

TK-12 Public Education Finance Training for Charter School 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 charter school's 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 charter school 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 charter school governing board members.

The required curriculum focuses on two critical areas: laws governing the development and approval of charter school 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.

The board has a responsibility to ensure that the charter school complies with the requirements of the charter school's petition, laws governing charter schools, and the requirements of the charter school authorizer.

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 school'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, ensure compliance with the charter school's petition and authorizer requirements, and ensure that financial decisions support the charter school's educational 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 charter schools' 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 and operational viability of the school. This is foundational to student success, because a charter school'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 charter school 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 charter school administrators 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 the charter school's finances, budgets, audits, and long-term fiscal sustainability.
- Recognize the board's responsibility for ensuring compliance with charter petition commitments, charter school laws, and authorizer oversight requirements.
- Understand how fiscal decisions affect charter renewal, operational viability, and organizational 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 charter school's educational mission, strategic plan, LCAP goals, and other charter school 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 charter school'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 charter school 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 the charter school's 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 the strategic planning tools such as the LCAP, charter petition, strategic plan and, where applicable, the single plan for student achievement (SPSA) or other school improvement plans?
- 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 charter school sustainability?
- How are we communicating the charter school'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 charter school 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 charter school'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 charter school.
- Balance current student needs with the stewardship of resources for future students.
- Maintain the financial health needed to ensure charter renewal, organizational sustainability, and fulfillment of the school's charter commitments.

Resources

- [National Charter School Resource Center](#).

Competency 2: LCAP and Strategic Planning

Description

The LCAP is the charter school'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, boards establish goals, evaluate student needs, engage educational partners, and ensure that charter school 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 charter school's long-term priorities and fiscal sustainability. Board members should also ensure that the LCAP is coordinated with other charter school planning documents and accountability documents, including the charter petition, strategic plans, school plans for student achievement (SPSAs), the LCAP Federal Addendum (where applicable), 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, and community members. The board is responsible for ensuring that engagement is inclusive, transparent, and timely enough to meaningfully influence goals, actions, services, and resource allocation decisions. 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 charter school plans (e.g., charter petition goals, the strategic plan, LCAP Federal Addendum (if applicable))

- 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 organizations (where applicable), 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., English learner advisory committee and parent advisory committee, where appropriate).
 - 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 charter school plans

- Examples include the charter school's strategic plan, which should be developed in conjunction with the LCAP.
- If a charter school chooses to use its LCAP as its SPSA, it must demonstrate that the combined plan meets the legal requirements of each plan.

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 charter school's mission, charter petition, strategic priorities and the board's vision for student success?

- How are the charter petition, school strategic plans and other school improvement efforts aligned with and supporting the LCAP?
- How are students, parents, staff, employee organizations (where applicable) 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 guide planning and resource allocation decisions.
- The LCAP is a planning tool; the LCFF is a funding formula.
- The LCAP is the charter school's primary strategic planning tool and should be aligned with the charter petition, strategic plan, and other school improvement efforts.
- 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](#).
- [School Plan Guidance for Districts and Charters:](#)
and
[SPSA/LCAP Planning Summary](#)
- [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 charter school budgets, requiring charter schools to develop their budgets in alignment with state guidance and revenue projections. At the local level, the budget supports implementation of the charter school's mission, goals, LCAP, and other plans. Charter schools 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, charter schools 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.
- Charter schools 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 charter school 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 charter school to adopt a budget.
 - If required by the charter school's authorizer, charter agreement or memorandum of understanding (MOU), provide a budget revision that shows changes resulting from the enacted Budget Act within the timeframe specified by the authorizer.
 - September 15: charter school unaudited actuals due to oversight agency and county superintendent of schools.
 - December 15: deadline for a charter school to submit first interim financial report to oversight agency and county superintendent of schools.
 - March 15: deadline for a charter school to submit second interim financial report to oversight agency and county superintendent of schools.

