

# **TK-12 Public Education Finance Training for County Boards of Education**

## **Syllabus**

# **FCMAT**



**FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM**

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## Course Description

This training equips county board of education members with the school finance knowledge and skills needed to fulfill their statutory responsibilities. The course emphasizes a county board member's role in exercising their statutory responsibilities related to school finance 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 fiscal knowledge among county boards of education. 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 county office of education (COE) 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.

# Directory

|                                                                      |    |
|----------------------------------------------------------------------|----|
| Competency 1: Responsibilities of the County Board of Education..... | 4  |
| Competency 2: LCAP and Strategic Planning .....                      | 6  |
| Competency 3: Understanding the Budget Process.....                  | 9  |
| Competency 4: Understanding the Nature of Funding.....               | 12 |
| Competency 5: Local Control Funding Formula .....                    | 15 |
| Competency 6: Interpreting Financial Reports.....                    | 18 |
| Competency 7: Fiscal Oversight .....                                 | 21 |
| Competency 8: Audit Process and Board Role.....                      | 25 |
| Competency 9: Fiscal Compliance and Penalties .....                  | 27 |

# Competency 1: Responsibilities of the County Board of Education

## Description

County boards of education govern county offices of education (COEs) and carry out specific statutory responsibilities that extend across the county's educational system. They provide leadership for county-operated schools and regional educational services. They also carry out specific responsibilities assigned by state law, such as hearing certain student and district appeals and making decisions related to some charter schools. While school district boards focus on the operation and success of a single district, county boards have a broader countywide role that includes supporting regional coordination, educational access, and services that benefit multiple districts and student populations.

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 review relevant information, ask informed questions, seek clarification when necessary, and rely on credible data and expert advice when appropriate. The duty of diligence requires ongoing attention to services and support for the broader population it serves.

County boards generally do not have the authority to modify budget line items, direct administrative spending decisions, or establish the fiscal assumptions used in budget development; however, they perform an essential oversight role by evaluating whether financial plans are fiscally sound, aligned with COE priorities, and supportive of long-term fiscal stability.

A key function of the county board of education is to approve the budget and ensure it aligns with the Local Control and Accountability Plan (LCAP) goals to improve student outcomes.

## Learning Objectives

### 1.1 Understand the role of county boards of education

- County boards of education approve the annual budget of the county superintendent of schools before its submission to the county board of supervisors.
- County boards approve the annual county school service fund budget of the county superintendent of schools before it is submitted to the education commissioner.
- County boards of education review the report of the annual audit provided for the county superintendent of schools under Education Code (EC) 41020.
  - The report shall be reviewed at a regularly scheduled public meeting.
- County boards of education are also required to “fix the salary of the county superintendent of schools” (Cal. Const., art. IX, § 3.1, subd. (b)).
- Additional actions by the board are permitted as indicated in EC 1042.

### 1.2 Define the board's fiduciary role

- Distinguish between responsibilities of the board and responsibilities of the county 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.
- Recognize the county board's responsibility to review, approve, and monitor financial plans without engaging in fiscal administration or operational decision-making.

### 1.3 Approve the budget

- Understand the county board's role in reviewing and approving the budget presented by the county superintendent.

### 1.4 Foster meaningful community engagement

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

### Questions to Ask

- How have community priorities from the LCAP process been incorporated into this budget?
- Is the COE's financial condition communicated to the public in a clear and understandable way?

### Key Takeaways

- County boards govern the COE and serve a broader countywide role than school district boards.
- Board members are fiduciaries and stewards of public resources, responsible for protecting public funds and promoting long-term fiscal stability.
- The board provides oversight, not administration. The county superintendent and staff manage daily operations and budget development.
- The board's primary fiscal responsibilities include approving the budget, reviewing audits, and ensuring alignment with LCAP goals and organizational priorities.
- Effective governance requires both the duty of care and the duty of diligence, meaning board members must make informed decisions about the services and support for the broader population the COE serves.
- Community input matters, and boards should ensure that budget and policy decisions reflect educational partners' priorities while maintaining fiscal accountability.

