

## **SCHOOL DISTRICT FISCAL ACCOUNTABILITY REPORTING**

Statewide Cost Estimate  
Adopted: September 26, 2002

Education Code Sections 42100, 42127, 42127.5, 42127.6, 42128, 42131,  
and Government Code Section 3540.2

Statutes 1981, Chapter 100  
Statutes 1985, Chapter 185  
Statutes 1986, Chapter 1150  
Statutes 1987, Chapters 917 and 1452  
Statutes 1988, Chapters 1461 and 1462  
Statutes 1990, Chapter 525  
Statutes 1991, Chapter 1213  
Statutes 1992, Chapter 323  
Statutes 1993, Chapters 923 and 924  
Statutes 1994, Chapters 650 and 1002  
Statutes 1995, Chapter 525

### **Mandate Background**

The test claim legislation imposes numerous activities upon school districts and county offices of education related to the annual budget process, including periodically preparing and submitting various budget and financial reports to the state.

The Alameda County Office of Education filed the test claim on December 30, 1997. The Commission adopted the Statement of Decision on October 26, 2000, and the Parameters and Guidelines on January 24, 2002. Eligible claimants were required to file initial reimbursement claims with the State Controller's Office (SCO) by August 6, 2002. The SCO provided the unaudited actual claim totals to the Commission on September 3, 2002.

### **Period of Reimbursement**

Costs incurred on or after July 1, 1996 are reimbursable.

### **Eligible Claimants**

Any "school district," as defined in Government Code section 17519, except for community colleges, which incurs increased costs as a result of this mandate, is eligible to claim reimbursement.

### **Reimbursable Activities**

For each eligible claimant, the following activities are eligible for reimbursement:

A. Annual Statement of Receipts and Expenditures (Ed. Code, § 42100.)

School District Activities

- On or before September 15, the governing board of each school district shall file an annual statement of all receipts and expenditures of the school district for the preceding fiscal year with the county superintendent of schools.

County Office of Education Activities

- On or before October 15, the county superintendent of schools shall verify the mathematical accuracy of the statement of receipts and expenditures for the preceding fiscal year and shall transmit a copy of the statement to the State Superintendent of Public Instruction.

B. Revised Annual Budget (Ed. Code, § 42127, subd. (i)(4).)

School District Activities

- Amending the policies and procedures to reflect the change in deadline for adopting the revised school district budget from on or before September 15, to on or before September 8. (One-time Activity.)
- Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

County Office of Education Activities

- Amending the policies and procedures to reflect the change in deadline for approval of the revised budget from on or before November 1, to on or before October 8 (One-time Activity.)

C. Negative Fund or Cash Balances (Ed. Code, §§ 42127.5, 42127.6.)

School District Activities

- The governing board of any school district that reported a negative unrestricted fund balance or a negative cash balance in the annual report required by Education Code section 42127 or in the audited annual financial statements required by Education Code section 42120 shall include with the budget submitted in accordance with Education Code section 42127 and the interim certifications required by Education Code section 35015, a statement that identifies the reasons for the negative unrestricted fund balance or negative cash balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year. (Ed. Code, § 42127.5.)

County Office of Education Activities

- If at any time during the fiscal year the county superintendent of schools determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified certification pursuant to Education Code section 42131, the

superintendent shall notify the governing board of the school district and the State Superintendent of Public Instruction in writing of that determination and the basis for the determination. (Ed. Code, § 42127.6, subd. (a).)

D. Disapproved Budgets (Ed. Code, § 42127, subds. (f) and (h).)

County Office of Education Activities

- On or before September 22, the county superintendent of schools shall provide a list to the State Superintendent of Public Instruction identifying all school districts for which budgets may be disapproved. (Ed. Code, § 42127, subd. (f).)
- Not later than October 8, the county superintendent of schools shall submit a report to the State Superintendent of Public Instruction identifying all school districts for which budgets have been disapproved, including a copy of the written response transmitted to each of those school districts pursuant to Education Code section 42127, subdivision (d). (Ed. Code, § 42127, subd. (h).)

E. Certification of Ability to Meet Fiscal Year Obligations (Ed. Code, § 42131.)

School District Activities

- Within 45 days after the close of the period being reported, the governing board of each school district shall certify, in writing, whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the subsequent two fiscal years.<sup>16</sup> The certifications shall be classified as positive, qualified, or negative as prescribed by the State Superintendent of Public Instruction, and shall be based on the financial and budgetary reports required by Education Code section 42130 and additional financial information known by the governing board at the time of the certification. (Ed. Code, § 42131, subd. (a)(2).)
- The school district shall file a copy of each certification and a copy of the financial and budgetary status report submitted pursuant to Education Code section 42130 with the county superintendent of schools (Ed. Code, § 42131, subd. (a)(2).)

