

BOARD POLICY 3100: Budget Comparison Chart

Section: Business

SUMMARY OF UPDATE

Summary of Update: Policy updated to reflect NEW LAW (AB 1808) which requires districts to annually develop, adopt, and post an LCFF budget overview for parents/guardians and to file the budget overview with the county superintendent of schools. Section on "Long-Term Financial Obligations" revised to reflect NEW LAW (SB 1413) which establishes the California Employers' Pension Prefunding Trust Program to allow districts to prefund required contributions to the California Public Employees' Retirement System.

PARA	Section	Sub-Section	September 11, 2018 CURRENT VERSION	March 2019 REVISED VERSION	CSBA MODIFICATIONS and/or NOTES
1			The Governing Board recognizes its critical responsibility for adopting a sound budget for each fiscal year which is aligned with the district's vision, goals, priorities, local control and accountability plan (LCAP), and comprehensive plans. The district budget shall guide decisions and actions throughout the year and shall serve as a tool for monitoring the fiscal health of the district.	The Governing Board recognizes its critical responsibility for adopting a sound budget each fiscal year which is aligned with and reflects the district's vision, goals, priorities, local control and accountability plan (LCAP), and other comprehensive plans. The district budget shall guide decisions and actions throughout the year and shall serve as a tool for monitoring the fiscal health of the district.	
2			The district budget shall show a complete plan and itemized statement of all proposed expenditures and all estimated revenues for the following fiscal year, together with a comparison of revenues and expenditures for the current fiscal year. The budget shall also include the appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Government Code 7900-7914.	No change	
			<u>Budget Development and Adoption Process</u>	No change	
1			In order to provide guidance in the development of the budget, the Board shall	No change	

		annually establish budget priorities based on identified district needs and goals and on realistic projections of available funds.		
2		The Superintendent or designee shall oversee the preparation of a proposed district budget for approval by the Board and shall involve appropriate staff in the development of budget projections.	No change	
3		The Board shall hold a public hearing on the proposed budget in accordance with Education Code 42103 and 42127.	The Board shall hold a public hearing on the proposed budget in accordance with Education Code 42103 and 42127. The hearing shall occur at the same meeting as the public hearing on the district's LCAP and the local control funding formula (LCFF) budget overview for parents/guardians.	<p>CSBA NOTE: Education Code 42103 and 42127 require the district to hold a public hearing prior to adoption of the budget. A public hearing on the district's local control and accountability plan (LCAP) must occur at the same meeting as the public hearing on the proposed budget. See the accompanying administrative regulation and BP 0460 - Local Control and Accountability Plan for requirements pertaining to the public hearing.</p> <p>Pursuant to Education Code 52064.1, as added by AB 1808 (Ch. 32, Statutes of 2018), districts are required, by July 1, 2019, to develop a local control funding formula (LCFF) budget overview for parents/guardians with specified information, based on a template created by the Superintendent of Public Instruction (SPI). The budget overview must be developed in conjunction with, and attached as a cover to, the LCAP and annual update to the LCAP. The adoption, review, approval, and posting of the budget overview are subject to the same requirements as for the LCAP, including the requirement for a public hearing.</p>
4		The Board shall adopt the district budget on or before July 1 of each year.	The Board shall adopt the district budget at a public meeting held after the date of the public hearing but on or before July 1 of each year. The Board shall adopt the budget	

				following its adoption of the LCAP, or annual update to the LCAP, and the LCFF budget overview for parents/guardians. The budget shall include the expenditures necessary to implement the LCAP or the annual update to the LCAP.	
5			At a public meeting scheduled on a date after the public hearing on the budget, the Board shall, following its adoption of the LCAP or an annual update to the LCAP, adopt the budget. The budget shall include the expenditures necessary to implement the LCAP or the annual update to the LCAP.	Delete	
6			The budget that is formally adopted by the Board shall adhere to the state's Standardized Account Code Structure as prescribed by the Superintendent of Public Instruction.	The budget that is presented at the public hearing as well as the budget formally adopted by the Board shall adhere to the state's Standardized Account Code Structure as prescribed by the Superintendent of Public Instruction (SPI).	CSBA NOTE: Pursuant to Education Code 42126, the district budget must be in a format prescribed by the SPI. The SPI has established a requirement that districts use the Standardized Account Code Structure (SACS). SACS ensures that districts meet state and federal reporting guidelines and comply with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). The California Department of Education's (CDE) California School Accounting Manual provides guidance regarding coding of revenues and expenditures.
7			The Superintendent or designee may supplement this format with additional information as necessary to effectively communicate the budget to the Board, staff, and public.	No change	
8			No later than five days after the Board adopts the district budget or by July 1, whichever occurs first, the Board shall file with the County Superintendent of Schools the	No later than five days after the Board adopts the district budget or by July 1, whichever occurs first, the Board shall file the adopted district budget with the County	CSBA NOTE: Education Code 42127 requires the district to file the adopted budget with the County Superintendent of Schools as described below. If the district fails to submit

