

## Senate Budget and Fiscal Review Subcommittee No. 1 on Education Finance February 27, 2025

### School District Stability

- Summary charts attached (and [linked](#)) of:
  - Historical interim report certifications.
  - First interim reporting period (December 2024).
  - Disapproved budgets (January 2025).
  - Downgraded interim reports (December 2024).
  - Lack of going concern designations (through February 21, 2025).

### Concerns on the Horizon

- Generally, small and tiny districts are unable to respond sufficiently to declining enrollment.
- Forty percent growth in qualified certifications between second interim 2023-24 and first interim 2024-25 (+9).
- Two negative certifications have immediate cash flow concerns; one is on an aggressive course of correction, and one is likely to result in a need for the first state emergency apportionment in 13 years.
- One negative certification has an unresolvable revenue / cash issue related to an incomplete facility project impacting 2026-27.

### Solvency Trends

- Declining enrollment; short-term offset by universal transitional kindergarten and improvement in average daily attendance yield.
- Ongoing expenditures previously supported by one-time pandemic-related funds without an exit plan.
- Low to more normal COLAs moving forward (<4.5%-5%).
- Inflationary pressures remain on the cost side.
- Significant increases in liability insurance premiums and special assessments. Significant increases for fire insurance premiums, if available.
- Utility increases close to 200% over past decade; will increase dramatically if utilities are determined to be the cause of Eaton fire in Pasadena.
- Potential federal policy and funding changes are creating uncertainty and risk.
- Fund reserves are higher than in the Great Recession (23-25% vs 8%).
- Cash reserves are strong but deteriorating due to deficit spending.

## Status of Receivership Districts

- Inglewood USD
  - Making excellent progress under the current county administrator.
  - July 2024 comprehensive assessment showed progress in all four areas reviewed with personnel management and pupil achievement crossing the minimum threshold.
- Oakland USD
  - Paid off I-Bank loan in January 2023. General Fund loan balance of \$4M outstanding with expected payoff in June 2026.
  - The district has had 14 consecutive qualified interim certifications through second interim 2023-24; with the most recent December 2024 interim being a negative certification.
  - In the strongest of terms, the Alameda County Superintendent has expressed concerns about the district's solvency.
- South Monterey County JUHSD
  - Continuing to make excellent progress with strong district / county collaboration.
  - General Fund loan balance of \$4.6M outstanding with expected payoff in October 2028.
  - Collaborative discussions underway to resolve a pending petition for territory transfer.
- Vallejo City USD
  - Paid off both I-Bank and General Fund loan amounts in January and August 2024, respectively.
  - However, the district has been unable to resolve deficiencies on their required fiscal systems audit and remains in receivership with a county trustee assigned. Anticipated audit compliance in summer of 2025, but has significant hurdles to achieve this goal.

# FCMAT

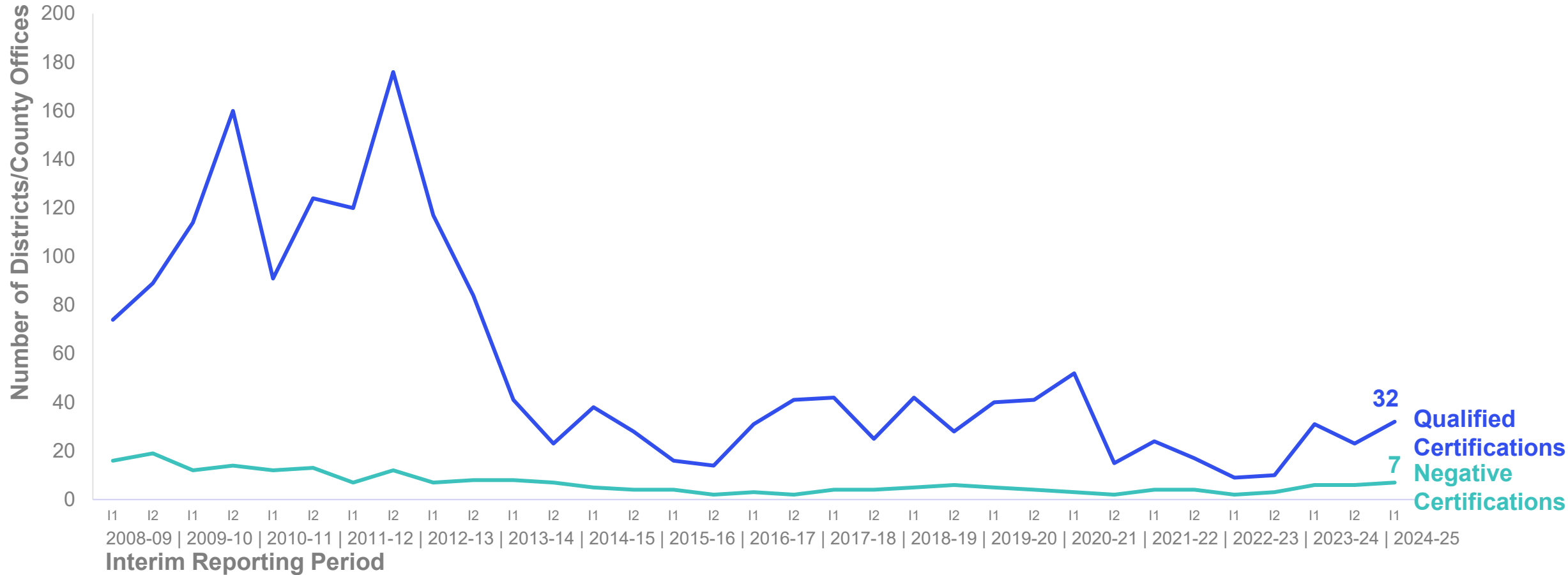
FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

