

SONOMA COUNTY OFFICE OF EDUCATION



Bulletin No. 16-13

April 2016

April 28, 2016

To: District/Charter Business Services
From: Judy Thomson, Director Fiscal Services

State of the State

Per the State Controller's Office, March state revenues surpassed estimates in Gov. Jerry Brown's proposed 2016-17 budget by \$218.6 million. Through the first nine months of the fiscal year, revenues of \$78.37 billion are \$512.5 million, or 0.7 percent, more than expected in the governor's proposed budget. The personal income tax (which accounts for about two-thirds of total General Fund revenues) and the corporation tax are both beating projections, by 0.1 percent and 7.4 percent, respectively. The sales tax, meanwhile, is lagging by 0.9 percent for the fiscal year to date.

California continues to add jobs with the state's unemployment rate dropped to 5.4%, the lowest level since July 2007. The United States unemployment rate was 5% in March.

The Department of Finance noted that existing home sales in the state are up 6.4% on a year-over-year basis, and the median price in February reached \$446,460, up 3.8% from February 2015.

Announcing... The SCOEBiz Table of Contents

Beginning with fiscal year 2013-14, a table of contents has been created noting the topics included in each SCOEBiz that was presented at DBUG. The table of contents will be available on the SCOEBiz website under the DBUG tab.

Senate Bill (SB) 3 Minimum Wage Increase

On April 4, 2016, Governor Brown signed SB 3 which gradually increases California's minimum wage to \$15 per hour. Once the minimum wage reaches \$15 per hour for all businesses, wages could then be increased each year up to 3.5% for inflation as measured by the national Consumer Price Index.

SB 3 increases the minimum wage to:

- ✚ Businesses with 26 or more employees ~ \$10.50 per hour on January 1, 2017 and then increases each year until reaching \$15 per hour in 2022.
- ✚ Business with 25 or fewer employees ~ Increases begin in 2018 and reach full implementation in 2023.

SB 3 includes "off-ramps" to pause wage hikes if negative economic or budgetary conditions emerge. The law requires the Governor to make a determination if these conditions exist by September 1 of each year to pause the next year's wage increase for one year. Please see attached for greater details.

Be aware... the effect on LEAs could result in:

- ✚ Cost increases ~ SB 3 would result in a wage increase for those employees currently receiving less than the newly established minimum wage rates. In addition, there may be a potential wage increase "ripple effect", where individuals presently receiving more than the minimum will request a higher than minimum wage.
- ✚ Possibility of less revenue ~ With increased wages, some families may no longer be eligible for free and reduced-price meals. Less economically disadvantaged students would result in less supplemental and concentration grant funding.

CalPERS 2016-17 Employer Contribution Rate

The CalPERS Board approved the 2016-17 employer contribution rate of 13.888%. Estimated future rates using the 2016-17 rate as the base are as follows:

Employer Contribution Rates	Actual 2015-16	Actual 2016-17	Estimated 2017-18	Estimated 2018-19	Estimated 2019-20	Estimated 2020-21
Estimated Employer Contribution Rate	11.847%	13.888%	15.5%	17.1%	18.6%	19.8%

Note that the 13.888% rate for 2016-17 is significantly higher than the latest estimate available of 13.05%. Please build this new rate into your LEA's 2016-17 budget.

LCAP Audit procedures

As part of the annual audit, there are procedures which relate to the LCAP or approved annual update. These annual audit procedures require the auditor to:

- ✚ **Obtain a copy** of the approved LCAP or approved annual update.
- ✚ **Select a sample of actions** and/or services in Section 2 **Annual Update that have expenditures**, and review supporting documentation to determine whether the expenditures were consistent with the actions and/or services.
- ✚ **Review supporting documentation to verify** the following:
 - LCAP or approved annual update was **presented to** the parent advisory committee and English learner parent advisory committee (Education Code [E.C.]52062[a][1-2] or 52068[a][1-2])
 - **Notification** was made to members of the public for an opportunity to comment on specific actions and expenditures (E.C. 52062[a][3] or 52068[a][3])
 - LCAP or approved annual update was **presented in at least one public hearing** (E.C. 52062[b][1] or 52068[b][1])
 - LCAP or approved annual update was **adopted in a public meeting** (E.C. 52062[b][2] or 52068[b][2])

If any of the above did not occur, or was not properly supported, a finding will be included in the annual audit report.

LCFF Calculator

Version 16.2c of the LCFF calculator is now posted for download. **NOTE:** The release date for **Version 17.1** has been extended to May 6, 2016.

Since the upcoming version does not include any LCFF funding formula changes, LEAs can continue to use v16.2 for 2016-17 Adopted Budget projections with the following adjustments.

- ✚ Update prefilled 2014-15 P-2 data with the CDE's P-Annual certification (which are posted with the 2015-16 First Principal Apportionment Funding Exhibits).
- ✚ For the nine affected counties (Fresno, Kings, Los Angeles, Marin, Placer, Santa Clara, Sonoma) include the Home-to-School transportation shift adjustment on the Awards tab, cell F144.