		adopted district budget and supporting data. The budget and supporting data shall be maintained and made available for public review.	Superintendent of Schools. The budget and supporting data shall be maintained and made available for public review.	a budget by July 1, the County Superintendent will, at district expense, develop a budget by September 15 and transmit that budget to the Board.
9		If the County Superintendent disapproves or conditionally approves the district's budget, the Board shall review and respond to his/her recommendations at a public meeting on or before October 8. The response shall include any revisions to the adopted budget and any other proposed actions to be taken as a result of those recommendations.	If the County Superintendent disapproves or conditionally approves the district's budget, the Board shall review and respond to the County Superintendent's recommendations at a regular public meeting on or before October 8. The response shall include any revisions to the adopted budget and any other proposed actions to be taken as a result of those recommendations.	CSBA NOTE: Pursuant to Education Code 42127, on or before September 15, the County Superintendent must approve, conditionally approve, or disapprove the district's adopted budget. Education Code 42127 requires that this determination be based on a consideration of whether the district's adopted budget complies with state standards and criteria, will allow the district to meet its current and multiyear financial obligations, includes the expenditures necessary to implement the LCAP or annual update to the LCAP, satisfies all conditions established by the County Superintendent in the case of a conditionally approved budget, and complies with the requirements pertaining to ending fund balances that exceed the state minimum recommended reserve. Education Code 42127 also requires the County Superintendent to consider other studies, reports, evaluations, or audits that may indicate that the district is in fiscal distress; see the Fiscal Crisis and Management Assistance Team's Fiscal Oversight Guide and BP 3460 - Financial Reports and Accountability.
		<u>Budget Advisory Committee</u>	No change	

1		The Board may appoint a budget advisory committee composed of staff, Board representatives, and/or members of the community.	The Superintendent or designee may appoint a budget advisory committee composed of staff, Board representatives, and/or members of the community.	<p>CSBA NOTE: The following optional section is for use by districts that choose to establish a budget advisory committee to provide input during the budget development process. The committee may be appointed by the Superintendent or designee (Option 1), by the Board (Option 2), or may be a Board subcommittee composed exclusively of Board members (Option 3). Committees established by Board action are subject to the Brown Act; see BP/AR 1220 - Citizen Advisory Committees. Districts should delete or modify the following options as appropriate. See the accompanying administrative regulation for optional language regarding the committee's composition and duties.</p> <p>This committee is different from the budget review committee that is required pursuant to Education Code 42127 and 42127.1 if the County Superintendent disapproves the district's budget; see the accompanying administrative regulation.</p>
2		The committee shall develop recommendations during the budget development process and its duties shall be assigned each year based on district needs. All recommendations of the committee shall be advisory only and shall not be binding on the Board.	The committee shall submit recommendations during the budget development process and its duties shall be assigned each year based on district needs. All recommendations of the committee shall be advisory only and shall not be binding on the Board.	CSBA NOTE: This paragraph is for use by districts that selected either Option 1, 2, or 3 above.
		<u>Budget Criteria and Standards</u>	No change	
1		The Superintendent or designee shall develop a district budget in accordance with state criteria and standards specified in 5 CCR 15440-15450 as they relate to projections of average daily attendance (ADA), enrollment, ratio of ADA to enrollment, local control	The district budget shall be developed in accordance with state criteria and standards specified in 5 CCR 15440-15450 as they relate to projections of average daily attendance (ADA), enrollment, ratio of ADA to enrollment, LCFF revenue, salaries and benefits, other	

