

## SUMMARY OF CHANGES TO CRITERIA AND STANDARDS

Following is a summary of the changes made to the criteria and standards. There are minor differences in how the criteria and standards are worded for the budget reports compared to the interim reports. The descriptions below are indicative of the budget reports.

### Added Criteria and Standards

Enrollment (district only)	Compare accuracy of historical estimates to assess current enrollment projections.
ADA to Enrollment Ratio (district only)	Review historical ADA to enrollment ratios to assess reasonableness of ADA projections.
Facilities Maintenance	Determine whether adequate facilities funding is being provided.
Use of Ongoing Revenues for One-time Expenditures (budget only)	Determine whether ongoing revenues are being used to fund significant one-time expenditures.
Contingent Revenues	Determine extent to which revenues that are contingent on reauthorization, such as parcel taxes, forest reserve funds, etc., are being used to support budget.
Additional Indicators	Added language to require information on additional indicators as requested, to provide additional data for reviewing agencies.

### Modified Criteria and Standards

Revenue Limit	Currently determines reasonableness of revenue limit projections based on prior year data. Percentages are modified slightly, and a new component is added for basic aid districts/counties and necessary small schools. Moved from second tier.
Salaries and Benefits	Currently determines reasonableness of salaries and benefits projections based on prior year data. Now also compares historical ratio of salaries and benefits to total operating expenditures to further evaluate reasonableness of projections. Moved from second tier.
Other Revenues and Expenditures	Currently determines reasonableness of projections based on prior year data. Percentages are modified. Moved from second tier.
Fund Balance	Currently compares change in fund balance for current and two prior fiscal years. Now looks at historical changes in beginning fund balance from estimated actuals to unaudited actuals to assess reliability of budgeted beginning balance.
Reserves	Currently establishes minimum reserve levels based on a dollar amount or a percentage of expenditures. Minimum dollar thresholds will now be adjusted for annually for inflation.
Contingent Liabilities	Currently determines whether there are any contingent liabilities that may impact the LEAs financial condition, for interim reports only. Added to budget reports.

Contributions	Currently determines extent to which contributions are being made from unrestricted to restricted programs. Now also looks at contributions (transfers) between funds.
Long-term Commitments	Currently asks for a disclosure of all long-term commitments. Now also compares increase in long-term commitments to increase in revenues.
Unfunded Liabilities	Currently asks for liability of post employment health benefits. Now also asks for unfunded liability for other self-insured benefits, and identification of how all costs are being funded.
Status of Labor Agreements	Currently asks for the status of negotiations and cost estimates. Now asks for additional detail on new labor agreements and increased costs, including all contracts. Also compares increase in labor costs to increase in ongoing revenues.
Temporary Interfund Borrowings (interim reports only)	Currently identifies interfund borrowing. Deleted from budget reports; still in interim reports.
Fund Balance	This currently confirms that the fund balance is not less than the sum of its components. This is now deleted, as this is done automatically in the forms.
Special Education	This currently compares the change in special education funding to prior year data. This is now deleted.
Second Tier Review	The second tier is currently only completed if any first tier items do not meet standards. The second tier is being eliminated; most items previously in the second tier are now required for all LEAs.

### Unchanged Criteria and Standards

ADA	Compare accuracy of historical estimates to assess current ADA projections.
Deficit Spending	Determine whether there is a historical pattern of deficit spending.
Positive Fund and Cash Balance (interim reports only)	Determine whether fund balance will be positive for current and two subsequent fiscal years, and whether cash balance will be positive at end of current year.
Use of One-time Revenues for Ongoing Expenditures	Determine whether LEA is using one-time revenues to fund ongoing costs.
Status of Other Funds (interim reports only)	If any funds are projected to end the fiscal year with a negative fund balance, prepare an interim report for that fund.

