

Criteria and Standards For Reviewing School District / Charter Budgets

Criteria Information: Budgets

Deviations from the standards must be explained, and may affect the approval of the budget.

Criterion	Standard
1. Average Daily Attendance	<p>Funded average daily attendance (ADA) has not been overestimated in the first prior fiscal year or in two or more of the previous three fiscal years by more than the following percentage levels:</p> <ul style="list-style-type: none"> • 3.0% for districts with 0 to 300 ADA • 2.0% for districts with 301 to 1,000 ADA • 1.0% for districts with 1,001 and over ADA
2. Enrollment	<p>Projected enrollment has not been overestimated in the first prior fiscal year or in two or more of the previous three fiscal years by more than the following percentage levels:</p> <ul style="list-style-type: none"> • 3.0% for districts with 0 to 300 ADA • 2.0% for districts with 301 to 1,000 ADA • 1.0% for districts with 1,001 and over ADA
3. ADA to Enrollment	<p>Projected second period ADA to enrollment ratio for any of the budget year or two subsequent fiscal years has not increased from the historical average ratio from the three prior fiscal years by more than one half of one percent.</p>
4. Local Control Funding Formula (LCFF) Revenue	<p>Projected LCFF revenue for any of the budget year or two subsequent fiscal years has not changed from the prior fiscal year by more than the change in population, plus the district’s gap funding or cost-of-living adjustment (COLA)¹ and its economic recovery target payment, plus or minus one percent.</p>
5. Salaries and Benefits	<p>Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures for any of the budget year or two subsequent fiscal years has not changed from the historical average ratio from the three prior fiscal years by more than the greater of three percent or the district’s required reserves percentage.</p>

Criterion	Standard
6. Other Revenues and Expenditures	<p>Projected operating revenues (including federal, other state and other local) or expenditures (including books and supplies, and services and other operating), for any of the budget year or two subsequent fiscal years, have not changed from the prior fiscal year amount by more than the percentage change in population and the funded COLA plus or minus ten percent.</p> <p>For each major object category, changes that exceed the percentage change in population and the funded COLA plus or minus five percent must be explained.</p>
7. Facilities Maintenance	<p>Confirm that the annual contribution for facilities maintenance funding is not less than the amount required pursuant to Education Code Section 17070.75, if applicable, and that the district is providing adequately to preserve the functionality of its facilities for their normal life in accordance with Education Code sections 52060(d)(1) and 17002(d)(1).</p>
8. Deficit Spending	<p>Unrestricted deficit spending (total unrestricted expenditures and other financing uses is greater than total unrestricted revenues and other financing sources) as a percentage of total unrestricted expenditures and other financing uses, has not exceeded one-third of the district's available reserves² as a percentage of total expenditures and other financing uses³ in two out of three prior fiscal years.</p>
9. Fund Balance	<p>Budgeted beginning unrestricted general fund balance has not been overestimated for two out of three prior fiscal years by more than the following percentage levels⁴:</p> <ul style="list-style-type: none"> • 1.7% for districts with 0 to 300 ADA • 1.3% for districts with 301 to 1,000 ADA • 1.0% for districts with 1,001 to 30,000 ADA • 0.7% for districts with 30,001 to 400,000 ADA • 0.3% for districts with 400,001 and over ADA
10. Reserves	<p>Available reserves² for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures and other financing uses³:</p> <ul style="list-style-type: none"> • the greater of 5% or \$67,000 for districts with 0 to 300 ADA • the greater of 4% or \$67,000 for districts with 301 to 1,000 ADA • 3% for districts with 1,001 to 30,000 ADA • 2% for districts with 30,001 to 400,000 ADA • 1% for districts with 400,001 and over ADA

Footnote References

¹ Districts that are already at or above their LCFF target funding level as described in Education Code Section 42238.03(d) receive no gap funding. These districts have a COLA applied to their LCFF target, but their year-over-year revenue increase might be less than the statutory COLA due to certain local factors and components of the funding formula.