		<p>funding formula revenue, salaries and benefits, other revenues and expenditures, facilities maintenance, deficit spending, unrestricted general fund balance, and reserves. In addition, he/she shall provide the supplemental information specified in 5 CCR 15451 which addresses the methodology and budget assumptions used, contingent liabilities, use of one-time revenues for ongoing expenditures, use of ongoing revenues for one-time expenditures, contingent revenues, contributions, long-term commitments, unfunded liabilities, status of collective bargaining agreements, the LCAP, and LCAP expenditures.</p>	<p>revenues and expenditures, facilities maintenance, deficit spending, fund balance, and reserves. In addition, the Superintendent or designee shall provide the supplemental information specified in 5 CCR 15451 which addresses the methodology and budget assumptions used, contingent liabilities, use of one-time revenues for ongoing expenditures, use of ongoing revenues for one-time expenditures, contingent revenues, contributions, long-term commitments, unfunded liabilities, status of collective bargaining agreements, the LCAP, and LCAP expenditures.</p>	
2		<p>The district budget shall provide for increasing or improving services for unduplicated students at least in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated students in accordance with 5 CCR 15496. Unduplicated students are students who are eligible for free or reduced-price meals, English learners, and/or foster youth.</p>	<p>The district budget shall provide for increased or improved services for unduplicated students at least in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated students in accordance with 5 CCR 15496. Unduplicated students are students who are eligible for free or reduced-price meals, English learners, and/or foster youth.</p>	<p>CSBA NOTE: This paragraph is for use by districts that receive supplemental and concentration funding within the LCFF based on the number and concentration of "unduplicated students" (i.e., students who are eligible for free or reduced-price meals, English learners, and foster youth) pursuant to Education Code 42238.02 and 42238.03. 5 CCR 15496 addresses the method of determining the percentage by which services for unduplicated students must be increased or improved above services provided to all students in the fiscal year. Pursuant to 5 CCR 15496, the district's LCAP must include evidence demonstrating how LCFF funding apportioned on the basis of unduplicated students is used to support such students; see AR 0460 - Local Control and Accountability Plan.</p>
3		<p>The Board may establish other budget assumptions or parameters which may take into consideration the stability of funding</p>	<p>No change</p>	

		sources, legal requirements and constraints on the use of funds, anticipated increases and/or decreases in the cost of services and supplies, program requirements, and any other factors necessary to ensure that the budget is a realistic plan for district revenues and expenditures.		
		Fund Balance	No change	
1		The district shall classify fund balances in compliance with Governmental Accounting Standards Board (GASB) Statement 54 as follows:	No change	CSBA NOTE: This section should be revised to reflect district practice. GASB Statement 54 addresses the way fund balances (i.e., the gross differences between assets and liabilities reflected on the balance sheet) in governmental funds are reported in external financial reports. Fund balances must be classified as non-spendable, restricted, committed, assigned, and unassigned in accordance with GASB 54 definitions; also see AR 3460 - Financial Reports and Accountability. Pursuant to GASB 54, the Board has sole authority to specify purposes of funds classified as "committed" and also must express, or delegate the authority to express, intended purposes of resources that result in the "assigned" fund balance. The Board may modify the following section to reflect its fund balance policy or may adopt a formal resolution containing the required components.
	1	Non-spendable fund balance includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g., inventories and pre-pays) or that are legally or contractually required to be maintained intact.	No change	

	2	Restricted fund balance includes amounts constrained to specific purposes by their providers or by law.	No change	
	3 (1)	Committed fund balance includes amounts constrained to specific purposes by the Board.	No change	CSBA NOTE: For purposes of the committed fund balance, GASB 54 requires that the Board commit funds no later than the end of the reporting period. In New Requirements for Reporting Fund Balance in Governmental Funds, the CDE clarifies that for districts the end of the reporting period is June 30.
	3 (2)	For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period (June 30), although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.	No change	
	4 (1)	Assigned fund balance includes amounts which are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed.	No change	
	4 (2)	The Board delegates authority to assign funds to the assigned fund balance to the Superintendent and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. The Superintendent may further delegate the authority to assign funds at his/her discretion.	The Board delegates authority to assign funds to the assigned fund balance to the Superintendent and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. The Superintendent shall have discretion to further delegate the authority to assign funds.	
	5	Unassigned fund balance includes amounts that are available for any purpose.	No change	
	2	When multiple types of funds are available for an expenditure, the district shall first utilize funds from the restricted fund balance as	No change	

