

California Department of Education

Executive Office

SBE-003 (REV. 11/2017)

oab-sfsd-jan24item01

# California State Board of Education January 2024 Agenda Item #17

## Subject

Request to approve revisions to the criteria and standards for local educational agency fiscal stability.

## Type of Action

Action, Information

## Summary of the Issue(s)

The California Department of Education (CDE) requests the State Board of Education (SBE) approve the proposed revisions to the criteria and standards. The criteria and standards monitor fiscal solvency for school districts and county offices of education (COEs) and the proposed revisions reflect a change in *Education Code* (*EC*)*,* terminology changes to conform to new accounting standards, removing terminology no longer applicable to the Local Control Funding Formula (LCFF), and other technical changes to improve fiscal monitoring reviews. Most notably, Senate Bill 913 (Chapter 920, Statutes 2022) modified several *EC* sections that provide flexibility to very large school districts based on the size of average daily attendance (ADA) by changing the ADA threshold from 400,000 to 250,000 to account for enrollment declines in the state’s largest school district. Attachment 1 provides a comprehensive summary of all the changes being proposed. Attachments 4 through 7 reflect the final version of the criteria and standards that will be posted on CDE’s website for school districts and COEs.

Revisions to the criteria and standards require an advisory committee to be formed to review the changes prior to review and adoption by the SBE pursuant to *EC* Section 33127. On September 18, 2023, CDE staff met with the advisory committee and no concerns were raised about the proposed changes. The committee did not address any other policy matters or changes to the criteria and standards.

The criteria and standards are codified in the *California Code of Regulations*, Title 5 (5 *CCR*) and are exempt from the Administrative Procedure Act pursuant to *EC* Section 33131.

## Recommendation

The CDE recommends that the SBE adopt the attached revisions to the criteria and standards for the 2024–25 fiscal year. Once adopted, the revisions will be incorporated into *5* *CCR* as shown in Attachments 2 and 3.

## Brief History of Key Issues

In accordance with Assembly Bill 1200 (Chapter 1213, Statutes of 1991), county superintendents of schools have fiscal oversight responsibility over the school districts in the county and the State Superintendent of Public Instruction (SSPI) has fiscal oversight responsibility over COEs. The criteria and standards for fiscal solvency used to develop, review, and assess school district and COE budgets and interim reports were originally developed in 1989 through the collaborative effort of an advisory committee that included representatives from a variety of local educational agency (LEA) associations and state agencies. The criteria and standards have undergone periodic revisions since then, most recently for the 2014–15 fiscal year with the inception of the LCFF.

The criteria and standards guide LEAs in developing their budgets and in their periodic self-evaluations of fiscal solvency, known as interim reports, and are used by the county superintendent of schools and the SSPI in their monitoring and fiscal oversight roles and responsibilities.

The complex analytical tools used to apply the criteria and standards are automated within CDE’s standardized account code structure (SACS) web-based financial reporting system which LEAs use to prepare, validate, and submit their budgets and interim reports to their reviewing agencies and to submit their year-end financial data to CDE.

The criteria and standards committee that developed the revisions presented herein was composed of representatives from the following organizations and agencies:

* California County Superintendents
* California Federation of Teachers
* Local Educational Agencies
* Fiscal Crisis and Management Assistance Team
* California Department of Finance
* Legislative Analyst’s Office
* State Board of Education
* California State Controller’s Office
* California Department of Education

Also invited, but not in attendance, were the following organizations and agencies:

* California School Board Association
* California Association of School Business Officials
* California School Employees Association
* California Teachers Association
* Small School Districts’ Association

## Summary of Previous State Board of Education Discussion and Action

The fiscal criteria and standards were originally adopted by the SBE in May 1989 (Chapter 1462, Statutes of 1988). They were revised in 1999, 2000, 2005, 2008, and 2013.

## Fiscal Analysis (as appropriate)

Revisions to the criteria and standards will be included in the annual software maintenance cycle for the SACS web-based financial reporting system. There will be no additional costs to the State.

## Attachment(s)

Attachment 1: Summary of Revisions to Criteria and Standards (4 Pages)

Attachment 2: Proposed Revisions to the 5 *CCR,* School District Budgets and Interim Reports (17 Pages)

Attachment 3: Proposed Revisions to the 5 *CCR*, County Office of Education Budgets and Interim Reports (15 Pages)

Attachment 4: Criteria and Standards for School District Budgets (6 Pages)

Attachment 5: Criteria and Standards for School District Interim Reports (6 Pages)

Attachment 6: Criteria and Standards for County Office of Education Budgets   
(6 Pages)

Attachment 7: Criteria and Standards for County Office of Education Interim Reports   
(6 Pages)