3.2 Recognize that staffing decisions often have contractual, collective bargaining, and operational timelines that may constrain budget actions

- Understand that staffing costs are typically the largest expenditure in a charter school's budget.
- Evaluate the fiscal impact of staffing decisions on current and multiyear budgets.
- Recognize that staffing decisions made later in the budget cycle may limit options for addressing fiscal challenges.
- Recognize that reducing expenditures often requires advance planning because of contractual obligations, notification requirements, and employee retention considerations.
- For charter schools with organized labor, understand that collective bargaining agreements may include required timelines, notifications, and procedures that affect the timing and implementation of staffing changes.
- Confirm the board's role in approving staffing-related budget assumptions while leaving implementation to school administrators.

3.3 Describe key phases of the charter school budget development process

- Identify planning, development, adoption, and monitoring phases.
- Determine when the board's input has the most impact.
 - Input is generally most valuable during strategic planning, enrollment and staffing discussions, establishment of budget assumptions, and prior to budget adoption when priorities and resource allocation decisions are being developed.

- The board should focus on budget priorities, major assumptions, and alignment with the charter school's mission, LCAP, and strategic goals.
- Recognize that the budget is iterative and will be updated throughout the year.
- Ongoing monitoring occurs through monthly and interim financial reports, cash flow reporting, and multiyear projections.

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

- Evaluate alignment with priorities as identified in LCAP and other charter school 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 that enrollment and student attendance are primary drivers of revenues and expenditures.
- Assess whether expenditure levels are sustainable based on current and projected enrollment.
- Evaluate whether staffing, facilities, and contracted service expenditures align with enrollment trends.
- Consider the impact of enrollment changes on current-year and multiyear financial projections.
- Evaluate whether budget actions appropriately address actual or projected enrollment changes.

3.6 Assess Staffing Impacts and Timing Considerations

- Recognize that contractual obligations, personnel policies, and collective bargaining agreements may constrain staffing decisions and budget adjustments.
- Evaluate the balance between staffing levels, educational program needs, and long-term fiscal sustainability.
- Assess the fiscal impact of staffing decisions on the current year and two subsequent years based on MYPs.
- Recognize that staffing changes often require advance planning and may not produce immediate fiscal savings.
- Confirm the board's role in approving budget assumptions and overall staffing costs, while leaving personnel administration and implementation to school administrators.

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 multiyear projections?
- What actions are included to align expenditures with actual or projected enrollment?
- What constraints or requirements should the board be aware of when evaluating its options?

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. Early decisions provide more options than delayed action.
- Enrollment and student attendance changes require financial adjustments.
- Focus on key assumptions and trade-offs, not technical details.
- Strong fiscal stewardship ensures the budget reflects reality, not optimism.

Resources

- [Budget Act and trailer bill language](#).
- [California legislative information](#).

Competency 4: Understanding the Nature of Funding

Description

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

Charter schools 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 established by statute, regulation, grant terms, or the organization providing the funding.
- Restricted funding often has timelines for spending as well as reporting and compliance 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 charter school revenue.
 - The Local Control Funding Formula (LCFF) is the primary funding source for charter schools.
- Assess variability and uncertainty in funding streams.
 - Charter schools 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 decisions.
 - When funding changes, the 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 charter school'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 unrestricted financial resources and flexibility

- Recognize that unrestricted resources provide the greatest fiscal flexibility and should be preserved whenever possible.
- Recognize unrestricted resources as the charter school's primary operating resource.
 - Spend the most restricted dollars first.
- Recognize that terminology may differ depending on the charter school's accounting model:
 - A charter school that uses governmental accounting may refer to an unrestricted general fund or unrestricted fund balance.
 - A charter school that uses Financial Accounting Standards Board (FASB) nonprofit accounting may refer to unrestricted net assets or net assets without donor restrictions.

- Understand the charter school's specific financial structure and which resources are available for general operating purposes.
- Avoid structural deficits that erode flexibility:
 - Deficit spending is spending more than the charter school 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 of unrestricted resources will deplete the unrestricted general fund and result in loss of flexibility in spending.

