



# **Qualified & Negative Certification Status: *Understanding these certifications & how to avoid them***

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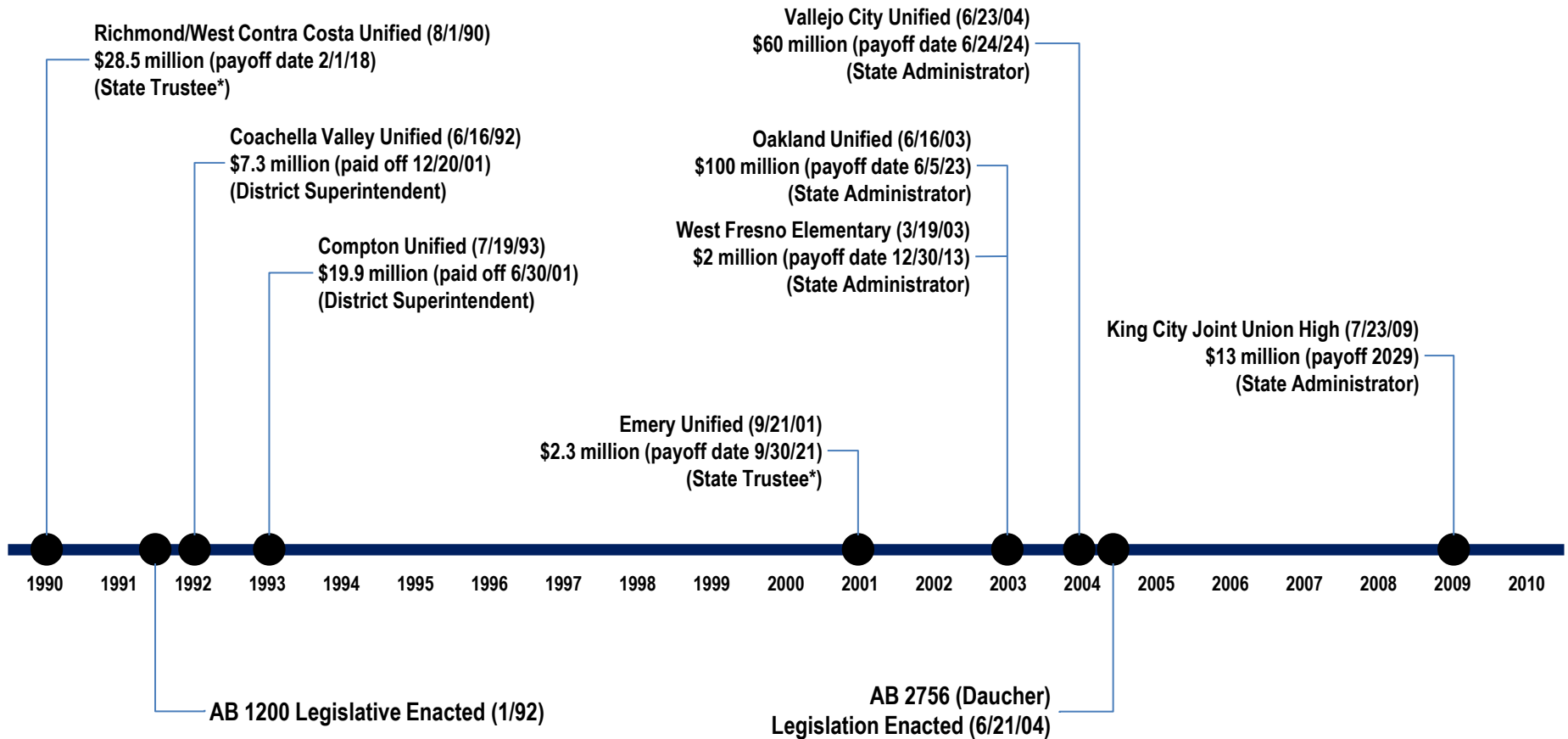
*John Gray, School Services of California*



## **Webcast Agenda**

- What the certifications mean
- Your role
- Key questions
- Budget tools
- Best practices
- State takeover process
- Q&A