### Resources

- Statutory Functions of County Superintendents of Schools and County Boards of Education.

## Competency 2: LCAP and Strategic Planning

### Description

The LCAP is the COE'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 COE 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 COE's long-term priorities and fiscal sustainability. Board members should also ensure that the LCAP is coordinated with any other school or COE plans, where appropriate.

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 goals, actions, services, and decisions about 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.

### 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 proportionate to the scope and priority of the goal.
- Ensure the LCAP is aligned with other COE plans (e.g., the strategic plan, single plan for student achievement).
  - 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

- Breadth and inclusive input, including from parents/guardians (including families of unduplicated pupil groups), students, certificated and classified staff, employee bargaining units, community partners, and school districts.
- Targeted outreach, not just general meetings.
- Quality of engagement.
  - More than just public hearings.
  - Two-way dialogue that encourages meaningful participation and feedback.
- Use of surveys, focus groups, advisory committees, community forums, and other engagement strategies appropriate to the COE's programs and student populations (e.g., district English learner advisory committees, (DELACs), English learner advisory committees (ELACs), and parent advisory committees (PACs)).
- Input is summarized and documented in the LCAP.
- Clearly influences goal-setting, action design, and funding decisions.
- Engagement should occur 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 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 address student needs appropriately.

## 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 have school districts, charter schools, parents, students, staff, and community partners been engaged in identifying priorities for COE programs and services?
- 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 manner that is accessible, easily understood, and meaningful to educational partners?

### Key Takeaways

- The LCAP, budget, and MYPs should be aligned with one another to support the COE's strategic priorities, student outcomes, and long-term fiscal sustainability.
  - 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 COE's primary strategic planning tool and should be aligned with other plans.
- Alignment of LCAP goals, actions, and expenditures supports student outcomes.
- Meaningful engagement requires clear, accessible communication.

### Resources

- [CDE's LCAP website.](#)
- [CDE – Planning for the LCAP and School Plan:](#)  
and  
[SPSA/LCAP Planning Summary.](#)
- [California School Dashboard.](#)
- [Community Engagement Initiative.](#)
- [CDE's Local Control and Accountability Plan \(LCAP\) - Resources \(CA Dept of Education\).](#)

## Competency 3: Understanding the Budget Process

### Description

Understanding the budget process involves recognizing how the state and local timelines align and interact throughout the year. The state budget timeline establishes key funding decisions and deadlines that directly influence COE budgets, requiring COEs to develop their budgets in alignment with state guidance and revenue projections. At the local level, the budget supports implementation of the COE's mission, goals, LCAP, and other plans. COEs 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, county boards should ensure that they remain aligned with one another to support both educational priorities and long-term fiscal sustainability. To stay organized and compliant, COE leaders should create and provide to the board annually a comprehensive budget calendar that outlines critical milestones, deadlines, and responsibilities to ensure accurate planning.

### Learning Objectives

#### 3.1 Identify state and local budget timelines and cycles

- Recognize how the state budget influences local revenues and expenditures.
- Most COEs receive a significant portion of their revenue through state funding via the Proposition 98 formula, which is the minimum 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 COE 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 COE to adopt a budget.
    - Budget revision: 45-days after the governor signs the annual Budget Act.
  - October 15: COE unaudited actuals due to oversight agency.
  - December 15: deadline for a COE to submit first interim financial report to oversight agency.
  - March 15: deadline for a COE to submit second interim financial report to oversight agency.

### 3.2 Evaluate timing realities that impact board decisions

- Largest cost driver of a COE budget: salaries and benefits.
- Statutory deadlines:
  - March 15: preliminary notice is delivered to **certificated** employees if a COE 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 COE budget development process

- Identify planning, development, adoption, and monitoring phases.
- Determine when 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 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 identified in the LCAP and other LEA 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 and collective bargaining requirements that may constrain staffing decisions.
- Understand the relationship among staffing levels, service delivery, and long-term 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 multiyear projections?
- What actions are included to align expenditures with actual or projected enrollment?
- How do budget decisions support both county-operated programs and countywide services provided to districts and charter schools?
- What legal timelines or constraints should the board be aware of before taking action?

