

Date of Hearing: April 20, 2022

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 1912 (Mia Bonta) – As Amended April 18, 2022

SUBJECT: Education finance: Oakland Unified School District: contingent funding

SUMMARY: Requires the governing board of a school district under financial distress, as defined, before approving the closure or consolidation of a school of the school district, to conduct an equity impact analysis and other specified steps before taking affirmative action to close or consolidate a school. Specifically, **this bill:**

- 1) Requires a school district under financial distress, as defined, to do all of the following before approving the closure or consolidation of a school of the school district:
 - a) Requires, in deciding what schools to close or consolidate, the governing board of the school district to conduct an equity impact analysis in its consideration of school closures or consolidations. Requires the governing board of the school district to develop a set of metrics for the development of the equity impact analysis and make those metrics public at a regularly scheduled meeting of the governing board of the school district so that the public can provide input regarding the metrics being used to conduct the analysis. Requires the metrics to include, but not be limited to, all of the following:
 - i) The condition of a school facility;
 - ii) The operating cost of a school and the associated savings resulting from a closure or consolidation;
 - iii) The capacity of a school to accommodate excess pupils;
 - iv) Special programs available at the schools being considered for closure or consolidation and whether those programs will be provided at the same current level at the schools to which pupils will be diverted;
 - v) Environmental factors, including, but not limited to, traffic and proximity to freeway access;
 - vi) Balance of pupil demographics, including race or ethnicity, pupils with disabilities, English learners, foster youth, and homeless youth, in the schools being considered for closure or consolidation, and the resulting demographic balance of pupils after placement in other schools, in order to determine if the decision to close or consolidate will have a disproportionate impact on any particular demographic group;
 - vii) Transportation needs of pupils;
 - viii) Aesthetics and the opportunity for blight and negative impact on the surrounding community; and

- ix) Impact on feeder school attendance patterns with the closure of any particular school and whether the closure will attenuate attendance at other schools or specialized programs as a result.
- 2) Requires the governing board of the school district to provide its recommendations regarding school closures and consolidations to the public at a regularly scheduled meeting, share how it prepared its list, and include, at a minimum, all of the following information:
 - a) Factors used to identify the list of school closures or consolidations;
 - b) Equity impact analysis findings for each school closure or consolidation;
 - c) Plan for the use of the schools proposed for closure or consolidation once it becomes a vacated facility;
 - d) Criteria used to assign displaced pupils to other schoolsites, or a description of the process of reassignment that will be used by the school district; and
 - e) Options and timeline for transitioning pupils to their new schools, including improving safe routes to schools and home-to-school transportation needs.
 - 3) Requires the governing board of the school district to review and consider the feedback presented at the public meeting and make its decision on any school closures or consolidations at a subsequently scheduled regular meeting.
 - 4) Requires at the subsequent regularly scheduled meeting, the governing board of the school district to present its final recommendation for school closures or consolidations, which must include a review of how public input was incorporated into the final recommendation.
 - 5) Requires the final recommendation for school closures or consolidations to not contradict the findings of the equity impact analysis.
 - 6) Requires any affirmative action by the governing board of the school district to implement a school closure or consolidation to be made only after it adopts a resolution concluding that the community engagement process has been completed.
 - 7) Requires, upon an affirmative action by the governing board of the school district to implement a school closure or consolidation, the school district to provide information to parents and pupils in multiple formats, including, but not limited to, email and paper notifications.
 - 8) Requires notifications to parents to be translated into their primary language pursuant to existing law. Requires the information to include all of the following:
 - a) The date of the approved closure or consolidation;
 - b) The pupil's new school assignment, as applicable;

- c) School district resources for pupils and parents to support the pupil's transition; and
 - d) School district contacts for additional information.
- 9) Requires, for any proposed school closures or consolidations that are to take effect for the 2022–23 school year, and for which the governing board of the school district has not made a final determination as of the effective date of the act, the requirements of this section to apply.
- 10) Defines “financial distress” to mean a school district with an emergency apportionment, an appointed trustee, or an appointed administrator. A “governing board of a school district” includes an appointed trustee, or an appointed administrator.
- 11) Clarifies that the requirements do not apply to a school district's closure of a school due solely to the unsafe condition of the school's facilities.
- 12) States that this act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are: in order to mitigate, as soon as possible, the impacts of declining enrollment and chronic absenteeism, due to both long-term demographic trends and the COVID-19 pandemic, which will result in the closure of schools, it is necessary for this act to take effect immediately.

