



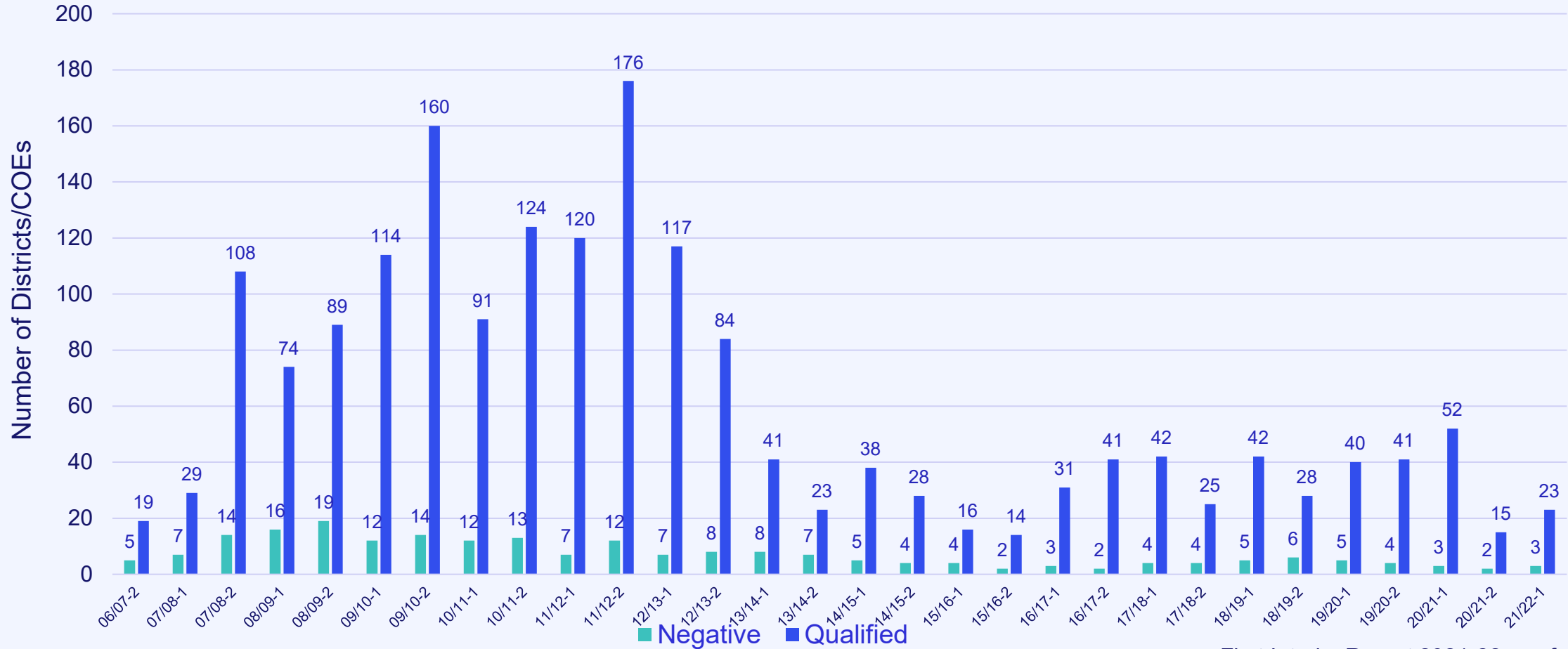
Fiscal Status of School Districts and Community Colleges

Assembly Budget Subcommittee No. 2
February 1, 2022

Agenda

- School district fiscal stability
 - Budget adoption
 - First Interim Report preliminary results
 - Downgrades and Lack of Going Concern
- Solvency Trends
- Assembly Bill 1840 Appropriations
- Assembly Bill 139 (EC 1241.5) Extraordinary Audit Trends
- Community Colleges Experiencing Distress or Watch List

