

SONOMA COUNTY OFFICE OF EDUCATION



Bulletin No. 18-16

April 2018

April 26, 2018

To: District/Charter Business Services
From: Shelley Stiles, Director, External Fiscal Services

State of the State

California's total revenues of \$8.02 billion for March were higher than estimates in the governor's 2018-19 proposed budget by 6.0 percent, and above 2017-18 Budget Act projections by 10.8 percent, State Controller Betty T. Yee reported on 4/10/2018.

- ✚ For the fiscal year overall, the "big three" sources of General Fund revenue—personal income tax (PIT), retail sales and use tax, and corporation tax—are beating estimates in the enacted budget. For the first nine months of the 2017-18 fiscal year, total revenues of \$89.10 billion are 3.4 percent higher than expected in the January budget proposal and 6.4 percent above the enacted budget's assumptions.
- ✚ For March, PIT receipts of \$4.22 billion were 6.2 percent higher than the 2017-18 Budget Act's projections, but 4.2 percent lower than anticipated in the proposed budget. For the fiscal year, PIT receipts are \$3.17 billion higher than expected in the 2017-18 Budget Act.
- ✚ Corporation taxes for March of \$1.31 billion were \$549.2 million, or 72.4 percent, higher than forecasted in the governor's proposed budget. This variance is largely because receipts were about \$530 million more than anticipated. For the fiscal year to date, total corporation tax receipts are 32.5 percent above assumptions in the 2017-18 Budget Act.
- ✚ Sales tax receipts of \$2.06 billion for March were \$10.4 million lower than anticipated in the governor's budget proposal unveiled in January. For the fiscal year, sales tax receipts are \$410.1 million higher than the enacted budget's expectations.

2017-18 audit guidelines/reminders

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
- ✓ **Select a sample of actions** and/or services in the Annual Update section 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: **FOR DISTRICTS AND COE's ONLY**
 - LCAP 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 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.

Indirect Cost Rates

The 2018-19 indirect cost rates for district and charters are 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. The 2018-19 statewide average indirect cost rate is 5.41 percent.

AB2808 and AB3136

Two funding bills, AB2808 and AB3136 have passed in the Assembly Education Committee. Both Bills will now head to the Assembly Appropriations committee and the fiscal impacts will be scrutinized. If they pass out of appropriations they will head to the Assembly floor for a vote before they go to the Senate. Both bills provide significant funding increases for LEA's in the areas of LCFF rates and special education.

LCAP Federal Addendum

CDE Local Agency Systems Support Office sent out an email announcement:

The following information pertains to the March 26, 2018 announcement of the posting of the Local Control and Accountability Plan (LCAP) Federal Addendum (Addendum) Template: Local educational agencies (LEAs) that apply for Every Student Succeeds Act (ESSA) funds will be required to complete an LCAP Federal Addendum Template and the Consolidated Application (ConApp) in addition to the LCAP. LEAs will be required to complete and submit the Addendum for the 2018-19 school year.

- *The Addendum Template was approved by the State Board of Education (SBE) on March 14, 2018. (For additional details, see Item 12 of the SBE's Agenda for March 2018 Web page at <https://www.cde.ca.gov/be/ag/ag/yr18/agenda201803.asp>)*
- *Addendums will be submitted directly to the California Department of Education (CDE).*
- *Addendums will not be submitted to county offices of education in conjunction with LCAP submissions.*
- *Submission procedures and timelines are to be determined.*
- *The CDE anticipates convening a Readers' Conference in late September or early October to review and approve the Addendums.*

Program guidance is expected to be provided from the specific ESSA program offices and to be made available by mid-April. Training will follow the provision of program guidance.

SCOE ESS department followed this CDE announcement with an email to all Superintendents. All districts that receive Title I, Title II, Title III or Title IV will need to submit the LCAP Addendum directly to CDE. The due date is still unknown and the submission process is still being developed. SCOE ESS will continue to provide updates as they receive more information. If you have questions regarding the addendum please contact Rachael Maves at 522-3332 or rmaves@scoe.org.

