



District Business & Advisory Services

Nimrat Johal: Director- DBAS: 408-453-6599

Cathy McKim, Manager-DBAS: 408-453-6588

Bulletin: 12-143

Date: June 5, 2012

To: District Fiscal Directors

From: Cathy McKim

Re: Exemption from Apportionment Deferrals in Fiscal Year 2012–13- **Deadline extended to June 15th**

The purpose of this email is to notify you that the California Department of Education (CDE) has posted a letter and other materials related to the cash deferrals that will occur in fiscal year 2012–13. The letter contains time-sensitive information about application requirements and deadlines for those school districts, charter schools, and county offices of education that are eligible to apply for an exemption from specified deferrals.

Assembly Bill (AB) 103 (Chapter 13, Statutes of 2012) amended *Government Code* Section 16326 to defer payments of fiscal year 2012–13 K–12 apportionments in July, August, and October 2012, and March 2013. AB 103 provides the opportunity for school districts, charter schools, and county offices of education to apply for exemption from these deferrals by June 1, 2012. **Due to the late enactment of the bill, however, the Department of Finance has agreed to accept applications as late as June 15, 2012.**

I have attached the letter for your convenience; however, a copy of the letter, application forms, and other information is located on the CDE Web page at <http://www.cde.ca.gov/fg/fi/ir/> .

Please distribute this memo within your District as deemed appropriate.



CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

May 30, 2012

Dear County Superintendents of Schools, County Chief Business Officials, District Superintendents, District Chief Business Officials, and Charter School Administrators:

APPORTIONMENT DEFERRALS IN FISCAL YEAR 2012-13

On May 23, 2012, the Governor signed Assembly Bill (AB) 103 (Chapter 13, Statutes of 2012) to address the state's ongoing cash crisis by deferring a variety of K-12 payments within fiscal year 2012-13. The purpose of this letter is to provide you with information regarding these deferrals and the opportunities for local educational agencies (LEAs), which include county offices of education, school districts, and charter schools, to apply for an exemption.

AB 103 Apportionment Deferrals (Deferred and Repaid Within Fiscal Year 2012-13) The legislation requires that 2012-13 K-12 payments that would otherwise be made in four separate months be deferred and repaid later in the 2012-13 fiscal year. Specifically, *Government Code* Section 16326(a)(2) requires that \$1.2 billion in K-12 payments be deferred from July 2012, with \$700 million paid in September 2012 and \$500 million paid in January 2013; \$600 million be deferred from August 2012 to January 2013; \$800 million be deferred from October 2012 to January 2013; and \$900 million be deferred from March 2013 to April 2013.

Deferral Exemption. AB 103 permits LEAs to apply for an exemption from the July, August, and October 2012 and the March 2013 deferrals it enacts and repays within the same fiscal year. **Statutes specify a due date of June 1, 2012; however, due to the late enactment of the bill, the Department of Finance has agreed to accept applications as late as June 15, 2012.**

AB 103 provides a second opportunity to apply by **January 4, 2013**, for exemption from the March 2013 to April 2013 deferral. The second application process for the March 2013 exemption will be available in December 2012. Below we describe separately the deferral exemption application processes for county offices of education, school districts, and charter schools because their submission and certification requirements differ.

Ongoing Cross-Year Deferrals. California *Education Code (EC)* sections 14041.5 and 14041.6 provide for ongoing deferrals in February, March, April, May, and June 2013 that are to be repaid in fiscal year 2013-14. With the exception of the June deferral, there is no exemption process available for these cross-year deferrals. Applications for the June deferral exemption will be available in February 2013, with an April 1, 2013 deadline, through a separate process.

Cash Flow Projections. All applications must be accompanied by a cash flow projection covering the period of July 2012 through April 2013. Regarding assumptions supporting the cash flow projection, we have posted at <http://www.cde.ca.gov/fg/aa/pa/1213papavest.asp> a cash flow tool that will assist LEAs to project principal apportionment cash flow under five different scenarios. **However, after consulting the approving agency, the Department of Finance, we are recommending at this time using Scenario C.** For categorical apportionments, we recommend assuming that 100 percent of the July combined 5-5-9 categorical payment and the deferred payments from 2011-12 for the School Safety and Violence Prevention Program and the Targeted Instruction Improvement Block Grant will be deferred to January. For March, we recommend assuming that 100 percent of the 5-5-9 combined March categorical payment and 68 percent of the March Economic Impact Aid program payment will be deferred to April.

