

TK-12 Public Education Finance Training for School District Governing Boards

Syllabus

FCMAT



**FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM**

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Course Description

This training equips governing board members with the knowledge and skills needed to fulfill their statutory fiscal oversight responsibilities. The course emphasizes governance-level decision-making, financial accountability, and maintaining a district's fiscal solvency, while distinguishing the board's role from staff implementation responsibilities.

Assembly Bill 640 (2025)

Assembly Bill (AB) 640 (Muratsuchi), Chapter 618, Statutes of 2025, establishes a statewide requirement to strengthen governance and fiscal oversight among school district governing boards. The bill adds Education Codes (EC) 35220 through 35223 and directs the Fiscal Crisis and Management Assistance Team (FCMAT) to develop a standardized training curriculum for district governing board members.

The required curriculum focuses on two critical areas: laws governing the development and approval of district budgets to support student achievement, and laws related to fiscal penalties for noncompliance. In developing this curriculum, FCMAT consulted with the California Department of Education (CDE) and gathered input from subject-matter experts to ensure accuracy and relevance. As Assembly Member Muratsuchi stated, "Governing board and body members are charged with guiding the academic and socioemotional wellbeing of our students, as well as are stewards of billions of dollars in public funds; receiving training on the public education governance laws they are required to follow is imperative." Consistent with this purpose, AB 640 aims to improve fiscal accountability, increase board members' competency, strengthen understanding of fiduciary duties, and promote responsible stewardship and financial decision-making in support of student outcomes.

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Competency 1: Fiscal Governance and Responsibilities

Description

The board serves as the first line of accountability for financial stewardship. Stewardship is the responsible management, protection and preservation of public resources to ensure they are used effectively, efficiently and in the best interest of students and the community. The board is responsible for ensuring sound financial practices through the development, adoption and ongoing review of comprehensive financial policies that guide budgeting, spending and long-term fiscal sustainability. The board should also be committed to balancing current educational needs with long-term fiscal sustainability to preserve resources for future students.

In carrying out its responsibilities, the board must exercise both the duty of care and the duty of diligence. The duty of care requires board members to make informed decisions by reviewing relevant financial information, asking thoughtful questions, and relying on credible data and expert advice when appropriate. The duty of diligence requires ongoing attention to the district's fiscal condition by regularly monitoring budgets, financial reports, audit findings, and long-term financial projections. By actively engaging in these responsibilities, board members fulfill their fiduciary obligation to safeguard public resources, promote transparency and accountability, and ensure that financial decisions support the district's mission, adopted Local Control and Accountability Plan (LCAP) goals, and long-term financial stability.

One of the board's key functions is to establish clear budget priorities and strategic financial goals that align with the district's educational mission and LCAP goals to improve student outcomes. These priorities inform annual budgets and multiyear financial plans, ensuring that resources are allocated in a way that supports student outcomes while maintaining fiscal health. This is foundational to student success, because a district's ability to meet its educational goals depends on sound financial practices that ensure resources are allocated effectively, sustainably, and in alignment with board priorities.

Learning Objectives

1.1 Understand stewardship of public resources

- Define stewardship and its role in effective governance.
- Recognize the board's responsibility to safeguard public funds and other district resources on behalf of students, families, and taxpayers.
- Apply stewardship principles when evaluating budget priorities, expenditures, reserves, and long-term financial commitments.
- Balance current educational needs with long-term fiscal sustainability to preserve resources for future students.
- Promote transparency, accountability, and public trust by exercising responsible financial oversight.

1.2 Define the board's fiduciary role

- Distinguish between governance responsibilities of the board and administrative responsibilities of the district superintendent and staff.

- Recognize that fiscal accountability begins with the board, not external agencies.
- Identify legal and ethical responsibilities tied to fiscal decisions.
- Understand the board's duty of care and duty of diligence, and apply these fiduciary responsibilities to the oversight of district finances, budgets, audits, and long-term fiscal sustainability.

1.3 Establish and maintain financial policies

- Approve policies that guide budget development, reserves, expenditures, and fiscal practices.
- Identify the guiding principles for expenditure decisions, and ensure they support student achievement, educational priorities, legal compliance, and public trust.
- Ensure financial policies align with the district's educational mission, strategic plan, LCAP goals, and other district planning tools.
- Use financial policies to support the implementation of board priorities and the effective stewardship of public resources.
- Align policies with long-term financial sustainability.
- Review and revise policies periodically to reflect changing fiscal conditions and priorities.

1.4 Set budget priorities and long-term financial goals

- Align financial decisions with the district's vision and goals for student outcomes.
- Balance competing priorities with limited resources.
- Consider multiyear implications when setting direction.

1.5 Foster meaningful community engagement

- Ensure meaningful community engagement occurs when establishing key district initiatives and priorities.
- Use input from educational partners to inform priorities (not dictate operations).
- Confirm alignment between community priorities and budget decisions.

1.6 Ensure transparency regarding district financial health

- Require clear, understandable reporting from staff.
- Communicate financial conditions to the public in easy-to-understand terms.
- Promote trust through openness and clarity.

Questions to Ask

- How do our current financial policies support long-term fiscal stability?

- For example: debt management; reserves; balanced budget; budget review and approval; revisions; expenditures; projections; one-time resources; resource allocation – staffing ratios.
- How does the proposed budget align with the board's adopted priorities and student outcome goals in its strategic planning tools such as the LCAP, single plan for student achievement (SPSA), and other district plans designed to improve student outcomes?
- How have community priorities from the LCAP process been incorporated into this budget?
- How does this budget demonstrate responsible stewardship of resources while addressing both current student needs and long-term district sustainability?
- How are we communicating the district's financial condition to the public in a clear and understandable way?
- What information should the board be focusing on to fulfill its fiduciary and stewardship responsibilities at this stage of the budget process?
- How do the board's decisions affect today's students and future students?

Key Takeaways

- Serve as stewards of public resources, ensuring that funds are used effectively, efficiently, and in a manner that maximizes student outcomes.
- Fulfill a fiduciary responsibility to the district by safeguarding public assets, promoting transparency, and supporting long-term fiscal sustainability.
- Serve as the first line of fiscal accountability, focusing on oversight and strategic direction rather than reviewing technical budget details.
- Focus on governance, not operations.
 - Establish direction, set expectations, adopt policy, and hold systems and leaders accountable. Do not manage day-to-day operations.
 - Set priorities that align with the district's mission and adopted LCAP goals.
 - Adopt and maintain sound financial policies.
 - Approve budgets and monitor fiscal performance.
 - Ensure accountability, transparency, and public trust.
 - Support both the short-term and long-term fiscal health of the district.
 - Balance current student needs with the stewardship of resources for future students.

