



Santa Clara County Office of Education

Charles Weis, Ph.D.
County Superintendent of Schools

Urgent Bulletin

For Santa Clara County Districts

District Business & Advisory Services

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

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

Bulletin: 12-905

Date: March 1, 2012

To: District Chief Business Officers
District Fiscal Directors
Charter School Directors

From: Nimrat Johal

Re: Application to file for waiver from June Apportionment Deferral

The California Department of Education (CDE) has released a letter, dated February 15, 2012, (attached), that provides instructions for school districts and charter schools to apply for exemption from the June 2012 apportionment deferral due to financial hardship. Local Educational Agencies (LEAs) that received approval for exemption for any previous period **must** reapply.

Without a waiver, the entire June 2012 Second Principal Apportionment payment will be deferred to July 2012. If a district's waiver is approved, it will receive a payment of 2011-12 funds in June 2012 up to the amount needed to cover its expenditure obligations as reflected in the deferral exemption application, but not greater than the amount that would originally have been paid in June 2012. **It is imperative that districts consider the impact of the re-certified Principal Apportionment as of P-1 in determining whether a deferral waiver is needed. This is due to the fact that the DOF has reduced the state aid for several districts based on assumed increase in their share of property taxes arising from the dissolution of Redevelopment Agencies (RDAs).** The process for approval of waivers is as follows:

- Exemptions totaling up to \$100 million will be approved by the Department of Finance (DOF).
- If requests exceed \$100 million, the State Controller, State Treasurer, and DOF will authorize exemptions totaling up to \$300 million.
- If requests exceed the amount available, payments will be made on a first-come, first-served basis.

Attached are applications for each type of LEA (school district or charter school). They are due to the CDE and DOF by April 1, 2012. School districts must complete the exemption application form and forward it to:

Santa Clara County Office of Education
District Business and Advisory Services
MC 252
1290 Ridder Park Drive
San Jose, CA 95131

The forms require certification from the Santa Clara County Superintendent of Schools (County Superintendent) and **must be received in our office by March 16, 2012**, in order for us to submit

them to the CDE and the DOF by their deadline of April 1, 2012. The letter and forms are also available on the CDE's Web site at:

www.cde.ca.gov/fg/fi/ir/june12deferral.asp

Required Documents and Cash Flow Assumptions

Districts must provide the following documents with the deferral exemption application forms.

- Narrative and documents that demonstrate that the district has exhausted all internal and external sources of borrowing, and will need a State emergency loan in order to meet its financial obligations during the deferral time period.
- General Fund cash flow projections for 2011-12 clearly demonstrating that the district will be unable to meet expenditure obligations should the waiver not be granted. The cash flow projection must recognize the inflow and repayment of all sources of borrowing; and
- clearly show the amount of additional funds necessary to meet expenditure obligations in June 2012.
- 2011-12 Board-adopted resolution to allow inter-fund borrowing and borrowing from the County Treasurer.
- Projected 2011-12 cash balances in other funds, if available for inter-fund borrowing.
- Status of Tax and Revenue Anticipation Notes (TRANs).

To assist in the preparation of cash flow projections, the CDE has posted a cash flow schedule on their website listed above. Districts should refer to the attached CDE letter for more information regarding the assumptions to be used in the preparation of cash flow projections.

Please note that the exemptions **will not** be automatically granted to districts that have a qualified or negative certification status. All districts must apply for the deferral exemption in order to be considered.

Charter Schools

Charter schools are eligible for the June 2012 deferral exemptions using the same criteria, and by meeting the same eligibility requirements as school districts. However, charter schools' exemption applications do not require County Superintendent certification. The authorizing agency certification is required instead. The CDE recommends that authorizing districts consult with the County Superintendent when reviewing and certifying the information. The charter school's authorizing agency must complete a portion of the form, approve, and certify the form **prior** to submittal directly to the CDE and DOF by April 1, 2012.

Charter schools should contact their authorizing agency, with any questions regarding apportionments, timelines, forms, budget assumptions, or any other issues.

Please share this information as deemed appropriate.