School District Applications for Exemption from the AB 103 Deferrals

Subject to the approval of the Department of Finance, in order for a school district to be exempt from the AB 103 deferrals, its county superintendent of schools must certify to the State Superintendent of Public Instruction (SSPI) and Department of Finance on or before **June 15, 2012**, that the deferral of 2012-13 payments in July, August, October, and March will result in the school district being unable to meet its expenditure obligations for the time period during which warrants are deferred. If a school district's request for exemption is approved, the school district will receive all scheduled payments during these four months. Note: The month of March also has a cross-year deferral, so the exemption will only provide a scheduled payment for a portion of the March payment.

To request an exemption, a school district must complete the form entitled "Application and Certification to Exempt a School District from the July, August, October & March 2012-13 Apportionment Deferrals." The form can be found by selecting the appropriate link on the California Department of Education (CDE) Web page at <http://www.cde.ca.gov/fg/fi/ir/>.

As directed on the application form, school districts must provide narrative and/or documents that demonstrate that the school district has exhausted all internal and external sources of borrowing and meets the criteria for a state emergency loan in order to meet its financial obligations during the period that warrants are deferred. A school district that is qualified or negative in certification status is not deemed to automatically meet the above criteria. A cash flow projection must be included in that documentation. The cash flow projection must show clearly the months in which the deferrals are assumed to be implemented and repaid. In addition, the cash flow projection must identify and recognize the inflow and repayment of all sources of borrowing.

School districts must submit the completed forms and supporting documentation as described above to their county superintendent of schools for review, comments, and certification. Applications that are submitted without the county office's certification will not be accepted. The county superintendents must submit completed, certified application forms and supporting documentation for their school districts to both the Department of Finance and the CDE. Counties may fax or send via e-mail attachment a scanned copy of the original to the Department of Finance but the fax/scan must be followed by the submission of the hard copy original. County offices should mail a copy or send via e-mail attachment a scanned copy to the

CDE. The contact information is below.

Send original to:

Send copy to:

Department of Finance
Education Systems Unit
Attention: Keith Nezaam
915 L Street, 7th Floor
Sacramento, CA 95814
Telephone: 916-445-0328
Scan: Keith.Nezaam@dof.ca.gov
Fax: 916-323-9530

California Department of Education
School Fiscal Services Division
Attention: Arlene Matsuura
1430 N Street, Suite 3800
Sacramento, CA 95814
Telephone: 916-327-0538
Scan: ab1200@cde.ca.gov

If you have any questions regarding the application process for school districts, please call the CDE at 916-327-0538 to be connected to the staff person assigned to the school district's county.

Charter School Applications for Exemption from the AB 103 Deferrals

Subject to the approval of the Department of Finance, in order for a charter school to be exempt from the AB 103 deferrals, its authorizer (county office, school district or State Board of Education) must certify, in consultation with the county superintendent of schools, to the SSPI and Department of Finance on or before **June 15, 2012**, that the deferral of 2012–13 payments in July, August, October, and March will result in the charter school being unable to meet its expenditure obligations for the time period during which warrants are deferred. If approved, the charter school will receive all scheduled payments during these four months. Note: The month of March also has a cross-year deferral, so the exemption will only provide a scheduled payment for a portion of the March payment.

To request an exemption, a charter school must complete the form entitled "Application and Certification to Exempt a Charter School from the July, August, October & March 2012–13 Apportionment Deferrals." This form can be found by selecting the appropriate link on the CDE Web page at <http://www.cde.ca.gov/fq/fi/ir/>.

As directed on the application form, charter schools must submit narrative and/or documents that demonstrate that the charter school has exhausted all internal and external sources of borrowing and will become insolvent and forced to cease operations given the deferral of payments. A cash flow projection must be included in that documentation. The cash flow projection must show clearly the months in which the deferrals are assumed to be implemented and repaid. In addition, the cash flow projection must identify and recognize the inflow and repayment of all sources of borrowing.

Charter schools must submit the completed forms and supporting documentation as described above to their charter school authorizer. The authorizer must review and certify the information, in consultation with the county superintendent of schools. Charter school authorizers must submit a completed, certified application form, and supporting documentation on behalf of charter schools to both the Department of Finance and the CDE. Applications that are submitted without the charter authorizer's certification will not be accepted. Charter school authorizers may fax or send via e-mail attachment a scanned copy of the original to the Department of Finance but the fax/scan must be followed by the submission of a hard copy original. Charter school authorizers should mail or send via e-mail attachment a scanned copy of the original to the CDE. The contact information is below.