Competency 2: LCAP and Strategic Planning

Description:

The LCAP is the district's primary strategic planning document and serves as the framework for aligning educational priorities, resource allocation decisions, and accountability for student outcomes. Through the LCAP process, governing boards establish goals, evaluate student needs, engage educational partners, and ensure that district priorities are translated into actionable strategies and measurable results.

The board plays a critical governance role in ensuring that the LCAP, annual budget, and multiyear financial projections (MYPs) are aligned with one another. Because both the LCAP and MYP are three-year planning tools, they should work together to support the district's long-term priorities and fiscal sustainability. Board members should also ensure that the LCAP is coordinated with other district planning documents, including strategic plans, school plans for student achievement (SPSAs), the LCAP Federal Addendum, and other local initiatives, creating a coherent system of planning, implementation, and accountability.

Effective implementation of the LCAP requires meaningful engagement with educational partners, including parents, students, staff, employee collective bargaining units, and community members. The board is responsible for ensuring that engagement is inclusive, transparent, and timely enough to meaningfully influence decisions about goals, actions, services, and resource allocation. Board members must also understand how California's equity-based funding system supports the needs of unduplicated pupils (i.e., English learners, foster youth, and those who qualify for free or reduced-price meals) and how resource allocation decisions should reflect identified student needs and priorities. This includes recognizing the difference between equitable and equal resource allocation, evaluating whether resources are directed to the students with the greatest needs, and understanding that resource allocation decisions are often made through planning processes and subsequently reflected in the budget.

By using the LCAP as a strategic planning tool, governing boards can strengthen alignment among goals, actions, expenditures, and outcomes while promoting equity, accountability, transparency, and continuous improvement.

Learning Objectives

2.1 Use the LCAP as a strategic planning tool

- Assess alignment of goals, actions, and expenditures with one another.
 - Each goal should be clearly supported by specific, measurable actions/services.
 - Expenditures must be directly tied to those actions and traceable in the budget.
 - The LCAP and the MYP are both three-year plans; they should be aligned.
- Evaluate whether resources support stated priorities.
 - Funding levels are proportional to the scope and priority of the goal.
- Ensure the LCAP is aligned with other district plans (e.g., the strategic plan, school plan for student achievement, LCAP Federal Addendum)

- Confirm that supplemental and concentration grant funding is:
 - Principally directed to unduplicated students.
 - Increasing or improving services in a demonstrable and proportional manner.

2.2 Confirm meaningful community engagement

- Broad and inclusive input, including from parents/guardians (including families of unduplicated student groups), students, certificated and classified staff, employee bargaining units, and community members.
- Targeted outreach, not just general meetings.
- Quality of engagement.
 - More than just public hearings.
 - Two-way dialogue.
 - Use of surveys, focus groups, advisory committees (e.g., district English learner advisory committee, English learner advisory committee, parent advisory committee).
 - Input is summarized and documented in the LCAP.
 - Clearly influences goal-setting, action design, and funding decisions.
 - Engagement occurs early enough to shape the LCAP.
- Materials should be accessible, visually appealing, written in plain language, and publicly available. Consider using infographics, charts, dashboards, and other visual tools to help educational partners understand complex financial information and support meaningful engagement.

2.3 Ensure alignment across all district plans

- Examples include the district's strategic plan or its SPSA, which should be developed in conjunction with its LCAP.

2.4 Distinguish equity-based funding concepts

- Understand the differences between equitable and equal resource allocation.
- Resource allocation decisions are often made outside of the budget but should be reflected in the budget.
- Evaluate whether decisions adequately address student needs.

Questions to Ask

- How do the goals, actions, services, and expenditures in the LCAP align with the board's vision, strategic plan, and priorities for student success?
- How are district strategic plans, SPSAs, and other planning efforts aligned with and supporting the LCAP?

- How are, parents, staff, bargaining units, and community members engaged in developing the LCAP?
- Are engagement opportunities accessible, inclusive, and representative of the communities we serve?
- How do our resource allocation decisions reflect identified student needs and support equitable access, opportunities, and outcomes for all students?
- How do we measure whether LCAP investments are improving outcomes for the students with the greatest needs?
- Are LCAP materials presented in a way that is accessible, easily understood, and meaningful to educational partners?

Key Takeaways

- Budget and LCAP must be aligned — the LCAP is the spending plan for the budget.
- Equity, not equality, should drive planning and resource allocation decisions.
- The LCAP is a planning tool; the LCFF is a funding formula.
- The LCAP is the district's primary strategic planning tool and should be aligned with other district plans.
- Alignment of LCAP goals, actions, and expenditures supports student outcomes.
- The board's role is to set direction, monitor progress, and ensure accountability for results.
- Meaningful engagement requires clear, accessible communication.

Resources

- [CDE's LCAP website](#)
- CDE – [Planning for the LCAP and School Plan](#) and plan summary and [SPSA/LCAP Planning Summary](#).
- [LCAP Federal Addendum](#).
- [California School Dashboard](#).
- [Community Engagement Initiative](#).

Competency 3: Understanding the Budget Process

Description

Understanding the budget process involves recognizing how the state and local timelines align and interact with one another throughout the year. The state budget timeline establishes key funding decisions and deadlines that directly influence district budgets, requiring districts to develop their budgets in alignment with state guidance and revenue projections. At the local level, the budget supports implementation of the district's mission, goals, LCAP, and other district plans. Districts follow an annual financial cycle that includes adopting an initial budget, making revisions as new information becomes available, reporting interim financial updates, and finalizing actual expenditures at year end. Because the budget, LCAP, and MYPs are interconnected planning tools, governing boards should ensure they remain aligned with one another to support both educational priorities and long-term fiscal sustainability. To stay organized and compliant, districts should create and provide to the board annually a structured budget calendar that outlines critical milestones, deadlines, and responsibilities to ensure accurate planning, monitoring and fiscal accountability.

Learning Objectives

3.1 Identify state and local budget timelines and cycles

- Recognize how the state budget influences local revenues and expenditures.
- Most districts receive a significant portion of their revenue through state funding via the Proposition 98 formula, which is the minimum funding level for transitional kindergarten through grade 14 (TK-14) funding allocated in the state budget.
- Key state budget timelines:
 - January 10 (Governor's Budget): constitutional deadline for the governor to submit a budget to the Legislature for the upcoming fiscal year. This is the first look at the governor's proposals for education funding for the upcoming fiscal year.
 - February 1: deadline to submit to the Legislature the bills to implement the budget (trailer bills). These bills reflect proposals for new funding programs, changes to existing programs, and other new requirements that may affect district operations.
 - May 14 (May Revise): released by the governor no later than May 14 and is an update to the Governor's Budget based on updated revenue information (including statutory and funded cost-of-living adjustment (COLA)), updated student attendance projections, and other program funding projections. Depending on the latest revenue estimates, funding proposals from January may be increased or decreased, and new funding proposals may be added or deleted.
 - June 15: constitutional deadline for the Legislature to pass a balanced budget. Typically, this bill represents the agreement between the Senate and Assembly, and in the last weeks of June a three-party agreement between the Legislature and the governor is reached on the final budget, with a goal of having the governor sign a budget no later than June 30.

