

## CABINET AND BOARD OF EDUCATION

### Guidance Document

# Using RDA Pass-Through Facilities Funds for Restricted Maintenance Account (RMA)

## PURPOSE OF THIS DOCUMENT

This guidance document explains, in plain terms, the legal basis and practical framework for Perris Union High School District's use of certain Redevelopment Agency (RDA) Pass-Through Facilities funds to reimburse the General Fund for Restricted Maintenance Account(RMA) expenditures. It is intended to inform the Cabinet and the Board of Education and support sound financial decision-making.

## 1. What Are RDA Pass-Through Payments?

When California cities and counties created Redevelopment Agencies (RDAs), state law required those agencies to share a portion of the property tax revenues they collected with local school districts. These shared payments are called "Pass-Through" payments.

Although the State dissolved all RDAs on February 1, 2012, these Pass-Through payments continue to be made to school districts — including Perris Union HSD — by the County Auditor-Controller, twice a year (January and June).

The District currently receives Pass-Through payments from 19 former redevelopment project areas across five former RDAs:

| Former RDA                      | Number of Project Areas |
|---------------------------------|-------------------------|
| Former County RDA               | 13 Project Areas        |
| Former City of Perris RDA       | 3 Project Areas         |
| Former March Air Force Base RDA | 1 Project Area          |
| Former Moreno Valley RDA        | 1 Project Area          |

Former Murrieta RDA

1 Project Area

## 2. What Are the Three Types of Pass-Throughs?

Not all Pass-Through payments work the same way. The District receives three distinct types, each governed by different laws:

| Type                                                    | # in District | Governed By                           | May Be Used for Maintenance?                                |
|---------------------------------------------------------|---------------|---------------------------------------|-------------------------------------------------------------|
| <b>Agreement Pass-Throughs</b>                          | 8             | HSC Section 33401(b) + Contract Terms | <b>NO — Contracts restrict use to capital projects only</b> |
| <b>2 Percent (Inflationary) Pass-Throughs</b>           | 1             | HSC Section 33676(a)(2)               | <b>YES — Statute permits maintenance</b>                    |
| <b>AB 1290 Pass-Throughs (56.7% Facilities portion)</b> | 10            | HSC Sections 33607.5 & 33607.7        | <b>YES — Statute permits maintenance (56.7% share only)</b> |

### KEY POINT: Why Can't Agreement Pass-Throughs Be Used for Maintenance?

Although state law (Education Code Section 42238(h)(6)) was amended in 2015 to permit Agreement Pass-Throughs to be used for maintenance, the District's eight contractual agreements contain more restrictive language that limits use to "capital projects" only — items such as construction, reconstruction, property acquisition, and design/engineering. Contracts are binding and take precedence over the more permissive statutory language. Therefore, only the District's 11 statutory Pass-Throughs (1 two percent + 10 AB 1290) may be used for maintenance.

## 3. The 2015 Law That Made This Possible

Before 2015, the law did not explicitly allow any Pass-Through funds to be used for routine maintenance. In 2015, the State Legislature passed AB 104 (Education Omnibus Trailer Bill), which took effect immediately as part of the State Budget process. This law permanently amended both the Education Code and Health and Safety Code to add "maintenance" as a permitted use.

| Education Code Section 42238(h)(6)(A)                                                                                                                                                                        | Health & Safety Code Section 33607.5(a)(4)                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Covers:</b><br>Agreement Pass-Throughs and 2 Percent Pass-Throughs<br>Permitted uses include: land acquisition, facility construction, reconstruction, remodeling, maintenance, and deferred maintenance. | <b>Covers:</b><br>AB 1290 Pass-Throughs (56.7% Facilities portion only)<br>Permitted uses include: land acquisition, facility construction, reconstruction, remodeling, maintenance, and deferred maintenance. |

4. How Much Money Is Available and How Is It Allocated?

All 19 Facilities Pass-Throughs are deposited into Fund 40 and carry object code 8625. They represent the only district revenues assigned this code. Of the total Facilities Pass-Through funds received, 75.92% — derived from the 11 statutory Pass-Throughs — may lawfully be used for maintenance (RMA). The remaining 24.08% — from the 8 Agreement Pass-Throughs — may not.