**Key Takeaways**

- The county board provides oversight and accountability. The county superintendent develops and administers 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 that 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 COEs requires a clear understanding of funding structures, resource types and responsible budgeting practices to ensure long-term financial stability.

County offices of education receive funding from a variety of state, federal, local, and grant-funded sources. These revenues may support county-operated schools and programs, special education services, district support functions, and regional educational services. Funding is typically categorized as either unrestricted or restricted. Unrestricted resources provide flexibility to fund general operations and strategic priorities, 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, 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 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 COE revenue

- COEs receive Local Control Funding Formula (LCFF) funding.
- Understand that many COE programs rely on restricted funding that has specific expenditure requirements.
- Assess variability and uncertainty in funding streams.
- COEs receive award notifications that provide a basis for determining the current year awards, but usually in the fall after the original budget has been approved by the board.
- Evaluate how changes in funding affect decisions.
- When funding changes, the administration must plan for the possibility of more or less funding.

**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 the sustainability of expenses.
  - Understand what type of expenditures are being made with one-time funds.
  - Recognize how fluctuating enrollment can affect revenue, staffing needs, facility use, and the COE'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.
- Spend the most restricted dollars first.
- The unrestricted general fund is how solvency is determined.
- 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 COE 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 carryovers 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: Local Control Funding Formula

### Description

The LCFF is hallmark legislation that in 2013 fundamentally changed how all COEs 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, complex system of funding and provides COEs with greater flexibility to allocate resources based on local priorities while focusing on the needs of underserved students. COEs receive funding through alternative education grants, supplemental, and concentration grant funding, where appropriate. COEs also may receive special education funding, state and federal grants, and local revenues. Because these funding sources have different requirements, levels of flexibility, and methods of allocation, board members must understand how revenue is generated and the factors that affect funding levels.

Many COE revenues are influenced by student enrollment, attendance, program participation, and the unique populations served in county-operated programs. Other funding may be driven by statutory formulas, grant awards, service agreements, or specific program requirements. Funding levels are also affected by state budget decisions, annual COLA, and changes in state and federal funding policies.

### Learning Objectives

#### 5.1 Describe the purpose and structure of the LCFF

- Understand how funding is generated.
  - The LCFF county operations grant is a COE's primary unrestricted funding source for general operations and strategic priorities.
  - Additional LCFF funding may be provided if the COE operates specific programs such as alternative education (including juvenile court schools and county community schools). These programs can receive grants and other revenue, including LCFF supplemental and concentration grant funding based on student demographics.
  - Additional funding in the form of supplemental and concentration grants is 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 COE's unduplicated pupil percentage (UPP), which is based on a three-year count of enrolled and unduplicated pupils and determines supplemental and concentration grant funding.

- LCFF enrollment is the COE's count of students on the first Wednesday in October.

- For most COE programs, average daily attendance (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 day of school.
- LCFF Entitlement is funded from a combination of local property taxes (or in-lieu funding for charter schools), Education Protection Account (EPA) funding (Prop 55), and LCFF state aid.
- Understand LCFF as a system that enables local decision-making.
  - Subsidiarity, or local decision-making, was a key component of 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 LEAs must comply with certain requirements, such as:
    - Develop an LCAP that describes the goals, actions, services and expenditures that address state and local priorities to support positive student outcomes.
    - Demonstrate in the LCAP how the COE is increasing or improving services for unduplicated students.

## **5.2 Recognize how COLA affects funding levels and planning**

- Understand how COLA affects funding assumptions and revenue projections.
  - COLA is applied to key funding components in the LCFF calculation.
  - COLA directly increases funding rates in the formula.
    - Does not necessarily increase overall LCFF funding.
    - Changes in ADA, enrollment, UPP and program participation may affect overall funding.
- Evaluate the sensitivity of budgets to changes in COLA.
  - Identify the dollar amount of the impact of COLA.
  - Identify costs increases that may exceed COLA, including:
    - Salaries and benefits.
    - Health benefit costs.
    - Utilities and facility costs.
    - Program and operational expenses.
- COLA is a revenue adjustment, not a salary settlement amount. Boards should understand that a COLA increase must pay for all increased costs, not just compensation costs.