4.5 Understand the relationship between unrestricted resources and solvency

- Recognize that unrestricted resources are an important indicator of the charter school's ability to withstand unexpected financial pressures.
- Understand that solvency is measured by more than the amount of unrestricted resources available; cash flow, liquidity, liabilities, and the ability to meet financial obligations are also determining factors and must be evaluated.
- Recognize that declining unrestricted resources, recurring deficits, and deteriorating cash flow may be indicators of increasing fiscal risk.

Questions to Ask

- What portion of our budget is unrestricted versus restricted, and how does that affect flexibility?
- What resources are unrestricted and available for operating purposes?
- Are any ongoing expenditures 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 do current spending decisions affect long-term sustainability?

Key Takeaways

- Not all funding can be used for any purpose. Understanding funding restrictions is critical.
- One-time revenues should generally be used for one-time expenditures.
- Unrestricted resources provide the flexibility needed to respond to changing circumstances and support ongoing operations.

- Fiscal sustainability requires more than balancing the current year's budget; it requires planning for future years.
- Uncertainty about enrollment and attendance require prudent budgeting and ongoing monitoring.
- Protecting unrestricted financial resources protects the charter school's flexibility, resilience, and ability to serve students over the long term.

Competency 5: Board Responsibilities for Employee Compensation and Labor Costs

Description

Board members must understand their governance role in overseeing employee compensation and personnel costs, and the significant fiscal impact these decisions have on a charter school's long-term financial sustainability. Regardless of whether employees are represented by a collective bargaining unit, compensation and staffing decisions create ongoing financial commitments that must be evaluated in the context of projected revenues, reserves, and other organizational priorities.

Learning Objectives

5.1 Evaluate the fiscal impact of compensation and staffing decisions

- Recognize compensation (salaries and benefits) as the largest expenditures.
- Understand the long-term cost implications of compensation decisions.
 - Compensation decisions may create multiyear or ongoing cost commitments, including salary increases, step advancements, benefit increases, and other personnel-related obligations.
- Evaluate the impact on financial stability.
 - Assess whether compensation increases or 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, step-and-column movement, and other components of compensation.
- Understand how employment policies, contracts, handbooks, or collective bargaining agreements, when applicable, can affect costs.
- Recognize the possible financial implications of changes to working conditions and operational practices, including:
 - Class sizes.
 - Preparation time.
 - Professional development.
 - Staffing ratios.
 - Work schedules.

- Leave provisions.
- Evaluate expenditure trends and identify whether personnel costs are increasing faster than revenues.
- Recognize that ongoing compensation increases and staffing commitments create recurring costs that must be included in MYPs.

5.3 Understand the board's governance role

- Establish clear direction and financial parameters for compensation and personnel decisions.
- Ensure that compensation and staffing decisions align with the charter school's strategic priorities and financial capacity.
- Approve compensation structures, personnel policies, contracts, or agreements as required by the charter school's governance structure.
- Maintain clear separation between governance and administration.
 - Rely on management and appropriate advisors to administer personnel matters and, when applicable, negotiate collective bargaining agreements.
- Understand the additional governance responsibilities that apply when employees are represented by a collective bargaining unit.

Questions to Ask

- How do changes in compensation and working conditions align with the board's strategic priorities and fiscal parameters?
- What is the total current and projected multiyear cost of this change?
- What ongoing costs will this decision create?
- How will this change affect both short-term and long-term financial stability?
- What enrollment, revenue, and staffing or benefits assumptions are necessary to sustain the costs of the labor agreement while maintaining fiscal solvency? Are these assumptions reasonable?
- Are personnel costs growing faster than our ongoing revenues?
- What operational changes or changes to working conditions have financial implications beyond the stated compensation increase?
- What risks should the board understand before approving this decision?
- If applicable, what are the fiscal and operational implications of the collective bargaining agreement?

Key Takeaways

- Personnel costs are among the largest and most significant ongoing expenditures for a charter school.

