

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON EDUCATION  
Al Muratsuchi, Chair  
AB 51 (McKinnor) – As Amended April 9, 2025

**SUBJECT:** Education finance: emergency apportionments: Inglewood Unified School District: zero-percent interest rate

**SUMMARY:** Requires an interest rate of zero percent for Inglewood Unified School District (IUSD) emergency loan, commencing January 1, 2026. Specifically, **this bill**:

- 1) Requires the IUSD to repay their General Fund emergency loan, plus interest. Requires the interest rates be charged at the annual rate of return of the Pooled Money Investment Account, plus an additional 2% until December 31, 2025. Requires, commencing January 1, 2026, the interest rate to be zero percent.

**EXISTING LAW:**

- 1) Authorizes a school district to receive a two-part financing designed to provide an advance of apportionments owed to the district from the State School Fund and the Education Protection Account.
  - a) Requires the initial emergency apportionment to be an interim loan from the General Fund to the school district. Requires the General Fund money to not be advanced to a school district until that district agrees to obtain a lease financing, as specified, and the bank adopts a reimbursement resolution governing the lease financing. Requires the interim loan to be repaid in full, with interest, from the proceeds of the lease financing at a time mutually agreed upon between the Department of Finance (DOF) and the bank. Requires the interest rate on the interim loan to be the rate earned by moneys in the Pooled Money Investment Account as of the date of the initial disbursement of emergency apportionments to the school district.
  - b) Requires the school district to enter into a lease financing with the bank for the purpose of financing the emergency apportionment, including a repayment to the General Fund of the amount advanced. Authorizes, in addition to the emergency apportionment, the lease financing to include funds necessary for reserves, capitalized interest, credit enhancements, and costs of issuance. Requires the bank to issue bonds for that purpose pursuant to the powers granted pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act as set forth in Division 1 (commencing with Section 63000) of Part 6.7 of the Government Code. Requires the term of the lease to not exceed 20 years, except that if at the end of the lease term any rent payable is not fully paid, or if the rent payable has been abated, requires the term of the lease to be extended for a period not to exceed 10 years. (Education Code (EC) 41329.52)
- 2) Authorizes, as an alternative to the lease financing pursuant to EC 41329.52, a school district to receive an emergency apportionment from the General Fund designed to provide an advance of apportionments owed to the district from the State School Fund and the Education Protection Account. Requires the emergency apportionment to be repaid within 20 years. Requires the Superintendent of Public Instruction (SPI) each year to withhold from the

apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due in the year. (EC 41329.53)

- 3) Requires the determination by statute as to whether the emergency apportionment to take the form of lease financing pursuant to EC 41329.52 or an emergency apportionment from the General Fund pursuant to EC 41329.53 be based upon the availability of funds within the General Fund and not on any cost differential between the two financing mechanisms. To ensure that the two alternatives are cost neutral, if the statute does not authorize a lease financing, the bank shall commission a cost study from financial advisers under contract with the bank to determine the interest rate, costs of issuance, and if it is more cost effective, credit enhancement costs likely if the financing was a lease financing rather than an emergency apportionment from the General Fund. Requires these implied lease costs to be included as the fixed interest rate on the repayment of the emergency apportionment to the General Fund, repayable over 20 years. (EC 41329.53)
- 4) Requires the State Controller to transfer from the State School Fund and the Education Protection Account the amount of funds necessary to pay the warrants issued (the actual amount of the difference between the cost of the lease financing compared to the cost of the original emergency loan for each school district for each year) so that the effective cost of the lease financing provided to the Oakland Unified School District, the Vallejo City Unified School District, and the West Contra Costa Unified School District to be equal to the cost of the original General Fund emergency loan made to each school district. (EC 41329.57(a)(1))
- 5) Authorizes, until the emergency apportionment loan is repaid, a designated school district with an outstanding emergency apportionment loan (including IUSD), as of July 1, 2018, to sell or lease surplus real property, together with any personal property located on the real property, owned by the designated school district and use the proceeds from the sale or lease to service, reduce, or retire the debt on the emergency apportionment loan, or for capital improvements of the facilities of the designated school district. (EC 17463.5)
- 6) Requires, for the 2018–19 fiscal year, by March 1, 2019, the IUSD and Oakland Unified School District (OUSD), in collaboration with and with the concurrence of the County Superintendent of Schools and the County Office Fiscal Crisis and Management Assistance Team, to do both of the following:
  - a) Update or develop short- and long-term financial plans based on reasonable and accurate assumptions and current and past year expenditure data; and
  - b) Review and update school district facilities construction plans to ensure that costs are reasonable, accurate, and aligned with long-term financial plans for fiscal solvency. (EC 42160 and 42161)
- 7) Requires, beginning with the 2019–20 fiscal year, the Budget Act to include an appropriation for the IUSD and OUSD, if the school district complies with the following terms, in the following amounts:

- a) For the 2019–20 fiscal year, up to 75% of the school district’s projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the DOF;
  - b) For the 2020–21 fiscal year, up to 50% of the school district’s projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the DOF.
  - c) For the 2021–22 fiscal year, up to 25% of the school district’s projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the DOF. (EC 42160 and 42161)
- 8) Requires the disbursement of funds to be contingent on the IUSD and OUSD’s completion of specified activities to improve the school district’s fiscal solvency. Requires the funds to be allocated to IUSD and OUSD upon the certification of the County Office Fiscal Crisis and Management Assistance Team (FCMAT), with concurrence from the County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the DOF for the specified activities. Requires, by March 1 of each year, through March 1, 2021, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the County Superintendent of Schools, to report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the DOF the progress that IUSD and OUSD have made to complete the specified activities. (EC 42160 and 42161)
- 9) Requires, by April 1, 2023, the IUSD do all of the following:
- a) Meet the requirements for qualified or positive certification for the school district’s second interim report;
  - b) Complete comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability; and
  - c) Undergo an on-time annual independent audit that is free of material weaknesses and that includes an unqualified opinion. Requires the audit to be free from any material internal control findings. (EC 42163)
- 10) Requires, beginning with the 2022–23 fiscal year, the annual Budget Act to include an appropriation for the IUSD, if the school district complies with specified terms, of up to 25% of the school district’s projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the DOF. Requires the disbursement of funds to be contingent on the IUSD’s completion of specified activities to improve the school district’s fiscal solvency. Requires funds to be allocated to the IUSD upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the DOF that the specified activities have been completed. Requires, by October 1, 2023, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, to report to the Assembly Committee on Budget,

Senate Committee on Budget and Fiscal Review, and the DOF the progress that the IUSD has made to complete the specified activities. (EC 42163)

- 11) Establishes the FCMAT. Authorizes that the FCMAT may be invited into a county office of education (COE), school district, charter school, or community college to provide management assistance related to the fiscal health of the local educational agency (LEA). Authorizes the FCMAT to also be assigned by the SPI, a county superintendent of schools, the California Community Colleges Board of Governors, or the state Legislature to provide assistance with a fiscal crisis or management challenges. (EC 42127.8)
- 12) Requires LEAs to file two reports during a fiscal year (interim reports) on the status of the LEA's financial health. Requires county superintendents to report to the SPI and the State Controller the positive, qualified, or negative budget certification for all districts in their county within 75 days after the close of the reporting period.
- 13) Authorizes the county superintendent to disapprove a school district's budget, or to declare a school district in jeopardy of being unable to meet its financial obligations through a qualified or negative certification at interim financial reporting periods or at any time during the year.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

***Need for the bill.*** According to the author, "Inglewood Unified School District entered state receivership in 2012 due to financial mismanagement and low academic outcomes. Oakland Unified School District entered state receivership in 2003 due to similar financial mismanagement and low academic outcomes. Since then, these school districts have worked with parents, students, teachers and community leaders to turn these districts around and return them to local control.

While significant progress has been made to end state receivership, OUSD continues to make annual interest payments on its \$100 million emergency loan and IUSD continues to make annual interest payments on its \$29 million emergency loan - interest payments that take away financial resources from the districts needed to make necessary investments in classrooms and student success.

AB 51 modifies the terms of IUSD's and OUSD's emergency loans to 0%. By only modifying the interest rate on the districts' emergency loans, it will allow these districts to continue their work to improve academic outcomes for students and ultimately return these districts to local school board control."