Approved by: Kenneth Shelton

Chief Business Officer



TOM TORLAKSON
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

February 15, 2012

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

EXEMPTION FROM THE APPORTIONMENT DEFERRAL IN JUNE 2012

On October 19, 2010, the Governor signed Assembly Bill 1610 (Chapter 724, Statutes of 2010). This legislation added California *Education Code (EC)* Section 14041.7 which provides the opportunity for school districts and charter schools to apply for a dollar-limited exemption from the deferral of the June 2012 principal apportionment payment to July 2012. There is no exemption provision for county offices of education. Exemptions totaling up to \$100 million may be approved by the Department of Finance. If requests for exemptions exceed \$100 million, the State Controller, State Treasurer, and Department of Finance may authorize exemptions totaling up to \$300 million. If requests exceed the amount available, payments will be made in order based upon the earliest date and time that the complete application was received via e-mail, fax, or mail.

Applications are due per statute no later than **April 1, 2012**.

The purpose of this letter is to provide you with information regarding the process for applying for an exemption. Below we describe separately the deferral exemption application processes for school districts and charter schools because their submission and certification requirements differ. Following that discussion, we provide resources that will help school districts and charter schools prepare a cash flow projection that is a required part of every application.

School District Applications for Exemption from the June 2012 Deferral.

Subject to the approval of the Department of Finance, in order for a school district to be exempt from the June 2012 deferral, its county superintendent of schools must certify to the State Superintendent of Public Instruction (SSPI) and Department of Finance on or before **April 1, 2012**, that the deferral of payments during February through June 2012 will result in the school district being unable to meet its expenditure obligations for June and an estimate of the amount of additional funds necessary for the school district to meet its expenditure obligations for the month of June. If approved, the district will receive the lesser of (1) the total amount of additional funds necessary to meet its expenditure obligations for the month of June or (2) the total June principal apportionment payment the district is entitled to receive in July.

To request an exemption, a school district must complete the form entitled "Application and Certification to Exempt A School District From The June 2012 Apportionment Deferral." 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 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 will need a state emergency loan in order to meet its financial obligations for June 2012. A school district that is qualified or negative in certification status is not deemed to automatically meet the above criteria. A cash flow projection for fiscal year 2011–12 must be included in that documentation. The cash flow projection for June must include only those expenditure obligations that must be paid in June 2012. In addition, the cash flow projection must recognize the inflow and repayment of all sources of borrowing such that the ending cash balance in June equals the additional funds necessary to meet the expenditure obligations for June 2012.

School districts must submit the completed form and supporting documentation as described above to their county superintendent of schools for review, comments as appropriate, 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 by **April 1, 2012**, 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 copy to:

Send original to:

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

Department of Finance
Education Systems Unit
Attention: Chris Ferguson
915 L Street, 7th Floor
Sacramento, CA 95814
Telephone: 916-445-0328
Scan: chris.ferguson@dof.ca.gov
FAX: 916-323-9530

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

Charter School Applications for Exemption from the June 2012 Deferral.

Subject to the approval of the Department of Finance, in order for a charter school to be exempt from the June 2012 deferral, 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 **April 1, 2012**, that the deferral of payments during February through June 2012 will result in the charter school being unable to meet its expenditure obligations for June 2012 and the amount of additional funds necessary for the charter school to meet its expenditure obligations for the month of June. If approved, the charter school will receive the lesser of (1) the total amount of additional funds necessary to meet its expenditure obligations for the month of June or (2) the total June principal apportionment payment the charter school is entitled to receive in July 2012.

To request an exemption, a charter school must complete the form entitled "Application and Certification to Exempt A Charter School From The June 2012 Apportionment Deferral." 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 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 during February through June 2012. A cash flow projection for fiscal year 2011-12 must be included in that documentation. The cash flow projection for June must include only those expenditure obligations that must be paid in June 2012. In addition, the cash flow projection must recognize the inflow and repayment of all sources of borrowing such that the ending cash balance in June equals the additional funds necessary to meet the expenditure obligations for June 2012.

Charter schools must submit the completed form 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 completed, certified application forms and supporting documentation on behalf of charter schools by **April 1, 2012**, 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.

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FAX: 916-323-9530

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

All Local Educational Agencies' (LEAs') Applications for Exemption

Cash Flow Projections. All applications must be accompanied by a fiscal year 2011-12 cash flow projection. The cash flow projection should assume all enacted deferrals, unless previously exempted. To assist in the preparation of the projections,

the CDE has posted a cash flow schedule on the CDE Web page at <http://www.cde.ca.gov/fq/aa/ca>. The schedule shows the statewide cash flow projections and assumptions that may be used in developing LEA-level projections. In addition, on the same Web page, the CDE posts entitlement and apportionment schedules for many categorical programs, which show the timing and amount of allocations by LEA.