EXISTING LAW:

- 1) Requires OUSD, by March 1, 2019, in collaboration with the concurrence of the Alameda County Superintendent of Schools and the County Office Fiscal Crisis and Management Assistance Team (COFCMAT) to:
- 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 align with long-term financial plans for fiscal solvency.
- 2) Appropriates to the OUSD, beginning with the 2019-20 fiscal year, if the school district complies with terms:
- a) For the 2019–20 fiscal year, up to 75% of the school district's projected operating deficit, as determined by the COFCMAT, with concurrence with the Department of Finance (DOF);
 - b) For the 2020–21 fiscal year, up to 50% of the school district's projected operating deficit, as determined by the COFCMAT, with concurrence with the DOF; and
 - c) For the 2021–22 fiscal year, up to 25% of the school district's projected operating deficit, as determined by the COFCMAT, with concurrence with the Department of Finance.

- 3) Requires the disbursement of funds to be contingent on the OUSD's completion of activities specified in the prior year Budget Act to improve the school district's fiscal solvency. These activities may include, but are not limited to, all of the following:
 - a) Completion of 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;
 - b) Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites;
 - c) Completion and implementation of multiyear, fiscally solvent budgets and budget plans;
 - d) Qualification for positive budget certification, as specified;
 - e) Sale or lease of surplus property;
 - f) Growth and maintenance of budgetary reserves; and
 - g) Approval of school district budgets by the Alameda County Superintendent of Schools. (Education Code (EC) 42160)
- 4) Establishes the Fiscal Crisis and Management Assistance Team (FCMAT). Authorizes that FCMAT may be invited into a COE, school district, charter school or community college to provide management assistance related to the fiscal health of the local educational agency (LEA). Authorizes FCMAT to also be assigned by the Superintendent of Public Instruction (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.
- 5) 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.
- 6) 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: If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

COMMENTS:

Key provisions of the bill. Any school district in financial distress with an emergency apportionment, an appointed trustee, or an appointed administrator, before approving the closure

or consolidation of a school, to conduct an equity impact analysis in its consideration of school closures or consolidations. The governing board (or appointed trustee) would be required to develop a set of metrics to measure the potential impact of a closure or consolidation on the school community, and to make those metrics public at a regularly scheduled school board meeting in order for the public to provide input. Further, the governing board would be required to present the findings of the analysis at a future board meeting, which would include a review of how public input was incorporated into the final recommendation. Additionally, this bill would prohibit the final recommendation for school closures or consolidations from contradicting the findings of the analysis. Finally, upon an affirmative action by the governing board to implement a school closure or consolidation, requires the school district to provide information to parents regarding implementation timelines, new school assignments, and resources to support pupils' transition.