## Criteria and Standards School District – Budgets

**Criterion**

**Standard**

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

- |      |                                 |   |              |                    |     |         |      |                    |       |           |      |                    |         |              |
|------|---------------------------------|---|--------------|--------------------|-----|---------|------|--------------------|-------|-----------|------|--------------------|---------|--------------|
| 1.   | Average Daily Attendance        | <p>Funded average daily attendance (ADA) has not been overestimated in the first prior year or in two or more of the previous three years by more than the following percentage levels:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">3.0%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">0 -</td> <td>300 ADA</td> </tr> <tr> <td>2.0%</td> <td>for districts with</td> <td>301 -</td> <td>1,000 ADA</td> </tr> <tr> <td>1.0%</td> <td>for districts with</td> <td>1,001 -</td> <td>and over ADA</td> </tr> </table> | 3.0%         | for districts with | 0 - | 300 ADA | 2.0% | for districts with | 301 - | 1,000 ADA | 1.0% | for districts with | 1,001 - | and over ADA |
| 3.0% | for districts with              | 0 -   | 300 ADA      |                    |     |         |      |                    |       |           |      |                    |         |              |
| 2.0% | for districts with              | 301 -   | 1,000 ADA    |                    |     |         |      |                    |       |           |      |                    |         |              |
| 1.0% | for districts with              | 1,001 -   | and over ADA |                    |     |         |      |                    |       |           |      |                    |         |              |
| 2.   | Enrollment                      | <p>Projected enrollment has not been overestimated in the first prior year or in two or more of the previous three years by more than the following percentage levels:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">3.0%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">0 -</td> <td>300 ADA</td> </tr> <tr> <td>2.0%</td> <td>for districts with</td> <td>301 -</td> <td>1,000 ADA</td> </tr> <tr> <td>1.0%</td> <td>for districts with</td> <td>1,001 -</td> <td>and over ADA</td> </tr> </table>                  | 3.0%         | for districts with | 0 - | 300 ADA | 2.0% | for districts with | 301 - | 1,000 ADA | 1.0% | for districts with | 1,001 - | and over ADA |
| 3.0% | for districts with              | 0 -   | 300 ADA      |                    |     |         |      |                    |       |           |      |                    |         |              |
| 2.0% | for districts with              | 301 -   | 1,000 ADA    |                    |     |         |      |                    |       |           |      |                    |         |              |
| 1.0% | for districts with              | 1,001 -   | and over ADA |                    |     |         |      |                    |       |           |      |                    |         |              |
| 3.   | ADA to Enrollment Ratio         | <p>Projected second period ADA to enrollment ratio for any of the budget year or two subsequent fiscal years has not increased by more than one half of one percent from the historical average ratio from the three prior fiscal years.</p>  |              |                    |     |         |      |                    |       |           |      |                    |         |              |
| 4.   | Revenue Limit                   | <p>Projected revenue limit for any of the budget year or two subsequent fiscal years has not changed by more than one percent plus or minus the change in population growth and the funded cost of living adjustment from the prior year.</p> <p>For basic aid districts, projected revenue limit has not changed by more than the percent increase in property tax revenues from the prior fiscal year.</p> <p>For districts funded by necessary small school formulas, projected revenue limit has not changed by more than the prior year amount plus the funded cost of living adjustment.</p>              |              |                    |     |         |      |                    |       |           |      |                    |         |              |
| 5.   | Salaries and Benefits           | <p>Projected ratio of total salaries and benefits to total general fund expenditures (excluding transfers out and other financing uses) for any of the budget year or two subsequent fiscal years has not changed by more than two percent from the historical average ratio from the three prior fiscal years.</p>   |              |                    |     |         |      |                    |       |           |      |                    |         |              |
| 6.   | Other Revenues and Expenditures | <p>Projected operating revenues and expenditures by major object category for any of the budget year or two subsequent fiscal years have not changed by more than five percent from the prior year amount.</p>  |              |                    |     |         |      |                    |       |           |      |                    |         |              |
| 7.   | Facilities Maintenance          | <p>Confirm that the annual contribution for facilities maintenance funding is not less than the amounts required pursuant to <i>Education Code</i> Section 17584, if applicable, and <i>Education Code</i> Section 17070.75.</p>  |              |                    |     |         |      |                    |       |           |      |                    |         |              |

## Criteria and Standards School District – Budgets

**Criterion**

**Standard**

8. Deficit Spending

Deficit spending (revenues plus transfers in and other financing sources, less expenditures, transfers out and other financing uses) resulting in a negative amount, as a percentage of total expenditures, transfers out and other financing uses, has not exceeded the following absolute percentage levels<sup>1</sup> in two out of three prior fiscal years:

1.7%	for districts with	0 -	300 ADA
1.3%	for districts with	301 -	1,000 ADA
1.0%	for districts with	1,001 -	30,000 ADA
0.7%	for districts with	30,001 -	400,000 ADA
0.3%	for districts with	400,001 -	and over ADA

9. Fund Balance

Budgeted beginning unrestricted general fund balance has not been overestimated for two out of three prior fiscal years by the following percentage levels<sup>1</sup>:

1.7%	for districts with	0 -	300 ADA
1.3%	for districts with	301 -	1,000 ADA
1.0%	for districts with	1,001 -	30,000 ADA
0.7%	for districts with	30,001 -	400,000 ADA
0.3%	for districts with	400,001 -	and over ADA

10. Reserves

Available reserves for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures, transfers out and other financing uses<sup>2</sup>:

the greater of 5% or \$50,000 <sup>3</sup>	for districts with	0 -	300 ADA
the greater of 4% or \$50,000	for districts with	301 -	1,000 ADA
3%	for districts with	1,001 -	30,000 ADA
2%	for districts with	30,001 -	400,000 ADA
1%	for districts with	400,001 -	and over ADA

<sup>1</sup> Percentage levels equate to a rate of deficit spending which would eliminate recommended reserves for economic uncertainties over a three year period.

<sup>2</sup> An Administrative Unit of Special Education Local Plan Area may exclude the distribution of revenues to its participating members.

<sup>3</sup> Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 42238), rounded to the nearest thousand.

## **Criteria and Standards School District – Budgets**

### **Supplemental Information**

Provide supplemental information as follows:

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

Provide information on additional indicators as requested.

- |   |   |
|---|---|
| S1. Contingent Liabilities                            | Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that may impact the budget.  |
| S2. Use of One-time Revenues for Ongoing Expenditures | Identify any ongoing general fund expenditures in excess of one percent of the total general fund expenditures that are funded with one-time resources in the budget year, and explain how the one-time resources will be replaced to continue funding the ongoing expenditures in the following years.   |
| S3. Use of Ongoing Revenues for One-time Expenditures | Identify any large non-recurring general fund expenditures that are funded with ongoing general fund revenues.  |
| S4. Contingent Revenues                               | Identify projected revenues for any of the budget year or two subsequent fiscal years that are contingent on reauthorization by the local government, special legislation, or other definitive act, e.g. parcel taxes. If any of these revenues are dedicated for ongoing expenses, explain how the revenues will be replaced or the expenditures reduced.  |
| S5. Contributions                                     | <p>Identify projected contributions from the unrestricted general fund to restricted programs in the general fund for any of the budget year or two subsequent fiscal years. Provide an explanation if contributions have changed by more than ten percent from prior year amounts. Explanation should include whether contributions are ongoing or one-time in nature.</p> <p>Identify projected transfers to or from the general fund to cover operating deficits in either the general fund or any other fund for any of the budget year or two subsequent fiscal years. Provide an explanation if transfers have changed by more than ten percent from prior year amounts. Explanation should include whether transfers are ongoing or one-time in nature.</p> <p>Estimate the impact of any capital projects on the general fund operational budget.</p> |

# Criteria and Standards School District – Budgets

## Supplemental Information

Provide supplemental information as follows:

### S6. Long-term Commitments

Identify all existing multiyear commitments and their annual required payment, and all new multiyear commitments and their annual fiscal impact. Also identify continuing and new multiyear debt agreements and new programs.

Compare the increase in long-term commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.

### S7. Unfunded Liabilities

Estimate the unfunded liability for post employment benefits based on an actuarial study, if required, or other method; and identify the estimated or required annual contribution and how the costs are accounted for (pay as you go, amortized over a specific period, etc.).

Estimate the unfunded liability for any other self-insured benefits programs (e.g. workers compensation), based on an actuarial study, if required, or other method; and identify the estimated or required annual contribution and how the costs are accounted for (pay as you go, amortized over a specific period, etc.).

### S8. Status of Labor Agreements

Analyze the status of employee labor agreements.

Identify new labor agreements, as well as new commitments provided as part of previously ratified multiyear agreements; and include all contracts, including all administrator contracts (and including all compensation). For new agreements, indicate the date of the required board meeting.

Compare the increase in new commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.

If salary and benefit negotiations are not finalized at budget adoption, upon settlement with certificated or classified staff:

- The school district must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the county office of education with an analysis of the cost of the settlement and its impact on the operating budget.
- The county superintendent shall review the analysis relative to the criteria and standards, and may provide written comments to the president of the district governing board and superintendent.

# Criteria and Standards School District – Interim Reports

**Criterion**

**Standard**

(Deviations from the standards must be explained, and may affect your interim certification.)

A qualified certification indicates that, based on current projections the school district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

A negative certification indicates that, based on current projections the school district will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.