## **5.3 Analyze the relationship among enrollment, attendance program participation, and revenue**

- Recognize that enrollment, ADA and participation levels can significantly impact funding.
- Understand that ADA methods vary across county-operated programs and funding sources.
- Recognize that some COE programs rely on annual ADA calculations or other attendance-based funding methods.

- Declining enrollment protection is provided for non-charter-operated programs and gives COEs with declining enrollment time to make program adjustments to align expenditures with revenues.
- Because enrollment changes often occur unevenly and unpredictably, COEs must closely monitor enrollment trends and proactively manage their current-year budgets and MYPs.
- Evaluate whether projections reflect realistic trends.
- Boards should receive regular updates on current year enrollment and ADA, including the effect of absenteeism on students and the budget. The best practice is to have monthly reports, but reporting should occur at least at each adoption of interim financial reports.

### Questions to Ask

- How is COE funding generated, and what are our major revenue sources?
- What percentage of our revenue comes from LCFF compared to other state, federal, grant, contract, and local funding sources?
- 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?
- Which revenue assumptions present the greatest fiscal risk?
- How does the budget reflect the COE's approach to equity?
- Where is there any misalignment between LCAP priorities and budget allocations?

### Key Takeaways

- LCFF is one component of the COE funding system; COEs also rely on state, federal, local, and contract revenues.
- The LCAP is a planning tool; the LCFF is a funding formula.
- Enrollment, ADA and program participation significantly affect COE revenues.
- COLA affects funding rates but does not guarantee increased funding.
- Budget and LCAP must be aligned — the LCAP is the spending plan for the budget.
- The budget, LCAP, and MYPs should be aligned with one another to support student needs, COE priorities, and long-term fiscal sustainability.
- County board members should focus on evaluating fiscal risks, revenue assumptions, and sustainability rather than the technical mechanics of funding calculations.
- Equity, not equality, drives decisions about resources.

### Resource

- [CDE LCFF Overview](#).

## Competency 6: 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 used to monitor the COE's fiscal health. Financial reports provide critical information about revenues, expenditures, fund balances, reserves, long-term obligations, and future financial conditions.

County board members should be able to identify significant trends, evaluate the reasonableness of assumptions, recognize warning signs of fiscal distress, and understand the long-term implications of current financial decisions.

### Learning Objectives

#### 6.1 Describe the purpose and structure of SACS

- Recognize the standardized account code structure (SACS) as the statewide financial reporting framework.
- All COEs must report budget, interims, and annual financial data using the SACS software.
- Recognize how standardized reporting promotes transparency, comparability, and fiscal accountability.
- Understand the purpose of major SACS reports presented to the county board.

#### 6.2 Read and interpret budget and interim reports (Form 01)

- Identify major revenue and expenditure categories in the general fund (Fund 01).
  - 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 COE 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 COE is meeting the minimum reserve requirements for the current year.

#### 6.3 Analyze multiyear financial projections

- Evaluate long-term fiscal sustainability.

- Looking at the MYP, is the COE able to maintain its statutorily-required minimum reserve for the current and two subsequent fiscal years?
- Identify future deficits or risks.
  - If the COE cannot meet the minimum reserve, is the COE 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.

#### **6.4 Evaluate the long-term impacts of current decisions**

- Understand how current fiscal decisions affect future budgets and financial flexibility.
- Recognize the long-term impact of ongoing spending commitments.
  - 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.
  - Evaluate whether resources are being used effectively to support current student needs while maintaining long-term fiscal stability.
    - 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.

#### **6.5 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 and Potential Insolvency.
- Recognize early warning signs such as declining reserves.
  - Declining reserves are a direct result of ongoing deficit spending.
- Understand the implications of negative fiscal trends.
- Develop and monitor fiscal recovery plans.

#### **6.6 Understand cash flow and Criteria & Standards (summary level)**

- Understand the purpose of reserves in maintaining fiscal stability.
- Monitor trends that affect unrestricted fund flexibility.
  - Understand statutory reserve requirements and the COE's board-adopted minimum reserve policy (Governmental Accounting Standards Board Statement 54).