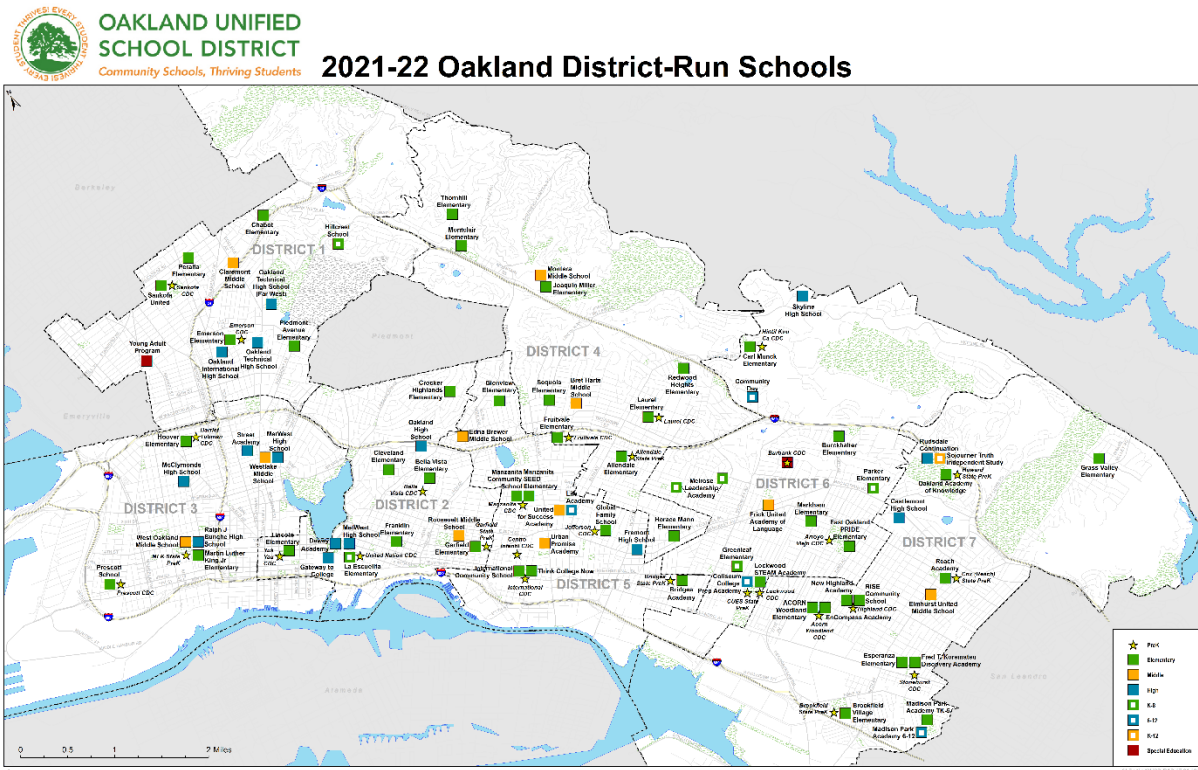
In February, the governing board of the OUSD made a final determination to close, consolidate or change the grade level offerings at several schools, described below, at the end of the 2021-22, and the 2022-23, school years. This bill would require, "For any proposed school closures or consolidations that are to take effect for the 2022-23 school year, and for which the governing board of the school district has not made a final determination as of the effective date of the act adding this section, the requirements of this section shall apply." Therefore, as written, this bill will not apply to the OUSD schools for which the governing board has already made a final determination.

Need for the bill. According to the author, "I recognize that deciding to close a school is not easy. It is an emotional decision impacting community members, teachers, students and their families. School closures affect more than its students' education. It changes the landscape of a community. If not done transparently with community engagement, there is mistrust in the process. If the decisions are made without an equity lens, the results can be catastrophic for communities of color and student populations struggling to achieve academic success. While these decisions should be made about a year before the planned school closure, the status of a district's financial situation may lead to it making precipitous decisions. Such was the experience in my district with decisions made by the Oakland Unified School District earlier this year. Feeling the pressure to take action on school closure and consolidation in order to access money promised to the district in the 2021-22 budget, OUSD voted to close schools with very little notification to, or engagement from, the community. This was despite the schools identified for closure were concentrated in one portion of Oakland and would have a disproportionate impact on Oakland's African American community. In an effort to avoid another district in extreme financial distress from taking precipitous action in closing schools, AB 1912 directs school districts to do an equity impact analysis. This equity impact analysis will require a school district to develop a set of metrics that include accounting for special programs available at schools, the balance of pupil demographics and opportunity for blight. Further, AB 1912 creates opportunity for community engagement and participation."