Principal apportionment amounts by LEA through May 2012 can be found at <http://www.cde.ca.gov/fq/aa/pa/pa1112.asp>. LEAs should assume that their entire principal apportionment payment for June 2012 is deferred.

In order to calculate the July 2012 payment for the June apportionment, LEAs should do the following:

1. Estimate the P2 Principal Apportionment total (column B1 on the Principal Apportionment Summary).
2. Sum the payments it has received or will receive for the fiscal year 2011–12 between July 2011 and May 2012 plus the amounts deferred from February to July, March to August, April to July and August, and May to July and August (see Payment Schedule Summary – LEA detail).
3. Subtract the result of number two from number one. This is the balance that will be paid in July for the June 2012 apportionment.

A copy of this letter, the certification forms, all legal references related to internal and external borrowing and the June deferral, links to the cash flow schedule, categorical entitlement and apportionment schedules, and principal apportionment detail can be found by visiting the CDE Web page at <http://www.cde.ca.gov/fq/fi/ir/>. After the Department of Finance approves the school districts and charter schools for exemption, the CDE will post the list of exempted agencies on this site as well.

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

- Regarding a charter school or school district deferral exemption, please call CDE at 916-327-0538 and ask to speak with the staff person assigned to the charter school or school district's county.
- Regarding cash flow planning for the principal apportionment, please contact Elizabeth Dearstyne, Consultant, School Fiscal Services Division, by phone at 916-327-0398 or by e-mail at edearstyne@cde.ca.gov.
- Regarding cash flow planning for categorical funds allocated by CDE outside the principal apportionment, please contact Nancy Cook, Manager, by phone at 916-323-1314 or by e-mail at ncook@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

Last Reviewed: Tuesday, February 21, 2012

**Application and Certification to Exempt A School District From The
June 2012 Apportionment Deferral**

School districts must complete Sections A through C of this application and submit it with all required documents, as described below, to the county superintendent of schools for review, any comment, and certification. County superintendents complete Sections D through F of this form.

A. The school district identified below is applying for an exemption from the deferral of principal apportionment payments during June 2012 pursuant to the provisions of Assembly Bill 1610 (Chapter 724, Statutes of 2010). The school district is eligible to make this application in that it meets all of the following criteria:

- It has exhausted all internal and external sources of borrowing including those pursuant to California *Education Code (EC)* sections 42603, 42620, 42621, the *California Constitution*, Article XVI, Section 6, and *Government Code* Section 53850 et.seq.
- The deferral of warrants in February through June will result in the school district being unable to meet its expenditure obligations for the month of June, and
- If not exempt, the school district will require a state emergency loan pursuant to the criteria in the *EC* commencing with Section 41320.

The amount of additional funds necessary for the school district to meet its expenditure obligations during the month of June is \$_____. The school district may receive in June no more than the lesser of (1) the total amount of additional funds necessary for the school district to meet its expenditure obligations during the month of June, or (2) the total June principal apportionment payments the school district is entitled to receive in July.

_____ County-District Code

_____ District Name

B. The school district must provide narrative below and attach documents as necessary that demonstrate that the district has exhausted all internal and external sources of borrowing, will be unable to meet its expenditure obligations and will need a state emergency loan in the absence of specific payments in June, as detailed in the February 15, 2012, letter from the California Department of Education (CDE). Attach a current cash flow statement covering, at a minimum, July 2011 through June 2012. Please refer to the February 15, 2012, letter for assumptions to use in preparing the cash flow statement. The letter can be found on the CDE Web page at <http://www.cde.ca.gov/fg/fi/ir>.

Add more lines as needed

C. I certify that the statements, information, and documents provided in response to Sections A through C of this application are true and correct. (Please fill in all blanks.)

District Superintendent/Designee Name
(print/type)

Designee Title
(if applicable)

District Superintendent/Designee Signature

Date

Chief Business Official/Designee Name
(print/type)

Designee Title
(if applicable)

Chief Business Official /Designee Signature

Date

D. County offices should use the space below if they find it appropriate to comment on the information provided by the district in Sections A through C above.

Add more lines as needed

E. County Superintendent's certification. Please fill in all blanks.

I hereby certify that, to the best of my knowledge, the statements and information provided herein by the district, as augmented by me in Section D, are true and correct.