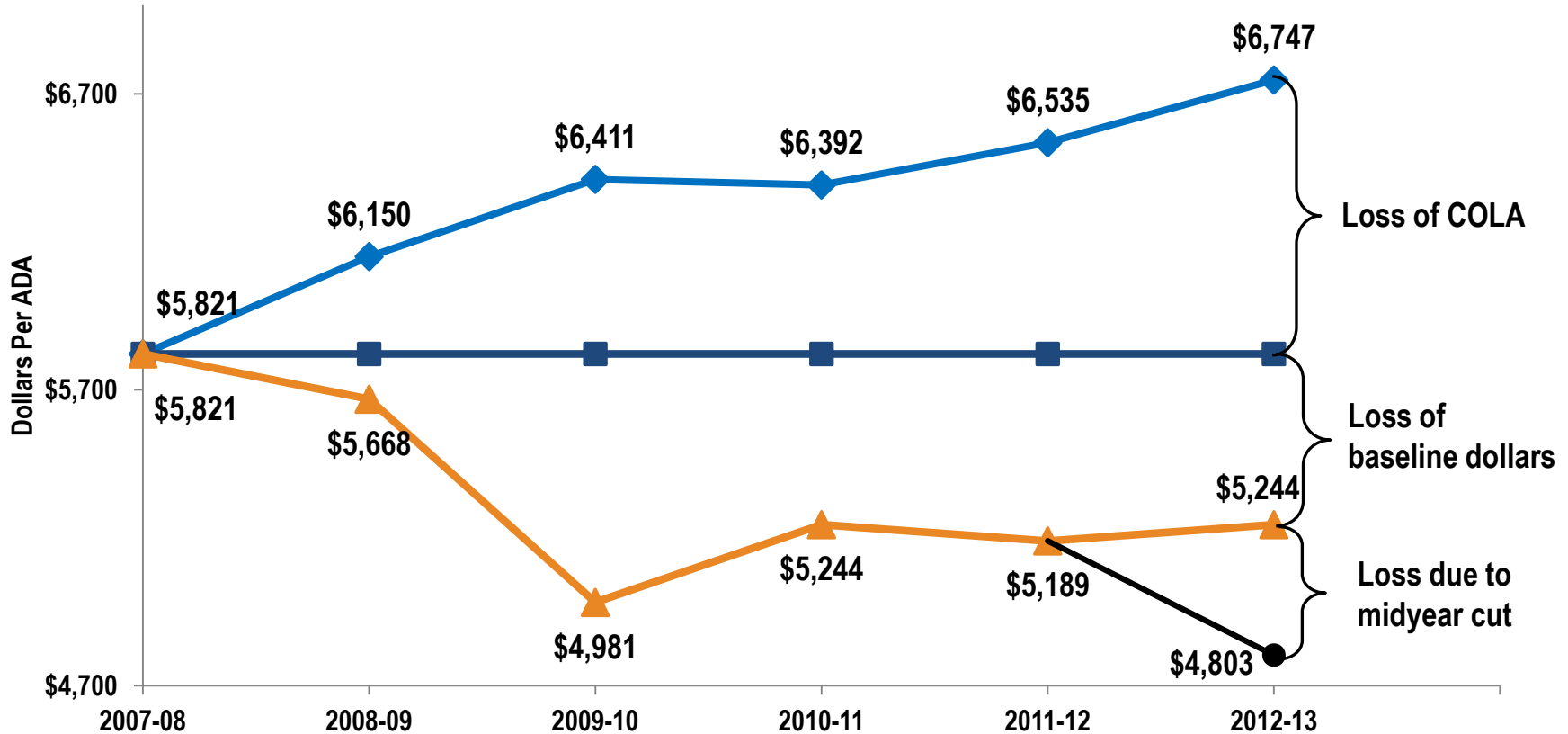
# California State Loans to School District 1990 to Present



\* The state trustee shall serve until the loan is repaid (EC 41320.1)