***Key provisions of the bill.*** This bill would require the IUSD emergency loan to have a zero percent interest rate as of January 1, 2026.

In order to avoid fiscal insolvency, the IUSD has been under receivership with an emergency state General Fund loan since 2012, and currently operates with a county appointed administrator. As of July 2024, the outstanding loan balance is \$18 million. The interest rate is 2.307%, and the district paid \$452,799 in interest payments in 2023-24. IUSD is expected to pay off their emergency state General Fund loan in November 2034.

Due to a number of factors, several school districts may require an emergency loan in the next few years, and the decision made related to interest rates on the loans for the IUSD will likely set a precedent for those additional districts coming into receivership.

IUSD has received additional state General Fund apportionments to offset the costs of loan repayments and to support their ongoing recovery of fiscal solvency, as noted below. *The Committee may wish to consider* that IUSD was eligible for an additional appropriation which would have provided up to 25% of the school district's projected operating deficit, authorized under AB 181 (Committee on Budget), Chapter 52, Statutes of 2022, but the school district failed to meet the criteria (including updating financial plans, and undergoing a financial audit free from any material internal control findings) and therefore did not receive the appropriation. AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, authorized appropriations in three fiscal years. The IUSD met the funding criteria in the first two years, but not in the final year, as demonstrated in the table below:

	2019-20	2020-21	2021-22
<b>Inglewood USD</b>	\$4,844,602	\$5,772,000	\$0

*The Committee may also wish to consider* that IUSD is starting the current school year with a strong, positive fund balance.

***Recent changes to the oversight of fiscally distressed school districts and additional financial resources.*** AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, and AB 181 (Committee on Budget), Chapter 52, Statutes of 2022, made several changes to aid in IUSD's and OUSD's financial recovery. Together, the bills provide for 1) several changes in the oversight of fiscally distressed districts, and 2) set forth specific requirements for the IUSD and OUSD in exchange for providing financial resources under certain circumstances.

Changes were made related to how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control by empowering county superintendents of schools to support fiscally distressed districts, and assigning new responsibilities to FCMAT associated with the process. Those requirements include updating or developing short- and long-term financial plans based on reasonable and accurate assumptions and current and past year expenditure data and reviewing and updating school district facilities construction plans to ensure that costs are reasonable, accurate, and aligned with long-term financial plans for fiscal solvency.

Both bills required the Budget Act to include appropriations, as follows, for IUSD and OUSD, contingent upon the districts' completion of specified activities to improve the school districts' fiscal solvency:

- For the 2019–20 fiscal year, up to 75% of each school district's projected operating deficit;
- For the 2020–21 fiscal year, up to 50% of each school district's projected operating deficit; and
- For the 2021–22 fiscal year, up to 25% of each school district's projected operating deficit.

Following this process, between 2019-20 and 2021-22, the IUSD received an additional \$10.6 million from the state for unrestricted general fund purposes following this process. *The Committee may wish to consider* that the IUSD did not complete the required activities and therefore did not receive the additional apportionment in 2021-22.

AB 181 (Committee on Budget), Chapter 52, Statutes of 2022, provided an opportunity for the IUSD and OUSD to receive additional state funds based on a set of criteria and an evaluation process. *The Committee may wish to consider* that neither the IUSD nor OUSD met the criteria and did not receive any additional funds from the process.

**California state emergency loans.** When a school district requires an emergency loan, the type of loan provided depends on the availability of the State's cash flow; the type of loan is not chosen by the school district. State General Fund loans are available only when the state has enough non-Proposition 98 funding to support them. These loans have lower interest rates and can be finalized quickly – which can be a critical condition for school districts in need of emergency relief to keep their doors open and make payroll. I-Bank loans have higher interest rates and take more time to set up. *The Committee may wish to consider* that should this bill become law, it may provide a disincentive for the state to provide future General Fund loans. Further, General Fund loans and the I-Bank interest loan payments have been from the non-Proposition 98 portion of the state budget, which supports most other state activities and investments.

The following table includes school districts with recent state emergency loans. *The Committee may wish to consider* that this bill would only apply to IUSD and not include all school districts with active emergency loans.