- July 1: fiscal year begins.
- August – September: In most years, clean-up to the Budget Act and trailer bill proposals is needed to address technical issues. These are addressed through amendments to the budget bill (informally called budget bill juniors) as well as trailer bills that have an amendatory effect on the budget.
- Identify key statutory deadlines (e.g., budget adoption, interims, unaudited actuals).
 - July 1: deadline for a district to adopt a budget.
 - Budget revision: 45-days after the governor signs the annual Budget Act.
 - September 15: school district unaudited actuals for the prior fiscal year are due to oversight agency.
 - December 15: deadline for a district to submit first interim financial report to oversight agency.
 - March 15: deadline for a district to submit second interim financial report to oversight agency.

3.2 Evaluate timing realities that impact board decisions

- Largest cost in a district budget: salaries and benefits.
- Statutory deadlines:
 - March 15: preliminary notice is delivered to **certificated** employees if a school district is reducing staff.
 - Before May 15: governing board must make a final decision and notify affected **certificated** employees of their termination, reassignment, or retention (EC 44955).
 - March 15: a **classified** employee must be provided with written notice that their services will not be required for the following school year (EC 45117).

3.3 Describe key phases of the district budget development process

- Identify planning, development, adoption, and monitoring phases.
- Determine when and where board input has the most impact.
 - For budget development, this will be either through a budget advisory committee or before and/or during the first public hearing for the budget adoption.
- Recognize that the budget is iterative and will be updated throughout the year.
 - This is provided for first by the 45-day revision and then by interim reporting.

3.4 Apply the board's role in reviewing and approving budgets

- Evaluate alignment with priorities as identified in the LCAP and other district plans, not in line-item detail.
- Confirm that the budget is balanced and legally compliant.

- Require clear explanations of major assumptions.

3.5 Assess the fiscal impact of enrollment trends

- Recognize enrollment and student attendance as primary drivers of revenue and expenditures.
- Assess expenditure adjustments.
- Evaluate whether budget actions align with enrollment trends.

3.6 Assess reduction-in-force timelines and high-level staffing impacts

- Recognize statutory timelines that constrain decisions.
- Evaluate the balance between staffing and sustainability.
- Confirm governance role in approval – not implementation.

Questions to Ask

- Where are we in the budget cycle, and what decisions do we need from the board at this stage?
- What are the most significant changes from last year's budget, and what is driving those changes?
- How have enrollment trends been incorporated into this budget and MYPs?
- What actions are included to align expenditures with actual or projected enrollment?
- What legal timelines or constraints should the board be aware of before taking action?

Key Takeaways

- The board oversees the process — it does not build the budget.
- Timing matters — knowing when to act is as important as knowing what to approve.
- Enrollment and student attendance changes require financial adjustments.
- Focus on major assumptions and trade-offs, not technical details.
- Strong fiscal stewardship ensures the budget reflects reality, not optimism.

Resources

- [CDE fiscal calendars](#).
- [Budget Act and trailer bill language](#).
- [California Legislative Information](#).
- [California School Boards Association article](#).

Competency 4: Understanding the Nature of Funding

Description

Effective fiscal management in school districts requires a clear understanding of funding structures, resource types and responsible budgeting practices to ensure long-term financial stability.

School districts operate with two main types of funding: unrestricted and restricted resources. Unrestricted resources provide flexibility to support core operations, while restricted resources must be used for specific purposes defined by laws or grant conditions. These resources come from multiple sources including state funding, federal programs and local revenues, each with varying levels of flexibility, oversight, and accountability requirements. Additionally, all funding sources are classified as either ongoing or one-time, requiring careful planning to ensure that expenditures are aligned with the sustainability of the available resources.

Learning Objectives

4.1 Distinguish between restricted and unrestricted funding

- Recognize that restricted funding is provided for specific purposes; there is little flexibility in how it can be used.
- Restricted programs have spending requirements set by the implementing legislation or the organization providing the funding.
- Restricted funding often has timelines for spending as well as reporting requirements. Failure to comply with program requirements may result in repayment of funds or audit findings.
- Identify unrestricted funding and why it is different from restricted funding.
 - Unrestricted funding can be used for any educational purpose.

4.2 Identify major sources of TK–12 funding

- Recognize the main categories of district revenue.
 - The Local Control Funding Formula (LCFF) is the primary funding source for districts.
- Assess variability and uncertainty in funding streams.
 - Districts receive award notifications that provide a basis for determining the current year awards, but usually in the fall after the board has approved the original budget.
- Evaluate how changes in funding affect district decisions.
 - When funding changes, the district administration must plan for the possibility of more or less funding.
 - Board members should be kept informed of changes in funding and options for addressing any impacts on the budget.

4.3 Understand the use of one-time funds for ongoing expenditures

- Distinguish between one-time and ongoing funding sources.
- Ongoing expenditures should be supported with ongoing revenues.
- Assess the risks of using one-time resources to support ongoing expenditures.
 - One-time funding used for ongoing costs should have a clearly defined plan to transition, reduce, or replace the funding when the one-time source expires.
- Board members should understand the long-term fiscal implications of using temporary revenues to fund recurring costs.
- Recognize situations where one-time funds are used to support ongoing expenditures without a viable plan for sustaining those costs after the funding expires.
- Identify multiyear commitments that exceed the duration or amount of available one-time funding.
- One-time funds should be used for ongoing costs only in limited circumstances and with a clearly defined exit or transition plan.
- Implications of using one-time funds for personnel costs:
 - Recognize the risks of funding ongoing positions with temporary revenue sources. Use of one-time funds for ongoing costs should take place in very limited circumstances.
 - As a best practice, employees funded with one-time resources should be informed of the temporary nature of the funding when they are hired or placed in the position.
- Assess sustainability of expenses.
 - Understand what types of expenditures are being made with one-time funds.
 - Recognize how fluctuating enrollment can affect revenue, staffing needs, facility use, and the district's ability to sustain programs and services.
 - Consider the long-term fiscal implications of current spending decisions and the need for multiyear planning.

4.4 Protect the unrestricted general fund

- Recognize that unrestricted resources provide the greatest fiscal flexibility and should be preserved whenever possible.
- Recognize it as the district's primary operating resource.
 - Spend the most restricted dollars first.
- The unrestricted general fund is how solvency is determined.
 - The statutorily-required reserve amount is a percentage of the district's total general fund expenditures and other uses; the percentage varies based on the district's average daily attendance (ADA).
- When other funds need to be balanced, the general fund is the fund of last resort.