Oakland Unified School District overview. The OUSD is located in the Bay Area of Northern California, and includes:

- 34,566 students (45% Latino, 21.5% African American, 11.2% Asian, 11.2% white, 6.5% two or more races, 2.7% not reported, 1% Pacific Islander, 0.6% Filipino, 0.2% African American)

- 80 district-run schools/programs (46 elementary schools, 5 grade K-8 schools, 10 middle schools, 3 grade 6-12 schools, 1 grade 6-12 alternative school, 7 high schools, 1 high school alternative, 1 independent study program).
- Just over 50% of the district’s students speak a foreign language at home.
- Eligibility for free and reduced-price meals is 71.9%.
- The district’s unduplicated pupil percentage is 76.7%.



Source: OUSD

Emergency appropriation, loan status and payment terms. In 2003, OUSD was unable to meet its financial obligations without the assistance of the state of California. Senate Bill 39 (Chapter 14, Statutes of 2003) authorized a \$100 million cash flow loan for the district. Consistent with practice, SB 39 directed that the SPI assume all of the rights, duties, and powers of the district’s governing board. Full rights, duties and powers of the governing board were reinstated on June 28, 2009, and at that time, a state trustee was appointed to provide specific oversight of OUSD’s continued recovery. The state trustee has stay and rescind authority over actions by the governing board.

According to FCMAT, in 2006, a portion of the state loan was refinanced by the sale of California Infrastructure Economic Development Bank (I-Bank) bonds of \$59.6 million (principal and accrued interest). After the refinancing, the state general fund portion of the loan was \$35 million. The California Department of Education (CDE) reports that as of July 1, 2021, the district owes \$17.5 million. The payment schedule for the I-Bank portion of the state loan is monthly, July through January, totaling approximately \$3.8 million annually through January 2023. The annual payment on the state general fund portion of the state loan is approximately

\$2.1 million, due in June 2022 through June 2026. Payments are made through a State Controller's Office intercept of the district's monthly principal apportionment.

The state subsidizes the interest payments on the I-Bank portion of the loan by approximately \$1.7 million per year pursuant to Education Code Section 41329.57(a)(1), which establishes that the effective costs of the I-Bank financing provided to the district shall be equal to the cost of the original state general fund emergency loan.

Small Schools Initiative in OUSD. According to a 2009 evaluation of the OUSD New Small Schools Initiative by The School Redesign Network at Stanford University:

In 1997, community organizations in Oakland began organizing for smaller and better schools. Much of the initial focus was centered on reducing the disparities between schools in the Oakland hills and more crowded campuses in the city's lower-income "flatlands" neighborhoods. In May 2000, the OUSD Board of Education unanimously passed the New Small Autonomous Schools District Policy. Autonomous in this context refers to policies that give the school control over curriculum, instruction, and assessment decisions consistent with California state and district standards. Schools also were given increased authority over their budgets to reallocate funds based on local needs and priorities. In the mid-2000s, the Bill and Melinda Gates Foundation granted millions to the OUSD to expand the small schools initiative. By 2007-08, the district had opened 49 new small schools and closed three because of low enrollment and other problems, and one became a charter school, leaving 45 new small schools being operated by OUSD. The results of the evaluation, over the period of 2003-04 to 2007-08, included:

- New small schools were, on average, more productive and student achievement levels were higher than older schools at the elementary and high school levels.
- New small middle schools were, on average, about equally academically productive as older middle schools in English language arts, and less productive in mathematics. However, two-thirds of new small middle schools had only 2 years of data at the time of this study, suggesting that these schools were in the early stages of becoming more academically productive.
- New schools become more effective and productive as they mature.
- New schools helped increase student achievement and contributed to the district's overall academic productivity.

Many of the small schools remain operational in today OUSD, despite a decline in overall enrollment.

Increase in charter school enrollment. OUSD student enrollment in charter schools has increased steadily over the last decade. Total district enrollment has dropped during the pandemic, but charter school enrollment has remained at about 27%, as displayed in the table, below.