|                                                                                    |                                                                                         |                                                                                             |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>\$2,191,564</b><br>FY 2024-25 Total Facilities Pass-Throughs<br>Annual receipts | <b>\$1,663,736</b><br>Available for Maintenance (75.92%)<br>Per year (FY 25-26 & 26-27) | <b>\$2,185,278</b><br>3-Year Annual Average Available for RMA<br>FY 2025-26 through 2027-28 |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Estimated Funds Available Through End of FY 2025-26</b><br>Fund 40 balance as of June 30, 2025:<br><b>\$2,648,307.65</b><br>Plus net additional Pass-Throughs in FY 2025-26:<br><b>\$1,604,264.00</b><br>Total available through end of FY 2025-26:<br><b>\$4,252,571.23 (of which \$3,228,360.72 may be used for RMA)</b> | <b>Three-Year RMA Calculation (FY 2025-26 to 2027-28)</b><br>FY 2024-25 maintenance-eligible amount:<br><b>\$1,663,736.29</b><br>+ (\$1,663,736.29 x 3 years) = \$6,555,833<br>÷ 3 years = Annual average:<br><b>\$2,185,277.66 per year</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

5. What Is the RMA Funding Resolution?

The Board adopted the RMA Funding Resolution to formally authorize the use of eligible Facilities Pass-Through funds (75.92% of all Facilities Pass-Throughs) to reimburse the District's unrestricted General Fund for a portion of its Restricted Maintenance Account(RMA) expenditures for fiscal years 2025-26, 2026-27, and 2027-28.

The RMA represents a significant budget obligation — estimated at \$6,091,850 for FY 2025-26 alone, with comparable or higher amounts in subsequent years. The Pass-Through funds provide a legal and appropriate source to offset a portion of this cost and help close projected General Fund budget deficits.

**IMPORTANT: This Is a Temporary, Time-Limited Strategy**

The Board's Resolution expressly states that this is NOT intended to be an automatic or indefinite arrangement. It is a one-time determination to provide the District time to make the structural budget changes necessary to reduce or eliminate General Fund deficits. Any use of Facilities Pass-Through funds after FY 2027-28 will require the Board to adopt a new, separate Resolution supported by updated findings of fact.

## 6. How Do the Funds Flow?

The mechanics are straightforward:

- Pass-Through payments are received in Fund 40 (twice per year, January and June).
- The 75.92% maintenance-eligible portion (from statutory Pass-Throughs) is identified.
- That portion is transferred as a reimbursement to the unrestricted General Fund.
- In the General Fund, those dollars offset RMA expenditures that would otherwise worsen the budget deficit.
- All transactions are documented with object code 8625 in Fund 40.

This reimbursement approach is a recognized accounting practice and does not involve spending restricted funds on unauthorized purposes — it only uses the maintenance-eligible 75.92% share.

## 7. Is This Practice Lawful and Used by Other Districts?

Yes. This approach is consistent with state law and is used by numerous California school districts. While not an exhaustive list, the District is aware of at least 12 K-12 districts across seven counties that use or plan to use eligible Facilities Pass-Throughs for RMA — either directly or by reimbursing their General Fund:

| District        | County      |
|-----------------|-------------|
| Los Angeles USD | Los Angeles |
| Burbank USD     | Los Angeles |
| Montebello USD  | Los Angeles |
| Wiseburn USD    | Los Angeles |

|                       |                |
|-----------------------|----------------|
| Orange USD            | Orange         |
| Saddleback Valley USD | Orange         |
| Brea Olinda USD       | Orange         |
| Cucamonga USD         | San Bernardino |
| South Bay Union ESD   | San Diego      |
| San Leandro USD       | Alameda        |
| Milpitas USD          | Santa Clara    |
| Nuvview ESD           | Riverside      |

## 8. Summary: Key Takeaways for the Board

- 1 The District receives Pass-Through payments from 19 former redevelopment project areas, deposited in Fund 40.
- 2 Three types of Pass-Throughs exist: Agreement, 2 Percent, and AB 1290. Only the 11 statutory Pass-Throughs (75.92% of all Facilities Pass-Throughs) may be used for maintenance.
- 3 The 2015 state law (AB 104) permanently authorized the use of eligible Pass-Through funds for maintenance — this is not a temporary legislative exception.
- 4 Agreement Pass-Throughs (24.08% of total) are contractually restricted to capital projects and CANNOT be used for maintenance, despite the permissive statute.
- 5 The estimated maintenance-eligible funds average \$2,185,277.66 per year over FY 2025-26 through 2027-28.
- 6 These funds will be used to reimburse the General Fund for RMA expenditures, helping close projected budget deficits.
- 7 This is a defined, time-limited strategy. Any continuation beyond FY 2027-28 requires a new Board Resolution with updated findings.
- 8 At least 12 other California districts in 7 counties use the same approach — this is an established, lawful practice.

LEGAL REFERENCES: AB 104 (Stats 2015, Ch 13) | Education Code Section 42238(h)(6)(A) | Health & Safety Code Sections 33401, 33607.5(a)(4), 33607.7, 33676

*This document is intended for informational purposes for the Perris Union High School District Board of Education. It does not constitute legal advice.*