District	Tenure of Administrators and Trustees	Date of Issue	Amount of State Loan	Interest Rate	Outstanding Balance of I-Bank and General Fund (GF) Loans	Payoff date
Inglewood Unified	Administrator 10/03/12– Present	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 \$10,000,000 = <b>\$29,000,000</b>  principal \$12,249,722, interest \$6,070,118  (\$55 million authorized)	2.307%	\$18,248,005 as of 07/01/24	11/01/34 GF
South Monterey County	Administrator 07/23/09– 06/30/16	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 \$8,000,000	2.307%	\$4,607,159 as of 07/01/24	October 2028 I-bank

Joint Union High (formerly King City Joint Union High)	Trustee 07/01/16– Present		= <b>\$13,000,000</b>  principal \$9,342,727, interest \$6,253,630			
Oakland Unified	Administrator 06/16/03– 06/28/09; Trustee 07/01/08– Present	06/04/03 06/28/06	\$65,000,000 \$35,000,000 = <b>\$100,000,000</b>  principal \$95,919,348, interest \$19,599,584	1.778%	\$4,080,652 as of 07/01/24	January 2023 I-bank 6/29/26 GF
Vallejo City Unified	Administrator 06/22/04– 03/31/13; Trustee 07/13/07– Present	06/23/04 08/13/07	\$50,000,000 \$10,000,000 = <b>\$60,000,000</b>	1.5%	\$670,790 as of 07/01/24	January 2024 I-bank 08/13/24 GF

The following table displays interest payments made by the school districts with active state loans for the last three fiscal years.

Interest Payments for Last 3 Fiscal Years			
	2021-22	2022-23	2023-24
Oakland USD	\$311,444	\$210,560	\$107,883
Inglewood USD	\$514,299	\$483,900	\$452,799
South Monterey JUHSD	\$164,479	\$145,522	\$126,128

***Inglewood Unified School District overview.*** The IUSD is located in the communities of Inglewood and Ladera Heights in Los Angeles County, and for the 2023-24 school year includes:

- 6,109 students (66.5% Latino, 28.7% African American, and less than 1% each of American Indian, Asian, Filipino, Pacific Islander, Two or More Races, and White);
- 15 schools, including 3 TK-6 schools, 2 P-8 schools, 4 TK-8 schools, one grades 7-8 middle school, 2 comprehensive high schools, 1 district-operated TK-8 charter school, 1 district-operated charter high school, and one alternative education high school (9-12). Additionally, the district serves students in 1 child development center and 1 adult education school which are not included in the total students referenced above. Some independent charter schools are also in the district service area;
- Just over 27% of the district's students speak a foreign language at home;

- Eligibility for free and reduced-price meals is 89%; and
- The district's unduplicated pupil percentage is 89.9% for 2023-24 P-1.

***IUSD decrease in enrollment.*** IUSD student enrollment has declined steadily over the last decade. Total district enrollment has dropped during the pandemic, and charter school enrollment has ranged from about 24% to 34%, as displayed in the table below.

IUSD Enrollment Multi-Year Summary for Charter and Non-Charter Schools

Academic Year	Charter School Enrollment	Non-Charter School Enrollment	Total Enrollment
2023-24	30.0%	70.0%	8,724
2022-23	28.3%	71.7%	9,011
2021-22	28.1%	71.9%	9,279
2020-21	28.8%	71.2%	9,683
2019-20	34.0%	66.0%	11,026
2018-19	30.7%	69.3%	11,542
2017-18	29.2%	70.8%	12,086
2016-17	28.0%	72.0%	12,570
2015-16	25.4%	74.6%	13,162
2014-15	24.0%	76.0%	13,469

Source: CDE

***IUSD's history of emergency loans and state receivership.*** According to multiple FCMAT reports, at the request of the IUSD, on September 14, 2012, the governor approved SB 533 (Wright), Chapter 325, Statutes of 2012, bringing the district under state receivership with a state-approved emergency appropriation of \$55 million to avoid fiscal insolvency. The district's management made efforts to avoid receivership with last-minute expenditure reductions totaling approximately \$22 million, but after years of deficit spending, the district's structural budget imbalance was too large. The district was projected to have a negative cash balance by March 31, 2013. Stated reasons for fiscal insolvency included: overstating average daily attendance (ADA), understating California State Teachers' Retirement System (CalSTRS) payments, understating certificated salary expenses, continued deficit spending, and declining enrollment. State emergency appropriations are sized based on many assumptions. These emergency appropriations are not meant to solve the fiscal problem, but to allow time for the district to make the necessary reductions to correct the structural operating deficit.