- Avoid structural deficits that erode flexibility.
- Deficit spending is spending more than the district is receiving in revenue during a fiscal year.
- Deficit spending used to support core, ongoing services is considered a structural deficit because the imbalance is expected to continue in future years.
- Planned spending of one-time revenues or carryover is not a structural deficit, provided the expenditures are also one-time in nature.
- It is important to understand the difference between a structural deficit and the strategic use of one-time resources.
- Long-term structural deficit spending in the general fund will deplete the unrestricted general fund and result in loss of flexibility in spending.

Questions to Ask

- What portion of our budget is unrestricted versus restricted, and how does that affect flexibility?
- Are any ongoing expenditures being supported by one-time funds? If so, what is the plan once the one-time funds expire?
- What are the biggest risks or uncertainties in our revenue projections?
- How are we protecting the unrestricted general fund over time?
- How do current funding decisions affect long-term sustainability?

Key Takeaways

- Not all funding can be used for any purpose — understand constraints.
- One-time money should typically not fund ongoing costs.
- The unrestricted general fund is the foundation of fiscal stability and the basis of the minimum reserve requirement.
- Sustainability, not just balance, is the goal.
- Uncertainty about revenue requires cautious planning.

Competency 5: Collective Bargaining Responsibilities

Description

Board members must understand their governance role in collective bargaining and the significant fiscal impact that negotiated agreements have on long-term financial stability.

Learning Objectives

5.1 Evaluate the fiscal impact of collective bargaining agreements

- Recognize compensation (salaries and benefits) as the largest expenditure.
- Understand the long-term cost implications of collective bargaining agreements.
 - Agreements often include multiyear cost commitments, including step advancements, benefit increases, and ongoing salary schedule obligations.
- Evaluate the impact on financial stability.
 - Assess whether agreements can be sustained with projected revenues and ongoing financial commitments.
 - Determine whether proposed increases maintain structural balance or contribute to ongoing deficits.
- Consider the fiscal impact of staffing levels, class sizes, additional staffing, and other personnel-related decisions.

5.2 Analyze key cost drivers

- Understand the impacts of salaries, benefits, and step-and-column movement.
- Understand how changes to collective bargaining agreement language may affect costs (e.g., class sizes, professional development, preparation time).
- Evaluate changes in expenditure trends.
 - Identify whether proposed agreements accelerate cost growth beyond sustainable levels.
- Recognize long-term commitments.
 - Ongoing compensation increases create permanent cost increases.
 - Future obligations must be considered in MYPs.

5.3 Understand public disclosure requirements (AB 2756)

- Prior to board action:
 - Ensure affordability analysis is complete.
 - Review fiscal impact prior to approval.
 - Confirm that adequate information is included and the required signatures are provided.
 - Review any changes to disclosure of collective bargaining agreement language.

- Statute prescribes the timelines and process for the COE to review and comment on the proposed settlement agreement.

5.4 Understand the board's role in collective bargaining

- Provide direction, including financial parameters, to the negotiation team.
- Approve or reject tentative agreements.
 - The board acts only on tentative agreements reached by the negotiation team.
 - Board action on the tentative agreement is based on fiscal sustainability and alignment with information provided by the administration.
- Avoid involvement in negotiation about operational details.
 - Maintain this clear separation between governance and administration.

Questions to Ask

- What is the total multiyear cost of this agreement?
- How will this agreement affect reserves and long-term fiscal stability?
- Has the public disclosure been completed, and what does it show about affordability?
- How does this proposal align with board direction and fiscal constraints?
- What risks should the board understand before approval?

Key Takeaways:

- Collective bargaining decisions have long-term fiscal consequences.
- Compensation is the largest cost, but be mindful of other language that affects costs.
- The board sets direction — it does not negotiate contracts.
- Affordability must be clearly demonstrated before approval.
- Unsustainable agreements create future fiscal instability.

Resources

- Bill text — [AB-2756 School district administration: budgeting and finance](#).
- [Fiscal Oversight Guide](#); see Public Disclosure Responsibilities.

Competency 6: Local Control Funding Formula

Description

The LCFF is hallmark legislation that in 2013 fundamentally changed how all districts receive state funding, how they are held accountable and measured for results, and the services and supports they offer to allow all students to succeed to their greatest potential.

The LCFF replaced an outdated and complex system of funding and provides districts with greater flexibility to allocate resources based on local priorities while focusing on the needs of underserved students. Unlike the former funding structure, allocation factors within LCFF are uniform. The distribution has two components: equal base grants per student in four grade spans; and differentiated grants based on three student demographic groups (English learners, foster youth, and students who qualify for free or reduced-price meals — collectively referred to as unduplicated pupils). These differentiated grants are called supplemental and concentration grant funding. Supplemental grant funding is equal to 20% of the adjusted base grant multiplied by ADA and the percentage of unduplicated pupils. Concentration grant funding is equal to 65% of the adjusted base grant multiplied by ADA and the percentage of unduplicated students in excess of 55% of a school district's or charter school's enrollment.

Funding under the LCFF is driven by several key factors, including enrollment, attendance and demographics, particularly the proportion of high-needs students (unduplicated pupil percentage) and grade level. In addition, funding levels are influenced by annual adjustments such as COLA, which can vary based on national economic conditions. The sources of the LCFF are unrestricted and ongoing, giving districts the flexibility to align spending with local priorities through meaningful engagement with its community as part of LCAP development. This process works best when it includes local data-driven priorities established by the district's administration.

Learning Objectives

6.1 Describe the purpose and structure of LCFF

- Understand how funding is generated.
 - The LCFF is the district's primary unrestricted funding source for operations and is based on student enrollment, student demographic characteristics, and student attendance.
 - The LCFF enrollment is the district's count of students on the first Wednesday in October.
 - ADA is a subset of enrollment and is based on the number of days of student attendance from the first day of school through the last school month ending on or before April 15 (the second principal apportionment period, commonly referred to as P-2).
 - The largest portion of LCFF funding is provided through grade span-specific base grants that are calculated using ADA for TK-12 students.
 - Additional funding is provided in the form of supplemental and concentration grant funding for students who are the following:
 - Eligible for free or reduced-price meals.
 - English learners.

- Foster youth.

No student in these groups is counted twice, even if they are in more than one of the above categories; as a group, they are commonly referred to as unduplicated pupils. These students determine the district's unduplicated pupil percentage (UPP), which is based on a three-year count of enrollment and unduplicated pupils and determines supplemental and concentration funding.