CalSTRS and CalPERS Employer Rates

The CalPERS Board took action on April 17, 2018 to adopt new actuarial assumptions, a new strategic asset allocation and the 2018-19 employer contribution requirements. CalPERS approved rates for 2018-19 are 18.062%. The CalSTRS employer rates are legislatively approved. Rates for 2018-19 are 16.280%. The School Services dashboard will be updated with the May Revise and will contain rates to use for projections on the MYP for budget development.

2018-19 Annual Notice to Parents

School College and Legal Services issued Memo No. 10-2018 that discusses the changes in the Notice to Parents applicable to the 2017-18 school year, such as: Scoliosis Screening Notice; Photographs – Directory Information; Immigrant Student Protections; High School Exit as well as other information about additional documents that must be included in the Annual Notice to Parents.

A printable version of Memo No. 10-2018 can be located at their website: <http://www.sclscal.org/>.

Charter Schools – Payroll Frequency Requirement

California Labor code – does it apply to charter school employees?

The answer is yes and no, as addressed in a March 2018 FCMAT Fiscal Alert. Attached is the full alert. Please read it in its entirety as there is lots of information for Charters to think about. School and College Legal provided a legal response for SCOE to share with Charters and Authorizing Districts. That memo is attached.

Independent 501c3 charters who process their payroll through SCOE in ESCAPE will have an opportunity to convert to twice monthly payrolls beginning July 1, 2018.

SCOE will be hosting an **information meeting for all Charters on Monday, April 30th, 2:00pm to 4:00pm** and hope you can attend. The purpose of the meeting is to discuss the recommendations for independent charter schools to switch to twice monthly payroll. We will be prepared to discuss what that might look like for your district, and what SCOE and you would need to do to prepare for the change. We also want to give you the opportunity to ask questions about the recommendations, the process, or anything else!

Please feel free to invite anyone else from your charter or district and please let Dan Bienkowski (dbienkowski@scoe.org) know how many will be attending.

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 board 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>.

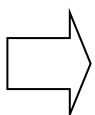
Reserve TRANSPARENCY disclosure at the Public Hearing (all Districts and general fund charters)

EC 42127 (a)(2)(B) requires a district's public hearing for the Adopted Budget 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 reserve transparency disclosures have been made.

To ensure each district has performed the Reserve Transparency 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.
- 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 Statement of Reason for Excess Reserves is posted on the SCOE website under financial forms <http://www.scoe.org/pub/htdocs/fiscal-forms.html>
- 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).

Other Reminders:

Notice of Public Hearing for 2018-19 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, 2018. More information can be found at <https://www.cde.ca.gov/fg/aa/cm/>

Sports Equity

Education Code section 221.9 requires schools/district to publish on its website separately *for each individual school*:

1. Total school enrollment, classified by gender.
2. Total number of students who participate in athletics, classified by gender.
3. Total number of school athletic teams, classified by gender, sport, and competition level.

The law first became effective for the 2015-16 school year. Annual postings are required by June 30th. The numbers reported should reflect the total number of players on a team roster "on the official first day of competition.

Dates to Remember:

04/30/2018	Federal Cash Management Data Collection 4 th Quarter report due
05/03/2018	Food Service/Child Nutrition Workshop presented by CASBO
05/03/2018	SchoolWise User Group
05/08/2018	HR/Payroll Updates (Yearly Review) Workshop
05/10/2018	CalPADS/Aeries User Group
05/11/2018	ESCAPE Open Lab
05/16/2018	CalPADS EOY for Beginners
05/16/2018	Next Fiscal Year Workshop
05/17/2018	CalPADS EOY for Advanced Users
05/18/2018	CalPADS for Administrators
05/23/2018	CalPADS in Aeries for Beginners
05/24/2018	Year End Close Workshop
05/24/2018	DBUG
05/25/2018	CalPADS in Aeries for Advanced Users

NOTE:

- Want to add something to a DBUG Agenda? Want a topic added to SCOE Biz? Contract DBUG Chair Christina Menicucci
- Documents presented at [DBUG](#) and [Firestorm Disaster Documents](#) may be found at <http://www.scoe.org/pub/htdocs/fiscal-dbug.html>
- [Workshop manuals](#) and [Fiscal Services/IT forms](#) may be found at <http://www.scoe.org/escape> under the heading of Resources on the left side of the page.