The emergency appropriation (loan), provided for in the legislation, authorized the California Infrastructure and Economic Development Bank (I-Bank) to issue notes/bonds to provide support for the district's cash flow needs. The I-Bank typically would sell bonds to investors to raise the capital for this purpose. Temporary loans were made from the state's general fund to provide cash flow during the period before the I-Bank bonds were sold. Before they were sold, AB 86 (Committee on Budget), Chapter 48, Statutes of 2013, was passed. This legislation superseded the previously authorized I-Bank financing and instead authorized the district, through the California Department of Education (CDE), to request cash flow loans directly from the state's general fund in an amount not to exceed \$55 million at a lower interest rate, saving the district millions of dollars over the life of the loan. Of the \$55 million authorized, the district

drew \$29 million from November 2012 through February 2013 because of negative cash flow projections, or 53% of the emergency state loan funding, leaving a balance of \$26 million available. See *California state emergency loan recipients* section for additional information regarding IUSD's loan terms.

Since 2013, IUSD has not had to make further draws on the emergency appropriation because of the statewide implementation of the Local Control Funding Formula (LCFF), legislative assistance provided under AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, as well as state and federal coronavirus relief funds to further augment its revenue. See *Recent changes to the oversight of fiscally distressed school districts and additional financial resources* section for additional information. However, the additional revenue alone, much of which was one-time funding, will not resolve its solvency issues, which are exacerbated by declining enrollment and failure to adjust facility use to match enrollment. Aside from the increasing costs of salaries and benefits, fiscal recovery efforts were also constrained in past years by ongoing costs to the general fund to cover the annual debt service payment of \$1.83 million on the state emergency appropriation, which began in November 2014 and was scheduled to end in November 2033 (but was extended by one extra year in the 2018-19 fiscal year due to an approved one-time deferment on an annual payment).

Under state receivership, the SPI had historically assumed all the legal rights, duties, and powers of the governing board and appointed a state administrator to act as both the governing board and superintendent. This was the case until September 2018, when under AB 1840, the Legislature gave the local county superintendent the role formerly assigned to the SPI for this purpose. The district's five-member governing board continues to serve in an advisory role until the following two events occur:

- The district shows adequate progress in implementing the comprehensive review recommendations in the five operational areas of financial management, personnel management, community relations and governance, facilities management, and pupil achievement; and
- The county superintendent, with concurrence from the SPI and president of the State Board of Education (SBE), determines that the district has built sufficient capacity to self-govern.

Even when the governing board resumes control, a trustee will have stay-and-rescind authority until the district has adequate fiscal systems and controls in place, the SPI has determined that the district's future compliance with the fiscal recovery plan is probable, and the county superintendent of schools, SPI and president of the SBE agree the trustee is no longer needed. The county superintendent's role of managing fiscal oversight during the period of state receivership continues to be a key element to the district's recovery, since they must assess and approve budgets, receive interim reports, and determine the district's fiscal status as either positive, qualified, or negative. The county superintendent's oversight role during state receivership is no different than her role during normal times of self-governance, but was expanded to include the governance and administration of the district through the passage of AB 1840.

According to a 2024 FCMAT Progress Report of IUSD:

The district has had nine state or county administrators during a 12-year period, creating instability in organizational development and inconsistency in developing and implementing long-range recovery plans.

The district requires continued and consistent leadership that has the ability and capacity to set priorities, implement systemic reform, engage the community, establish high expectations for student achievement, manage resources, ensure accountability and align practices. The district will remain in a perilous position without continuous, consistent and strong leadership, the execution of its multiyear recovery plan, implementation of the Local Control and Accountability Plan (LCAP), development of a well-articulated plan for the district's future and improvement as reflected in the comprehensive review.