- Compensation and staffing decisions have long-term fiscal consequences.
- The financial impact extends beyond salaries: it includes benefits, staffing levels, working conditions, and other personnel provisions.
- These principles are applicable regardless of whether employees are represented by a collective bargaining unit.
- The board provides governance, direction and oversight – it does not manage day-to-day personnel administration.
- Affordability and long-term sustainability should be demonstrated clearly before significant ongoing commitments are approved.
- Unsustainable personnel commitments can contribute to future fiscal instability.

Competency 6: Local Control Funding Formula

Description

The Local Control Funding Formula (LCFF) is hallmark legislation that in 2013 fundamentally changed how all charter schools 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 charter schools 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 student who qualify for free or reduced-price meals — commonly 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 average daily attendance (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 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 charter school.

Learning Objectives

6.1 Describe the purpose and structure of LCFF

- Understand how funding is generated.
 - The LCFF is the charter school's primary unrestricted funding source for operations and is based on student enrollment, attendance by grade span, and student demographic characteristics.
 - The LCFF enrollment is the charter school'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 charter school's unduplicated pupil percentage (UPP), which is based on a three-year count of enrollment and unduplicated pupils and determines supplemental and concentration grant funding.

- A charter school's concentration grant is capped at the lower of the charter school's UPP or the UPP of the school district in which the charter school is located.
- A charter school's LCFF entitlement is funded from a combination of in-lieu of property taxes, Education Protection Account (EPA) funding (Proposition 55), 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.
- LCFF funding is unrestricted, but charter schools must comply with certain requirements, such as:
 - Develop a Local Control and Accountability Plan (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 charter school 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.
 - Charter schools 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 total revenue by the same percentage.
- 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 charter school'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 between enrollment, ADA, and revenue trends

- Charter school LCFF funding is based on current-year ADA.
- In a small charter school, enrollment changes that might be considered relatively small can have a significant impact on the budget and should be monitored closely.
- Understand how emergencies may affect ADA-based funding.
 - Protections are available to charter schools 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 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 charter school'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 charter school 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](#).
- [CDE Charter school funding](#).
- [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 financial information used to monitor the charter school's fiscal health, identify risks and trends, and understand the long-term implications of financial decisions.

California charter schools may use different methods of accounting and financial reporting depending on their organizational and legal structure. A charter school organized as a governmental entity may use the Governmental Accounting Standards Board (GASB) model, while a charter school organized as or operated by a nonprofit public benefit corporation generally uses the Financial Accounting Standards Board (FASB) nonprofit accounting model.

Regardless of the accounting model used for financial reports, charter schools are subject to state and authorizer financial reporting requirements. Board members should understand the purpose of these reports and how they relate to the financial information used by management and the board to oversee fiscal health and sustainability.

Learning Objectives

7.1 Understand the charter school's financial reporting framework

- Recognize that charter schools may use either of two different accounting methods depending on their organizational structure:
 - GASB: for governmental entities.
 - FASB: for nonprofit organizations.
- Understand that the accounting method affects the presentation of and terminology used in financial statements.
- Recognize that state-required financial reporting uses standard formats, even though the charter school's day-to-day financial statements may be prepared using a different framework.
 - Need to understand and interpret both.
- Understand the purpose of the Standardized Account Code Structure (SACS) and the charter school alternative form (see below).
- Identify SACS as the standard for state reporting.
 - Using SACS when developing a chart of accounts helps ensure financial compliance and year-end reporting of unaudited actuals.
- Charter schools must report annual financial data using the SACS software, which provides standardization statewide, using one of the two options below:
 - Standard SACS format.
 - Charter School Alternative Form.

- Unless stated otherwise in the charter petition or prescribed in the memorandum of understanding with the charter's authorizer, charter schools can submit budget and interim data to their authorizer using either the standard SACS format or an alternative.

7.2 Read and interpret state-required financial reports

- Identify the purpose of the state-required budget, interim and year-end financial reports.
- Identify major revenue and expenditure categories and how they are presented in the applicable reporting format.
 - When SACS is used, understand the basic structure of SACS codes and the distinction between revenue and expenditure classifications.
- Compare current financial results with:
 - adopted or approved budgets.
 - prior-year results.
 - previous projections.
 - multiyear projections.
- Identify significant variances and determine when additional explanation or board inquiry is warranted.
- Understand the limitations of standardized state reporting, and recognize that board oversight may require additional financial information.