		appropriate, then from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.		
3		The Board intends to maintain a minimum assigned and unassigned fund balance in an amount the Board deems sufficient to maintain fiscal solvency and stability and to protect the district against unforeseen circumstances.	No change	CSBA NOTE: Although not required by GASB 54, the Government Finance Officers Association (GFOA) recommends that public agencies adopt a minimum fund balance policy that establishes an appropriate level of unrestricted fund balance that will be maintained in the general fund. The GFOA's Best Practice: Fund Balance Guidelines for the General Fund describes a variety of factors that should be considered when developing a minimum fund balance policy, such as the predictability of its revenue and volatility of its expenditures, perceived exposure to significant one-time outlays, potential drain upon the general fund from other funds as well as the availability of resources in other funds, potential impact on bond ratings and the corresponding increased cost of borrowed funds, and portion of unrestricted fund balance already committed or assigned for a specific purpose.
4		If the assigned and unassigned fund balance falls below the level set by the Board due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.	No change	CSBA NOTE: The GFOA recommends that the minimum fund policy address both the circumstances under which the unrestricted fund balance can be spent down and the procedure for replenishing deficiencies. The district may revise the following optional paragraph to specify the rate at which the district will attempt to recover the fund balance (e.g., the Board shall develop a plan to recover the fund balance at a rate of at least one percent each year).
		<u>Reserve Balance</u>	No change	

1		<p>The district budget shall include a minimum reserve balance for economic uncertainties that is consistent with the percentage or amount specified in 5 CCR 15450.</p>	<p>No change</p>	<p>CSBA NOTE: 5 CCR 15450 establishes a minimum local reserve balance for economic uncertainties based on the district's average daily attendance (ADA). The minimum reserve balance is the greater of five percent or \$55,000 for districts with 0-300 ADA; the greater of four percent or \$55,000 for districts with 301-1,000 ADA; three percent for districts with 1,001-30,000 ADA; two percent for districts with 30,001-400,000 ADA; and one percent for districts with over 400,000 ADA. The following paragraph may be revised to reflect the minimum reserve applicable to the district's ADA.</p>
2		<p>In any year that the district is notified by the Superintendent of Public Instruction that the amount of monies in the state Public School System Stabilization Account equals or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes, the district budget shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10 percent of these funds.</p>	<p>In any year following the fiscal year in which the district is notified by the SPI that the amount of monies in the state Public School System Stabilization Account equals or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes, the district budget shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10 percent of these funds, unless the requirement is waived in accordance with Education Code 42127.01.</p>	<p>CSBA NOTE: Education Code 42127.01 establishes, under certain conditions, a maximum amount of local reserve balance for economic uncertainties. Pursuant to Education Code 42127.01, if the amount of monies in the state Public School System Stabilization Account is three percent or more of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes, the district's combined assigned or unassigned ending general fund balance must not exceed 10 percent of those funds in the immediately following fiscal year.</p> <p>Basic aid districts, as described in Education Code 42238.02, and districts with 2,500 or less ADA are exempted from this requirement and may delete the following paragraph. Other districts may also be exempted from this requirement by the County Superintendent for up to two consecutive fiscal years within a three-year period upon providing documentation of extraordinary fiscal</p>

					circumstances (e.g., multiyear infrastructure or technology projects) that substantiate the need for a reserve in excess of the limit specified in Education Code 42127.01.
			Long Term Financial Obligations	No change	
1			The district's current-year budget and multi-year projections shall include adequate provisions for addressing the district's long-term financial obligations, including, but not limited to, long-term obligations resulting from collective bargaining agreements, financing of facilities projects, unfunded or future liability for retiree benefits, and accrued workers' compensation claims.	No change	
				The Board may approve a plan for meeting the district's long-term obligations to fund contributions to the California Public Employees' Retirement System (CalPERS) which, to the extent possible, minimizes significant increases in annual general fund expenditures towards pension obligations. The plan may include prefunding required pension contributions through the California Employers' Pension Prefunding Trust Program pursuant to Government Code 21710-21716.	New paragraph added CSBA NOTE: This paragraph is optional. Government Code 21710-21716, as added by SB 1413 (Ch. 665, Statutes of 2018), establish the California Employers' Pension Prefunding Trust Program and related Trust Fund, allowing districts that provide a defined benefit pension plan to their employees to prefund required pension contributions to the California Public Employees' Retirement System (CalPERS). Districts may elect to participate in the Prefunding Trust Program for the purpose of investing payments toward their required CalPERS pension contributions.
2			The Board shall approve a plan for meeting the district's long-term obligations to fund non-pension, other postemployment benefits (OPEBs). This plan shall include a specific funding strategy and the method that will be used to finance the district's annual fiscal obligations for such benefits in a manner that continually reduces the deficit to the district	No change	CSBA NOTE: The following two optional paragraphs are for use by districts that provide "other postemployment benefits" (OPEBs) (i.e., medical, dental, vision, hearing, life insurance, long-term care, long-term disability, and other non-pension benefits to retired employees or Board members) and should be revised to reflect district practice;