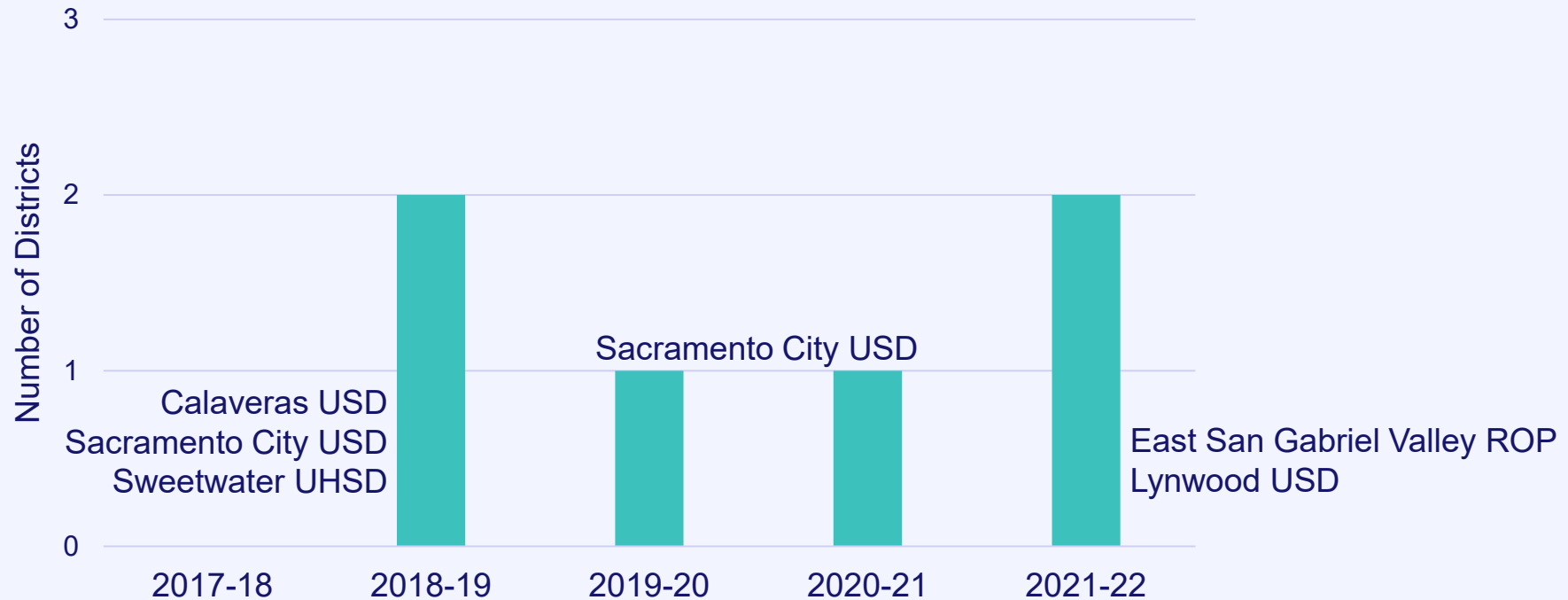
Historical Qualified & Negative Certifications



First Interim Report 2021-22 as of January 18, 2022

Disapproved Budgets

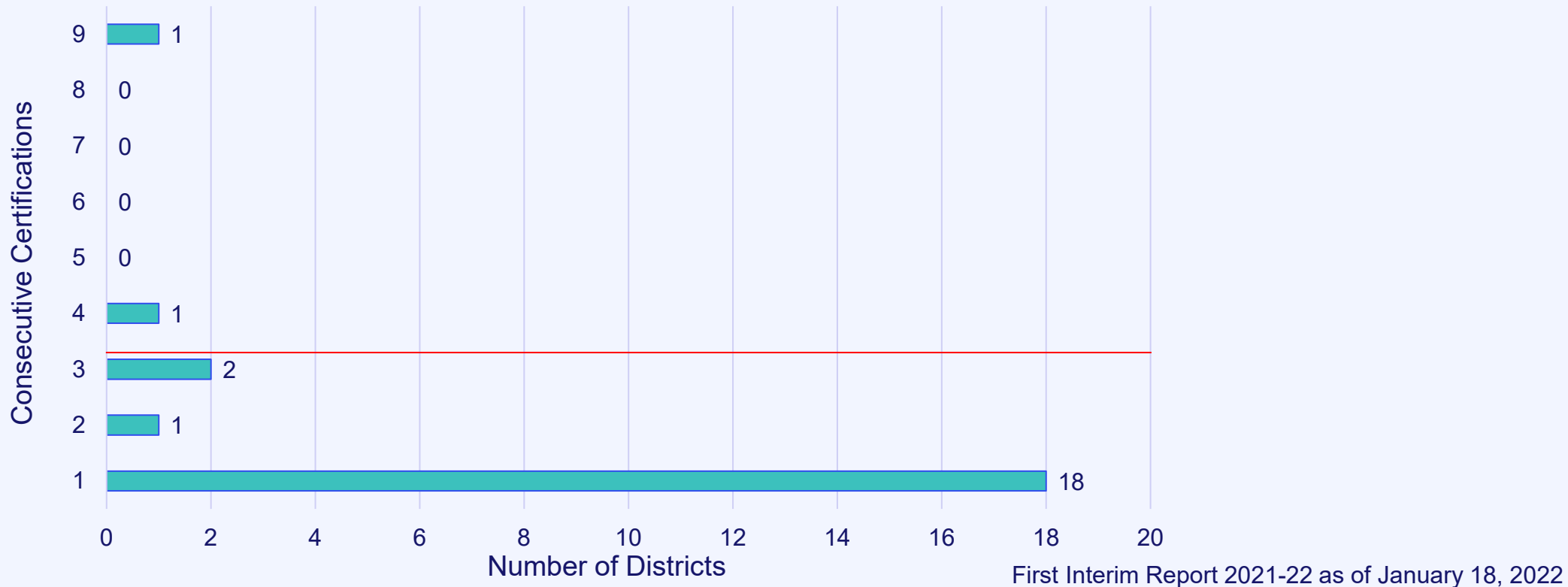
There were two preliminarily disapproved budgets for the 2021-22 fiscal year.