7.3 Read and interpret financial statements used by the charter school

- Understand the purpose of the financial statements and reports provided to the board regularly and included in the annual independent audit.
- Depending on the charter school's accounting model, identify and interpret information related to:
 - revenues and expenditures or revenues and expenses.
 - assets and liabilities.
 - cash and liquidity.
 - fund balance or net assets.
 - changes in financial position.
 - restricted and unrestricted resources.
- Recognize the relationship between financial position and cash flow.
- Understand that a reported surplus does not necessarily mean the charter school has sufficient cash or financial flexibility.
- Recognize that financial statements should be considered together rather than viewed in isolation.

7.4 Analyze multiyear financial projections

- Evaluate long-term fiscal sustainability using multiyear projections.
- Identify projected surpluses, deficits, declining reserves or unrestricted net assets, and other emerging risks.
- Identify structural balance or imbalance.
 - If there is deficit spending, is it structural, meaning does it occur year over year?
- If required by the authorizer, verify that the charter school is meeting minimum reserve requirements.
- Assess the reasonableness of major assumptions, including:
 - enrollment.
 - ADA.
 - revenue.
 - staffing.
 - compensation and benefits.
 - COLA and other state funding assumptions.
 - inflation and other significant cost factors.
- Compare projections with historical trends and current conditions.
- Understand how changes in assumptions can materially affect future financial results.
- Evaluate whether projected ongoing revenues are sufficient to support ongoing expenditures and commitments.

7.5 Evaluate the long-term impacts of current decisions

- Recognize that ongoing expenditures create recurring financial commitments.
- Evaluate the multiyear impact of:
 - compensation changes.
 - staffing increases or reductions.
 - contracts and service agreements.
 - facilities and leases.
 - debt or other financing obligations.
 - program expansions.
- Understand the risks of using one-time revenues or accumulated financial resources (fund balance or reserves) for ongoing expenditures.
 - Commitments to spend one-time dollars or reserves will eventually erode the unrestricted ending fund balance and flexibility.

- Evaluate how current decisions will affect future financial flexibility and the charter school's ability to respond to changing circumstances.
- Consider whether resources are aligned with the charter school's educational priorities, LCAP goals, and student needs.
- Recognize that increasing restricted balances or unspent resources may warrant board inquiry about whether funds are being used effectively and in accordance with applicable restrictions.

7.6 Identify key indicators of fiscal distress

- Use available financial reports and fiscal health tools to identify areas of risk, such as the FCMAT Indicators of Risk or Potential Insolvency.
- Recognize early warning signs, such as:
 - recurring operating deficits.
 - declining reserves, fund balance, or unrestricted net assets.
 - deteriorating cash flow.
 - declining enrollment or ADA.
 - revenue shortfalls.
 - expenditure increases exceeding increases in revenue.
 - increasing liabilities.
 - reliance on one-time resources for ongoing expenditures.
- Understand the potential implications of negative financial trends for the charter school's ability to meet its financial obligations and educational commitments.
- Ensure management develops and monitors an appropriate corrective plan when warranted by the charter school's financial condition.

7.7 Understand cash flow and liquidity

- Recognize the role of cash and liquidity in the charter school's ability to continue operations.
- Understand the timing of significant cash receipts and expenditures.
- Understand that cash flow projections should be for a minimum of 18 months.
- Evaluate whether available cash and liquid resources are sufficient to meet foreseeable obligations.
- Consider whether the board has established appropriate policies and expectations regarding liquidity and cash reserves.
 - FCMAT recommends minimum cash reserves of 5% of the total of all budgeted expenditures, with a plan to increase to at least 10% of total budgeted expenditures over five years.