# Fiscal Status of LEAs

February 20, 2025



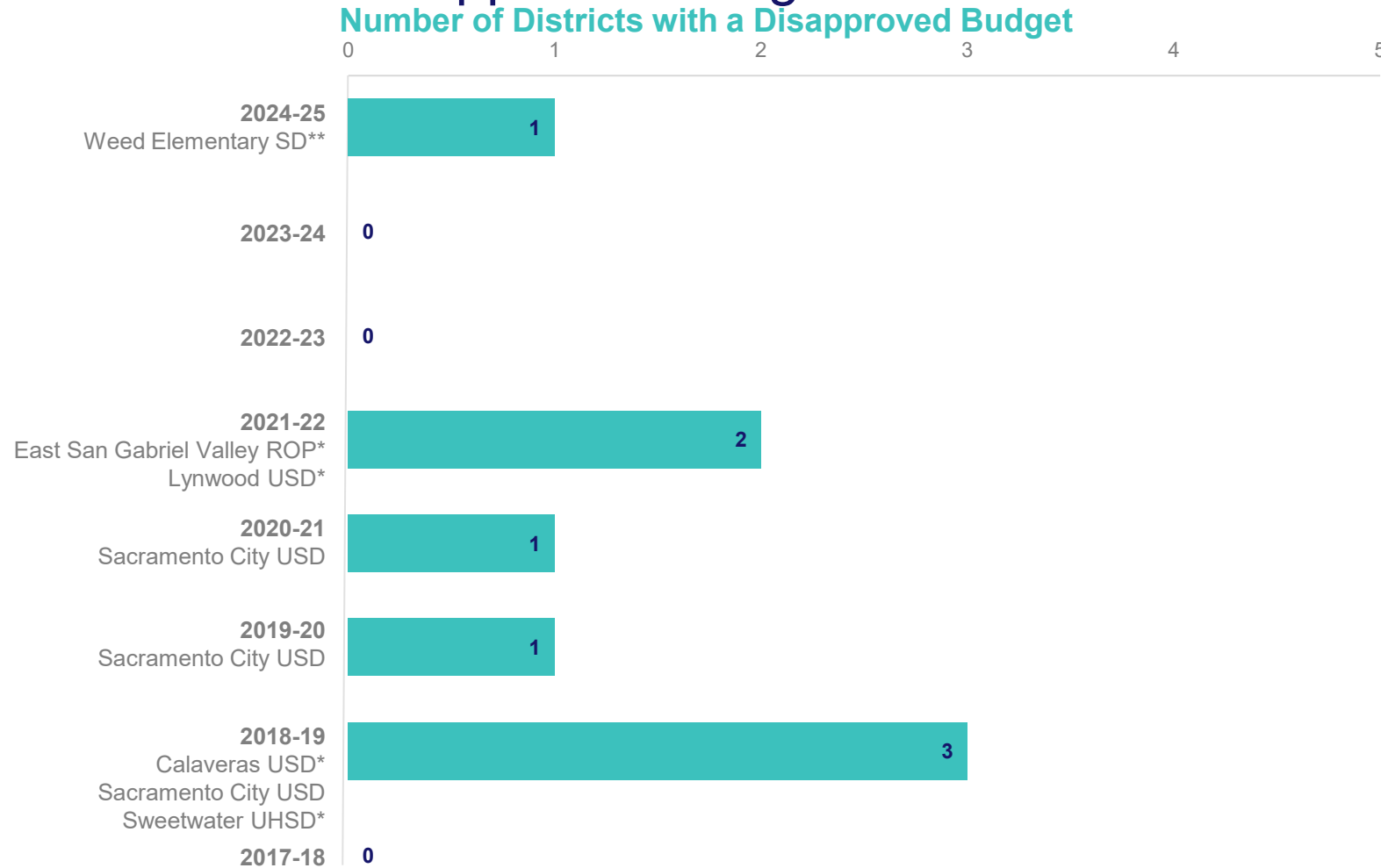
# Historical Qualified & Negative Certifications



