

Improving Outcomes for School Districts in Fiscal Distress

To ensure that school districts in state receivership progress quickly to fiscal solvency, the Administration proposes making the following statutory changes:

1. **Expand oversight expertise.** Assign authority to appoint a trustee or state administrator for school districts in fiscal distress to the school district's county superintendent, the State Superintendent of Public Instruction (SPI), and the president of the State Board of Education (SBE). Currently, the SPI has sole authority to appoint a trustee or administrator. Require that the trustee or administrator be selected from a list vetted by or recommended by the Fiscal Crisis and Management Assistance Team (FCMAT). Ensuring the appointment of a FCMAT-approved trustee or administrator will improve the expertise of appointees and bifurcating the authority to appoint the trustee or administrator among multiple state and local entities allows for a broader perspective in the selection, provides for multiple tiers of oversight, and helps build local capacity to prevent future insolvency.
2. **Enhance local involvement.** Require appointed administrators to serve under the supervision and direction of the county superintendent, in concurrence with the SPI and the president of the SBE, as necessary. Currently, the SPI assumes the authority and rights of the governing board of the school district, and supervises and directs the administrator. There is increased accountability in distributing the responsibility for supervision among multiple state and local entities, and assigning county offices of education to supervision ensures that they remain engaged in the school district's process of fiscal recovery.
3. **Monitor progress.** Require FCMAT to do an annual progress review of: (1) the fiscal recovery of school districts in state receivership, and (2) the effectiveness of county office of education oversight. Currently, a school district with a state administrator is required to do an annual report on the financial condition of the district, but there is no accountability mechanism in place to ensure that these plans are being completed and implemented, and no review of school districts with trustees. Additionally, require annual audits of school districts that receive emergency apportionments to be performed by entities on the State Controller-approved list of auditing firms. Existing statute requires the Controller to perform annual audits of school districts that receive emergency apportionments until the determination is made that the district is fiscally solvent, however the Controller currently has an audit backlog and may not perform audits of school districts in state receivership in a timely manner.
4. **Integrate with new accountability system.** Automatically qualify school districts in state receivership for state intervention within the K-12 school accountability system, to allow school districts in receivership to access technical assistance for student performance and district management from the California Collaborative for Educational Excellence (CCEE). Additionally, in coordination with FCMAT, require executive staff and board members from school districts in receivership and/or state intervention to attend fiscal management training. Fiscal insolvency and poor student performance are often linked and requiring school districts that have demonstrated poor performance in either area to build capacity around improving student performance and financial accountability will improve both fiscal and academic outcomes.

The Administration also proposes to provide direct financial assistance to Inglewood Unified and Oakland Unified School Districts. Inglewood Unified faces a fiscal shortfall of approximately \$2.3 million in 2018-19, potentially increasing to \$12.9 million or more annually beginning in 2020-21, as a result of declining enrollment, a high and increasing cost share of employee health benefits, high special education costs, leadership instability, and other extenuating factors. The Administration proposes to provide up to \$17.4 million in state aid (as grants, not loans) to Inglewood Unified with \$14.2 million in local contributions over the next four years (the last being 2022-23). In order to receive these funds, Inglewood Unified School District will be required to meet certain benchmarks.

Oakland Unified estimates a fiscal shortfall of \$30.3 million beginning in 2019-20 as a result of its mis-administration of funds. The Administration proposes to provide up to \$34.7 million in state aid (as grants, not loans) to Oakland Unified with \$27.4 million in local contributions over the next four years (the last being 2022-23), with conditions that must be met in order to receive these funds.

Inglewood Unified Aid Proposal			
FY	State Aid	Local Contribution	Benchmarks
2018-19	\$2,742,000	\$0	<ul style="list-style-type: none"> • By the second interim, meet the requirements for qualified or positive certification. • Conduct operational reviews to provide the data needed to right-size the district.
2019-20	\$7,303,500	\$2,434,500	<ul style="list-style-type: none"> • Using operational review data, institute efficiencies and consolidate school sites to right-size the district.
2020-21	\$5,877,750	\$5,877,750	<ul style="list-style-type: none"> • Implement an agreement that is part of a multi-year, fiscally solvent plan that maintains a positive certification.
2021-22	\$1,469,438	\$4,408,313	<ul style="list-style-type: none"> • Enter land-lease agreements to begin generating revenue.
2022-23	\$0	\$1,469,438	<ul style="list-style-type: none"> • Establish a 5 percent reserve.

Oakland Unified Aid Proposal			
FY	State Aid	Local Contribution	Benchmarks
2018-19	\$0	\$0	<ul style="list-style-type: none"> • Develop strategic short- and long-term financial plans based on reasonable economic assumptions that attain fiscal solvency. • Implement a hiring/spending freeze for unrestricted general fund expenditures, excluding health and safety expenditures. • Review construction plans to ensure that costs are reasonable and accurate, and are budgeted correctly.
2019-20	\$20,445,000	\$6,815,000	<ul style="list-style-type: none"> • Adopt a budget and multi-year financial projections that eliminate the structural deficit. • Propose a plan that right-sizes the district, including school site consolidations. • Adopt a budget that is approved and maintains a positive certification. • Establish a 2 percent reserve.
2020-21	\$11,358,000	\$11,358,000	<ul style="list-style-type: none"> • Adopt a budget that is approved and maintains a positive certification. • Establish a 2.5 percent reserve.
2021-22	\$2,903,000	\$8,708,000	<ul style="list-style-type: none"> • Adopt a budget that is approved and maintains a positive certification. • Establish a 3 percent reserve.
2022-23	\$0	\$475,000	<ul style="list-style-type: none"> • Maintain a 3 percent reserve.