As of 2021-22 Budget Adoption reviews (11/08/2021)

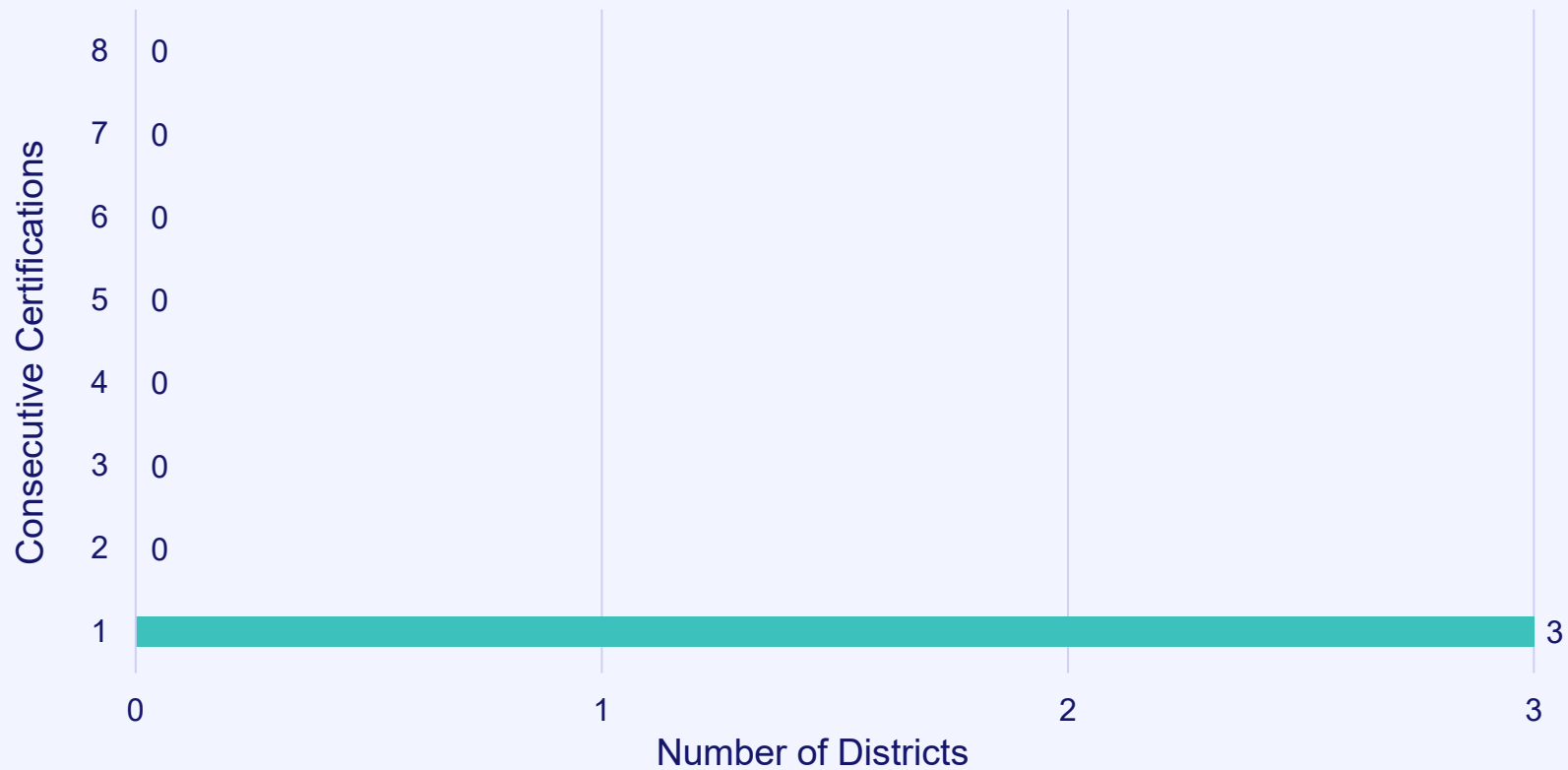
Qualified Interim Report Certifications

Of the 23 qualified districts, two have three or more consecutive qualified certifications over the past nine