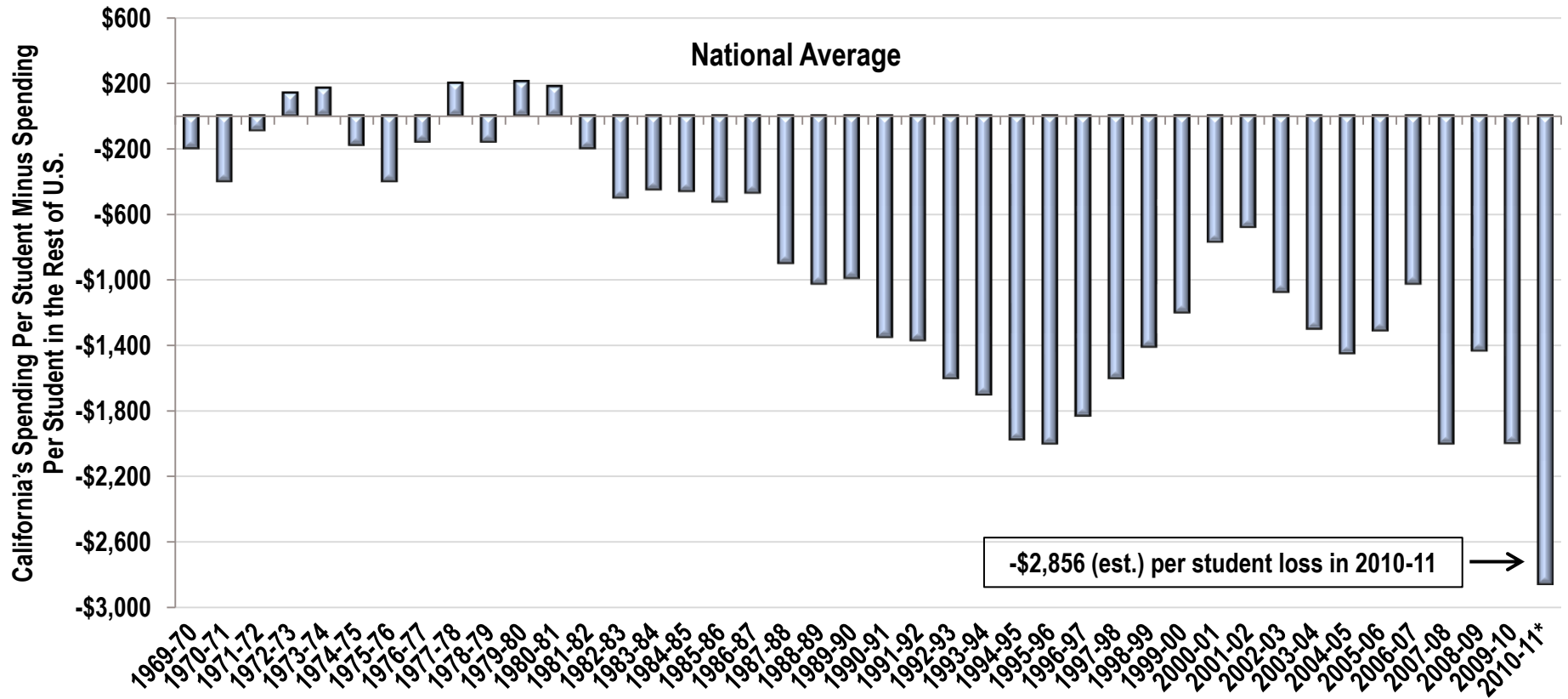
# Funding Per ADA – Actual vs. Statutory Level

## Average Unified District



# California's Education Spending Continues to Lag

California's K-12 Spending Per Student Lags Behind That of the Rest of the U.S. More Than at Any Time in 40 Years



\* 2010-11 data estimated

Note: Rest of U.S. excludes the District of Columbia

Source: National Education Association



## **What Governance Teams Can Do**

- Put students first in decision-making.
- Prioritize the programs in your district and identify which are most effective.
- Eliminate programs that haven't been working.
- Educate your parents and the public on the greater education funding problem.
- Engage your community in your schools.



## **The 4 Questions You Must Ask at Your Next Board Meeting**

- How are we working with our County Office of Education to help solve this problem?
- Where are we in the collective bargaining process?
- How will our budget change if the Governor's initiative fails or passes in November?
- What community partners are we engaging to help us through this problem?



## **Resources**

- CSBA
- FCMAT (Fiscal Crisis Management Assistance Team)
- County Office of Education
- California Department of Education