- A district's LCFF entitlement is funded from a combination of local property taxes, Education Protection Account (EPA) funding (Proposition 55), and LCFF state aid.
- Approximately 150 school districts are known as basic aid or community funded, which means that the school district's LCFF entitlement is funding from local property taxes and the district receives only a minimal level of funding from EPA and LCFF state aid.
- Understand LCFF as a system that enables local decision-making.
 - Subsidiarity, or local decision-making, was a key concept in the creation of the LCFF model in 2013, in contrast to the previous funding system that included funding for more than 40 different categorical programs, each with its own specific uses.
 - LCFF funding is unrestricted, but districts must comply with certain requirements, such as:
 - Develop an LCAP that describes the goals, actions, services, and expenditures to support positive student outcomes that address state and local priorities.
 - Demonstrate in the LCAP how the district is increasing or improving services for unduplicated students.
 - Staffing ratio, class size requirements and teacher qualification for transitional kindergarten; the required minimum adult-to-student ratio is 1 adult to 10 students.
 - K-3 class size requirements: school districts are required to maintain an average class enrollment of no more than 24 pupils in K-3 classes, unless the district has collectively bargained alternative average class enrollment in those grades for each school.
 - Districts that receive concentration grant funding are required to expend additional funds (15%) to increase the number of credentialed or classified staff that provide direct services to students at schools.

6.2 Recognize how COLA affects funding levels and planning

- Assess how COLA affects funding assumptions and revenue projections.
 - COLA is applied to key funding components (e.g., LCFF base, supplemental, and concentration grants).
 - COLA directly increases per-pupil funding rates.
 - Does not necessarily increase overall LCFF funding.
- Identify the dollar impact of the COLA percentage change.
 - Identify the potential financial impact if the enacted COLA differs from the assumptions used in the district's budget.

- Changes in enrollment, ADA, UPP, program participation and other funding factors can have a greater or lesser impact on total revenues than the COLA itself.
- Evaluate the sensitivity of the budget to changes in COLA and other revenue assumptions.
 - Identify costs that may outpace COLA (e.g., salaries and benefits, facilities, utilities, contracted services, and other operating costs).
- COLA is a revenue adjustment, not a salary settlement. Boards should understand that a COLA increase must pay for all increased costs, not just compensation costs.

6.3 Analyze the relationship among enrollment, ADA, and revenue trends

- Recognize enrollment and ADA impacts on funding:
 - For school districts, LCFF funding is based on the higher of:
 - Current year ADA.
 - Prior year ADA.
 - Average ADA from the three prior years.

This calculation is known as the declining enrollment protection and gives school districts with declining enrollment time to adjust programs to align expenditures with revenues.
- Because changes to enrollment often occur unevenly and unpredictably, school districts must monitor enrollment trends closely and manage their current-year budgets and multiyear financial projections proactively.
- Because of declining enrollment protections, LCFF funding is not always based on current-year ADA. As a result, the fiscal effects of ADA declines may not be fully felt until subsequent years.
- Understand how emergencies may affect ADA-based funding.
 - Protections are available to districts that suffer funding losses due to school closures or decreases in ADA caused by an emergency.
 - Approval for protection can be sought by submitting the CDE's [Form J-13A](#), which requires governing board approval.
- Evaluate whether projections reflect realistic trends.
 - Boards should receive regular updates on current-year enrollment and ADA, including the impact of absenteeism on students and the budget. Monthly updates are best; at a minimum updates should occur at each adoption of interim financial reports.
 - Boards should expect to receive information on enrollment and ADA trends that informs enrollment and ADA estimates for the current and two subsequent fiscal years; these should be provided in budget and interim financial reports and at budget adoption.

Questions to Ask

- How do LCFF resources support the priorities identified in the LCAP?

- How are enrollment and ADA trends affecting revenue and expenditure projections?
- What assumptions are being made about COLA, and how sensitive is the budget to changes?
- How does the budget reflect the district's approach to equity?
- Where is there any misalignment between LCAP priorities and budget allocations?
- Are there any barriers, such as staffing shortages or increased class sizes, that may prevent the district from meeting LCFF funding requirements?
- How have emergency-related school closures or attendance disruptions been reflected in ADA projections, and what role, if any, has Form J-13A relief played in protecting funding?

Key Takeaways:

- The LCAP is a planning tool; the LCFF is a funding formula.
- Enrollment and ADA directly impact financial health.
- COLA assumptions can significantly affect projections.
- Budget and LCAP must be aligned — the LCAP is the spending plan for the budget.
- Equity, not equality, drives decisions about resources.

Resources

- [CDE LCFF Overview](#).
- [Form J-13A](#).
- [Form J-13A Quick Reference](#).

Competency 7: Interpreting Financial Reports

Description

As part of their fiduciary duty and responsibility for fiscal stewardship, board members must be able to read and interpret key financial reports to identify risks, trends, and long-term implications for the district.

Learning Objectives

7.1 Describe the purpose and structure of SACS

- Identify the Standardized Account Code Structure (SACS) as the standard reporting framework.
- All school districts must report budget, interim, and annual financial data using the SACS Web system, which provides standardization statewide.
- Recognize consistency in financial reporting.
- Financial statements used are the same in every district.

7.2 Read and interpret Form 01 (budget and interims)

- Identify major revenue and expenditure categories.
- SACS provides object codes that are used to categorize revenues and expenditures.
 - Revenues are in the 8xxx range and expenditures are categorized in the 1xxx – 7xxx range. This provides detail and context for major revenue sources and expenditure categories.
 - These values can be found on Form 01 for reference.
 - Analyze unrestricted general fund trends.
- Determine whether the district is deficit spending or not and the impact on the unrestricted general fund balance.
- Identify any structural balance or imbalance.
 - If there is deficit spending, is it structural, meaning does it occur year over year?
- Understand the components of ending fund balance, and verify whether the district is meeting the minimum reserve requirements for the current year.

7.3 Analyze multiyear financial projections

- Evaluate long-term fiscal sustainability.
 - Review the MYP. Is the district able to maintain its statutorily-required minimum reserve for the current and two subsequent fiscal years?
- Identify future deficits or risks.

- If the district cannot meet the minimum reserve, is the district administration able to identify the reason for the deficit?
- Assess the reasonableness of high-level assumptions.
- High level assumptions include but are not limited to assumptions about enrollment, attendance rates, COLA, and the consumer price index.

7.4 Evaluate the long-term impacts of current decisions

- Identify multiyear cost implications.
- Understand how one ongoing dollar spent today, if not matched with offsetting revenue, will add up to three dollars in deficit spending in the third year.
- Assess commitments that affect future flexibility.
 - Commitments that spend one-time dollars or are paid from reserves will eventually erode unrestricted ending fund balance and fiscal flexibility.
- Ensure that current dollars are spent on current students.
- Increasing carryover balances and accumulated restricted funds can indicate that available resources are not being spent on the students and programs they were designated to support.

