section 17581.97, in which the Legislature appropriated funds for distribution to school districts for reimbursement of claims for the 2018-2019 fiscal year. Like section 17581.96, the school districts could use the rest of the funds as unrestricted state funding.

The San Diego Unified School District challenged sections 17581.96 and 17581.97 in a petition for writ of mandate and complaint against the State of California and the State Controller. The District alleged both statutes violated the California Constitution and the Government Code, reasoning that the statutes erased mandate claim amounts fully due and owed to them under Section 6 of article XIII B, without providing any actual findings. The trial court found in favor of the State of California and the District appealed.

On appeal, the District argued the two statutes conflicted with the requirements of Section 6 of article XIII B because the statutes “erased” the amounts owed to them. The Court of Appeal rejected this argument because the two statutes did not eliminate any outstanding mandate claims without proper payment; rather, they call for payment of the claims.

The District also argued that school districts were left with less money to spend to advance their “local missions” because the Legislature used the funds distributed under the two statutes to reimburse local districts. The Court of Appeal rejected this argument and stated that nothing in Section 6 of article XIII B requires the state to provide funding to school districts to advance their “local missions.” The Court of Appeal also held that the statute does not violate Section 6 of article XIII B simply because it leaves school districts with less funding than what they would prefer. Furthermore, article XVI, section 8 of the California Constitution prescribes a minimum level of funding for education, and the District never alleged they lacked the minimum level of funding under this provision of the Constitution.

The District also argued that the two statutes failed to provide sufficient funding to cover mandate costs because the District did not receive any subvention. The Court of Appeal rejected this argument because the District did not identify any school district that received insufficient funding under the two statutes to cover outstanding claims of mandate costs. The Court of Appeal also rejected the District’s argument that the state Constitution requires the state to supply equivalent per-student funding for all school districts.

Finally, the District also alleged the two statutes erased the mandate obligation under Section 6 of article XIII B by simply designating unrestricted state funding. The Court of Appeal rejected this argument, holding that the Legislature has broad authority to decide how to meet the reimbursement requirement under Section 6 of article XIII B. The Court also rejected the District’s claim that the two statutes required school districts to use the one-time funding for “other purposes,” which infringes on school districts’ local control and flexibility to use education funding to address their unique needs. The Court of Appeal held that the clear language of the two statutes provides that the funding first satisfy outstanding claims pursuant to Section 6 of article XIII B for reimbursement of state-mandated local programs, then the remaining funds could be used as the school districts saw fit.

Ultimately, the Court of Appeal affirmed the trial court’s ruling and found in favor of the State of California.

*San Diego Unified Sch. Dist. v. California* (2022) 73 Cal.App.5th 852.

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