# **Best Practices**

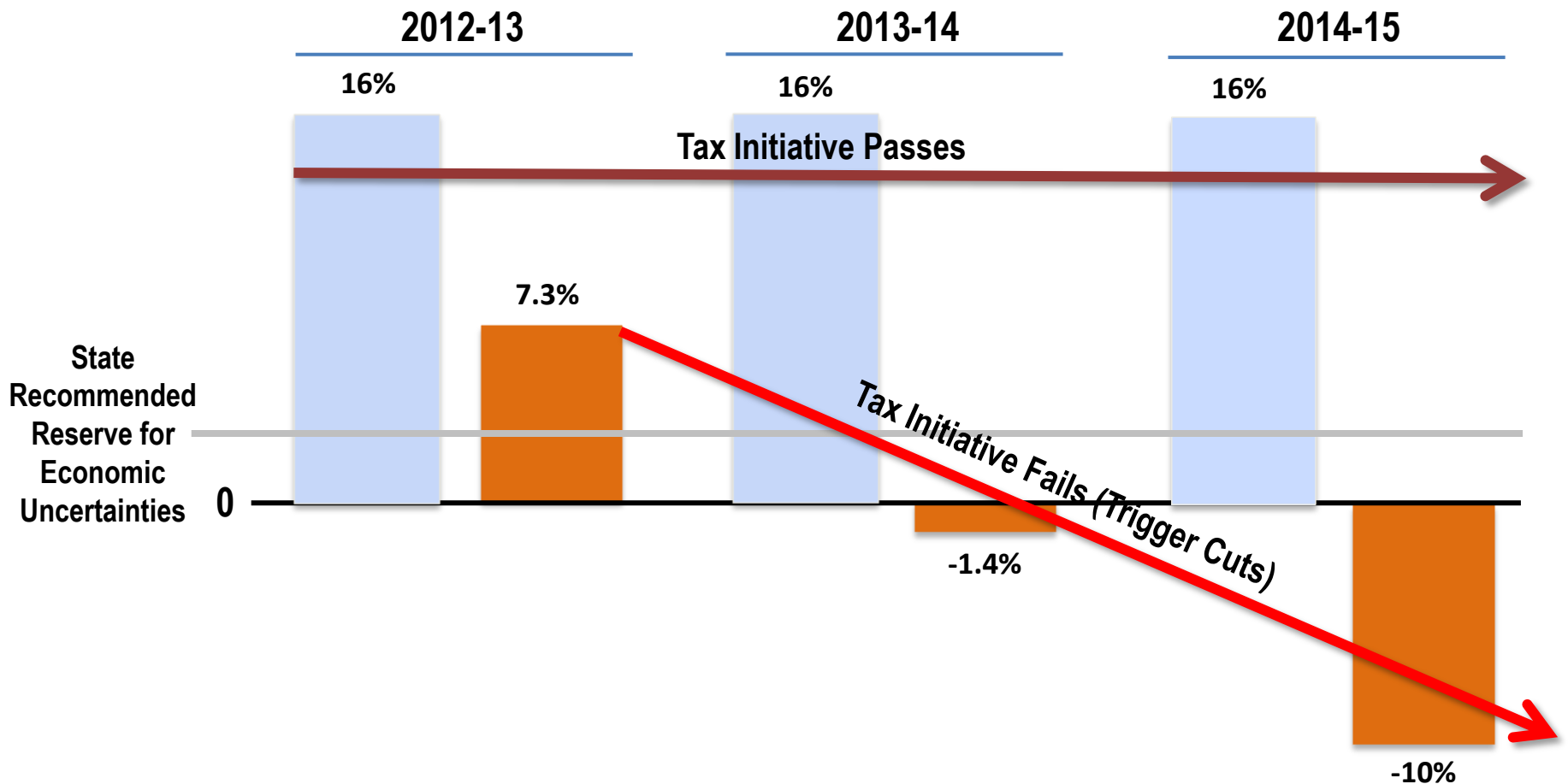
- Discuss your key values and how you will prioritize cuts?
- Make the cuts now ... don't put them off.
- Engage your employee organizations in the solution. They can represent up to 90% of your budget.
- Educate the public about your budget, what caused the problem and next steps.
- Engage your community.