- |   |  |   |                    |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
|---|--|---|--------------------|-----|---------|----------------------------------|--------------------|-------|-----------|------|--------------------|---------|------------|------|--------------------|----------|-------------|------|--------------------|-----------|--------------|
| 1. Fund and Cash Balances                     | Projected general fund balances will be positive at the end of each of the current year and two subsequent fiscal years and the projected general fund cash balance will be positive at the end of the current fiscal year.  |   |                    |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 2. Reserves                                   | <p>Available reserves for each of the current year and two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures, transfers out and other financing uses<sup>1</sup>:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">the greater of 5% or<br/>\$50,000<sup>2</sup></td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">0 -</td> <td>300 ADA</td> </tr> <tr> <td style="padding-right: 20px;">the greater of 4% or<br/>\$50,000</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">301 -</td> <td>1,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">3%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">1,001 -</td> <td>30,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">2%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">30,001 -</td> <td>400,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">1%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">400,001 -</td> <td>and over ADA</td> </tr> </table>  | the greater of 5% or<br>\$50,000 <sup>2</sup> | for districts with | 0 - | 300 ADA | the greater of 4% or<br>\$50,000 | for districts with | 301 - | 1,000 ADA | 3%   | for districts with | 1,001 - | 30,000 ADA | 2%   | for districts with | 30,001 - | 400,000 ADA | 1%   | for districts with | 400,001 - | and over ADA |
| the greater of 5% or<br>\$50,000 <sup>2</sup> | for districts with   | 0 -   | 300 ADA            |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| the greater of 4% or<br>\$50,000              | for districts with   | 301 -   | 1,000 ADA          |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 3%  | for districts with   | 1,001 -                                       | 30,000 ADA         |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 2%  | for districts with   | 30,001 -                                      | 400,000 ADA        |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 1%  | for districts with   | 400,001 -                                     | and over ADA       |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 3. Deficit Spending                           | <p>Deficit spending (revenues plus transfers in and other financing sources, less expenditures, transfers out and other financing uses) resulting in a negative amount, as a percentage of total expenditures, transfers out and other financing uses, does not exceed the following absolute percentage levels<sup>3</sup> in any of the current year or two subsequent fiscal years:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">1.7%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">0 -</td> <td>300 ADA</td> </tr> <tr> <td style="padding-right: 20px;">1.3%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">301 -</td> <td>1,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">1.0%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">1,001 -</td> <td>30,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">0.7%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">30,001 -</td> <td>400,000 ADA</td> </tr> <tr> <td style="padding-right: 20px;">0.3%</td> <td style="padding-right: 20px;">for districts with</td> <td style="padding-right: 20px;">400,001 -</td> <td>and over ADA</td> </tr> </table> | 1.7%  | for districts with | 0 - | 300 ADA | 1.3%                             | for districts with | 301 - | 1,000 ADA | 1.0% | for districts with | 1,001 - | 30,000 ADA | 0.7% | for districts with | 30,001 - | 400,000 ADA | 0.3% | for districts with | 400,001 - | and over ADA |
| 1.7%  | for districts with   | 0 -   | 300 ADA            |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 1.3%  | for districts with   | 301 -   | 1,000 ADA          |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 1.0%  | for districts with   | 1,001 -                                       | 30,000 ADA         |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 0.7%  | for districts with   | 30,001 -                                      | 400,000 ADA        |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 0.3%  | for districts with   | 400,001 -                                     | and over ADA       |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 4. Average Daily Attendance                   | Funded average daily attendance (ADA) has not changed by more than two percent in any of the current year or two subsequent fiscal years, since budget adoption <sup>4</sup> .   |   |                    |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 5. Enrollment                                 | Projected enrollment has not changed by more than two percent in any of the current year or two subsequent fiscal years, since budget adoption.  |   |                    |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |
| 6. ADA to Enrollment                          | Projected second period ADA to enrollment ratio for any of the current year or two subsequent fiscal years has not increased by more than one half of one percent from the historical average ratio from three prior fiscal years.   |   |                    |     |         |                                  |                    |       |           |      |                    |         |            |      |                    |          |             |      |                    |           |              |

## Criteria and Standards School District – Interim Reports

<u>Criterion</u>	<u>Standard</u>
7. Revenue Limit	Projected total revenue limit, for any of the current year or two subsequent fiscal years, has not changed by more than two percent since budget adoption.
8. Salaries and Benefits	Projected ratio of total salaries and benefits to total general fund expenditures (excluding transfers out and other financing uses) for any of the current year or two subsequent fiscal years has not changed by more than two percent from the historical average ratio from the three prior fiscal years.
9. Other Revenues and Expenditures	Projected operating revenues and expenditures by major object category, for any of the current year or two subsequent fiscal years, have not changed by more than five percent since budget adoption.
10. Facilities Maintenance	Identify changes that have occurred since budget adoption <sup>4</sup> in the projected contributions for facilities maintenance funding as required pursuant to <i>Education Code</i> sections 17070.75 and 17584.