7.8 Understand reserves and financial flexibility

- Understand how the following are different from one another:
 - budgetary reserves.
 - cash reserves.
 - fund balance.
 - net assets.
- Determine which reserve requirements or policies apply to the charter school based on applicable law, the charter agreement, authorizer requirements, and board policy.
- Understand the purpose and risks of lines of credit and other borrowing options.
- Evaluate whether the charter school's unrestricted financial resources are adequate to manage foreseeable risks and maintain financial flexibility.

Questions to Ask

- What accounting and financial reporting method does our charter school use?
- Which reports are required by the state or authorizer, and which reports does management use for ongoing financial management?
- What are the key takeaways from budget, interim, annual financial data, and cash flow reports?
- What are the most significant changes from the prior year, current budget, or previous projection?
- What risks are indicated in the MYPs?
- If not addressed in the charter's MOU, does the board have a policy regarding budgetary and cash reserve levels?
- How are reserves, fund balance or unrestricted net assets trending, and what is driving that trend?
- How is cash and liquidity trending?
- Does the charter school have adequate financial resources to meet its obligations?
- What current decisions will have the greatest long-term financial impact?
- Are there any warning signs in budget, interim, annual financial data, and cash flow reports that require board attention?
- Is there deficit spending, and if so, is it a structural deficit? What actions are being taken, and how will the board monitor progress?

Key Takeaways

- You don't need to do the math — but you must understand the story.

- Charter schools may use different accounting models; board members should understand the model applicable to their organization.
- State-required financial reports serve different purposes than the financial statements used for ongoing management, but both should tell a consistent financial story.
- MYPs are essential to decision-making.
- Financial position and cash flow should be considered together.
- Declining reserves and ongoing deficit spending are early warning signs of fiscal distress.
- Budget reserves, cash reserves, fund balance, and net assets are not interchangeable concepts. Understand the differences.
- Today's decisions create tomorrow's obligations, affecting future students.
- Focus on trends, assumptions, risks, liquidity, and sustainability.
- Effective fiscal stewardship requires boards to ask questions, seek clarification and follow up on identified risks.

Resources

- [California Charter School Accounting and Best Practices Manual](#).
- [Charter School Indicators of Risk or Potential Insolvency](#).
- [California School Accounting Manual, Procedure 810 Charter Schools](#).
- [SACS Data Viewer](#).

Competency 8: Fiscal Oversight and Accountability

Description

Charter school board members have a fiduciary responsibility to ensure that the organization remains financially solvent, sustainable and accountable for the effective stewardship of public funds. Board members must understand their role in establishing fiscal oversight systems, monitoring financial performance, evaluating financial risks, and ensuring compliance with applicable laws, the charter agreement, and authorizer requirements.

Boards must also understand the relationship between internal governance and external oversight, and recognize that increasing financial risk may result in additional monitoring, corrective action, or other intervention by the charter school's authorizer or applicable state agencies.

Learning Objectives

8.1 Understand the board's fiduciary and fiscal oversight responsibilities

- The board retains primary responsibility for fiscal oversight and the long-term financial health of the charter school.
- Understand the board's responsibility to:
 - adopt and monitor the annual budget.
 - monitor actual-to-budget financial performance.
 - review cash flow and liquidity.
 - monitor reserves and unrestricted fund balances.
 - evaluate MYPs.
 - ensure appropriate internal controls are in place.
 - ensure public funds are used appropriately and in accordance with applicable requirements.
- Distinguish the board's governance and oversight role from management's responsibility for day-to-day financial operations.
- Understand the administration's responsibility to ensure that the board receives timely, accurate and understandable financial information sufficient to make informed decisions.

8.2 Understand the charter school's external oversight and accountability structure

- Identify the roles of the charter authorizer and applicable state agencies in fiscal oversight.
- Understand the fiscal requirements in the charter agreement, MOU if applicable, and applicable law.
- Recognize that authorizer oversight may include review of budgets, financial reports, audits, financial conditions and compliance.