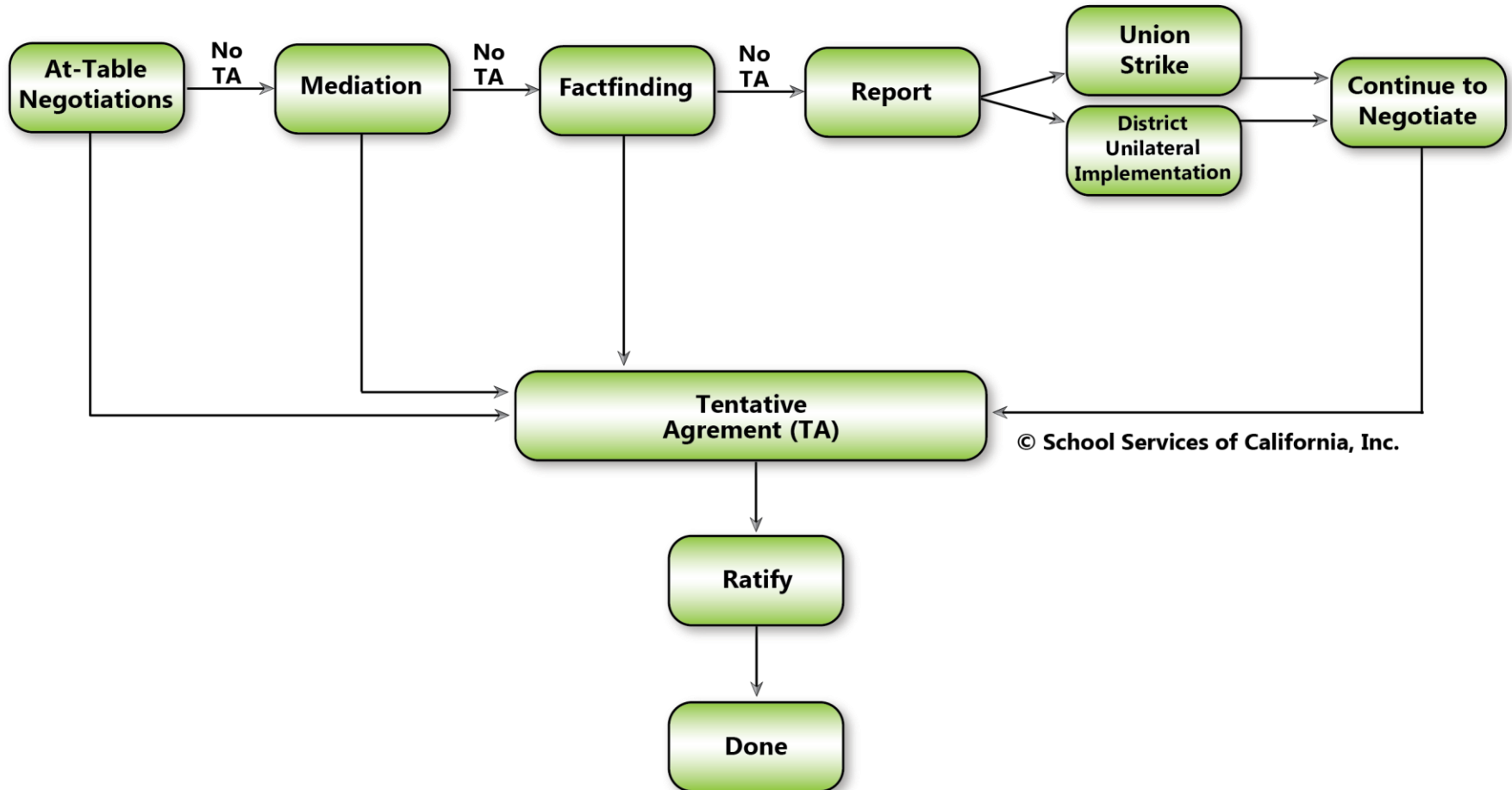
## **Anticipating the Triggers**

- Potential 15-day reduction to school year.
- Allow time for the collective bargaining process.
- Begin the notice of intent to bargain now.
- Impasse process implications and timelines.
- Cash flow considerations.