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<sup>1</sup> An Administrative Unit of a Special Education Local Plan Area may exclude the distribution of revenues to its participating members.

<sup>2</sup> Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 42238), rounded to the nearest thousand.

<sup>3</sup> Percentage levels equate to a rate of deficit spending which would eliminate recommended reserves for economic uncertainties over a three year period.

<sup>4</sup> First interim reports will be compared to adopted budgets; second interim reports will be compared to first interim projections.

## Criteria and Standards School District – Interim Reports

### Supplemental Information

Provide supplemental information as follows:

Provide methodology and assumptions used to estimate ADA, Enrollment, Revenues, Expenditures, Reserves and Fund Balance, and Multiyear Commitments (including Cost of Living Adjustments).

Provide information on additional indicators as requested.

- |   |  |
|---|--|
| S1. Contingent Liabilities                            | Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that have occurred since budget adoption that may impact the budget.  |
| S2. Use of One-Time Revenues for Ongoing Expenditures | Projected use of one-time revenues for ongoing general fund expenditures has not changed by more than five percent since budget adoption <sup>1</sup> .  |
| S3. Contingent Revenues                               | Identify projected revenues for any of the current year or two subsequent fiscal years that are contingent on reauthorization by the local government, special legislation, or other definitive act, e.g. parcel taxes. If any of these revenues are dedicated for ongoing expenses, explain how the revenues will be replaced or the expenditures reduced.  |
| S4. Contributions                                     | <p>Projected contributions from the unrestricted general fund to restricted programs in the general fund for any of the current year or two subsequent fiscal years have not changed by more than five percent since budget adoption.</p> <p>Projected transfers to or from the general fund to cover operating deficits in either the general fund or any other fund for any of the current year or two subsequent fiscal years have not changed by more than five percent since budget adoption.</p> <p>Identify capital project cost overruns that have occurred since budget adoption<sup>1</sup> that may impact the general fund budget.</p> |
| S5. Long-Term Commitments                             | <p>Identify all existing multiyear commitments and their annual required payment, and all new multiyear commitments and their annual fiscal impact. Also identify continuing and new multiyear debt agreements and new programs.</p> <p>Compare the increase in long-term commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.</p>   |
| S6. Unfunded Liabilities                              | Identify any changes in estimates for unfunded liabilities since budget adoption, and indicate whether the changes are the result of a new actuarial report.   |
| S7. Temporary Interfund Borrowings                    | Identify projected temporary borrowings between funds (refer to <i>Education Code</i> Section 42603).  |

# Criteria and Standards School District – Interim Reports

## Supplemental Information

Provide supplemental information as follows:

### S8. Status of Labor Agreements

Analyze the status of employee labor agreements.

Identify new labor agreements that have been ratified since budget adoption, as well as new commitments provided as part of previously ratified multiyear agreements; and include all contracts, including all administrator contracts (and including all compensation). For new agreements, indicate the date of the required board meeting.

Compare the increase in new commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.

If salary and benefit negotiations are not finalized, upon settlement with the certificated or classified staff:

- The school district must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the county office of education with an analysis of the cost of the settlement and its impact on the operating budget.
- The county superintendent shall review the analysis relative to the criteria and standards, and may provide written comments to the president of the district governing board and the district superintendent.

### S9. Status of Other Funds

Analyze the status of other funds that may have negative fund balances at the end of the current fiscal year. If any other fund has a projected negative fund balance, prepare an interim report and multiyear projection for that fund. Explain plans for how and when the negative fund balance will be addressed.

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<sup>1</sup> First interim reports will be compared to adopted budgets; second interim reports will be compared to first interim projections.

# Criteria and Standards

## County Offices of Education – Budgets

**Criterion**

**Standard**

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

1. Average Daily Attendance

Projected countywide (*Education Code* Section 1205) average daily attendance (ADA) has not been overestimated in the first prior year or in two or more of the previous three years by more than the following percentage levels:

3.0%	for counties with	Under	7,000 ADA
2.0%	for counties with	7,000 -	59,999 ADA
1.0%	for counties with	Over	59,999 ADA

Projected ADA for county operated programs for any of the budget year or two subsequent fiscal years has not increased by more than two percent from the historical average ratio from the three prior fiscal years.
  
