

SONOMA COUNTY OFFICE OF EDUCATION



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

State of the State

The State Controller's Office reported that California revenues of \$15.98 billion for April fell short of projections in the governor's proposed 2017-18 budget by \$1.05 billion, or 6.2 percent. For the first ten months of the 2016-17 fiscal year that began in July, total revenues of \$96.88 billion are \$1.83 billion below last summer's budget estimates and \$211.3 short of January's revised fiscal year-to-date predictions. Total fiscal year-to-date revenues are \$1.74 billion higher than for the same period of the prior fiscal year.

"April is usually the state's biggest tax filing month, so lower-than-expected personal income tax receipts are troubling," said the California State Controller, Betty Yee, the state's chief fiscal officer. "While we await the governor's May Revision, this is another signal that we may be inching towards an economic downturn, and we must tailor our spending accordingly."

May Revision

Recently, SCOE hosted School Services of California (SSC) and Capitol Advisors to discuss the governor's May Revision. SCOE will be issuing guidance next week and providing the Common Message as soon as it becomes available. Note: As a result of the lack of receipt in 2017-18 and uncertainty of receipt during 2018-19, the proposed "one-time" discretionary funding of approximately \$170 per prior year P-2 ADA should NOT be budgeted in 2017-18 or future years.

LEAs should recalculate their 2017-18 LCFF funding and minimum proportionality percentage (MPP) using updated gap percentages (increased to 43.97% from 23.67%) and COLA (increased to 1.56% from 1.48%). The increase in gap percentage and COLA will most likely affect the LEA's supplemental and concentration funding amounts and MPP percentage. This updated information should be provided to the LCAP team to assure MPP criteria is met in the LEA's LCAP.

NEW Governmental Accounting Standards Board (GASB) Statements!

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses financial reporting by **plans** that administer OPEB benefits. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting by **governmental agencies** that provide OPEB to their employees.

The requirements set forth in these two Statements significantly change how governments calculate and report the annual costs and long-term obligations associated with OPEB.

GASB 74 - Financial Reporting for Postemployment Benefits Plans Other Than Pension Plan- Effective 2016-17

GASB 74 addresses financial reporting by plans that administer OPEB benefits. It is effective fiscal year 2016-17. It requires that the notes to financial statements of all defined benefit OPEB plans that are administered through trusts that meet the specified criteria and discloses information about OPEB plan investments, including the OPEB plan's investment policies, concentrations of investments with individual organizations, the annual money weighted rate of return on OPEB plan investments and much more. This applies to single-employer and cost-sharing OPEB plans that are administered through trusts. **Please discuss this with your auditor.**

GASB 75 – Post Employment Benefits Other Than Pensions (OPEB) ~ Effective 2017-18

It is effective fiscal year 2017–18 and will replace the current GASB 45. Most of the provisions of GASB 75 for OPEB are parallel to the provisions of GASB 68 for pensions. GASB 75 will require an OPEB liability to be recognized on the balance sheet of the participating employers. In addition, an OPEB expense will be recognized in the income statement of the participating employers. Although LEAs may currently report OPEB liabilities and/or expenses in the financial statements, GASB 75 significantly changes what is reported.

For governments that provide OPEB through a defined benefit OPEB plan administered through a trust meeting specified criteria, this liability would be the *net OPEB liability*, which is the difference between the *total OPEB liability* (the part of the actuarial present value of projected benefit payments that is attributed to past periods of service) and the OPEB plan's *fiduciary net position* (essentially, the amount available to make benefit payments). For governments that provide OPEB through a defined benefit OPEB plan *not* administered through a trust meeting specified criteria, the liability reported in the financial statements would be the total OPEB liability.

To report a *net OPEB liability rather than the total pension liability*, a government's OPEB have to be administered through a trust that meets all three of the following criteria:

- ✚ Contributions to the OPEB plan from the government and other entities, as well as earnings on those contributions, are irrevocable.
- ✚ OPEB plan assets are dedicated to providing OPEB to the plan members.
- ✚ OPEB plan assets are protected from creditors.