LCFF Gap and COLA webpage

The CDE has published a new information resource for local educational agencies to assist in planning and budgeting during the transition period to full funding under the Local Control Funding Formula (LCFF). The new [LCFF Gap and COLA Web page](#) provides historical LCFF cost-of-living adjustment (COLA) percentages, gap budget allocations and percentage factors since 2013-14, the inception of LCFF. It also includes prospective gap and COLA estimates based on the latest information available from the Department of Finance. This page will be updated regularly as information becomes known. The new Web LCFF Gap and COLA Information page is accessible via the [Funding Rates and Information Web page](#), which also provides LCFF funding rates and other information by fiscal year, beginning 2015-16.

STRS On-Behalf Rate for 2015-16

On March 14, 2016, the CDE released the 2015-16 CalSTRS on-behalf rate of 7.125890%. The CDE stated LEAs may use the spreadsheet released last year, which can be found [here](#). For the 2015-16 year, LEAs should multiply their 2013-14 creditable CalSTRS compensation by the new rate, 7.125890%, and round to the nearest dollar to determine the CalSTRS on-behalf payments that should be recorded in 2015-16 using Resource 7690. Creditable CalSTRS compensation will be provided at the Year End Close workshop on May 26, 2016.

California Clean Energy Jobs Act (Proposition 39)

The last day for LEAs to submit a fiscal year 2015-2016 Energy Expenditure Plan (EEP) is Thursday, June 30, 2016. EEPs received by the Energy Commission on or after July 1, 2016, will be considered fiscal year 2016-2017 submittals and will be noted as such in the California Clean Energy Jobs Act (Proposition 39) Energy Expenditure Plan Online application system. Submitting an application with an incorrect fiscal year may delay the processing of your application.

LEAs that do not submit an EEP in fiscal year 2015-2016 will not lose their financial allotment. Any unused Proposition 39 awards will roll to the next fiscal year.

For more information and to view program resources such as Program Guidelines, EEP Handbook, Utility Authorization Forms, and Energy Savings Calculators, go to the Proposition 39: California Clean Energy Jobs Act web page at <http://energy.ca.gov/efficiency/proposition39/>. Questions may be directed to prop39@energy.ca.gov or the Proposition 39 Hotline toll-free at [855-380-8722](tel:855-380-8722).

Course-Based Independent Study (CBIS)

Beginning in 2015-16, the new course-based independent study program is available. CBIS is a separate independent study program with requirements that differ from the traditional independent study program. Courses are annually certified, by the LEA's governing board, to be of the same rigor and educational quality as equivalent classroom-based courses. CBIS average daily attendance is tracked and reported separately, and must have its own independent study ratio calculation. Please refer to *Education Code* sections 51749.5 – 51749.6 for information on CBIS.

For LEAs for reporting any Course Based Independent Study (CBIS) ADA that exceeds 10 percent of the total ADA of the LEA, pursuant to *EC* Section 51749.5(b)(5), go to <http://www.cde.ca.gov/fg/aa/pa/pa1516rates.asp> where a CBIS calculation example is available for viewing.

School Facility Program Funding Request ~ Unfunded List (Lack of AB55 Loans)

The priority funding request filing period for the School Facility Program (SFP) **begins May 11, 2016, and will run through June 9, 2016**. Any requests received during this period will be valid from July 1, 2016, through December 31, 2016.

Until such time that there is cash available, per SFP regulations, when school districts submit requests for funding, they are placed on the Unfunded List (Lack of AB 55 Loans). As bonds are sold and cash becomes available, school districts submit requests for priority funding and, if approved, the projects are moved off the Unfunded List (Lack of AB 55 Loans) and provided apportionments. School districts receiving apportionments are then required to submit a valid fund release authorization within 90 days.

Nonparticipation in Priority Funding regulations are in effect. A district that has a project on the Unfunded List (Lack of AB 55 Loans) or has received an unfunded approval and does not submit a valid priority funding request within this 30-day filing period, will receive a nonparticipation occurrence the first time or will be fully rescinded without further board action the second time.

More detailed Information can be found on the Office of Public School Construction's [website](#).

Have you performed the following annually required Public Disclosures?

Education Protection Act (EPA) ~ Resource 1400

Proposition 30 requires an LEA's governing board to make spending determinations for EPA funds at an open public meeting. Proposition 30 language does not specify that the open public meeting has to be a separately held meeting only for the discussion of EPA funding. Therefore, this requirement may be satisfied at a regularly scheduled meeting.

LEAs must **report on their Web sites** an accounting of how much money was received from the EPA and how that money was spent. LEAs **may not use EPA funds for administrative costs.**

For additional information on EPA calculations, payment schedules, spending restrictions, SACS financial reporting and more, please go to frequently asked questions posted on the CDE Web site at <http://www.cde.ca.gov/fg/aa/pa/epa.asp>.