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

Academic Year	Charter School Enrollment	Non-Charter School Enrollment	Total Enrollment
2020-21	27.1%	72.9%	48,704
2019-20	27.1%	72.9%	49,588
2018-19	27.2%	72.8%	50,202
2017-18	26.1%	73.9%	50,231
2016-17	26.0%	74.0%	49,760
2015-16	24.4%	75.6%	49,098
2014-15	22.8%	77.2%	48,077

Source: CDE

Alameda County Grand Jury Final Report. In 2017, after a 9-month investigation, the Alameda County Grand Jury issued the report, *Oakland Unified School District: Hard Choices Needed to Prevent Insolvency*. According to the report, OUSD has been in “financial peril” for more than 15 years, often operating with a budget deficit. Among the underlying issues responsible for the district’s continuing financial crisis, the report highlights the repeated calls from outside experts to consolidate schools in order to save money and improve performance, and the seemingly counterintuitive decisions made by OUSD in the 2017-18 school year to open two new schools, one serving 53 students, and the other 125 students. The Grand Jury reported three system-wide failures of the school district:

- Hiring and programs spending that is made outside of budgetary control;
- Operating nearly double the number of schools that can be justified by enrollment numbers; and
- No accountability, lack of trust, and high teacher and administration turnover.

Citywide Plan. Over the last several years, the leadership at OUSD has engaged the governing board and the community to develop a *Blueprint for Quality Schools*, which includes the *Citywide Plan*. According to the OUSD, “Currently, many of our schools are under-enrolled, located in areas where few students live, or both. OUSD operates too many district-run schools for the number of students we serve. Having too many schools with low enrollment prevents us from reaching the future we want for Oakland. Simply put, we are spreading our resources too thin. Maintaining the status quo will not improve outcomes for our students. Additionally, charter schools have played a role in educating Oakland’s students for the past 20 years and now serve nearly 30% of Oakland public school students at 45 charter schools. The District must work together with charter schools to make every public school option a quality option.”

Recent state actions related to OUSD’s budget deficit. In late 2017, OUSD petitioned the DOF to defer its remaining current and budget year payments on the outstanding state loan originally authorized in 2003. As a result, the Alameda COE and FCMAT entered into a study agreement for FCMAT to provide on-site technical assistance to OUSD including a review of the district’s 2017-18 budget and development of a general fund multiyear financial projection. The resulting FCMAT reports concluded that the district would have a positive general fund balance and cash flow position by June 30, 2018 if recommended actions were taken, and made recommendations

that would lessen the district's risk of potential insolvency. Despite these reports and recommendations from FCMAT, and the adoption of a OUSD 2018-19 budget, the 2018-19 first interim budget multiyear projections showed deficit spending. The Alameda COE performed a review and analysis of the first interim budget and changed the district's certification status from positive to qualified, indicating that the district may not meet its financial obligations for the current and two subsequent years.

The budget trailer bill to the 2018-19 California budget, AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, provides for 1) several changes in the oversight of fiscally distressed districts, and 2) sets forth specific requirements for the 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 review and update school district facilities construction plans to ensure that costs are reasonable, accurate, and align with long-term financial plans for fiscal solvency.

AB 89 (Committee on Budget), Chapter 7, Statutes of 2020, provided that the disbursement of funds must be contingent on OUSD's completion of the following: 1) the required annual audit from the preceding year, and 2) affirmative board action to update or develop short- and long-term financial plans based on best practices and reasonable and accurate assumptions. *The Committee may wish to consider* that the requirement for OUSD to take affirmative action to continue planning for, and timely implementation of, a school facility closure and consolidate plan was excluded on a one-time basis in recognition of the acute crisis and potential impacts of the COVID-19 pandemic on the district and community.

The Budget Act of 2021 (AB 128 (Committee on Budget), Chapter 21, Statutes of 2021) requires the disbursement of funds originally authorized in 2018 to be contingent on OUSD's completion of: 1) affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property; 2) affirmative board action to continue to update or develop short- and long-term financial plans based on best practices and reasonable and accurate assumptions; and 3) completion of on-time audits. *The Committee may wish to consider* that the provision related to school facilities was reinstated.