		to the extent possible. The Board reserves the authority to review and amend the funding strategy as necessary to ensure that it continues to serve the best interests of the district and maintains flexibility to adjust for changing budgetary considerations.		<p>see BP/AR 4154/4254/4354 - Health and Welfare Benefits and BB 9250 - Remuneration, Reimbursement and Other Benefits. CSBA recommends that districts adopt a specific funding strategy for addressing their OPEB obligations. The district may pay the premiums as they fall due ("pay-as-you-go"), but in such a case the district would then accrue a deficit with respect to future retirees which can be expected to grow as a result of an increasing retiree population and increases in benefit costs. Therefore, it is recommended that the district prefund the debt to the extent possible using a method and level to be determined by the Board. For example, the district may contribute a set amount or percentage of the actuarially determined "annual required contributions" to an irrevocable trust or designated fund each year.</p> <p>GASB Statement 75 requires districts that do not provide OPEB through a trust to report the total unfunded liability (i.e., OPEBs that are not prefunded) in the district's financial statements; see AR 3460 - Financial Reports and Accountability.</p> <p>CSBA's OPEB Solutions Program provides access to a trusted source of analysis and a GASB 75-compliant trust to prefund future obligations. See CSBA's web site for further information.</p>
3		When the Superintendent or designee presents a report to the Board on the estimated accrued but unfunded cost of OPEBs, the Board shall disclose, as a separate agenda item at the same meeting, whether or	The Superintendent or designee shall annually present a report to the Board on the estimated accrued but unfunded cost of OPEBs. As a separate agenda item at the same meeting, the Board shall disclose whether or	

		not it will reserve a sufficient amount of money in its budget to fund the present value of the benefits of existing retirees and/or the future cost of employees who are eligible for benefits in the current fiscal year.	not it will reserve a sufficient amount of money in its budget to fund the present value of the benefits of existing retirees and/or the future cost of employees who are eligible for benefits in the current fiscal year.	
4		When the Superintendent or designee presents a report to the Board on the estimated accrued but unfunded cost of workers' compensation claims, the Board shall disclose, as a separate agenda item at the same meeting, whether or not it will reserve in the budget sufficient amounts to fund the present value of accrued but unfunded workers' compensation claims or if it is otherwise decreasing the amount in its workers' compensation reserve fund. The Board shall annually certify to the County Superintendent the amount, if any, that it has decided to reserve in the budget for these costs. The Board shall submit to the County Superintendent any budget revisions that may be necessary to account for this budget reserve.	The Superintendent or designee shall annually present a report to the Board on the estimated accrued but unfunded cost of workers' compensation claims and the actuarial reports upon which the estimated costs are based. As a separate agenda item at the same meeting, the Board shall disclose whether it will reserve in the budget sufficient amounts to fund the present value of accrued but unfunded workers' compensation claims or if it is otherwise decreasing the amount in its workers' compensation reserve fund. The Board shall annually certify to the County Superintendent the amount, if any, that it has decided to reserve in the budget for these costs. The Board shall submit to the County Superintendent any budget revisions that may be necessary to account for this budget reserve.	CSBA NOTE: This optional paragraph is for use by districts that are self-insured for workers' compensation claims, either individually or as part of a joint powers agency. See AR 3460 - Financial Reports and Accountability for provisions related to reporting the estimated accrued but unfunded cost of workers' compensation claims based on an actuarial report.
		<u>Budget Amendments</u>	No change	
1		No later than 45 days after the Governor signs the annual Budget Act, the Superintendent or designee shall make available for public review any revisions in budgeted revenues and expenditures which occur as a result of the funding made available by that Budget Act.	No change	CSBA NOTE: This section is optional and should be revised to reflect district practice.
2		Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate	No change	

		projections of the district's net ending balance. When final figures for the prior-year budget are available, this information shall be used as soon as possible to update the current-year budget's beginning balance and projected revenues and expenditures.		
3		In addition, budget amendments shall be submitted for Board approval as necessary when the collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoption, interfund transfers are needed to meet actual program expenditures, and/or other significant changes occur that impact budget projections.	In addition, budget amendments shall be submitted for Board approval as necessary when collective bargaining agreements are accepted, district income declines, increased revenues or unanticipated savings are made available to the district, program proposals are significantly different from those approved during budget adoption, interfund transfers are needed to meet actual program expenditures, and/or other significant changes occur that impact budget projections.	

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