Source: First and second interim reports, 2008-09 – 2024-25.

# Disapproved Budgets

There is one disapproved budget for the 2024-25 fiscal year.



**Note:** Chart excludes disapprovals solely due to unapproved Local Control Accountability Plan (LCAP).

\*Preliminarily disapproved; ultimately approved by November 8 deadline.

\*\*Budget Review Committee sustained county office disapproval, State Superintendent disapproved budget.

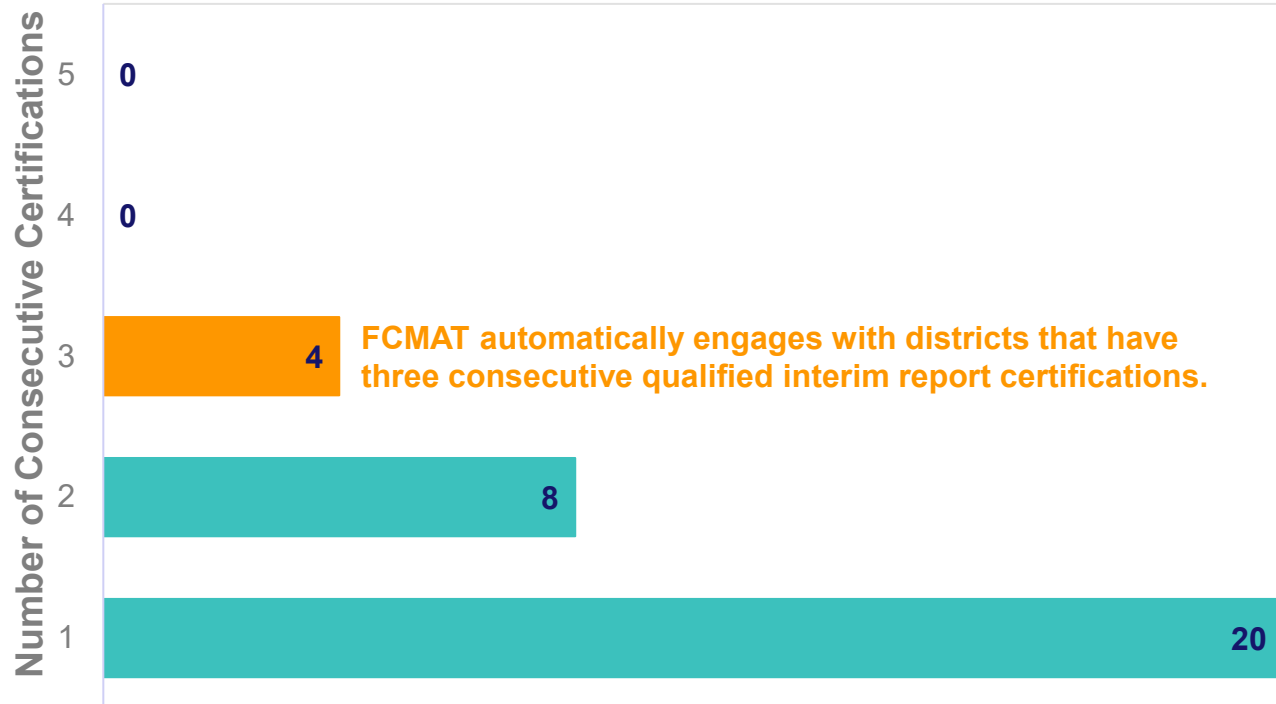
Source: County superintendents of schools, state superintendent of public instruction.

# Qualified Interim Report Certifications

The number of qualified local educational agencies (LEAs) increased from 2023-24 second interim counts.