The district has made progress in all four operational areas reviewed but has not made progress in every standard. Much work remains to be done to achieve full recovery, and that work will be difficult with any additional administrative turnover.

**AB 1200.** AB 1200 was enacted in the 1991-92 Session to ensure that LEAs throughout California are adequately prepared to meet their financial obligations. The concern arose following the bankruptcy of the Richmond School District and the fiscal collapse of a few other districts that were preparing to request an emergency loan from the state. AB 1200 improved fiscal procedures, standards, and accountability at the local level and expanded the role of COEs in monitoring school districts by mandating that COEs intervene under certain circumstances to ensure districts can meet their financial obligations.

AB 1200 appropriated funding for COEs to offset the cost of any new program or higher level of service required by the new district oversight provisions. These activities include conducting reviews, examinations, and audits of districts and providing written notifications of the results, at least annually, on the fiscal solvency of the districts with disapproved budgets, qualified or negative certifications, or districts facing fiscal uncertainty. Funding for AB 1200 County Office of Education Fiscal Oversight was appropriated every year for distribution to COEs until 2013-14 when funding for this program was subsumed in the LCFF.

AB 1200 also created the FCMAT in order to help LEAs meet and maintain their financial obligations. The role of FCMAT has been updated several times by the Legislature since 1991, including added responsibilities with regard to community colleges and districts that have received emergency state appropriations.

**LEA budget reports and fiscal oversight.** LEAs are required to file two reports during a fiscal year (interim reports) on the status of the LEA's financial health. The first interim report is due December 15<sup>th</sup> for the period ending October 31<sup>st</sup>, and the second interim report is due March 17<sup>th</sup> for the period ending January 31<sup>st</sup>. County superintendents are to report to the SPI and the State Controller the certification for all districts in their county within 75 days after the close of the reporting period.

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. There are three types of certification classifications:

- **Positive certification:** A positive certification is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years;

- **Qualified certification:** A qualified certification is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years; and
- **Negative certification:** A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

The SPI may reclassify the certification of any COE or reclassify a certification based on an appeal of a school district.

In accordance with AB 1200, the county superintendent of schools has fiscal oversight responsibility over school districts in the county, and the SPI has fiscal oversight responsibility over COEs. The county superintendent has authority to disapprove a school district's budget, or authority to declare a school district in jeopardy of being unable to meet its financial obligations through a qualified or negative certification at interim financial reporting periods or at any time during the year. Such action results in various authorized forms of intervention on the part of the COE, including assigning external consultants, requiring a district fiscal recovery plan, or even disallowing certain district expenditures. The SPI has similar authority to intervene in fiscal matters of the COE.

**Arguments in support.** The Los Angeles County Superintendent, Dr. Debra Durado writes, "Inglewood Unified School District continues to face significant fiscal challenges due to a combination of factors. The district is experiencing a multi-year decline in enrollment, which directly impacts its revenue. At the same time, the cost of providing high-quality education continues to rise due to increasing employer-paid statutory benefits, inflation, and the expiration of one-time federal and state COVID-19 relief funding. These financial constraints make it increasingly difficult for the district to meet the needs of its students and maintain competitive compensation for its educators."

By setting the interest rate for emergency apportionments at 0 percent, AB 51 would provide much-needed relief, enabling the Inglewood and Oakland Unified School Districts to reallocate funds toward critical educational priorities. Rather than diverting millions of dollars to debt service, these resources could be used to strengthen instructional programs, improve campus facilities, and support student success initiatives."

**Arguments in opposition.** The Fiscal Crisis and Management Assistance Team (FCMAT) writes, "AB 51 is contrary to best practice regarding local educational agencies (LEAs) under state receivership. The Legislature's wisdom in previous decisions ensuring comparable treatment of the interest costs of district and community college appropriations under Article 2.7 of Chapter 3 of Part 24 of the Education Code (Commencing with Education Code Section 41329.50) should be honored. AB 51 is unfair as it treats similarly situated districts differently. There is a cost to the state of approximately \$2 million for AB 51. The Legislature has already provided multiple opportunities to both Oakland USD and Inglewood USD to receive additional unrestricted state apportionments not available to any other district in the state. AB 51 compromises the standard of practice for insolvent local educational agencies. It is highly unusual for FCMAT to take a public position on pending legislation. However, AB 51 relates to our work in guiding and assisting both LEAs and the state through the state receivership process. The patently unfair provisions of AB 51 to intentionally exclude two other LEAs currently under

state receivership are unacceptable. As such, we are obligated to weigh in and ask the Committee to oppose AB 51 without amendments.”