County Superintendent/Designee (print/type)

County Name

Signature of County Superintendent/Designee

Date

E-mail Address of County Superintendent/Designee
(print/type)

Phone
(include area code)

County Contact Name if Other Than
Superintendent/Designee (print/type)

Contact Title

Contact Phone
(include area code)

Contact E-mail

F. Submittal Instructions

County superintendents must submit the completed and certified school district application for exemption, cash flow statement, and any other supporting documents to both the CDE (copy) and Department of Finance (original), by **April 1, 2012**, at the addresses below. The CDE will accept a copy or a scanned copy of the original. FAX or a scanned copy of the original sent to the Department of Finance must be followed by the submission of the hard copy original.

Send copy to:

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FAX: 916-323-9530

Application and Certification to Exempt A Charter School From The June 2012 Apportionment Deferral

Charter schools must complete Sections A through C of this application and submit it with all required documents, as described below, to their authorizer (county office, school district, or State Board of Education) for review, any comment, and certification. Charter school authorizers complete Sections D through F of this form. Note, charter school authorizers must certify the application and accompanying documents in consultation with the county superintendent of schools.

A. The charter school identified below is applying for an exemption from the deferral of principal apportionment payments during June 2012 pursuant to the provisions of Assembly Bill 1610 (Chapter 724, Statutes of 2010). The charter school is eligible to make this application in that it meets all of the following criteria:

- It has exhausted all internal and external sources of borrowing including those pursuant to California *Education Code (EC)* sections 42603, 42620, 42621, the *California Constitution*, Article XVI, Section 6, and *Government Code* Section 53850 et.seq.
- The deferral of warrants in February through June will result in the charter school being unable to meet its expenditure obligations for the month of June, and
- If not exempt, the charter school will become insolvent and be forced to cease operations.

The amount of additional funds necessary for the charter school to meet its expenditure obligations for the month of June is \$_____. The charter school may receive in June no more than the lesser of (1) the total amount of additional funds necessary for the charter school to meet its expenditure obligations for the month of June, or (2) the total June principal apportionment payments the charter school is entitled to in July.

County-District-School Code and
Charter Number

Charter School Name

B. The charter school must provide narrative below and attach documents as necessary that demonstrate that the charter school has exhausted all internal and external sources of borrowing, will be unable to meet its expenditure obligations and will become insolvent and be forced to cease operations in the absence of specific payments in June, as detailed in the February 15, 2012, letter from the California Department of Education (CDE). Attach a current cash flow statement covering, at a minimum, July 2011 through June 2012. Please refer to the February 15, 2012, letter for assumptions to use in preparing the cash flow statement. The letter can be found on the CDE Web page at <http://www.cde.ca.gov/fg/fi/jr>.

Add more lines as needed

C. I certify that the statements, information, and documents provided in response to Sections A through C of this application are true and correct. (Fill in all blanks.)

Charter School Director/Administrator
(print/type)

Charter School Director/Administrator Signature

Date

Charter School Business Official/Designee
(print/type)

Designee Title
(if applicable)

Charter School Business Official/Designee
Signature

Date

D. Charter school authorizers should use the space below, as appropriate, to comment on the information provided by the charter school in Sections A through C above.

Add more lines as needed

E. Charter school authorizer's certification. Please fill in all blanks.

I hereby certify that, in consultation with the County Superintendent of Schools, to the best of my knowledge, the statements and information provided herein by the charter school, as augmented by me in Section D, are true and correct.

Charter Authorizer Superintendent/Designee
(print/type)

Authorizing Entity Name

Signature of Charter Authorizer Supt./Designee

Date

If signed by Designee, Designee's Title

E-mail Address of Charter Authorizer
Superintendent/Designee
(print/type)

Phone
(include area code)

Charter Authorizer Contact Name if Other Than
Superintendent/Designee (print/type)

Contact Title

Contact Phone
(include area code)

Contact E-Mail

F. Submittal Instructions

Charter school authorizers must submit in consultation with the county superintendent of schools, the completed and certified charter school application for exemption, cash flow statement, and any other supporting documents to both the CDE (copy) and Department of Finance (original), by **April 1, 2012**, at the addresses below. Applications that are submitted without the charter authorizer's certification will not be accepted. The CDE will accept a hard copy or a scanned copy of the original. FAX or a scanned copy of the original sent to the Department of Finance must be followed by the submission of the hard copy original.

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