County Office of Education Activities

- When a county office of education receives a positive certification that a school district is able to meet its financial obligations, the county office of education shall review the positive certification to determine whether a negative or qualified certification should have been filed. (Ed. Code, § 42131, subd. (a)(2).)
- When a county office of education determines that a positive certification should have been filed as a negative or qualified certification, the county superintendent of schools shall change the certification to negative or qualified, as appropriate, and, no later than 75 days after the close of the

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<sup>16</sup> Commonly referred to as multiyear projections.

period being reported, shall provide notice of that action to the governing board of the school district and to the State Superintendent of Public Instruction. (Ed. Code, § 42131, subd. (a)(2).)

- Within 75 days after the close of each reporting period, each county superintendent of schools shall report to the State Controller and the State Superintendent of Public Instruction as to whether the governing board of each school district under his or her jurisdiction has submitted the certification required by Education Code section 42131, subdivision (a). That report shall account for all districts under the jurisdiction of the county office of education and indicate the type of certification filed by each district. (Ed. Code, § 42131, subd. (c).)

F. Qualified and Negative Certifications (Ed. Code, § 42131, subd. (e), Gov. Code, § 3540.2.)

School District Activities

- No later than June 1, the governing board of each school district filing a qualified or negative certification for the second report required under Education Code section 42130, or classified as qualified or negative by the county superintendent of schools, shall provide to the county superintendent of schools, the State Controller, and the State Superintendent of Public Instruction financial statement projections of the district's fund and cash balances through June 30 for the period ending April 30. (Ed. Code, § 42131, subd. (e).)
- A school district with a qualified or negative certification shall provide the county superintendent of schools, upon request, with all information relevant to provide an understanding of the financial impact of any final collective bargaining agreement reached pursuant to Education Code section 3543.2. (Gov. Code, § 3540.2.)

County Office of Education Activities

- At the time of the certification, the county office of education shall submit copies of any certification in which the governing board is unable to certify unqualifiedly that these financial obligations will be met and a copy of the financial and budgetary status report submitted to the governing board pursuant to Education Code section 42130 to the State Controller and the State Superintendent of Public Instruction, together with a completed transmittal form provided by the State Superintendent of Public Instruction. (Ed. Code, § 42131, subd. (a)(2).)
- Within 75 days after the close of the reporting period on all school district certifications that are classified as qualified or negative, the county superintendent of schools shall submit to the State Superintendent of Public Instruction and the State Controller his or her comments on those certifications and report any action proposed or taken pursuant to Education Code section 42131, subdivision (b). (Ed. Code, § 42131, subd. (a)(2).)

G. Neglect or Refusal to Make a Budget (Ed. Code, § 42128.)

School District Activities

- If the governing board of any school district neglects or refuses to make a school district budget as prescribed by chapter 6, article 2 of the Education Code (beginning with Education Code section 42120), or neglects to file interim financial and budgetary reports pursuant to Education Code section 42130, then the county superintendent of schools shall notify the appropriate county official that he or she shall not approve any warrants issued by the school district.

H. Training

Train staff on implementing the reimbursable activities listed in section IV, activities

A through G. (One-time activity for each employee.)

**Statewide Cost Estimate**

Following is a breakdown of estimated total costs per fiscal year:

| Fiscal year                   | # Claims Filed<br>With SCO | Claim Totals |
|-------------------------------|----------------------------|--------------|
| 1996-97                       | 409                        | \$1,289,820  |
| 1997-98                       | 423                        | \$1,391,160  |
| 1998-99                       | 435                        | \$1,551,920  |
| 1999-00                       | 454                        | \$1,736,904  |
| 2000-01                       | 483                        | \$1,975,298  |
| 2001-02                       | 473                        | \$1,868,702  |
| 2002-03 (2.2% <sup>17</sup> ) | n/a                        | \$1,909,813  |
| 2003-04 (3.2% <sup>18</sup> ) | n/a                        | \$1,970,927  |
| Total                         |                            | \$13,694,544 |

**Statewide Cost**

**Estimate Total (Rounded)**

**\$13,695,000**

Because the reported costs are prior to audit and partially based on estimates, the statewide cost estimate of \$13,694,544 has been rounded to \$13,695,000.

<sup>17</sup> Implicit Price Deflator as forecast by Department of Finance.

<sup>18</sup> *Ibid.*