Number of Districts with a Qualified Certification

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



Source: First Interim Reports 2024-25.

# Qualified Interim Report Certifications

District	Status	District	Status	District	Status
Alum Rock Union ESD	Qualified 2	Franklin McKinley SD	Qualified 1	Oak Run Elementary	Qualified 1
Amador COE	Qualified 2	Fremont USD	Qualified 1	Pleasanton USD	Qualified 1
Amador County USD	Qualified 2	Happy Camp Union ESD	Qualified 1	Potter Valley Comm USD	Qualified 1
Calaveras USD	Qualified 1	Leggett Valley USD	Qualified 1	Rialto USD	Qualified 1
Cascade Union ESD	Qualified 3	Little Lake City ESD	Qualified 1	Sacramento City USD	Qualified 2
Castle Rock Union ESD	Qualified 2	Live Oak ESD	Qualified 1	Saddleback Valley USD	Qualified 1
Coachella Valley USD	Qualified 2	Livermore Valley Joint USD	Qualified 2	Semitropic ESD	Qualified 1
Cuyama Joint Union USD	Qualified 2	Mill Valley ESD	Qualified 1	Vallejo City USD	Qualified 3
East Side Union HSD	Qualified 3	Millville Elementary	Qualified 1	Willits USD	Qualified 1
Eastside Union ESD	Qualified 1	Mountain Empire USD	Qualified 3	Windsor USD	Qualified 1
Del Norte County USD	Qualified 1	Nevada Jt. Union HSD	Qualified 1		

**Source:** First Interim Reports 2024-25.

**Note:** The values in the “status” columns indicate the count of consecutive certifications for each district/county superintendent of schools.

**Key:** ESD – elementary school district; HSD – high school district; SD – school district; USD – unified school district.

# Negative Interim Report Certifications

Six of the seven LEAs with negative certifications have active county office intervention.



Source: First Interim Reports 2024-25.



# Negative Interim Report Certifications

District	Status
Dunsmuir ESD	Negative 1
Hayward USD	Negative 1
Oakland USD	Negative 1
San Francisco USD	Negative 2
Plumas USD	Negative 1
Weed Union ESD	Negative 1
Yreka Union ESD	Negative 1

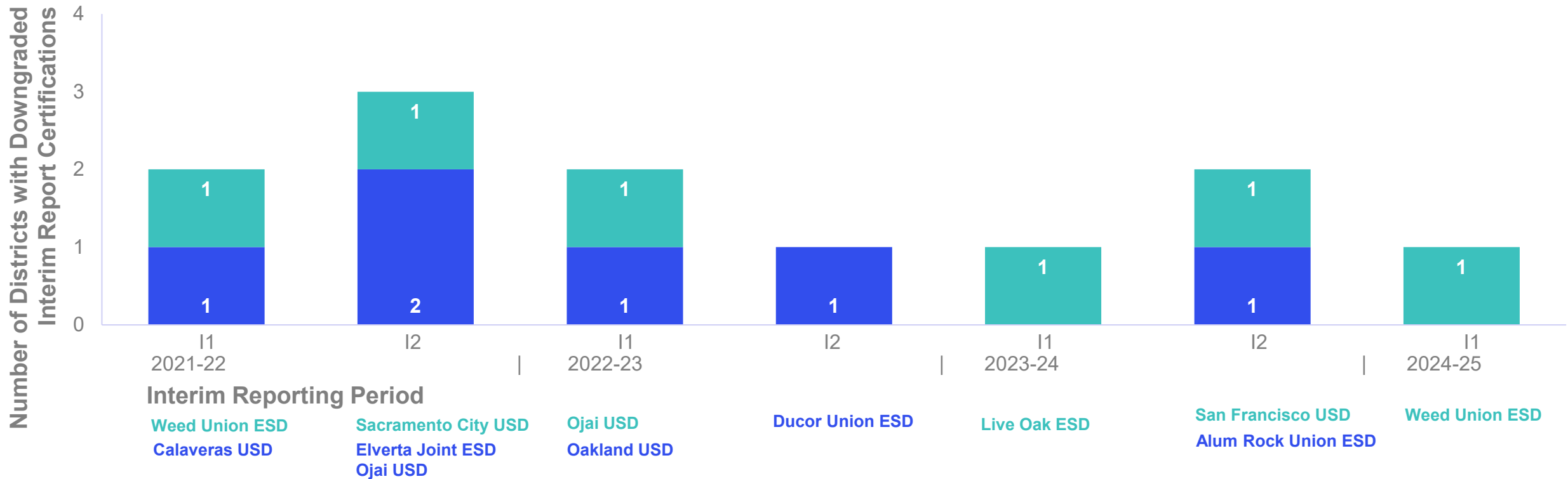
**Source:** First Interim Reports 2024-25.