2. Revenue Limit

Projected revenue limit for any of the budget year or two subsequent fiscal years has not changed by more than one percent plus or minus the change in population growth and the funded cost of living adjustment from the prior year.

For basic aid counties, projected revenue limit has not changed by more than the percent increase in property tax revenues from the prior fiscal year.
  
3. Salaries and Benefits

Projected ratio of total salaries and benefits to total county school service fund expenditures (excluding transfers out and other financing uses) for any of the budget year or two subsequent fiscal years has not changed by more than two percent from the historical average ratio from the three prior fiscal years.
  
4. Other Revenues and Expenditures

Projected operating revenues and expenditures by major object category for any of the budget year or two subsequent fiscal years have not changed by more than five percent from the prior year amount.
  
5. Facilities Maintenance

Confirm that the annual contribution for facilities maintenance funding is not less than the amounts required pursuant to *Education Code* Section 17584, if applicable, and *Education Code* Section 17070.75.

## Criteria and Standards County Offices of Education – Budgets

**Criterion**

**Standard**

6. Deficit Spending

Deficit spending (revenues plus transfers in and other financing sources, less expenditures, transfers out and other financing uses) resulting in a negative amount, as a percentage of total expenditures, transfers out and other financing uses<sup>1</sup>, has not exceeded the following absolute percentage levels<sup>2</sup> in two out of three prior fiscal years:

	for counties with total expenditures, transfers out and other		
1.7%	financing uses of	Less Than	\$4,421,000
1.3%	"	\$4,421,000 -	\$11,051,999
1.0%	"	\$11,052,000 -	\$49,734,000
0.7%	"	Over	\$49,734,000

7. Fund Balance

Budgeted beginning unrestricted county school service fund balance has not been overestimated for two out of three prior fiscal years by the following percentage levels<sup>2</sup>:

	for counties with total expenditures, transfers out and other		
1.7%	financing uses <sup>1</sup> of	Less Than	\$4,421,000
1.3%	"	\$4,421,000 -	\$11,051,999
1.0%	"	\$11,052,000 -	\$49,734,000
0.7%	"	Over	\$49,734,000

## Criteria and Standards County Offices of Education – Budgets

**Criterion**

**Standard**

8. Reserves

Available reserves<sup>3</sup> for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures, transfers out and other financing uses<sup>1</sup>:

	for counties with total expenditures, transfers out and other financing uses of		
the greater of 5% or \$50,000 <sup>4</sup>		Less Than	\$4,421,000
the greater of 4% or \$200,000	"		\$4,421,000 - \$11,051,999
the greater of 3% or \$400,000	"		\$11,052,000 - \$49,734,000
the greater of 2% or \$1,350,000	"	Over	\$49,734,000

<sup>1</sup> An Administrative Unit of a Special Education Local Plan Area may exclude the distribution of revenues to its participating members. Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

<sup>2</sup> Percentage levels equate to a rate of deficit spending which would eliminate recommended reserves for economic uncertainties over a three year period.

<sup>3</sup> Available reserves from the Juvenile Court / County Community Schools and Regional Occupational Centers / Programs may be included, up to the applicable percentage of program expenditures. Funds designated as reserves for this purpose continue to be restricted for use only in those programs.

<sup>4</sup> Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

# Criteria and Standards

## County Office of Education – Budgets

### Supplemental Information

Provide supplemental information as follows:

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

Provide information on additional indicators as requested.

- |   |   |
|---|---|
| S1. Contingent Liabilities                            | Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that may impact the budget.  |
| S2. Use of One-time Revenues for Ongoing Expenditures | Identify any ongoing county school service fund expenditures in excess of one percent of the total county school service fund expenditures that are funded with one-time resources in the budget year, and explain how the one-time resources will be replaced to continue funding the ongoing expenditures in the following years.   |
| S3. Use of Ongoing Revenues for One-time Expenditures | Identify any large non-recurring county school service fund expenditures that are funded with ongoing county school service fund revenues.  |
| S4. Contingent Revenues                               | Identify projected revenues for any of the budget year or two subsequent fiscal years that are contingent on reauthorization by the local government, special legislation, or other definitive act, e.g. parcel taxes. If any of these revenues are dedicated for ongoing expenses, explain how the revenues will be replaced or the expenditures reduced.  |
| S5. Contributions                                     | <p>Identify projected contributions from the unrestricted county school service fund to restricted programs in the county school service fund for any of the budget year or two subsequent fiscal years. Provide an explanation if contributions have changed by more than ten percent from prior year amounts. Explanation should include whether contributions are ongoing or one-time in nature.</p> <p>Identify projected transfers to or from the county school service fund to cover operating deficits in either the county school service fund or any other fund for any of the budget year or two subsequent fiscal years. Provide an explanation if transfers have changed by more than ten percent from prior year amounts. Explanation should include whether transfers are ongoing or one-time in nature.</p> <p>Estimate the impact of any capital projects on the county school service fund operational budget.</p> |