reporting periods; one is an improvement from a prior negative certification.



Negative Interim Report Certifications

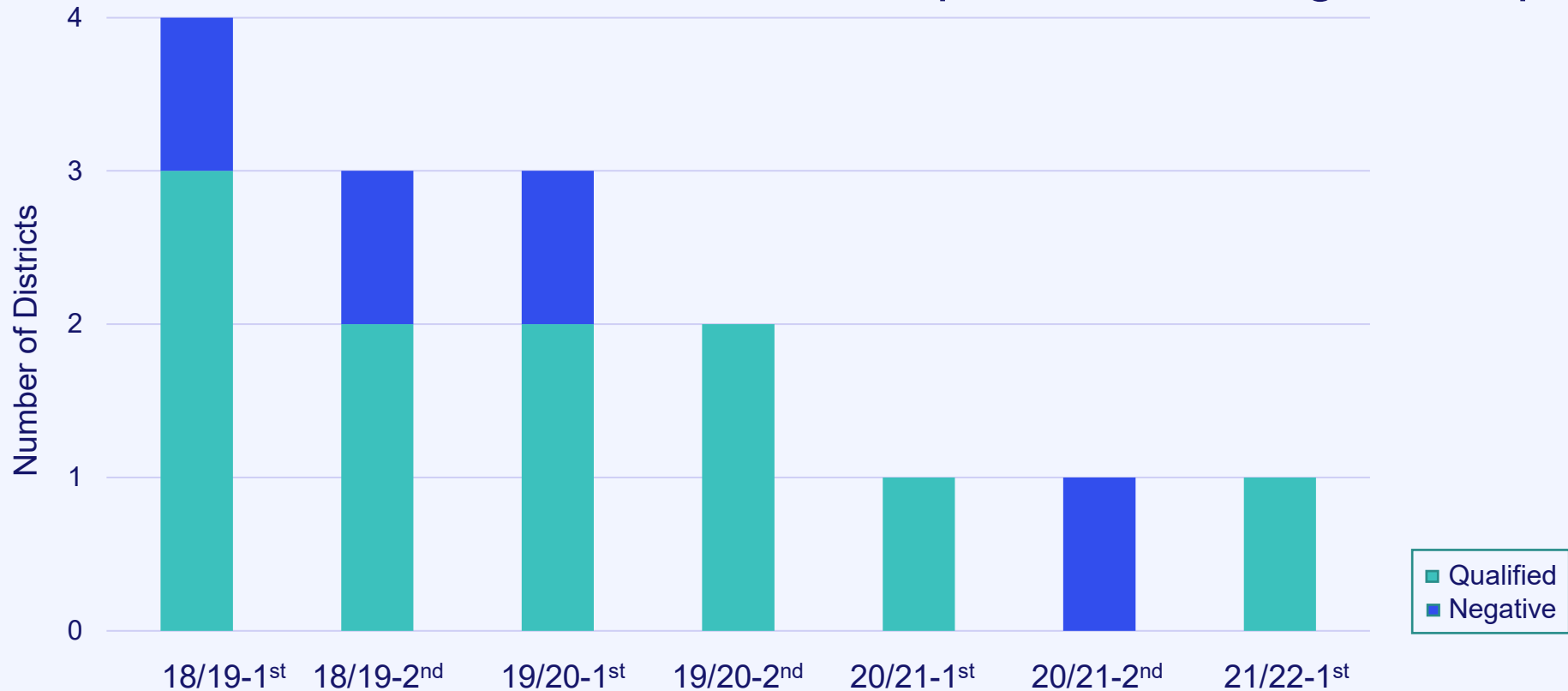
Two of the three negative certifications are showing fiscal distress for the first time.