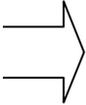
Reserve TRANSPARENCY disclosure at the Public Hearing

EC 42127 (a)(2)(B) requires a district's public hearing must provide all the following for public review and discussion:

- 1) The minimum recommended reserve for economic uncertainties (REU) for each fiscal year identified in the budget.
- 2) The combined assigned and unassigned ending fund balances that are in excess of minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget. The fund balances include the General Fund and Fund 17, Special Reserve Fund for Other than Capital Outlay.
- 3) A statement of reasons that substantiate the need for assigned and unassigned fund balance in excess of the minimum recommended reserve for economic uncertainties for each fiscal year.

EC 42127 (d) states the County cannot approve a District's budget unless the aforementioned reserve transparency disclosures have been made.

To ensure each district has performed the aforementioned disclosure at the public hearing, please:

- 
- Note the Reserve Transparency disclosure as a line item on the Agenda of the Public Hearing.**
 - In the minutes of the meeting, report that reserves were reviewed and discussed in accordance with EC Section 42127 (a)(2)(B).**

What should be done between NOW and your PUBLIC HEARING....

- 1) Add the Reserve Transparency disclosure to the Agenda of the public hearing.
- 2) Determine the applicable District ADA.
- 3) Calculate minimum REU as determined by the State board. Please discuss with your accountant.
- 4) Commit reserves as you deem applicable, discuss with auditors if you have concerns.
- 5) Identify the assigned and unassigned (includes REU) fund balance amounts
- 6) Determine/create a statement of reason for amount of assigned and unassigned fund balances in excess of State minimum REU, which is supported by your governing board.
- 7) An Excel spreadsheet titled [16-11a_Template_Statement_of_Reasons_for_Excess_Reserves.xlsx](#) is at the following SCOE website under March 25, 2016: <http://fb.scoe.org/default.asp?W66>
- 8) Be able to articulate why the reasons are relevant and necessary.
- 9) Be ready to present at your public hearing date, which is earlier than your budget adoption date.
- 10) Make sure the minutes of the public hearing note that reserves were reviewed and discussed in accordance with EC42127 (a)(2)(B).

Indirect Cost Rates

The 2016-17 indirect cost rates for district and charters will be posted on the CDE Indirect Cost Rate (ICR) web page at <http://www.cde.ca.gov/fg/ac/ic/index.asp>. EC Section 38101(c) limits food service program indirect costs to amounts derived using the *lesser of* a district's approved indirect cost rate or the statewide average indirect cost rate. Each district should compare to determine the lesser rate for use with this program.

Reminders:

Notice of Public Hearing for 2016-17 Budget ~ Please make sure to check the newspaper to ensure your LEA's Notice of Public Hearing has been correctly published. Copy and save for our auditors.

Federal Cash Management Data Collection

The 4th quarter reporting period deadline ends April 30, 2016.

Deposits at SCOE

Please be reminded that SCOE does not accept cash or personal checks for deposit in the county treasury. LEAs should deposit all cash and personal checks into their own revolving cash account. Checks from the revolving cash account will be deposited into the county treasury.

CALPADS Update

CALPADS Snapshot Collection Windows and Certification Deadlines (EOY= End of Year)

CALPADS Submission	Census Day	Primary Data Submitted	Official Submission Window	Certification Deadline	Amendment Window
EOY* 1	N/A	Course completion for grades 7-12 CTE participants, concentrators, completers	May 23, 2016 to July 15, 2016	July 15, 2016	July 16, 2016 to September 9, 2016
EOY 2	N/A	Program Participation	May 23, 2016 to July 15, 2016	July 15, 2016	July 16, 2016 to September 9, 2016
EOY 3	N/A	Student Discipline	May 23, 2016 to July 15, 2016	July 15, 2016	July 16, 2016 to September 9, 2016

Several changes were announced for our CALPADS reporting for End of Year (EOY) 2016 and for the 2016-17 school year in the recent CalPADS Information Meeting (CIM) held April 19, 2016. CTE reporting in CALPADS has been delayed a year so 2015-16 will continue as a parallel year. Several changes are coming for the 16-17 school year as the state responds reporting changes as NCLB is retired and ESSA takes over. CalPADS is still working toward merging the CASEMIS reporting functions into CalPADS.

Dates to Remember:

- 05/02/2016 Open Forum for Food Service Directors @3pm to 5pm ~ free ~ register at SCOE.org
- 05/03/2016 Finance User Group ~ EOY
- 05/12/2016 Next Fiscal Year Workshop
- 05/13/2016 Open Lab
- 05/19/2016 May Revise Workshop ~ by Capitol Advisors @ 2pm ~ free
- 05/20/2016 May Revise Workshop ~ by School Services of California @ 9am
- 05/26/2016 Year End Close Workshop
- 05/26/2016 DBUG
- 05/30/2016 Holiday ~ Memorial Day
- 06/20/2016 Prior Year corrections to 2014-15 P-2 & Annual
- 06/20/2016 2014-15 Audit Adjustments to CALPADS data (auditor concurrence required)
- 06/22/2016 Annual Attendance due to SCOE

NOTE: Documents presented at DBUG may be found at dp.scoe.org website under the "DBUG/SCOE Bulletins" tab.