

# Fiscal Status of School Districts and Community Colleges

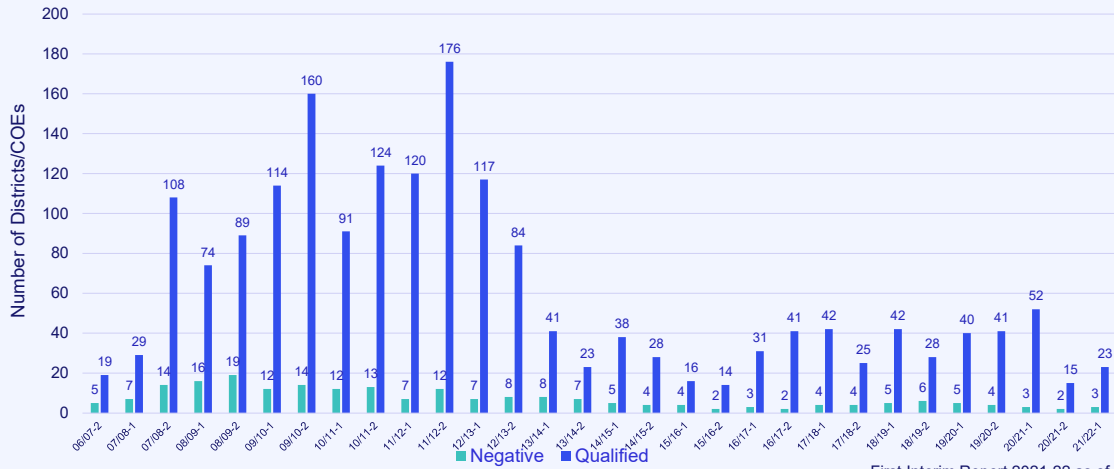
Senate Budget and Fiscal Review Subcommittee No. 1  
February 2, 2022

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## 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

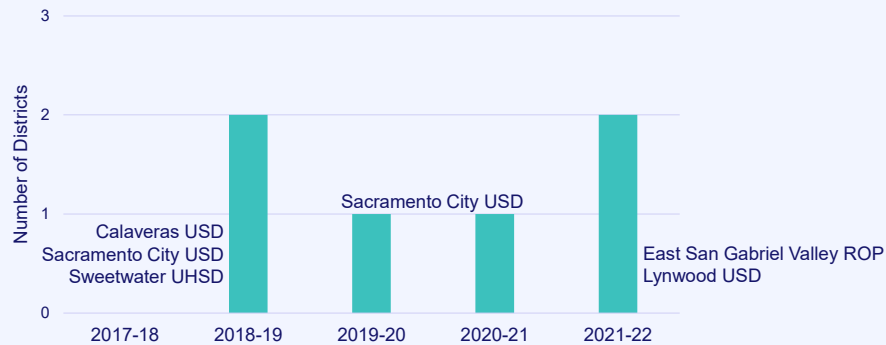
## Historical Qualified & Negative Certifications



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

## Disapproved Budgets

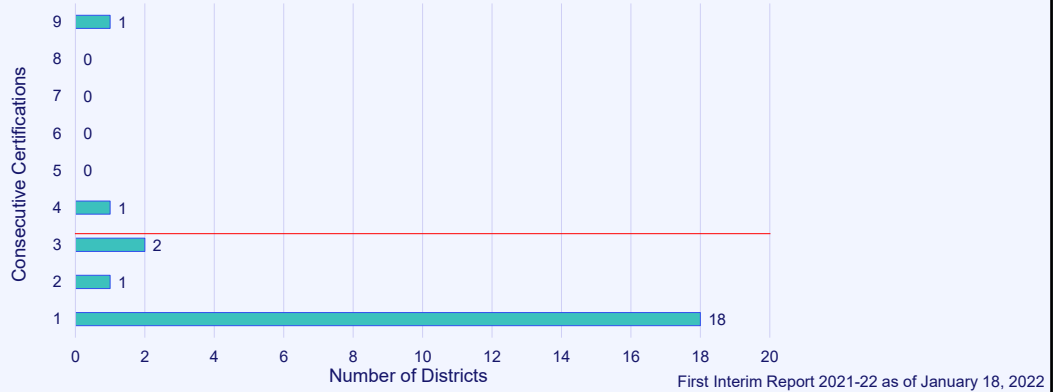
There were two preliminarily disapproved budgets for the 2021-22 fiscal year.