Recent letter from FCMAT to Legislature shows progress toward budget stabilization in OUSD slowing or regressing. A January 4, 2022 letter from FCMAT to DOF and Legislature stated,

While Oakland USD had previously shown progress regarding budget stabilization and planning, much has changed since the start of the 2020-21 fiscal year. The progress made on several benchmarks has slowed or even regressed. Regarding the management and planning of financial resources, FCMAT aligns its observations with that of the county trustee, which place the district into one or more of the following categories: 1) the governing board refuses to make the hard decisions associated with resource allocations and/or reductions, 2) the governing board makes the hard decision associated with resource allocations and/or

reductions but staff does not implement the decision, or 3) staff does not provide the governing board with adequate information to make decisions. This is further complicated by the district's sudden refusal to provide Alameda COE – its oversight agency – with timely, accurate and complete financial and supporting data associated with budget projections and fiscal solvency. The district's reliance on the use of one-time funds as a bridge to stave off reductions, as opposed to increasing services around learning loss mitigation and social-emotional learning and supports for students is not only dangerous, but far from a best practice.

In the board documents reviewed, the district acknowledges that recent decisions will preclude its eligibility to receive the \$10 million AB 1840 apportionment in 2021-22. Ultimately, final analysis of the district's eligibility will be made closer to the end of the fiscal year (June 2022) based on the district's final decisions.

Resolution No. 2122-0030 of the Board of Education of the OUSD. On February 9, 2022, the OUSD governing board adopted a resolution related to school consolidations for the 2022-23, and 2023-24, school years.

The Board approved the closure of the following schools for closures at the end of the 2021-22 year:

- Close Community Day School (CDS: 01612590106542)

Note: Under state law, the county office of education is required to provide instruction to the students previously served by the Community Day School.

- Close Parker (CDS: 01612596002091)

Note: pursuant to OUSD's board policies, requires all students currently enrolled in the non-terminal grades at these schools to be provided with Opportunity Ticket enrollment preference for enrollment in 2022-23. Requires, if a student does not submit an enrollment preference before the student enrollment lottery is conducted, that student's enrollment preferences to default to the associated Welcoming Schools (in order of proximity to the student's primary residence of record) and then to the closest grade-appropriate schools (in order or proximity to the student's primary residence of record).

The Board approved the closure of the following schools for closure at the end of the 2022-23 year:

- Close Brookfield Elementary (CDS: 01612596001663)
- Close Carl B. Munck Elementary (CDS: 01612596001697)
- Close Grass Valley Elementary (CDS: 01612596001879)
- Close Fred T. Korematsu Discovery Academy Elementary (CDS: 01612590112813)
- Close Horace Mann Elementary (CDS: 01612596001929)

Note: pursuant to OUSD's board policies, requires all students enrolled in the non-terminal grades at these schools for 2022-23 to be provided with Opportunity Ticket enrollment preference for enrollment in 2023-24. Requires, if a student does not submit an enrollment preference, that student's enrollment preferences to default to the associated Welcoming Schools

(in order of proximity to the student's primary residence of record) and then to the closest grade-appropriate schools (in order or proximity to the student's primary residence of record);

The Board approved the full and complete merger of the following schools:

- Merge RISE Community Elementary (CDS: 01612590110262) into New Highland Academy Elementary (CDS: 01612596001903) for the start of the 2022-23 year.

Note: pursuant to OUSD's board policies, no students will be provided with Opportunity Ticket enrollment preference given that no students are moving to a new location.

The Board approved the truncating the grade spans of the following schools:

- Reduce the grades offered at La Escuelita (CDS: 01612596096523) such that grades 6 through 8 will no longer be offered for the start of the 2022-23 year.

Note: pursuant to OUSD's board policies, all students currently in grades 5, 6, and 7 will be provided with Opportunity Ticket enrollment preference for enrollment in 2022-23.

- Reduce the grades offered at Hillcrest (CDS: 01612596001911) such that grades 6 through 8 will no longer be offered for the start of the 2023-24 year.

Note: pursuant to OUSD's board policies, all students in grades 5, 6, and 7 during the 2022-23 year will be provided with Opportunity Ticket enrollment preference for enrollment in 2023-24. Requires, if a student does not submit an enrollment preference before the student enrollment lottery is conducted, that student's enrollment preferences to default to the associated Welcoming Schools (in order of proximity to the student's primary residence of record) and then to the closest grade-appropriate schools (in order or proximity to the student's primary residence of record).