7.5 Identify key indicators of fiscal distress

- Use available fiscal tools to help determine areas of risk and inform decision-making.
 - FCMAT Fiscal Health Risk Analysis.
 - FCMAT Indicators of Risk or Potential Insolvency.
- Recognize early warning signs such as declining fund balance.
 - Declining fund balance is a direct result of ongoing deficit spending.
- Understand the implications of negative fiscal trends.
- Develop and monitor fiscal recovery plans.

7.6 Understand cash flow and Criteria & Standards (summary level)

- Recognize the role of cash in solvency.
 - Running out of cash and not being able to make payroll is the definition of insolvency.
 - May result in a loss of governing power for the board and immediate termination of the district superintendent.
- Monitor trends that affect unrestricted fund flexibility.
 - Understand statutory reserve requirements and the district's board-adopted minimum reserve policy (Governmental Accounting Standards Board (GASB) Statement 54).
 - Recognize that changes in ADA and expenditures may affect reserve requirements and available unrestricted resources:

- Changes in ADA can change a district's required reserve percentage.
- Expenditures that drive required set-asides or contributions, such as the Routine Restricted Maintenance Account (RRMA) requirement and other percentage-based obligations, should be considered when evaluating available unrestricted resources.
- Understand that increases in expenditures can increase required set-asides, reducing the amount of unrestricted funds available for other purposes and affecting overall fiscal flexibility.
- Understand the impact of long-term debt and other long-term financial obligations to support long-term financial sustainability.

Questions to Ask

- What are the key takeaways from this budget (Form 01)?
- What risks are reflected in the multiyear projections?
- How are reserve levels trending, and what is driving that trend?
- What current decisions will have the greatest long-term financial impact?
- Are there any warning signs in these reports that require board attention?
- Is there deficit spending, and if so, is it a structural deficit? What are the plans to address the deficit?

Key Takeaways

- You don't need to do the math — but you must understand the story.
- MYPs are essential to decision-making.
- Declining reserves and ongoing deficit spending are early warning signs of fiscal distress.
- Today's decisions create tomorrow's obligations, affecting future students.
- Focus on trends, risks, and sustainability.

Resources

- [FCMAT TK-12 Indicators of Risk or Potential Insolvency](#).
- [SACS Data Viewer](#).
- [State Criteria and Standards for Fiscal Solvency](#).

Competency 8: Fiscal Oversight

Description

Board members must understand fiscal oversight systems, including the roles of the COE and state entities, and how those systems interact with local governance responsibilities.

Learning Objectives

8.1 Describe the fiscal oversight hierarchy

- Recognize the roles of the district, COE, and state agencies.
 - The board holds primary responsibility for fiscal solvency, including adopting budgets and monitoring financial performance.
 - The county superintendent serves as the first level of external oversight by reviewing and approving budgets and interim reports and assigning certification levels.
 - State agencies (e.g., the CDE) provide additional oversight and intervention when fiscal conditions deteriorate beyond local and county capacity.
- Understand how oversight escalates when risk increases.
 - Oversight intensifies based on interim certification levels:
 - Positive: district will meet financial obligations.
 - Qualified: potential risk; increased monitoring and required corrective actions.
 - Negative: high risk; significant intervention and possible state involvement.
 - Escalation may include additional reporting, mandated fiscal recovery actions, or external reviews and/or assistance.
 - Potential limit to or loss of local control.
- Distinguish board oversight from external oversight.
 - Board oversight is governance-focused.
 - Sets direction, adopts budgets, monitors fiscal health.
 - External oversight (by COE or state) is compliance-focused.
 - Reviews financial condition and intervenes when necessary.

8.2 Define the AB 1200 oversight framework

- Recognize statutory oversight requirement.
 - Established in Education Code 42130–42134.
 - Requires COEs to review district financial reports and ensure fiscal solvency using standard processes.
- Understand when additional review or intervention may occur.

- Triggered by indicators, such as:
 - Qualified or negative certifications.
 - Structural deficits or declining reserves.
 - Cash flow concerns.
- May lead to:
 - Increased reporting.
 - Fiscal reviews or technical assistance.
- Identify implications of increased oversight.
 - Reduced local discretion in fiscal decision-making.
 - Increased reporting requirements and monitoring.
 - Required corrective actions (e.g., budget reductions, recovery plans).
 - In severe cases, county office intervention and loss of local authority.

8.3 Recognize reporting cycles

- Understand the purpose of the budget, interim reports, and unaudited actuals.
 - Adopted budget (by July 1).
 - Establishes the financial plan for the current and two subsequent fiscal years.
 - Also provides an update of actual annual expenditures for the ending fiscal year.
 - First interim report (reflects the budget as of October 31).
 - Provides an early update on financial performance and emerging risks.
 - Second Interim Report (reflects the budget as of January 31).
 - Refines projections based on midyear data; key checkpoint for solvency.
 - Unaudited actuals (by September 15).
 - Finalizes prior-year financial results and sets beginning balances for the following fiscal year.
- Identify how these reports inform oversight decisions.
 - COEs use each report to:
 - Evaluate fiscal stability and multiyear solvency.
 - Assign or adjust the certification status of budget or interim reports.
 - Determine need for assistance or intervention.
 - Trends across reports highlight risks such as deficits, revenue shortfalls, or increasing expenditures.
- Recognize timing and expectations for each report.

- Timing:
 - Adopted budget – July 1.
 - First interim – review and approve by December 15.
 - Second interim – review and approve by March 15.
 - Unaudited actuals - September 15.
- Expectations include:
 - Accurate MYPs.
 - Consistent and documented assumptions (e.g., ADA, COLA, staffing).
 - Timely board approval and submission.
 - Clear documentation of fiscal risks and changes.

8.4 Understand fiscal solvency planning

- Understand the need for short-term and long-term budget planning, especially when using one-time funds for ongoing costs.
- Understand the connection between cash and solvency.
- Evaluate the adequacy of proposed plans (e.g. recovery plans). A comprehensive plan includes:
 - Detailed actions by funding source, with implementation steps and timelines.
 - Identification of possible challenges and alternative solutions to achieve a balanced budget.

8.5 Identify the implications of qualified or negative certifications and the designation of a lack of going concern

- Recognize increased scrutiny and required actions.
- Review oversight letters and recurring findings.
 - Identify trends and repeated concerns.
 - Evaluate district response to oversight feedback.
- Ensure progress is monitored and reported.
- Identify board responsibilities in response:
 - Board members should exercise their fiduciary duty by monitoring fiscal health, addressing risks promptly, supporting corrective actions, and making decisions that promote long-term fiscal solvency and student success.