- Recognize that changes in ADA and expenditures may affect reserve requirements and available unrestricted resources.
- Changes in ADA can move a COE into a different reserve requirement band, affecting the minimum reserve percentage.
- 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

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

## Competency 7: Fiscal Oversight

### Description

Effective fiscal oversight requires monitoring financial reports, understanding certification levels, recognizing fiscal warning signs, responding appropriately to oversight findings, and ensuring that corrective actions are implemented when necessary. Although external agencies monitor compliance and fiscal solvency, the county board remains responsible for safeguarding public resources and supporting long-term financial stability.

### Learning Objectives

#### 7.1 Describe the fiscal oversight hierarchy

- Recognize the roles of the county board, independent auditors, FCMAT and other state entities involved in fiscal oversight.
  - The CDE provides oversight and intervention.
- Understand that oversight escalates when risk increases.
  - Oversight intensifies based on interim certification levels:
    - Positive: COE 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.
- External oversight by the CDE is compliance-focused.
  - Reviews financial condition and intervenes when necessary.

#### 7.2 Define the AB 1200 oversight framework

- Recognize the statutory oversight requirement.
  - Established in Education Code 1620-1631.
  - Requires the CDE to review COE 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).

### 7.3 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 October 15).
    - Finalizes prior-year financial results and sets beginning balances for the following fiscal year.
- Identify how these reports inform oversight decisions.
  - The CDE uses each report to:
    - Evaluate fiscal stability and multiyear solvency.
    - Assign or adjust the status of budget or interim reports.
    - Determine the 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.

#### **7.4 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.

#### **7.5 Identify the implications of qualified or negative certifications and 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 COE response to oversight feedback.
- Ensure progress is monitored and reported.
- Understand the requirements of AB2756 and the mechanics of collective bargaining disclosure for COEs.
  - The county superintendent of schools is the employer of record; the disclosure is presented at the board meeting to fulfill the public disclosure component of the requirement.

#### **Questions to Ask**

- What concerns have been noted in communications from the CDE, 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 COE 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 signal unresolved issues.
- Fiscal stabilization planning is essential when risks emerge.
- Boards must ensure that concerns are addressed, not repeated.

## Resources

- [FCMAT Fiscal Oversight Guide](#).
- [CDE Fiscal Status](#).
- [FCMAT's Work During Fiscal Crises in Schools](#).

## Competency 8: 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

#### 8.1 Understand statutory audit requirements and timelines

- Understand annual audit requirements.
  - Education Code 41020: each COE is required to complete an annual financial and state program compliance audit by an independent auditor.
  - Single Audit Act of 1984: requires COEs that expend \$1,000,000 or more in federal awards during a single fiscal year to conduct an audit and 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 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 purpose of the audit process.
  - Ensure that adequate systems are in place and functioning to account for financial transactions appropriately.
  - 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.

#### 8.2 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 COE 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.

### 8.3 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 our 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 9: 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 LEAs. A comprehensive list of fiscal penalties is provided on the [AB 640 board training page of FCMAT's website](#).

### Learning Objectives

#### 9.1 Recognize major compliance requirements and fiscal consequences

- Understand required submissions to the CDE (budget, LCAP, interims, unaudited actuals, annual audit report).
- Salaries, benefits and stipends of the superintendent and board members may be withheld for failing to provide the CDE with its LCAP, budget, interim reports, and audits.
- Significant financial penalties can be imposed for failing to adopt an LCAP by the statutory deadline.
- Recognize deadlines and statutory obligations.
- Ensure accountability systems are in place.

#### 9.2 Understand instructional time requirements

- 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 instructional time and ADA requirements, including the following:
  - 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.

#### 9.3 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)
- A COE is assessed a financial penalty if it releases a warrant to a teacher at a school district in its jurisdiction who lacks a valid certification document.
- Recognize the fiscal implications of noncompliance.
- Ensure oversight of compliance systems.

#### **9.4 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.
- See the resources section for this competency.

#### **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.
- 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.