## Criteria and Standards

### County Office of Education – Budgets

#### Supplemental Information

Provide supplemental information as follows:

- S6. Long-term Commitments
- Identify all existing multiyear commitments and their annual required payment, and all new multiyear commitments and their annual fiscal impact. Also identify continuing and new multiyear debt agreements and new programs.
- Compare the increase in long-term commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.
- S7. Unfunded Liabilities
- Estimate the unfunded liability for post employment benefits based on an actuarial study, if required, or other method; and identify the estimated or required annual contribution and how the costs are accounted for (pay as you go, amortized over a specific period, etc.).
- Estimate the unfunded liability for any other self-insured benefits programs (e.g. workers compensation), based on an actuarial study, if required, or other method; and identify the estimated or required annual contribution and how the costs are accounted for (pay as you go, amortized over a specific period, etc.).
- S8. Status of Labor Agreements
- Analyze the status of labor agreements.
- Identify new labor agreements, as well as new commitments provided as part of previously ratified multiyear agreements; and include all contracts, including all administrator contracts (and including all compensation). For new agreements, indicate the date of the required board meeting.
- Compare the increase in new commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.
- If salary and benefit negotiations are not finalized at budget adoption, upon settlement with certificated or classified staff:
- The county office of education must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the California Department of Education (CDE) with an analysis of the cost of the settlement and its impact on the operating budget.
  - The CDE shall review the analysis relative to the criteria and standards, and may provide written comments to the president of the governing board and the county superintendent of schools.

# Criteria and Standards

## County Office of Education – Interim Reports

**Criterion**

**Standard**

(Deviations from the standards must be explained, and may affect your interim certification.)

A qualified certification indicates that, based on current projections the county office of education may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

A negative certification indicates that, based on current projections the county office of education will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.

1. Fund and Cash Balances

Projected county school service fund (CSSF) balances will be positive at the end of each of the current year and two subsequent fiscal years and the projected CSSF cash balance will be positive at the end of the current fiscal year.

2. Reserves

Available reserves<sup>1</sup> for each of the current year and two subsequent fiscal years are not less than the following percentages as applied to total expenditures, transfers out and other financing uses<sup>2</sup>:

	for counties with total			
the greater of 5% or \$50,000 <sup>3</sup>	expenditures, transfers out and other financing uses of	Less Than		\$4,421,000
the greater of 4% or \$200,000	"		\$4,421,000 -	\$11,051,999
the greater of 3% or \$400,000	"		\$11,052,000 -	\$49,734,000
the greater of 2% or \$1,350,000	"		Over	\$49,734,000

3. Deficit Spending

Deficit spending (revenues plus transfers in and other financing sources, less expenditures, transfers out and other financing uses) resulting in a negative amount, as a percentage of total expenditures, transfers out and other financing uses, does not exceed the following absolute percentage levels<sup>4</sup> in any of the current year or two subsequent fiscal years:

	for counties with total			
1.7%	expenditures, transfers out and other financing uses of	Less Than		\$4,421,000
1.3%	"		\$4,421,000 -	\$11,051,999
1.0%	"		\$11,052,000 -	\$49,734,000
0.7%	"		Over	\$49,734,000

4. Average Daily Attendance

Projected countywide (*Education Code* Section 1205) average daily attendance (ADA) has not changed by more than two percent since budget adoption<sup>5</sup>.

Projected average daily attendance (ADA) for county operated programs has not changed by more than two percent in any of the current year or two subsequent fiscal years, since budget adoption.

5. Revenue Limit

Projected total revenue limit, for any of the current year or two subsequent fiscal years, has not changed by more than two percent since budget adoption.