First Interim Report 2021-22 as of January 18, 2022

Downgraded Interim Report Certifications

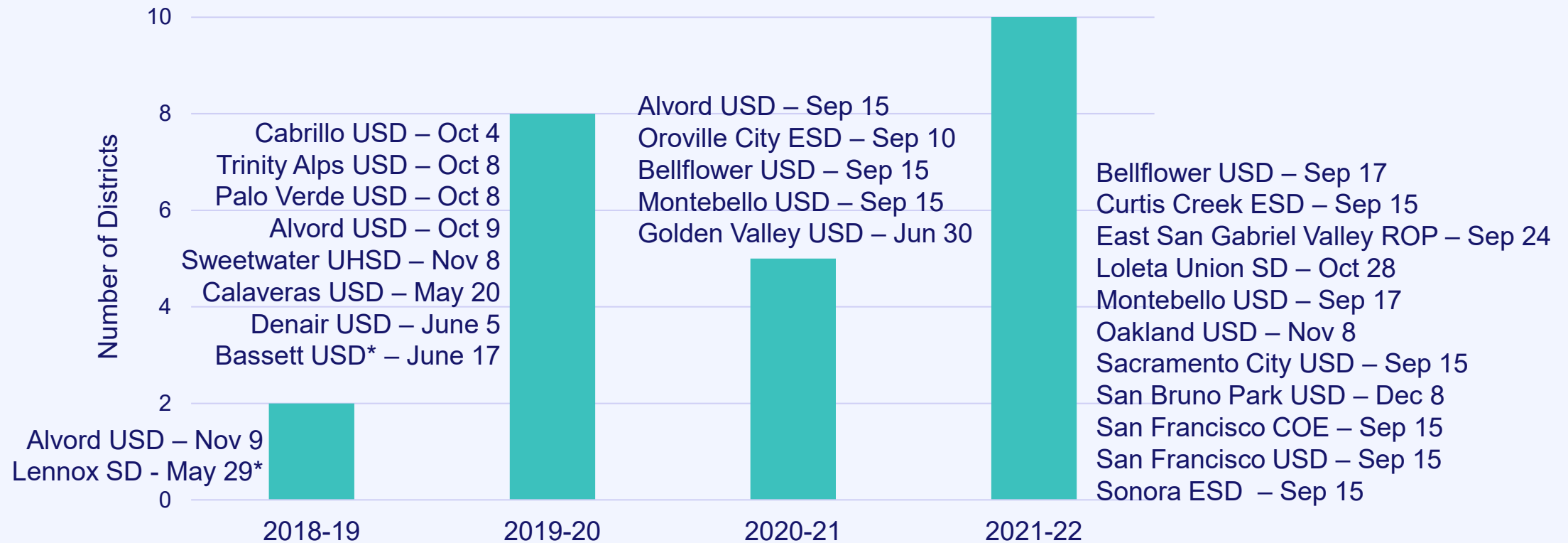
Interim reports that have certifications downgraded by the county superintendent are included in the total count of qualified and negative reports.



First Interim Report 2021-22 as of January 18, 2022

Lack of Going Concern Designations

A record eleven districts/COEs have been designated as a lack of going concern in 2021-22 for a variety of budget and non-budget concerns.



As of December 8, 2021

Solvency Trends

- Multiyear projections show deficit trends
 - Governor's Jan 10 budget proposal will reverse trending for at least 50% of qualified districts and one negative district
- Most frequent condition among qualified certifications is declining enrollment
- Additional conditions include
 - Decreased attendance rates
 - Outyear distress around expiring one-time funds
 - Employer contribution rates to CalSTRS and CalPERS increasing in 2022-23
 - Inflationary pressures on cost side

AB1840 Appropriations

- Special appropriations for Inglewood USD and Oakland USD
 - 2019-20 through 2021-22 on declining scale
- History of AB1840 appropriations

	2019-20	2020-21	2021-22
Inglewood USD	\$4,844,602	\$5,772,000	\$0
Oakland USD	\$519,000	\$16,009,000	\$10,008,000

- For 2021-22
 - For Inglewood USD, no deficit projected; positive at First Interim Report
 - For Oakland USD, \$40M deficit projected; qualified at First Interim Report following lack of going concern designation in November 2021

AB 139 Extraordinary Audits

- Activity is down from normal
- Inspire Charter Schools audit continuing

Community Colleges Experiencing Distress or Watch List

Distress

- Gavlin (San Benito)
- Napa Valley (Napa)
- Peralta (Alameda)

Watch List

- City College of San Francisco (San Francisco)

Transition Planning

- Compton (Los Angeles)