- Understand that oversight and intervention may increase when a charter school demonstrates financial or operational risk.
- Recognize that oversight requirements and processes may differ depending on the charter school's authorizer and organizational structure.
- Understand how the following roles and responsibilities differ:
 - Board oversight: fiduciary responsibility, governance, policy, financial monitoring, and accountability.
 - Management: implementation of the budget, financial operations, internal controls and day-to-day administration.
 - Authorizer: external accountability, compliance monitoring, and intervention when required.

8.3 Recognize key financial reporting and monitoring requirements

- Understand the purpose of the charter school's financial reports, projections and other documents.
 - Adopted budget.
 - 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.
 - Interim or periodic financial reports.
 - Provide updates on financial performance and emerging risks.
 - Unaudited actuals.
 - Finalizes prior-year financial results and sets beginning balances for the following fiscal year.
 - Cash flow projections.
 - MYPs.
 - Annual independent audit.
 - Other reports required by the authorizer or applicable law.
- Identify how these reports provide different perspectives on the organization's financial condition.
- Evaluate whether financial projections are based on reasonable and documented assumptions, including the following:
 - Enrollment and attendance.
 - Revenue assumptions.
 - Staffing levels.
 - Compensation and benefits.
 - Restricted and unrestricted funding.

- Cash collections and timing.
- One-time versus ongoing expenditures.
- Recognize trends that may indicate emerging fiscal risk.
- Recognize timing for required state reports.
 - Adopted Budget – July 1.
 - First Interim – December 15.
 - Second Interim – March 15.
 - Unaudited Actuals – September 15.
 - Annual independent audit – January 31.

8.4 Understand fiscal solvency and cash management

- Distinguish between budgetary balance, reserves and cash position.
- Understand that a balanced budget does not necessarily mean the organization has enough cash to meet its obligations.
- Monitor cash flow and liquidity to ensure the charter school can meet obligations.
 - Payroll obligations.
 - Vendor payments.
 - Debt obligations.
 - Program expenditures.
 - Other short- and long-term commitments.
- Recognize the risks of using one-time funds for ongoing expenditures.
- Evaluate whether enrollment, revenue, expenditures, and staffing assumptions are realistic and sustainable.
- Understand the relationship between current-year decisions and future-year financial obligations.

8.5 Evaluate and respond to emerging fiscal risks

- Identify indicators of financial distress, including the following:
 - Recurring operating deficits.
 - Declining enrollment or revenue.
 - Insufficient reserves.
 - Negative or deteriorating cash flow.
 - Significant budget-to-actual variances.
 - Unfunded or underestimated liabilities.

- Rapid increases in personnel costs or other recurring expenditures.
- Reliance on one-time funding to pay for ongoing costs.
- Ensure management develops a timely and realistic plan to address identified risks.
- Evaluate the adequacy of recovery plans.
- Require specific actions, responsible parties, and implementation timelines.
- Monitor progress and require regular reporting to the board.
- Recognize that delaying difficult financial decisions can significantly increase the cost and difficulty of recovery.

8.6 Understand increased oversight and potential loss of autonomy

- Recognize that significant financial deterioration may result in increased scrutiny from the charter authorizer or other government oversight entities.
- Understand that financial distress may lead to the following:
 - Additional reporting requirements.
 - Increased monitoring.
 - Corrective action plans.
 - Fiscal reviews or technical assistance.
 - Conditions placed on the charter school.
 - Other remedies available to the authorizer.
- Understand that severe fiscal problems may threaten the charter school's ability to continue operating.
- Recognize that fiscal instability can affect all of the following:
 - Educational programs.
 - Student services.
 - Staffing.
 - Relationships with vendors.
 - Employee and community confidence.
 - The organization's ability to meet its charter obligations.
- Understand that the board's fiduciary responsibility becomes particularly important when the organization faces financial distress.

8.7 Review and respond to external oversight and audit findings

- Review communications, monitoring reports, audit findings and other feedback from the authorizer and oversight agencies.
- Identify recurring or unresolved findings.