## Criteria and Standards

### County Office of Education – Interim Reports

<u>Criterion</u>	<u>Standard</u>
6. Salaries and Benefits	Projected ratio of total salaries and benefits to total CSSF expenditures (excluding transfers out and other financing uses) for any of the current year or two subsequent fiscal years has not changed by more than two percent from the historical average ratio from the three prior fiscal years.
7. Other Revenues and Expenditures	Projected operating revenues and expenditures by major object category, for any of the current year or two subsequent fiscal years, have not changed by more than five percent since budget adoption.
8. Facilities Maintenance	Identify changes that have occurred since budget adoption <sup>5</sup> in the projected contributions for facilities maintenance funding as required pursuant to <i>Education Code</i> sections 17070.75 and 17584.

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<sup>1</sup> Available reserves from the Juvenile Court / County Community Schools and Regional Occupational Centers / Programs may be included, up to the applicable percentage of program expenditures. Funds designated as reserves for this purpose continue to be restricted for use only in those programs.

<sup>2</sup> An Administrative Unit of a Special Education Local Plan Area may exclude the distribution of revenues to its participating members. Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

<sup>3</sup> Dollar thresholds to be adjusted annually by the prior year statutory cost of living adjustment (*Education Code* Section 2557), rounded to the nearest thousand.

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

<sup>5</sup> First interim reports will be compared to adopted budgets; second interim reports will be compared to first interim projections.

# Criteria and Standards

## County Office of Education – Interim Reports

### Supplemental Information

Provide supplemental information as follows:

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

Provide information on additional indicators as requested.

- |   |  |
|---|--|
| S1. Contingent Liabilities                            | Identify any known or contingent liabilities from financial or program audits, state compliance reviews, litigation, etc., that have occurred since budget adoption that may impact the budget.  |
| S2. Use of One-Time Revenues for Ongoing Expenditures | Projected use of one-time revenues for ongoing CSSF expenditures has not changed by more than five percent since budget adoption <sup>1</sup> .  |
| S3. Contingent Revenues                               | Identify projected revenues for any of the current year or two subsequent fiscal years that are contingent on reauthorization by the local government, special legislation, or other definitive act, e.g. parcel taxes. If any of these revenues are dedicated for ongoing expenses, explain how the revenues will be replaced or the expenditures reduced.  |
| S4. Contributions                                     | <p>Projected contributions from the unrestricted CSSF to restricted programs in the CSSF for any of the current year or two subsequent fiscal years have not changed by more than five percent since budget adoption.</p> <p>Projected transfers to or from the CSSF to cover operating deficits in either the CSSF or any other fund for any of the current year or two subsequent fiscal years have not changed by more than five percent since budget adoption.</p> <p>Identify capital project cost overruns that have occurred since budget adoption that may impact the CSSF budget.</p> |
| S5. Long-Term Commitments                             | <p>Identify all existing multiyear commitments and their annual required payment, and all new multiyear commitments and their annual fiscal impact. Also identify continuing and new multiyear debt agreements and new programs.</p> <p>Compare the increase in long-term commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.</p>   |
| S6. Unfunded Liabilities                              | Identify any changes in estimates for unfunded liabilities since budget adoption, and indicate whether the changes are the result of a new actuarial report.   |
| S7. Temporary Interfund Borrowings                    | Identify projected temporary borrowings between funds (refer to <i>Education Code Section 42603</i> ).   |

# Criteria and Standards

## County Office of Education – Interim Reports

**Supplemental Information** Provide supplemental information as follows:

**S8. Status of Labor Agreements**

Analyze the status of employee labor agreements.

Identify new labor agreements that have been ratified since budget adoption, as well as new commitments provided as part of previously ratified multiyear agreements; and include all contracts, including all administrator contracts (and including all compensation). For new agreements, indicate the date of the required board meeting.

Compare the increase in new commitments to the projected increase in ongoing revenues, and explain how these commitments will be funded in future years.

If salary and benefit negotiations are not finalized, upon settlement with the certificated or classified staff:

- The county office of education must determine the cost of the settlement, including salaries, benefits, and any other agreements that change costs, and provide the California Department of Education (CDE) with an analysis of the cost of the settlement and its impact on the operating budget.
- The CDE shall review the analysis relative to the criteria and standards, and may provide written comments to the president of the governing board and the county superintendent of schools.

**S9. Status of Other Funds**

Analyze the status of other funds that may have negative fund balances at the end of the current fiscal year. If any other fund has a projected negative fund balance, prepare an interim report and multiyear projection for that fund. Explain plans for how and when the negative fund balance will be addressed.

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<sup>1</sup> First interim reports will be compared to adopted budgets; second interim reports will be compared to first interim projections.