8.6 Understand the potential for insolvency and resulting loss of local control

- To ensure the continuity of instruction, the state may provide an emergency advance apportionment to a financially insolvent school district. Repayment, including interest, may extend for decades, reducing resources available for future students and educational programs.

- Recovery from insolvency often requires many years of fiscal oversight and corrective actions before local control can be fully restored.
- Fiscal insolvency can result in significant disruption to local governance, financial decision-making, and program planning.
- Impact on local governance and decision-making:
 - Decision-making authority is transferred to a COE-appointed administrator.
 - The district superintendent is immediately terminated.
 - The board loses all governing control and local decision-making authority.
 - The principle of subsidiarity, which holds that decisions are best made at the local level, may be set aside during recovery.
- Recognize the impact on students and the community.
 - Long-term repayment obligations and fiscal recovery measures can affect future educational opportunities, staffing decisions, and program offerings.
 - Financial instability may reduce the district's flexibility to respond to local priorities and student needs.
- Understand state-level intervention and oversight.
 - Fiscal oversight may increase as a result of COE review, state intervention, and fiscal reviews or assessments conducted by FCMAT.

Questions to Ask

- What concerns have been noted in communications from the county superintendent, and how are we addressing them?
- Are there any recurring concerns from oversight agencies that need attention?
- What is our current certification status, and what could change it?
- Does the district have a plan to remediate the budget deficit (e.g. fiscal recovery or fiscal stabilization plan), and if so, what are its key elements?
- How are we tracking and reporting progress on addressing fiscal risks?

Key Takeaways

- External oversight does not replace board responsibility.
- Oversight increases as risk increases.
- Recurring findings indicate unresolved issues.
- Fiscal stabilization planning is essential when risks emerge.
- Boards must ensure that concerns are addressed, not repeated.

Resources

- [Fiscal Oversight Guide.](#)
- [CDE Fiscal Status of Districts.](#)
- [FCMAT's Work During Fiscal Crises in Schools.](#)
- [State Emergency Loan Process.](#)
- [List of State Emergency Loan Recipients.](#)

Competency 9: Budget Review, Monitoring, and Board Inquiry

Description:

Board members must actively engage in budget review and monitoring as part of their fiduciary duty and stewardship of public resources. They must ask informed, governance-level questions and ensure that financial information presented by administrators supports effective decision-making and long-term fiscal stability.

Learning Objectives

9.1 Identify expected components of a budget presentation

- Understand the purpose of budget presentations throughout the fiscal cycle, including budget adoption, interim reports, budget revisions, and regular budget updates.
- Ensure compliance with board policies, administrative regulations, and statutory budget reporting requirements.
- Identify key financial information that should be communicated to support informed board decision-making.
- Recognize when information is unclear, incomplete, inconsistent, or requires additional explanation.
- Evaluate whether budget presentations clearly communicate fiscal risks, assumptions, and recommended actions.
- Ensure financial presentations support informed governance decisions and long-term fiscal stability.

9.2 Analyze budget reports and financial information

- Identify key indicators of fiscal health in budget and financial reports.
- Compare budget assumptions to current fiscal conditions and available data.
- Evaluate revenue, expenditure, enrollment, staffing, and reserve trends over time.
- Recognize variances between budgeted and actual financial results, and understand their potential implications.
- Assess whether current financial information supports the district's strategic priorities and LCAP goals.

9.3 Identify key elements of a clear budget narrative

- Ensure alignment of the budget narrative with financial reports and recommended actions.
- Evaluate whether explanations of fiscal conditions, assumptions and recommendations are clear, accurate and transparent.
- Assess whether budget information is presented in a way that is understandable and accessible to board members and the public.

- Recognize when additional information or clarification is needed to support sound decision-making.

9.4 Ask effective governance-level questions of staff

- Focus questions on fiscal sustainability, student outcomes, risk, and strategic priorities.
- Seek clear explanations regarding assumptions, projections, and recommended actions.
- Evaluate the potential short- and long-term impacts of financial decisions.
- Understand trade-offs associated with proposed expenditures, staffing decisions, and program investments.
- Distinguish between governance-level inquiry and operational management responsibilities.
- Use budget discussions to fulfill fiduciary responsibilities and exercise prudent stewardship of public resources.

9.5 Understand the three-year budget cycle

- Recognize connections between prior, current, and future budgets.
- Understand how current decisions affect future fiscal years and budget flexibility.
- Evaluate trends in enrollment, staffing, revenues, expenditures, cash flow, and reserves over time.
- Use MYPs to assess the sustainability of ongoing commitments.
- Recognize the importance of long-term planning in maintaining fiscal solvency and supporting student achievement.

9.6 Recognize certification levels (positive, qualified, negative)

- Understand the meaning of each certification level.
- Recognize implications for fiscal health and oversight.
- Identify conditions that may lead to a change in status.

9.7 Monitor implementation of board-approved financial plans

- Evaluate progress toward achieving budget goals, fiscal stabilization plan goals, or recovery plan objectives.
- Review corrective actions when revenues, expenditures, enrollment, or other assumptions change.
- Assess whether planned fiscal actions are being implemented according to established timelines.
- Identify emerging fiscal risks that may require board attention or additional action.
- Ensure that ongoing monitoring supports fiscal solvency and long-term financial health.

Questions to Ask

- What are the most significant assumptions underlying this budget?
- What are the biggest fiscal risks or uncertainties right now?
- How does this year's budget compare to prior years and future projections?
- Are there any concerns that could affect the district's ability to meet its financial obligations?
- Are there early warning signs of fiscal stress we should be aware of?
- Are resources aligned with the board's adopted goals and priorities?
- If one-time funds are supporting ongoing costs, what is the plan for when those funds expire?
- What are the potential long-term consequences of this decision for future students and taxpayers?
- In the case of a fiscal recovery or stabilization plan, how will success be measured and reported to the board?

Key Takeaways

- Strong boards ask focused, forward-looking questions.
- Exercise fiduciary responsibility through prudent oversight and stewardship of public resources.
- Clarity matters — if you don't understand or if information is unclear or incomplete, request clarification.
- Oversight is strengthened through consistent inquiry and follow-up; ask governance-level questions about assumptions, risks, and trade-offs.
- Ensure financial resources align with board goals, strategic plans, and the LCAP.
- Review budget information regularly, not just at budget adoption.
- Focus on fiscal sustainability, risks, and long-term impacts.
- Monitor implementation of board-approved financial plans and corrective actions.
- Maintain a long-term perspective by using MYPs.

Competency 10: Audit Process and Board Role

Description

Board members must understand the purpose and outcomes of the annual audit process and their role in ensuring findings are addressed and fiscal practices are strengthened.