***Recommended Committee Amendments.*** *Staff recommends that the bill be amended* as follows: add modified requirements from AB 181 (Committee on Budget), Chapter 52, Statutes of 2022, as a condition for zero percent interest rate, as follows:

- Authorize the IUSD to seek a waiver of interest once the school district has successfully repaid at least 10 years of their emergency loan.
- Authorize the IUSD to seek a subsequent waiver of interest for the applicable fiscal year if the school district again meets the specified requirements for each waiver.
- Require the DOF to grant a waiver of interest on that loan for the next succeeding fiscal year if both of the following conditions are met:
  - In conjunction with the filing of the district’s second interim financial report, the IUSD notifies the Los Angeles County Superintendent of Schools and the FCMAT of their intent to seek a waiver of interest for the next succeeding fiscal year; and
  - The Los Angeles County Superintendent of Schools, in consultation with the FCMAT, determines that the school district is making substantial progress towards fiscal solvency and a waiver of interest would help the school district to exit receivership, based on the successful completion of all of the following:
    - Meeting the requirements for qualified or positive certification for the school district’s second interim report;
    - Completing comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability; and
    - Undergoing an annual independent audit and submitting a fiscal recovery plan to the Los Angeles County Superintendent of Schools detailing the steps taken to address any material weaknesses or internal control deficiencies.

***Related legislation.*** AB 181 (Committee on Budget), Chapter 52, Statutes of 2022, the education omnibus budget trailer bill, requires the OUSD to take certain actions regarding its financial plans and school district construction plans, and to undergo an on-time annual independent audit. Further required IUSD to take certain actions, including meeting the requirements for qualified or positive certification, completing a comprehensive operational review, and undergoing an on-time annual independent audit. Provides apportionment of up to 25% of each district’s projected operating deficit, and required the disbursement to be contingent upon the completion of specified activities to improve each district’s fiscal solvency.

AB 1912 (Bonta), Chapter 253, Statutes of 2022, requires a school district that is the recipient of an emergency apportionment to follow specified procedures when deciding to close or consolidate schools.

AB 128 (Ting), Chapter 21, Statutes of 2021, the Budget Act of 2021 requires the OUSD governing board to plan for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property in order to receive an appropriation of \$10 million.

AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, provides for several changes in the oversight of fiscally distressed school districts and sets forth specific requirements for the IUSD and OUSD in exchange for providing financial resources under certain circumstances.

SB 533 (Wright), Chapter 325, Statutes of 2012, appropriates \$29 million for an emergency loan to the IUSD and authorizes an additional \$26 million of lease financing through the I-Bank. It also requires the Superintendent of Public Instruction (SPI) to assume all the rights, duties, and powers of the governing board of IUSD and, in consultation with the Los Angeles County Superintendent of Schools, appoint an administrator to serve in the district, as specified.

AB 1200 (Eastin), Chapter 1213, Statutes of 1991, improves fiscal procedures, standards, and accountability at the local level and expands the role of COEs in monitoring school districts by mandating that COEs intervene under certain circumstances to ensure districts can meet their financial obligations. The bill also created the FCMAT in order to provide state support to help LEAs meet and maintain their financial obligations.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Alameda County Office of Education  
City of Inglewood  
Courage California  
Inglewood Area Ministers' Association (IAMA)  
Inglewood Council PTA's  
Los Angeles County Superintendent of Schools, Dr. Debra Duardo  
Los Angeles County Supervisor Holly Mitchell  
23 individuals

### **Opposition**

Fiscal Crisis and Management Assistance Team (FCMAT)

**Analysis Prepared by:** Marguerite Ries / ED. / (916) 319-2087