² Available reserves are the unrestricted amounts in the Reserve for Economic Uncertainties and the Unassigned/Unappropriated accounts in the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects. Available reserves will be reduced by any negative ending balances in restricted resources in the General Fund.

³ A school district that is the Administrative Unit of a Special Education Local Plan Area may exclude from its expenditures the distribution of funds to its participating members.

⁴ Percentage levels equate to a rate of deficit spending which would eliminate recommended reserves for economic uncertainties over a three-year period.

Supplemental Information: Budgets

Provide methodology and assumptions used to estimate ADA, enrollment, revenues, expenditures, reserves and fund balance, and multiyear commitments (including cost-of-living adjustments).

Provide information on additional indicators as requested.

Supplemental Information	Provide supplemental information as follows:
S1. Contingent Liabilities	Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that may impact the budget.
S2. Use of One-Time Revenues for Ongoing Expenditures	Identify any ongoing general fund expenditures in excess of one percent of the total general fund expenditures that are funded with one-time resources in the budget year, and explain how the one-time resources will be replaced to continue funding the ongoing expenditures in the following fiscal years.
S3. Use of Ongoing Revenues for One-time Expenditures	Identify any large non-recurring general fund expenditures that are funded with ongoing general fund revenues.
S4. Contingent Revenues	Identify projected revenues for the budget year and two subsequent fiscal years that are contingent on reauthorization by the local government, special legislation, or other definitive act (e.g. parcel taxes). If any of these revenues are dedicated for ongoing expenses, explain how the revenues will be replaced or the expenditures reduced.
S5. Contributions	<p>Identify projected transfers to or from the general fund to cover operating deficits in either the general fund or any other fund for the budget year and two subsequent fiscal years. Provide an explanation if transfers have changed from the prior fiscal year amounts by more than \$20,000 and more than ten percent. Explanation should include whether transfers are ongoing or one-time in nature.</p> <p>Estimate the impact of any capital projects on the general fund operational budget.</p>
S6. Long-term Commitments	Identify all existing and new multiyear commitments and their annual required payment for the budget year and two subsequent fiscal years. Explain how any increase in annual payments will be funded. Also explain how any decrease to funding sources used to pay long-term commitments will be replaced.
S7. Unfunded Liabilities	<p>Estimate the unfunded liability for post-employment benefits other than pensions (OPEB) based on an actuarial valuation, if required, or other method; identify or estimate the annual required contribution; and indicate how the obligation is funded (pay-as-you-go, amortized over a specific period, etc.).</p> <p>Estimate the unfunded liability for self-insurance programs such as workers' compensation based on an actuarial valuation, if required, or other method; identify or estimate the required contribution; and indicate how the obligation is funded (level of risk retained, funding approach, etc.).</p>

Supplemental Information	Provide supplemental information as follows:
S8. Status of Labor Agreements	<p>Analyze the status of employee labor agreements.</p> <p>Identify new labor agreements, as well as new commitments provided as part of previously ratified multiyear agreements; and include all contracts, including all administrator contracts (and including all compensation). For new agreements, indicate the date of the required board meeting.</p> <p>Compare the increase in new commitments to the projected increase in ongoing revenues and explain how these commitments will be funded in future fiscal years.</p> <p>If salary and benefit negotiations are not finalized at budget adoption, upon settlement with certificated or classified staff:</p> <ul style="list-style-type: none"> • The school district must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the county office of education with an analysis of the cost of the settlement and its impact on the operating budget. • The county superintendent shall review the analysis relative to the criteria and standards and may provide written comments to the president of the district governing board and superintendent.
S9. Local Control and Accountability Plan (LCAP)	Confirm that the school district’s governing board has adopted an LCAP or an update to the LCAP effective for the budget year.
S10. LCAP Expenditures	Confirm that the budget includes the expenditures necessary to implement the LCAP or annual update to the LCAP.