

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board, July 26, 2000

REPAYMENT SCHEDULE FOR AMOUNTS DUE THE STATE

PURPOSE OF REPORT

To establish criteria for repaying amounts due the State under the Lease-Purchase Program (LPP) and Year-Round Air-Conditioning Program.

DESCRIPTION

Assembly Bill 1200, Chapter 1213, Statutes of 1991 specified that each school district's budget must address its ability to meet its commitments and demonstrate fiscal solvency and accountability. In view of this, the State has set minimum funding reserves that are monitored by County Offices of Education. These district reserves are generally used as a barometer of a given district's fiscal solvency. Occasionally, districts that are not maintaining appropriate funding reserves and are unable to meet their short-term financial obligations are placed on a list maintained by the California Department of Education (CDE).

As a result of a financial closeout on certain LPP or Year-Round Air Conditioning Program projects, occasionally refunds are due the State in amounts that could cause the district to fall into fiscal distress and precipitate that district being placed on the CDE list. Consequently, specific districts have requested that they be allowed to repay such amounts due over a period of time rather than a one-time lump sum payment or deduction from their school fund apportionment.

BOARD POLICY

There is no State Allocation Board (SAB) policy addressing the repayment of amounts due the State over a period of time.

STAFF COMMENTS

It is not the objective of the Office of Public School Construction (OPSC) to cause districts to experience financial insolvency due to a financial closeout; therefore, guidelines need to be established to allow districts to repay refunds due the State over a period of time under specific circumstances.

This repayment issue was discussed at the July 6, 2000 SAB Implementation Committee. It was agreed that the recommendations listed below be utilized to determine whether or not a district request for a repayment over time can be approved and how the repayment schedule would be structured.

RECOMMENDATIONS

Adopt the following criteria as SAB Policy with regard to districts repaying amounts due the State over a period of time:

1. The district is listed on the CDE List of Qualified and Negative Certifications of School Districts and County Offices of Education current report, or
2. The amount due the State for one or more projects would cause the district to be listed on the CDE's List of Qualified and Negative Certifications of School Districts and County Offices of Education" current report. Provide that the appropriate County Office of Education (COE) must provide a letter to the OPSC that substantiates that the repayment will place the district on the list. Any COE requesting a repayment schedule must have their negative financial condition certified by the CDE.

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RECOMMENDATIONS (cont.)

3. When the circumstances described in 1 or 2 are met, allow the district to repay the amount due the State in a five-year annual repayment schedule.
4. The repayment schedule shall include interest at the same rate as that charged by the Pooled Money Investment Board on the date the repayment is approved.
5. Provide that districts approved for repayment shall have its repayment commence on July 1st of the fiscal year following the repayment approval date.

BOARD ACTION

This Item was approved by the State Allocation Board on July 26, 2000.