

(ii) *If, after making the allocations pursuant to subparagraphs (B) and (C) and clause (i), the auditor determines that there are still additional funds to be allocated, the auditor shall allocate those excess funds to the county superintendent of schools. Funds allocated pursuant to this paragraph shall be counted as property tax revenues for special education programs in augmentation of the amount calculated pursuant to Section 2572 of the Education Code, to the extent that those property tax revenues offset state aid for county offices of education and school districts within the county pursuant to subdivision (c) of Section 56836.08 of the Education Code, except that funding computed pursuant to Article 3 (commencing with Section 56836.16) of the Education Code is provided by state aid and is not offset by property tax revenues.*

(2) *Notwithstanding any other provision of law, the following provisions shall apply in the 2005-06 fiscal year to those school districts and county offices of education within the county that are excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code:*

(A) *Such school districts and county offices of education shall be entitled to funds allocated pursuant to this section equivalent in amount to the loss, if any, of revenues resulting from the property tax exchanges required by the California Home Rule Amendment.*

(B) *To the extent that the total amount of funds allocated pursuant to subparagraph (A) exceed, on a per-student basis, the funds allocated to those school districts and county offices of education within the county that are not excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code, then such the total of the excess allocated amount shall be reduced by ten percent for each subsequent fiscal year for a period of ten fiscal years, so that no excess amount is allocated after the tenth subsequent fiscal year.*

(e) *Neither the Legislature nor the Governor shall reduce the moneys to be allocated to each county's School Assistance Fund for Education as identified in subdivision (b) without first continuously appropriating an equal amount of replacement revenues.*

**SECTION 7. Amendment of Section 1 of Article XIII A of Constitution.**

Section 1 of Article XIII A of the Constitution is amended to read in its entirety as follows:

Section 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax ~~to~~ shall be collected by the counties and, *as to allocations to counties and cities, shall be apportioned according to law to the districts within the counties the provisions of Section 16 of Article XI and, as to allocations to the other jurisdictions within the counties, shall be apportioned according to law.*

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any of the following:

(1) Indebtedness approved by the voters prior to July 1, 1978.

(2) Bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

(3) Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

(A) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

(B) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.

(C) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.

(D) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

(c) Notwithstanding any other provisions of law or of this Constitution, school districts, community college districts, and county offices of education may levy a 55 percent vote ad valorem tax pursuant to subdivision (b).

**SECTION 8. Amendment of Section 6 of Article XIII B of Constitution.**

Section 6 of Article XIII B of the Constitution is amended to read in its entirety as follows:

Section 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a *an annual* subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates: (a 1) Legislative mandates requested by the local agency affected; (b 2) Legislation defining a new crime or changing an existing definition of a crime; or (c 3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) *The annual subvention of funds required by this section shall be transmitted to the local government at the end of*

*the fiscal year in which within the statute or regulation or order by a state officer or agency that mandates a new program or higher level of service becomes effective, or at the end of the fiscal year in which there is a final adjudication that a subvention of funds is required pursuant to this section. For purposes of this section, the Legislature or any state office or agency mandates a new program or higher level of service when after January 1, 2005, it creates a new program, requires services not previously provided to be provided, increases the frequency or duration of required services, increases the number of persons eligible for services, or transfers to local government complete or partial financial responsibility for a program for which the State previously had complete or partial financial responsibility.*

*(c) If during the fiscal year in which a claim for reimbursement is filed for a subvention of funds, the Legislature does not appropriate a subvention of funds that provides full reimbursement as required by subdivision (a), or does not appropriate a subvention of funds that provides full reimbursement as part of the state budget act in the fiscal year immediately following the filing of that claim for reimbursement, then a local government may elect one of the following options:*

*(1) Continue to perform the mandate. The local government shall receive reimbursement for its costs to perform the mandate through a subsequent appropriation and subvention of funds; or*

*(2) Suspend performance of the mandate during all or a portion of the fiscal year in which the election permitted by this subdivision is made. The local government may continue to suspend performance of the mandate during all or a portion of subsequent fiscal years until the fiscal year in which the Legislature appropriates the subvention of funds to provide full reimbursement as required by subdivision (a). A local government shall receive reimbursement for its costs for that portion of the fiscal year during which it performed the mandate through a subsequent appropriation and subvention of funds.*

*This subdivision shall apply only to mandates created on or after January 1, 2005. The terms of this subdivision do not apply to, and a local government may not make the election provided for in this subdivision for, a mandate that either requires a local government to provide or modify any form of protection, right, benefit, or employment status for any local government employee*