The following 11 conditions represent those school agency problems most commonly encountered by the Fiscal Crisis and Management Assistance Team (FCMAT). The presence of any one condition is not necessarily an indication of a school agency in trouble. Unavoidable short-term situations such as key administrative vacancies can result in brief and acceptable periods of exposure to one or more of the following conditions. Exceeding acceptable limits of exposure in one or more of the following conditions is often the blueprint for districts nearing or presently in a crisis situation.

1. **Leadership Breakdown***
   a. Governance crisis**
   b. Ineffective staff recruitment
   c. Board micromanagement and special interest groups influencing boards
   d. Ineffective or no supervision
   e. Litigation against district

2. **Ineffective Communication***
   a. Staff unrest and morale issues
   b. Absence of communication to educational community**
   c. Lack of interagency cooperation**
   d. Breakdown of internal systems (payroll, position control)

3. **Collapse of Infrastructure***
   a. Unhealthful and unsafe facilities and sites
   b. Deferred maintenance neglected
   c. Low Budget Priority
   d. Local and state citations ignored
   e. No long-range plan for facility maintenance

4. **Inadequate Budget Development***
   a. Failure to recognize year-to-year trends, e.g., declining enrollment or deficit spending**
   b. Flawed ADA projections**
   c. Failure to maintain reserves**
   d. Salary and benefits in unrealistic proportions
   e. Insufficient consideration of long-term bargaining agreement effects**
   f. Flawed multi-year projections**
   g. Inaccurate revenue and expenditure estimations**

5. **Limited Budget Monitoring***
   a. Failure to reconcile ledgers
   b. Poor cash flow analysis and reconciliation**
   c. Inadequate business systems and controls
   d. Inattention to COLA data
   e. Failure to review management control reports
   f. Bargaining agreements beyond state COLA**
   g. Lawsuit settlements

6. **Poor Position Control***
   a. Identification of each position missing
   b. Unauthorized hiring
   c. Budget development process affected
   d. No integration of position control with payroll**

7. **Ineffective Management Information Systems***
   a. Limited access to timely personnel, payroll, and budget control data and reports**
   b. Inadequate attention to system life cycles
   c. Inadequate communication systems

8. **Inattention to Categorical Programs***
   a. Escalating general fund encroachment**
   b. Lack of regular monitoring**
   c. Illegal expenditures
   d. Failure to file claims

9. **Substantial Long-Term Debt Commitments***
   a. Increased costs of employee health benefits+
   b. Certificates of participation
   c. Retiree health benefits for employees and spouse+
   d. Expiring parcel taxes dedicated to ongoing costs

10. **Human Resource Crisis***
    a. Shortage of staff (administrators, teachers, support, and board)
    b. Teachers and support staff working out of assignment
    c. Students/classrooms without teachers
    d. Administrators coping with daily crisis intervention
    e. Inadequate staff development

11. **Related Issues of Concern***
    a. Local and state audit exceptions
    b. Disproportionate number of underperforming schools
    c. Staff, parent, and student exodus from the school district
    d. Public support for public schools decreasing
    e. Inadequate community participation and communication

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* Highlights the seven conditions consistently found in each district requesting an emergency loan or dealing with a “fiscal crisis.”

** Represents the 15 conditions that have been found most frequently to indicate fiscal distress and are those referenced in Assembly Bill 2756 (Daucher) and recently amended Education Code Sections 42127 and 42127.6.

+ Indicates an emerging area of significant concern.