OUSD progress toward budget stabilization now leading toward release of AB 1840 funding.

A March 31, 2022, letter from L.K. Monroe, Alameda County Superintendent of Schools, describes continued caution regarding the districts' financial health and qualified budget certification, but also recognizes the governing board for the budget balancing solutions that have been recently identified and approved. The Alameda County Office of Education (ACOE) confirmed that the governing board and district have taken a number of steps to ensure the long-term financial solvency of the district, namely, the governing board adoption of Resolution No. 2122-0030 - School Consolidations for 2022-23 and 2023-24. At a special meeting of the governing board held on February 8, 2022, this Resolution was revisited and OUSD fiscal staff presented maximum potential savings ranging from \$4.1 million (Unrestricted General Fund) to \$14.7 million (Combined Unrestricted and Restricted General Fund) from proposed school closures, school mergers, and certificated staffing adjustments. These closures and consolidations would further entitle OUSD to an additional \$10 million in the final AB 1840 funds earmarked for OUSD. The ACOE will continue to require a number of conditions of the district over the next 12 months, with monitoring, to ensure continued progress towards financial solvency for OUSD.

CDE's Closing a School Best Practices Guide. The CDE maintains the *Closing a School Best Practices Guide* on its website as a guiding document for LEAs contemplating a school closure

or consolidation. The guide includes five chapters: gathering facts, deciding which school to close, making the decision, making the transition, and disposing of surplus property. The guide states, “The decision to close a school is anguishing. It profoundly affects parents, neighborhoods, communities, district personnel, and, of course, students. It affects relationships, routines, and cherished territorialities. In short, it alters not only district operations but also lives. A decision not to close a school, however, amidst circumstances of declining enrollment and economic necessity, can be imprudent. And while the immediate effects of closing a school may be painful, the long-term effects can be beneficial to everyone. Indeed, the process of closing a school is difficult, but if done correctly, it becomes less difficult.” Many of the provisions of this bill were inspired by the CDE’s guide.

AB 1200. AB 1200 was enacted in the 1991-92 Session to ensure that LEAs throughout California 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 Fiscal Crisis and Management Assistance Team (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 15th for the period ending October 31st. The second interim report is due March 17th for the period ending January 31st. 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 certifications 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.

California state emergency loan recipients. The following table includes school districts with active state emergency loans.

District	Tenure of Administrators and Trustees	Date of Issue	Amount of State Loan	Outstanding Balance of I-Bank and General Fund (GF) Loans	Payoff date
Inglewood USD	Administrator 10/03/12–Present	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 \$10,000,000 = \$29,000,000 (\$55 million authorized)	\$22,292,959 as of 07/01/21	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator 07/23/09– 06/30/16 Trustee 07/01/16–Present	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 \$8,000,000 = \$13,000,000	\$7,129,550 as of 07/01/21	October 2028 I-bank
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 = \$60,000,000	\$10,840,837 as of 07/01/21	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator 06/16/03– 06/28/09;	06/04/03 06/28/06	\$65,000,000 \$35,000,000 =	\$17,516,540 as of 07/01/21	January 2023

	Trustee 07/01/08–Present		\$100,000,000		I-bank 6/29/26 GF
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Recommended Committee Amendments: *Staff recommends that the bill be amended* as follows:

- Remove the requirement in proposed section 41329 (a)(2)(C) that the final board recommendation for school closures or consolidations shall not contradict the findings of the equity impact analysis.
- Require that the process to create an equity impact report and take final board action take no longer than 12 months.
- Add a sunset provision of June 30, 2028.

Related legislation. 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 OUSD in exchange for providing financial resources under certain circumstances.

AB 1200 (Eastin), Chapter 1213, Statutes of 1991, improves 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. The bill also created FCMAT, in order to provide state support to help LEAs meet and maintain their financial obligations.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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