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.

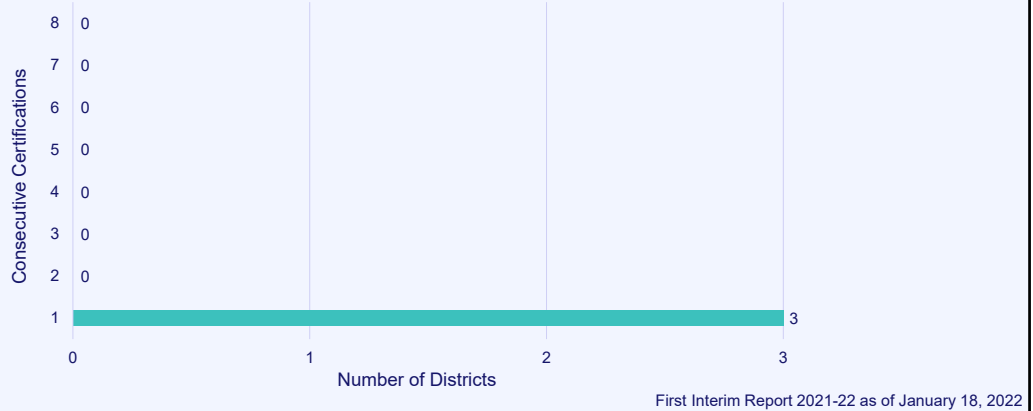


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## Negative Interim Report Certifications

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

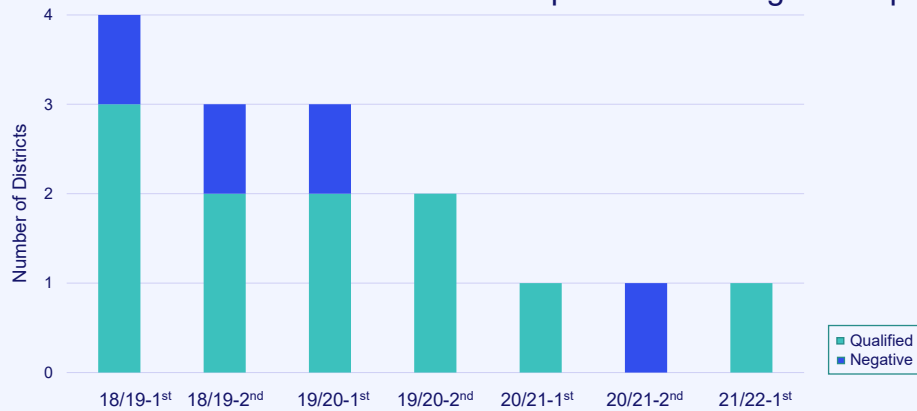


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## Downgraded Interim Report Certifications

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



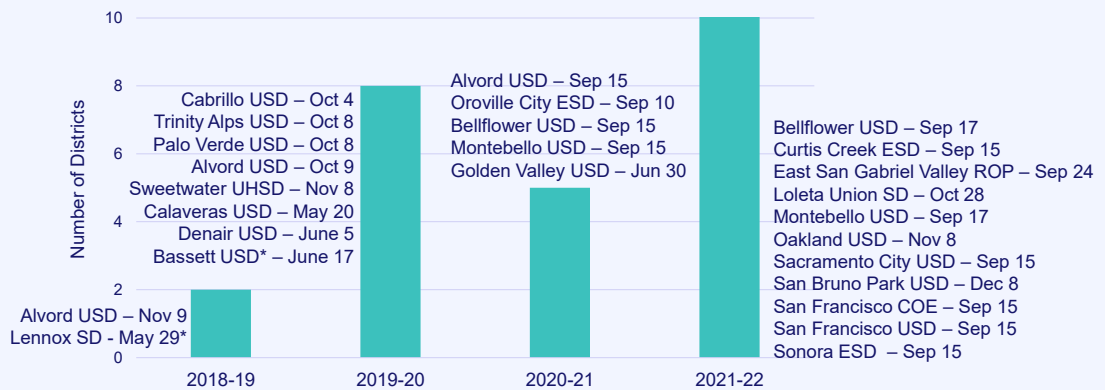
First Interim Report 2021-22 as of January 18, 2022

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## 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

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## 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)