- Evaluate management's response to identified concerns.
- Ensure corrective actions are specific, timely and sustainable.
- Monitor whether corrective actions have resolved the underlying cause rather than simply addressing the immediate issue.
- Recognize recurring findings as potential indicators of weaknesses in governance, internal controls, or financial management.

Questions to Ask

- What is our current financial position, and is it sustainable?
- Are we maintaining sufficient cash and reserves to meet our obligations?
- What are the most significant financial risks facing the charter school?
- What concerns or findings have been identified by our authorizer, auditors, or other oversight agencies?
- Are any concerns recurring, and if so, why have they not been resolved?
- Does management have a specific and measurable plan to address identified fiscal risks?
- How will the board monitor progress?
- What additional oversight or intervention could occur if the charter school's financial condition deteriorates?
- Are we fulfilling our fiduciary responsibilities while preserving the charter school's ability to carry out its educational mission?

Key Takeaways

- The board is ultimately responsible for fiscal oversight and stewardship of public funds.
- External oversight does not replace the board's fiduciary responsibility.
- Boards must understand both financial position and financial sustainability.
- Cash flow, reserves, enrollment, recurring expenditures, and multiyear projections are critical indicators of fiscal health.
- Recurring audit or authorizer findings indicate issues that require board attention and resolution.
- Early identification and correction of fiscal problems can prevent more serious consequences.
- Effective fiscal stewardship is mindful of how financial decisions affect the charter school's ability to fulfill its educational mission and remain a viable organization.

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 management supports effective decision-making, transparency, 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.
- Understand the charter school's applicable budget reporting requirements, including requirements established by law, the charter petition, authorizer, and board policies.
- 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 sustainability.

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, cash flow, and reserve trends over time.
- Review cash flow projections regularly.
- Recognize variances between budgeted and actual financial results, and understand their potential implications.
- Evaluate the impact of changes in enrollment, staffing, compensation, funding, and other major assumptions.
- Assess whether current financial information supports the charter school'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-term 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 Monitor implementation of board-approved financial plans

- Evaluate progress toward achieving budget goals and addressing identified fiscal risks.
- Review corrective actions when revenues, expenditures, enrollment or other assumptions change.
- Assess whether planned fiscal actions are being implemented according to established timelines.
- Monitor the implementation of board-approved financial plans, including recovery plans when applicable.
- 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?
- Which assumptions have changed since the last financial projection?
- 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 charter school'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?
- If applicable, what are the key element and milestones of the fiscal recovery plan, and how will the board monitor progress?

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.
- Fiscal stewardship 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.

Resources

- [California Charter School Accounting and Best Practices Manual](#).
- [Charter School Indicators of Risk or Potential Insolvency](#).

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 charter school is required to complete an annual financial and state program compliance audit by an independent auditor.
 - Single Audit Act of 1984: requires charter schools 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 chartering authority, the county superintendent of schools, 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.
 - Provide 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 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 charter school administrator'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 charter school 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 highlight the fiscal penalties with the greatest potential financial impact on charter schools. A comprehensive list of fiscal penalties is provided 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 charter school that neglects or refuses to adopt an LCAP by the statutory deadline or adopt a budget (EC 42128).
- A county superintendent of schools may withhold salaries, benefits, and stipends of the charter school administrator and board members for failing to provide the county office of education or the CDE with its LCAP, budget, interims, and audits (EC 42129).
- 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:
 - Charter schools:
 - Annual minutes by grade span (EC 47612.5).
 - Annual 175 days (Section 11960 Title 5 CCR).
 - Non-classroom-based funding determination (EC 47612.5).
 - 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.
- If a charter school operates transitional kindergarten, it must meet staffing and class size requirements defined in EC 48000.1. Failure to meet these requirements results in a loss of funding.
- 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).
- If the charter school operates a transitional kindergarten program, the assigned teacher must possess the appropriate certification 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 submission requirements 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: <https://www.cde.ca.gov/fg/it/index.asp>.
- Independent study instructional time requirements and Notice of Recent Statutory Changes to Independent Study Conditions of Apportionment.
- Comprehensive list of fiscal penalties by LEA type.