

# Santa Barbara Unified School District

## Board Policy

### Business and Non-Instructional Operations

BP 3100

#### BUDGET

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.

*(cf. 0000 - Vision)*

*(cf. 0200 - Goals for the School District)*

*(cf. 0400 - Comprehensive Plans)*

*(cf. 0460 - Local Control and Accountability Plan)*

*(cf. 3300 - Expenditures and Purchases)*

*(cf. 3460 - Financial Reports and Accountability)*

*(cf. 9000 - Role of the Board)*

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. (Education Code 42122)

#### Budget Development and Adoption Process

In order to provide guidance in the development of the budget, the Board shall annually establish budget priorities based on identified district needs and board established goals and on realistic projections of available funds.

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.

The Board encourages public input in the budget development process and 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. (Education Code 42103, 42127, 52062, 52064.1)

*(cf. 9320 - Meetings and Notices)*

*(cf. 9322 - Agenda/Meeting Materials)*

*(cf. 9323 - Meeting Conduct)*

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. (Education Code 42127, 52062)

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). (Education Code 42126, 42127)

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 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 Superintendent of Schools. The budget and supporting data shall be maintained and made available for public review. (Education Code 42127)

*(cf. 1340 - Access to District Records)*

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. (Education Code 42127)

### **Budget Criteria and Standards**

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 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. (Education Code 33128, 33129, 42127.01; 5 CCR 15440-15451)

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. (Education Code 42238.07; 5 CCR 15496)

*(cf. 3553 - Free and Reduced Price Meals)*

*(cf. 6173.1 - Education for Foster Youth)*

*(cf. 6174 - Education for English Learners)*

The Board may establish other budget assumptions or parameters which may take into consideration the stability of funding 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.

*(cf. 2210 - Administrative Discretion Regarding Board Policy)*

*(cf. 3110 - Transfer of Funds)*

### **Fund Balance**

The Board shall adopt a formal resolution that provides for classification of fund balances in the general fund and is compliant with Governmental Accounting Standards Board (GASB) Statement 54. The resolution also shall:

1. Establish specific steps for committing funds that cannot be used for any other purpose unless the Board takes action to remove or change the constraint
2. Express the authority of the Board and/or delegate authority to other person(s) to identify intended uses of assigned funds
3. Establish the order in which fund balances will be spent when multiple fund balance types are available for an expenditure
4. Address the minimum fund balance in the general fund by establishing an appropriate level of unrestricted fund balance that will be maintained in the general fund, the circumstances under which the unrestricted fund balance can be spent down, and the procedure for replenishing deficiencies

The Board reserves the authority to review and amend this resolution as needed to reflect changing circumstances and district needs.

### **Nonspendable Fund Balance**

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

### **Restricted Fund Balance**

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

### **Committed Fund Balance**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the government's highest level of decision-making authority. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period (June 30, for LEAs). The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the highest level of decision-making authority.

“Formal action” varies considerably from government to government. For example, formal action for which governments such as cities, counties, or states have authority typically includes the passage of laws, ordinances, or levies. By contrast, formal action for which California school district governing boards have authority is typically limited to actions taken at a public meeting such as a vote, a resolution, or some similar action such as adoption of a budget. For LEAs, therefore, the difference between the committed classification and the assigned classification may not be as great as for other governments. As discussed below, an LEA may not have a need to report both classifications.

### **Assigned Fund Balance**

The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the governing body or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint.

In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

As noted above, for LEAs, the difference between the committed and assigned fund balance classifications may be minimal. An LEA is not required to report both classifications, but must disclose in the notes to the financial statements the nature of the constraints giving rise to whichever classifications it does report.

### **Unassigned Fund Balance**

In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. In any fund other than the general fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

### **Reserve Balance**

To protect the district against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board intends to build and maintain a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to ten percent of general fund expenditures and other financing uses.

The district minimum reserve balance for economic uncertainties required by the state is three percent. 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. (Education Code 42127.01)

### **Long-Term Financial Obligations**

The district's current-year budget and multiyear 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.

*(cf. 4141/4241 - Collective Bargaining Agreement)*  
*(cf. 4154/4254/4354 - Health and Welfare Benefits)*  
*(cf. 7210 - Facilities Financing)*  
*(cf. 9250 - Remuneration, Reimbursement and Other Benefits)*

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.

The Board shall approve a plan for meeting the district's long-term obligations to fund nonpension, 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 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.

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. (Education Code 42140)

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. (Education Code 42141)

### **Budget Amendments**

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. (Education Code 42127)

Whenever revenues and expenditures change significantly throughout the year, the Superintendent or designee shall recommend budget amendments to ensure accurate 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.

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.

#### *Legal Reference:*

##### EDUCATION CODE

1240 Duties of county superintendent of schools

33127-33131 Standards and criteria for local budgets and expenditures

41202 Determination of minimum level of education funding

42103 Public hearing on proposed budget; requirements for content of proposed budget

42122-42129 Budget requirements

42130-42134 Financial certifications

42140-42142 Disclosure of fiscal obligations

42238-42251 Apportionments to districts, especially:

42238.01-42238.07 Local control funding formula

42602 Use of unbudgeted funds

42610 Appropriation of excess funds and limitation thereon

45253 Annual budget of personnel commission

45254 First year budget of personnel commission

52060-52077 Local control and accountability plan

GOVERNMENT CODE

7900-7914 Appropriations limit

21710-21716 California Employer's Pension Prefunding Trust Program

CODE OF REGULATIONS, TITLE 5

15060 Standardized account code structure

15440-15451 Criteria and standards for school district budgets

15494-15497 Local control funding formula, supplemental and concentration grant expenditures

Management Resources:

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS

California School Accounting Manual

New Requirements for Reporting Fund Balance in Governmental Funds, January 7, 2011

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, December 2015

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Best Practice: Fund Balance Guidelines for the General Fund, September 2015

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Statement 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, June 2015

Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, February 2009

WEB SITES

CSBA: <http://www.csba.org>

Association of California School Administrators: <http://www.acsa.org>

California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>

California Department of Finance: <http://www.dof.ca.gov>

Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>

Government Finance Officers Association: <http://www.gfoa.org>

Governmental Accounting Standards Board: <http://www.gasb.org>

School Services of California, Inc.: <http://www.sscal.com>

SANTA BARBARA UNIFIED SCHOOL DISTRICT

Santa Barbara, California

November 10, 2015; February 27, 2018; August 13, 2019