Learning Objectives

10.1 Understand statutory audit requirements and timelines

- Recognize annual audit requirements.
 - Education Code 41020: each district is required to complete an annual financial and state program compliance audit by an independent auditor.
 - Single Audit Act of 1984: requires districts that expend \$1,000,000 or more in federal awards during a single fiscal year to conduct an audit to ensure the accountability of federal awards.
- Ensure compliance with key deadlines.
 - May 1: provide for an audit for the current fiscal year.
 - January 31: submit the annual audit report for the prior fiscal year to its oversight entity, the CDE, and the State Controller's Office (SCO).
 - Within 45-days of issuance of the audit report for the prior year: review at a public governing board meeting the annual audit for the prior year and any audit exceptions identified in that audit.
- Understand the purpose of the audit process.
 - Ensure that adequate systems are in place and functioning to account for financial transactions correctly.
 - Strengthen fiscal accountability.
 - Determine the integrity of the financial accounting and reporting systems.
 - Identify weakness in internal controls.
 - Determine whether there is a high level of confidence in the accuracy of the financial reporting.

10.2 Interpret the findings in the Annual Financial and Compliance Audit

- Distinguish between findings and recommendations.
- Evaluate the severity of audit findings and their implications.
 - Significant audit findings regarding apportionment that require the return of funding.
 - Internal control findings.
 - Review responses of district management to findings.

- Options to resolve significant audit findings regarding apportionment:
 - Apply for a State Board of Education waiver, if allowable (e.g., instructional time).
 - Accept the finding.
 - Repayment plan.
 - Education Audit Appeals Panel summary review or formal appeal.

10.3 Understand auditor selection and oversight

- The board is responsible for approving the superintendent's recommendation of the annual audit firm (from the SCO's approved list of auditors) and for approving the contracted services.
- Ensure the independence of the audit process.
- Evaluate the auditor's performance.
- Recognize patterns of recurring findings.
- Evaluate the effectiveness of current audit services.
- Ensure accountability in relationships with auditors.

Questions to Ask

- What are the most significant findings from this year's audit?
- Are there repeat findings, and if so, how are they being addressed?
- What do these findings indicate about internal controls?
- What actions are being taken to resolve findings, and how will progress be reported?
- Are there any concerns about the effectiveness of the audit process?

Key Takeaways:

- Audits identify risk — not just compliance issues.
- Repeat findings are a serious concern.
- Strong internal controls support fiscal stability.
- Boards must ensure findings are corrected — not ignored.
- Fiduciary oversight includes holding administrators accountable for corrective action.

Resources

- [Annual Audit Guide](#).
- [Resolve Audit Findings](#).
- [SCO's Certified Public Accountants Directory](#).

Competency 11: Fiscal Compliance and Penalties

Description

Board members must understand key fiscal compliance requirements, statutory reporting obligations, and the fiscal consequences of noncompliance. This knowledge enables board members to fulfill their fiduciary responsibilities, ensure accountability, and avoid actions that may result in financial penalties, loss of funding, or increased fiscal oversight.

The learning objectives below highlight the fiscal penalties with the greatest potential impact on districts. A comprehensive list of fiscal penalties is available on FCMAT's website at www.fcmat.org/ab640-training.

Learning Objectives

11.1 Recognize major compliance requirements and fiscal consequences

- Understand required submissions to the CDE and oversight agencies (budget, LCAP, interims, unaudited actuals, annual audit report).
- A county superintendent of schools may not provide any payment of state or local apportionments to a district that neglects or refuses to adopt an LCAP by the statutory deadline or adopt a budget.
- A county superintendent of schools may withhold the salaries, benefits, and stipends of the superintendent and board members for failing to provide the COE or CDE with its LCAP, budget, interims, and audits.
- The CDE may impose a significant financial penalty for failing to adopt an LCAP by the statutory deadline.
- Recognize deadlines and statutory obligations.
- Ensure accountability systems are in place.

11.2 Understand instructional time requirements and penalties for class size

- Conditions of apportionment vary by grade level and instructional setting; these conditions must be met to generate ADA for funding. Compliance with these requirements is checked by your independent auditor during the annual audit. Failure to meet these requirements results in the loss of ADA and corresponding funding.
- Recognize the fiscal consequences of noncompliance with the following instructional time and ADA requirements:
 - School districts:
 - Annual minutes by grade span (EC 46207).
 - Minimum day requirement.
 - Annual 180 day requirement (EC 46208).
 - Extra penalty for less than 175 days (EC 41420).

- Traditional and course-based independent study.
- Ratio calculation (EC 51745.6 and 51749.5).
 - Providers should note that although AB 640 identifies the ratio calculation, the independent auditor will also check several other independent study conditions of apportionment for compliance.
- Districts must also meet specific class size requirements that have distinct rules. Failure to meet these requirements results in a loss of funding.
- Class size penalties.
 - Compliance with class size requirements for the TK-3 grade span adjustment is checked as part of the annual audit (EC 42238.02(d)).
 - For K-8 class size requirements, data is self-report to the CDE, and if maximums are exceeded the CDE will apply a penalty (EC 41376 and 41378).
- Transitional kindergarten.
 - TK staffing and class size requirements (EC 48000.1).
- Ensure internal systems support compliance.
- Monitor areas of risk.

11.3 Identify staffing-related penalties

- Understand requirements related to teacher certification verified by the annual audit.
- Appropriate certification (this is a combined penalty for ADA noncompliance and loss of instructional time, both because the teacher lacks the correct certification EC 45037).
- School districts are assessed a penalty if the annual audit finds the district exceeded the statutory administrator-to-teacher ratio (EC 41402 and 41404).
- If the school district operates a transitional kindergarten program, the assigned teacher must possess the appropriate credential and qualifications as outlined in EC 48000(g)(4).
- Recognize the fiscal implications of noncompliance.
- Ensure oversight of compliance systems.

11.4 Understand the broader fiscal implications of noncompliance

- To ensure compliance, be mindful of these requirements when making program changes.
- Recognize potential losses of funding.
- Understand the impacts to reputation and governance.
- Monitor compliance-related areas of risk.

Questions to Ask

- Are we in compliance with all required fiscal submissions and deadlines?

- What areas pose the greatest risk for financial penalties?
- What systems are in place to ensure compliance with instructional time and staffing requirements?
- Have there been any recent compliance issues, and if so, how have they been addressed?
- What is the potential fiscal impact of missing a major compliance requirement?

Key Takeaways:

- Compliance failures can result in loss of funding.
- Timelines and requirements must be met consistently.
- Prevention is more effective than correction.
- Oversight includes ensuring systems are in place that enable compliance.
- Small issues can become larger financial risks if ignored.

Resources

- Instructional time requirements.
- Class size penalties.
- Independent study instructional time requirements and Notice of Statutory Changes to Independent Study Conditions of Apportionment.
- Comprehensive list of fiscal penalties by LEA type.