Send original to:

Send copy to:

Department of Finance
Education Systems Unit
Attention: Keith Nezaam
915 L Street, 7th Floor
Sacramento, CA 95814
Telephone: 916-445-0328
Scan: Keith.Nezaam@dof.ca.gov
Fax: 916-323-9530

California Department of Education
School Fiscal Services Division
Attention: Arlene Matsuura
1430 N Street, Suite 3800
Sacramento, CA 95814
Telephone: 916-327-0538
Scan: ab1200@cde.ca.gov

If you have any questions regarding the application process for charter schools, please call the CDE at 916-327-0538 to be connected to the staff person assigned to the charter school's county.

County Office Applications for Exemption from the AB 103 Deferrals

Subject to the approval of the Department of Finance, in order for a county office or school district governed by a county board of education to be exempt from the AB 103 deferrals in fiscal year 2012–13, its county superintendent of schools must apply to the SSPI by **June 15, 2012**. In turn, the SSPI must certify to the Department of Finance on or before June 15, 2012, that the deferrals will result in the county office being unable to meet its expenditure obligations for the time period during which warrants are deferred. If approved, the county office will receive all scheduled payments during these four months. Note: The month of March also has a cross-year deferral, so the exemption will only provide a scheduled payment for a portion of the March payment.

To request an exemption, the county superintendent of schools should complete and sign the form entitled "Application and Certification to Exempt a County Office of Education from the July, August, October & March 2012–13 Apportionment Deferrals."

The form can be found by selecting the appropriate link on the CDE Web page at <http://www.cde.ca.gov/fq/fi/ir/>.

As directed on the application form, county superintendents must submit narrative and/or documents that demonstrate that the county office has exhausted all internal and external sources of borrowing and will need a state emergency loan if the payments are deferred. A county office that is qualified or negative in certification status will not be deemed to automatically meet the above criteria. A cash flow projection should be included in that documentation. The cash flow projection must show clearly the months in which the deferrals are assumed to be implemented and repaid. In addition, the cash flow projection must identify and recognize the inflow and repayment of all sources of borrowing.

County offices must submit their completed and signed application forms and supporting documentation to the CDE at the address below by **June 15, 2012**. Applications and documents may be scanned and sent via e-mail attachment to the CDE on or before the deadline but the scan must be followed by the submission of a hard copy original to:

Peggy O'Guin
School Fiscal Services Division
California Department of Education
1430 N Street, Suite 3800
Sacramento, CA 95814
Scan: ab1200@cde.ca.gov

If you have any questions regarding the application process for county offices, please contact Peggy O'Guin, Administrator, School Fiscal Services Division at 916-322-1770 or by e-mail at poquin@cde.ca.gov.

A copy of this letter, the application forms, and legal references related to internal and external borrowing and the deferrals, can be found by visiting the CDE Web page at <http://www.cde.ca.gov/fg/fi/ir/>. After the Department of Finance approves the LEAs for exemption, the CDE will post the list of exempted agencies on this Web site as well.

If you have further questions regarding the topics listed below, please contact the staff person listed for that topic:

- For charter school or school district deferral exemptions, please contact the staff person assigned to the charter school or school district's county by calling the CDE at 916-327-0538.
- For county office deferral exemptions, please contact Peggy O'Guin, Administrator, School Fiscal Services Division, at 916-322-1770 or by e-mail at poquin@cde.ca.gov.
- For cash flow planning for the principal apportionment, please contact Elizabeth Dearstyne, Fiscal Consultant, School Fiscal Services Division, by phone at 916-327-0398 or by e-mail at edearstyne@cde.ca.gov.
- For cash flow planning for categorical funds allocated by CDE outside the principal apportionment, please contact Marcie Gregory, Fiscal Consultant, School Fiscal Services Division, by phone at 916-324-4537 or by e-mail at mgregory@cde.ca.gov.

For general questions regarding this letter, please contact Arlene Matsuura, Administrator, School Fiscal Services Division, by phone at 916-327-0538 or by e-mail at amatsuur@cde.ca.gov.

Sincerely,

Scott Hannan, Director
School Fiscal Services Division

California Department of Education
1430 N Street
Sacramento, CA 95814

Last Reviewed: Wednesday, May 30, 2012