

Cash Management

By Travis Williams

At the May 25, 2011 State Allocation Board meeting an item was presented detailing the recommendations of the Subcommittee on Cash Management (Committee). The item was split into three main topics: Fiscal Crisis Regulations, Bond Authority and Cash Management.

Fiscal Crisis Regulations:

Staff presented the Committee with options on the fiscal crisis regulations for the Charter School Facility Program (CSFP), the Critically Overcrowded Schools (COS) Program and Financial Hardship Re-Reviews. Below are the Committee recommendations:

CSFP: The original Committee discussions concerning extending the CSFP fiscal crisis regulations stems from the impact of the funding freeze on the CSFP, as most charter schools do not have the capital to move forward with projects until receiving advance fund releases from the State. Over the course of the Committee meetings, several options were suggested to “level the playing field” between charter schools and districts. To keep things equitable, the Board approved the Committee recommendation to reserve approximately \$73.5 million out of the next bond sale to provide advance fund releases for site and design for the remaining inactive charter school applications.

COS: The Board approved the Committee Recommendation to remove the “inactive” status from the 33 remaining “inactive” COS Preliminary Apportionments. The reactivated projects have approximately ten months to convert or rescind their reservation of bond authority. The fiscal crisis regulations will be allowed to sunset as of July 1, 2011.

Financial Hardship Re-Reviews: The Board approved the Committee recommendation that financial hardship re-reviews should resume. In order to lessen any related workload created for Districts or Staff, re-reviews will be based only on district financial information on or after July 1, 2011 for projects added to the unfunded list between February 25, 2009 and June 30, 2011. In the event that a financial hardship district that was added to an unfunded list prior to July 1, 2011 receives an Apportionment, only the financial information from July 1, 2011 until the Apportionment date will be

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reviewed. For example, if a financial hardship district added to the unfunded list in January 2011 received an Apportionment on November 1, 2011, the re-review would be based on updated information during the time period beginning July 1, 2011, until November 1, 2011 (four months).

Bond Authority:

The Board approved the Committee recommendation that no bonding authority from the Seismic Mitigation Program, the Overcrowding Relief Grant program and the Modernization program should be transferred to alternate programs at this time.

Cash Management:

Over the course of the Committee meetings there was strong support by both the Committee and Stakeholders to continue using the current priority funding system. This system has proven to be highly successful during the first two funding rounds.

The Board approved the Committee recommendation to create two certification filing periods per year. Each period will have a 30-day certification submittal window. The certification will be valid for six months beginning the second Wednesday in January and the second Wednesday in July each year. If a bond sale takes place and cash becomes available, districts that have submitted a certification within the appropriate six-month window will be eligible for priority funding apportionments.

In addition, the Board will be able to provide ongoing monthly priority funding apportionments from cash returning to the SFP through rescissions, return of savings, or sources of cash other than bond sales. The ongoing apportionments are available to districts that submitted a priority funding certification within the 30-day certification window.

Next Steps: The OPSC will submit regulation updates to Sections 1859.81 (financial hardship) and 1859.90.2 (priority funding process) to the Office of Administrative Law. Once the regulations become effective, updates will be posted on the OPSC website and notifications will be sent to all applicable parties.

Information concerning priority funding filing periods will be posted on the OPSC website as the filing period approaches. Additionally, email notifications will be sent to all districts providing information on upcoming priority funding certification periods.

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