**Note:** The values in the “status” columns indicate the count of consecutive certifications for each district/county superintendent of schools.

# Downgraded Interim Report Certifications

The total count of qualified and negative reports include interim reports with certifications that were downgraded by the respective oversight agency. In 2024-25 the downgrade was a rare positive certification to a negative certification.

Qualified Certifications | Negative Certifications

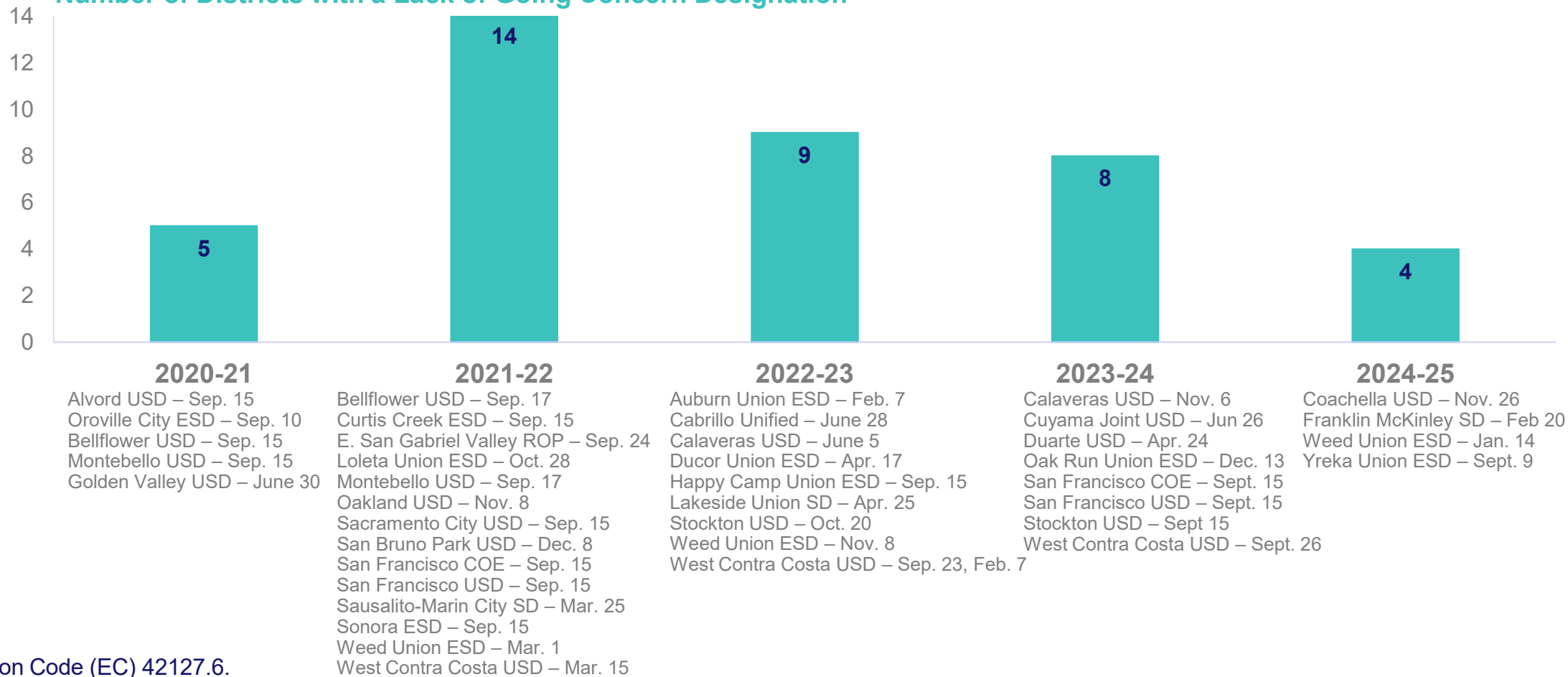


Source: First Interim Reports 2024-25.

# Lack of Going Concern Designations

Lack of going concern designations\* may be received for a variety of reasons. Two of the three districts also have negative certifications.

Number of Districts with a Lack of Going Concern Designation



\*Education Code (EC) 42127.6.