
SENATE COMMITTEE ON EDUCATION

Senator Sasha Renée Pérez, Chair

2025 - 2026 Regular

Bill No: AB 745 **Hearing Date:** June 24, 2026
Author: Irwin
Version: June 15, 2026
Urgency: No **Fiscal:** Yes
Consultant: Ian Johnson

Subject: School districts: reorganization: state board approval: qualified special taxes.

NOTE: This bill has been referred to the Committees on Education and *Labor, Public Employment and Retirement*. A “do pass” motion should include referral to the Committee on *Labor, Public Employment and Retirement*.

NOTE: This bill has been amended to replace its contents and this is the first time the bill is being heard in its current form.

SUMMARY

This bill establishes a temporary alternative process for the reorganization of certain basic aid school districts by authorizing the State Board of Education (SBE) to approve a reorganization proposal based on legally binding agreements negotiated by the affected parties. The bill also provides employee protections following reorganization and authorizes successor districts to continue imposing existing qualified special taxes within their respective boundaries.

BACKGROUND

Existing law:

- 1) Establishes a process for the reorganization of school districts, including petitions, public hearings, county committee review, and approval by the SBE.
- 2) Authorizes SBE to approve a school district reorganization proposal if specified criteria are substantially met, including criteria related to enrollment, community identity, fiscal stability, educational programs, racial and ethnic integration, facilities, and the equitable division of assets and liabilities.
- 3) Authorizes SBE to approve a reorganization proposal under exceptional circumstances when it is not practical or possible to apply the statutory criteria literally.
- 4) Prohibits school district reorganization from affecting the classification of certificated employees or depriving classified employees of salary, leave, or other employment benefits they would have retained absent the reorganization.

- 5) Requires classified employees affected by certain district reorganizations to remain employees of the successor district for not less than two years and retain employment benefits they would have otherwise received.
- 6) Establishes procedures governing the allocation of district property, funds, and obligations following a school district reorganization.
- 7) Authorizes school districts to impose qualified special taxes, subject to voter approval and other statutory requirements.

ANALYSIS

This bill:

- 1) Authorizes, until January 1, 2030, SBE to approve the reorganization of a school district if:
 - a) The original district is an excess tax (basic aid) district with fewer than 10,000 pupils;
 - b) The petitioner is a city, county, special district, or local agency formation commission with more than 10,000 residents;
 - c) The affected parties have executed one or more legally binding agreements intended to effectuate the reorganization; and
 - d) SBE determines that the agreements satisfactorily address existing reorganization criteria and provide an exceptional circumstance sufficient to justify approval.
- 2) Specifies that SBE retains final authority to approve or deny the proposed reorganization.
- 3) Requires permanent and probationary certificated and classified employees who remain with the reorganized portion of a divided district to receive specified employment protections, including continued employment rights for not less than two years.
- 4) Requires collective bargaining agreements in effect immediately prior to reorganization to remain in force until expiration or renewal and to apply to employees of both successor districts.
- 5) Provides that the Public Employment Relations Board (PERB) retains jurisdiction over bargaining unit determinations resulting from the reorganization.
- 6) Authorizes successor districts created pursuant to the bill to continue imposing qualified special taxes previously imposed within the boundaries of the original district.

- 7) Makes the alternative reorganization approval process inoperative on January 1, 2030, while preserving any reorganization approved prior to that date.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “After nearly 20 years of intensive negotiations and community input-gathering, Santa Monica-Malibu Unified School District (SMMUSD) and the City of Malibu have unanimously settled on three agreements which support the equitable separation of the school district into two distinct school districts. The separation framework includes: 1) a Property Tax Revenue Sharing Agreement, which establishes a fair and sustainable allocation of property tax revenue; 2) an Operational Transfer Agreement, which provides for an equitable division of resources and assets; and 3) a Joint Powers Agreement, which creates a shared governance structure to coordinate and oversee the transition process.

“However, the State Board of Education (SBE) is currently considering a petition to separate the district that does not include consideration of these critical agreements. AB 745 simply provides the SBE the authority to account for these agreements when deciding on whether to allow SMMUSD to move forward with reorganization.

“Additionally, in the event the SBE approves reorganization, AB 745 will codify strong protections for teachers and classified staff and ensures all school employees enjoy the same rights and union protections as they currently do.”

- 2) ***The bill preserves SBE’s role in the reorganization process.*** Existing law requires SBE to evaluate whether a proposed school district reorganization satisfies numerous criteria related to educational programs, fiscal stability, community identity, facilities, integration, and the equitable division of assets and liabilities. Existing law also authorizes SBE to approve a proposal when it determines that exceptional circumstances justify approval.

This bill does not exempt a proposal from SBE review, waive the existing criteria, or require SBE to approve any particular reorganization. Rather, it authorizes SBE to consider legally binding agreements negotiated by the affected parties when determining whether the statutory criteria have been satisfactorily addressed and whether exceptional circumstances exist sufficient to justify approval. SBE would retain final authority to approve or deny the proposed reorganization.

- 3) ***District reorganization and statewide policy considerations.*** The principal policy question raised by this bill is whether the Legislature should create a statutory pathway intended to facilitate the division of an existing school district. California has generally sought to promote efficient administration of public education through school district structures capable of spreading administrative costs across larger student populations and supporting a broad range of educational programs and services.

At a time when many school districts are experiencing enrollment declines, rising costs, and increasing fiscal pressures, the Committee may wish to consider whether facilitating the creation of additional school districts is consistent with broader statewide interests in administrative efficiency, fiscal stability, and long-term sustainability.

- 4) ***Local control and fiscal equity.*** Supporters argue that Malibu's geographic isolation, unique community characteristics, and desire for greater local control justify the creation of a separate school district. These considerations have long been recognized as relevant factors in school district organization decisions.

At the same time, district boundaries serve not only governance purposes, but also fiscal purposes. The Committee may wish to consider the extent to which the state should facilitate the separation of a property-wealthy community from an existing school district and whether negotiated revenue-sharing agreements are sufficient to address concerns regarding the long-term fiscal impacts of such a separation on the remaining district.

- 5) ***Implications for future reorganization proposals.*** Although the bill is narrowly drafted and appears intended to address a specific reorganization proposal, the Committee may wish to consider the precedent created by establishing a new statutory pathway for district separation. Future communities seeking greater local control or independence from larger districts may point to this proposal as a model for obtaining legislative approval of a reorganization.

The question before the Committee is therefore not solely whether the proposed Santa Monica-Malibu separation should proceed, but also whether the Legislature wishes to establish a framework that could be relied upon in future efforts involving other districts.

- 6) ***Employee protections.*** The bill includes provisions intended to provide stability for employees during the transition to successor districts. Specifically, the bill extends certain employment protections to certificated and classified employees affected by a qualifying reorganization and preserves existing collective bargaining agreements until expiration or renewal. These provisions appear intended to minimize workforce disruption and provide continuity during implementation.

SUPPORT

City of Malibu
Santa Monica-Malibu Unified School District

OPPOSITION

California Federation of Teachers
California Teachers Association