Under GASB 45, Object 9664, Net OPEB Obligation, is used to record the cumulative difference between the annual required contribution and the actual contribution made by the LEA. The net OPEB obligation under GASB 45 is a totally different measure than the OPEB liability under GASB 75. Therefore, the CDE plans to redefine Object 9664 to meet the GASB 75 definition. **The net OPEB liability is reported only in the accrual-basis financial statements (government-wide). It is not reported in the governmental funds.**

Additional information regarding GASB 75 can be found on the [GASB Other Postemployment Benefits \(OPEB\)](http://www.gasb.org/opeb#section_3) webpage http://www.gasb.org/opeb#section_3 .

Consolidated Application and Reporting System (CARS)

The Consolidated Application and Reporting System (CARS) spring release is now open. All data collections have a deadline of Friday, June 30, 2017. Please see the attached for a summation of the changes and the program staff to contact if you have questions.

Lead Sampling of Drinking Water in Schools

The State Water Resources Control Board Division of Drinking Water, in collaboration with the CDE, has taken the initiative to begin testing drinking water in schools (K-12) for lead. Schools that are served by a municipality, water district, mutual water company, or other public water system may request assistance from their public water system to conduct water sampling for lead and to provide technical assistance if an elevated lead sample site is found. Schools may request that their public water system collect and analyze up to five water samples at each K-12 school served by the water system. Schools can make a request to the public water system any time prior to November 1, 2019.

Information regarding the program is available on the website:

http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/leadsamplinginschools.shtml

Public Disclosures Reminders discussed in SCOE Bulletin 17-11 at April's DBUG

You can find SCOE Bulletins and DBUG handouts at the SCOE Home Page on Escape or dp.scoe.org under the DBUG/Workshop tab

- ✚ Education Protection Act (EPA) ~ Resource 1400
- ✚ Reserve transparency disclosure
- ✚ Sports Equity

California Clean Energy Jobs Act ~ Prop 39

2017-18 will provide *final* budget appropriation for the five-year Clean Energy Jobs Act program approved by voters in 2012 with the passage of Prop. 39. Source site: <http://www.energy.ca.gov/efficiency/proposition39/>

- ✚ The last date to submit energy expenditure plans to the Energy Commission is **August 1, 2017**
- ✚ Current law requires LEAs to spend or encumber Prop. 39 K-12 program allocations by the statutory deadline of **June 30, 2018**
- ✚ **Per CDE, no contribution needed to Resource 6230 due to the apportionments crossing fiscal years; a negative ending fund balance is allowable with explanation in the technical checks**

A revised 2016-17 entitlement schedule has been posted on the CDE Prop. 39 webpage at <http://www.cde.ca.gov/fg/aa/ca/prop39cceja.asp>.

The Energy Commission has developed a new tool to assist LEAs in planning their final EEP submission. This [new tool summarizes Proposition 39 K-12 program allocations by LEA, including an estimated total five-year allocation](#) (XLSX File), the planning funds budget, the approved Proposition 39 K-12 grant amounts, and the estimated remaining allocation available for a final EEP application. Please note the estimated five year allocation is based on previous LEA allocations and the Governor's proposed 2017-18 state budget, released on May 11, 2017. Remember these estimated allocations are intended for guidance, and do not reflect actual final allocations. The CDE will announce the 2017-18 fiscal year allocation in Fall 2017.

This resource can be accessed on the Proposition 39 K-12 Program web page at: <http://www.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.

Dates to Remember:

05/29/2017	Holiday ~ Memorial Day
06/23/2017	Prior Year corrections to 2015-16 P-2 & Annual
06/23/2017	2015-16 Audit Adjustments to CALPADS data (auditor concurrence required)
06/23/2017	Annual Attendance due to SCOE
06/30/2017	Consolidated Application and Reporting System (CARS) ~ deadline date for data collection

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