# Ending Fund Balance Example



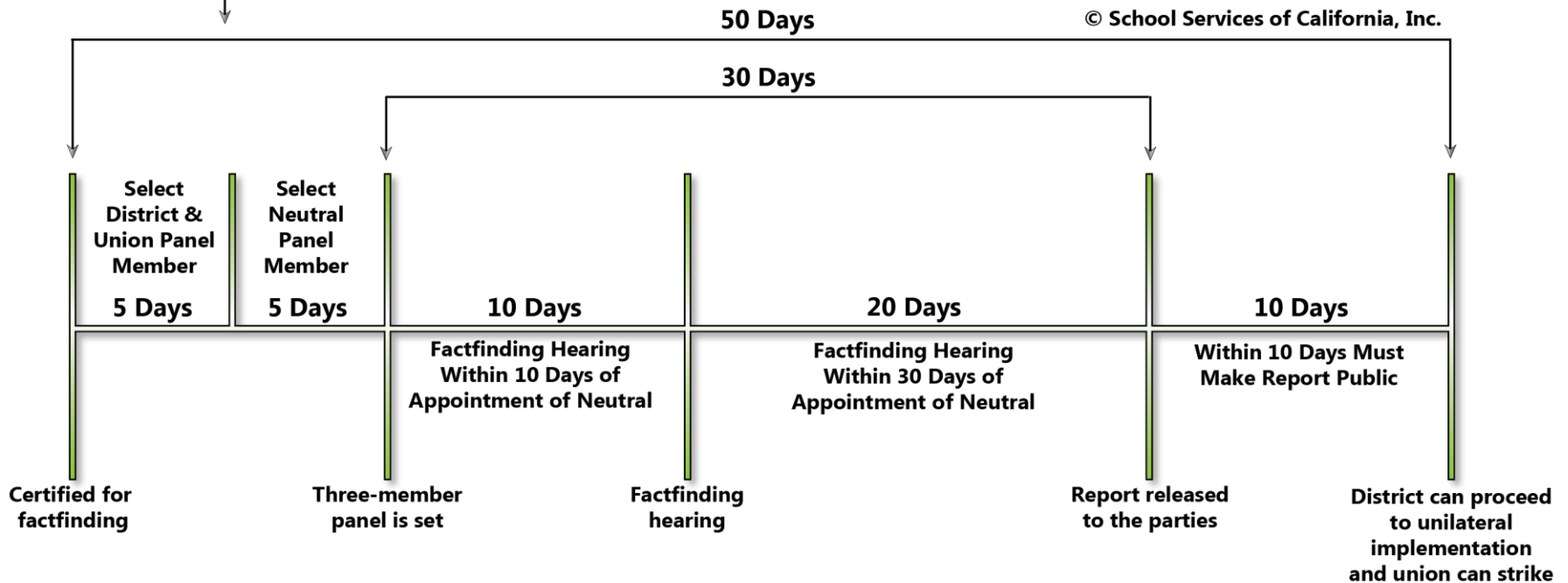
# Negotiations Process



# Negotiations Process Timelines



**Timeline if Either Party Does Not Waive Timelines**



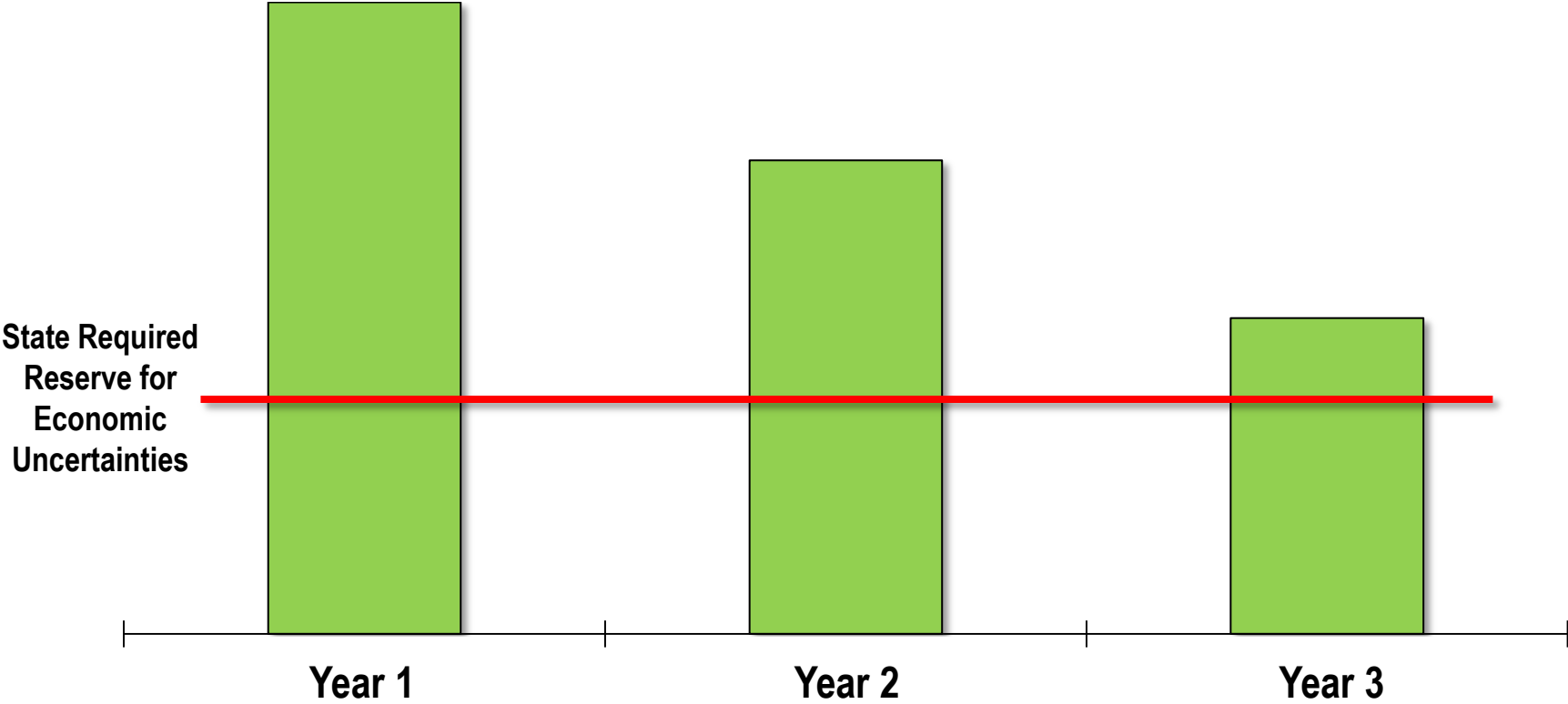


# The State Takeover Process

1. District submits its budget with its status.
  - Positive
  - Qualified
  - Negative

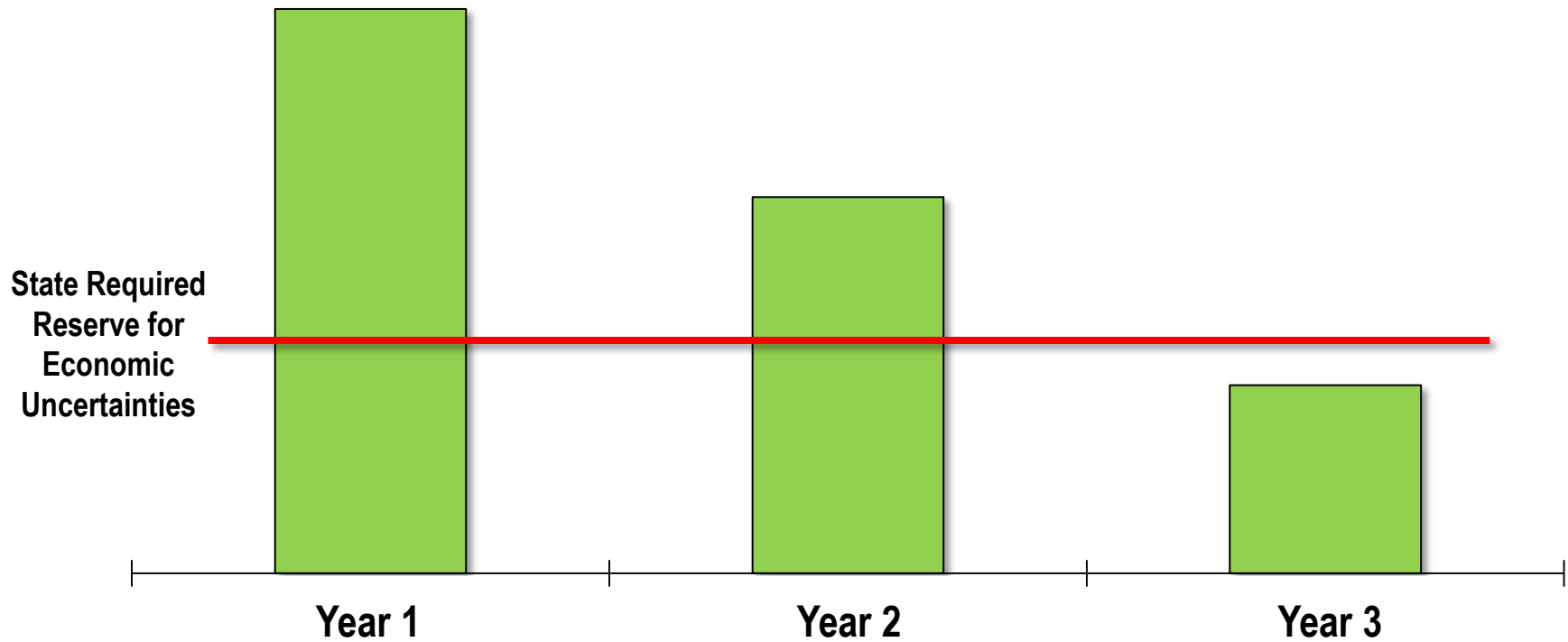
# Positive Certification

## Ending Fund Balance



# Qualified Certification

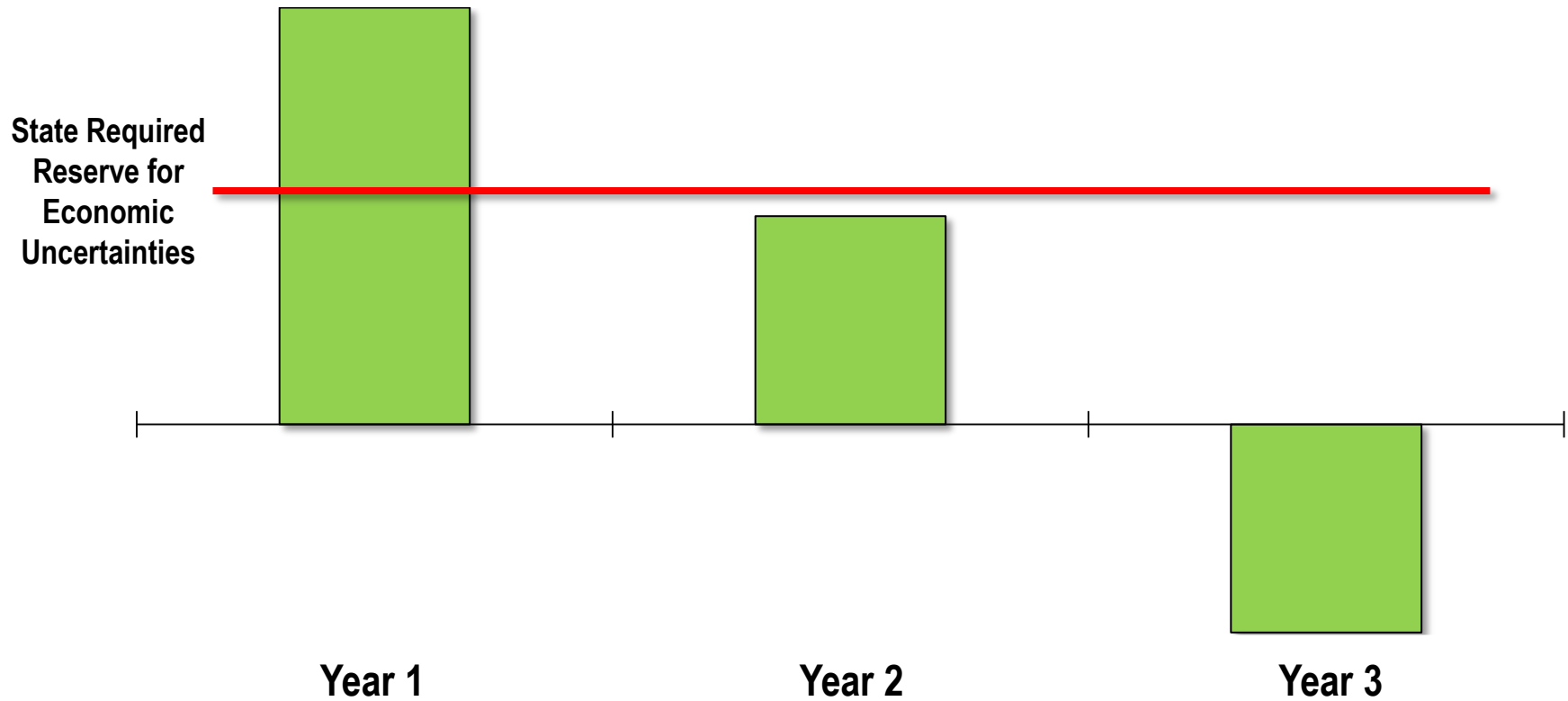
## Ending Fund Balance





# Negative Certification

## Ending Fund Balance





## **The State Takeover Process**

2. County Office reviews budget and certifies status.
3. County Office intervenes to help you balance your budget, including authority to stay and rescind purchases.
4. District seeks loans from inside and outside sources to maintain cash flow to support current operations.
5. Seek a State Loan from the Legislature.



## **The State Takeover Process**

6. Accept State Loan and State Administrator!
7. Administrator runs the district at your full expense.
8. Administrator makes cuts in staff , programs and services.
9. Budget migrates to positive status. District receives an appointed Trustee with stay & rescind power until the loan is fully paid off.



## **About Emergency State Loans**

- Option of last resort
- Requires legislation (7 loans in 20 years)
- Financed through the CA Infrastructure & Economic Development Bank (I-Bank)
- High-interest loan, pre-payment penalty, interest fees on full amount not on line of credit



## About Emergency State Loans

- Administrator takes full control of district/trustee then appointed for remainder of loan term with stay & rescind power
- The superintendent is fired by statute. The board becomes advisory and loses all compensation and benefits



## **Conclusion**

- Take action.
- Accept that you'll have to make painful cuts and that the community may not approve of.
- Stay tuned for more resources and webcasts from CSBA.