

SONOMA COUNTY OFFICE OF EDUCATION



Bulletin No. 18-18

May 2018

May 24, 2018

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

State of the State

State Controller Betty T. Yee reported on May 10, 2018 that California collected more tax revenue during the month of April than in any previous month of the 2017-18 fiscal year so far. Moreover, total April revenues of \$18.03 billion were higher than estimates in the governor's FY 2018-19 proposed budget by 5.3 percent.

- ✚ For the first 10 months of the 2017-18 fiscal year that began in July, total revenues of \$107.13 billion are \$4.72 billion above estimates in the enacted budget and \$3.82 billion higher than January's revised fiscal year-to-date predictions. Total fiscal year-to-date revenues are \$10.25 billion higher than for the same period in FY 2016-17.
- ✚ For April, personal income tax (PIT) receipts of \$14.17 billion were \$715.9 million, or 5.3 percent, higher than estimated in January. For the fiscal year, PIT receipts are \$2.58 billion higher than anticipated in the proposed budget. Traditionally, April is the state's peak month of PIT collection.
- ✚ April corporation taxes of \$2.40 billion were \$78.4 million higher than forecasted in the governor's proposed budget. For the fiscal year to date, total corporation tax receipts are 13.5 percent above assumptions released in January.
- ✚ Sales tax receipts of \$946.1 million for April were \$139.1 million, or 17.2 percent, higher than anticipated in the governor's FY 2018-19 budget proposal. For the fiscal year, sales tax receipts are in line with the proposed budget's expectations.

May Revision

Recently, SCOE hosted School Services of California (SSC) and Capitol Advisors will be here on May 30th 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. Watch you email for both of these important documents.

Increased General Fund revenues at the State that projected between January and May historically mean more revenue to Schools through an increase in Proposition 98. This year, this does not necessarily translate to more revenue, because growth to Proposition 98 is minimal with the move to a "Test 2" year in 2018-19. Overall, ADA statewide is projected to remain flat or slightly decline.

The statutory COLA for 2018-19 is 2.71%. LCFF funding has been augmented by the state and 3% will be applied to the base target grants. This proposed K-12 increase of 3% is the combined statutory COLA plus additional state funding, which is then applied to the LCFF base grants for each grade span. Base Grant funding is now equalized across all LEA's for the first time. Categorical programs such as Special Education, Foster Youth, American Indian Education Centers and Programs, and Child Nutrition will see the statutory 2.71% increase.

One time discretionary funding increased since January to \$344 per ADA, \$2.04 billion statewide. Sonoma County LEA's should be cautious if budgeting this revenue in the adopted budget. One-time revenue may look different at the June State budget adoption. Look for opportunities to get a long-term benefit from discretionary one-time money. For example, pay off General Fund debt, and the stream of payments you would

have made become ongoing money. Set it aside to offset retiree health benefit liabilities. If you are considering an early retirement incentive plan, pay it off up front and keep the ongoing savings. Use it to bolster your reserves. Remember; do not use one-time money for ongoing salaries or other ongoing expenses.

LEAs should recalculate their 2018-19 LCFF funding and minimum proportionality percentage (MPP) using Version 19.1 of the LCFF Calculator. All districts and charters should download and use this new version of the calculator for their 18-19 Adopted Budget and LCAP. To download the latest version, please visit: <http://fcmat.org/local-control-funding-formula-resources/>
This Calculator includes the 18-19 May Revise multiyear COLA (as calculated by the Department of Finance). The LEA data has been updated as of the 17-18 1st Principal Apportionment using 17-18 P-1 ADA. Districts and Charters should update the 17-18 data with actual P-2 ADA. This updated information should be provided to the LCAP team to assure MPP criteria is met in the LEA's LCAP.

The SSC dashboard is attached and should be used as part of your multiyear projection (MYP) assumptions. Remember that MYPs are projections that are expected to change as various factors change. Document those factors for your stakeholders.

SSC summed up the May Revise quite nicely with final thoughts listed on slide 167. If you did not attend their workshop here is the summary:

- The May Revision is slightly better for public education than the January Budget proposal
 - ◆ But given the automatic cost increases LEAs are facing, it's a significant challenge to merely maintain current programs
- California's reliance on the volatile income tax, made even more so by the continued reliance on capital gains from the top 1% of earners, means that funding for public education is highly sensitive to economic and personal income fluctuations as compared with that of other states
- The Governor kept his promise to fully implement the LCFF before 2020-21
 - ◆ In fact, he has done so two years early
- Collective bargaining will continue to be a challenge
- We recommend that you follow the SSC Financial Projection Dashboard

LCAP Federal Addendum

All districts that receive Title I, Title II, Title III or Title IV will need to submit the LCAP Federal Addendum directly to CDE. On Tuesday, May 22 from 2:00-3:00pm, CDE hosted a webinar to provide an overview of the Addendum. Additionally, SCOE will hold a follow up webinar on Tuesday, June 5th at 3:30. This will be an opportunity to further debrief the webinar information and answer any questions regarding the LCAP Addendum. Registration details will be sent out by ESS soon.

If you have questions regarding the addendum please contact Rachael Maves at 522-3332 or rmaves@scoe.org

Federal Addendum Dates Recap:

- ConApp submission is due on June 30, 2018
- LCAP Federal Addendum due on August 15, 2018
- Addendums require board approval (can happen after submission to CDE)
- Addendums received after August 15th or Addendums that have not been approved by the local governing board prior to the CDE Reader's Conference (September 17th) may experience a delay the Addendum approval and receiving ESSA Allocation.

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 June 30, 2018. CARS News Flash #63 is attached for more information and links to assist you.

SACS code combination Resource 0000, Object 8625 no longer valid

Object code 8625 is used for receipt of the facilities (non-tax) portion of Community Redevelopment Agency funds. These funds will no longer be allowed to be counted as unrestricted and the combination of Resource 0000 and object 8625 will no longer be valid in the SACS validation tables and will create a TRC in the SACS software. CDE informed LEA's that since the community redevelopment funds not subject to LCFF deduction are restricted in regards to what they can spend on, LEAs should use Resource 9010, Other Restricted Local, or a locally-defined restricted resource that rolls up to Resource 9010.

SCOE recommends a designated resource of 9086 (community redevelopment funds) for districts who receive these funds. This resource will be set up for each district receiving these funds. DISTRICTS will need to link the full codes and make any corrections to budgets and actuals that are creating the TRC in your budget software. Please contact your SCOE accountant if you have any questions.

Collapse of Resource 3320 into 3310 for 2018-19

CDE states: Although resource codes 3320, 3332, and 3400 will remain open in the SACS validation tables for an additional three years, through 2020-21, CDE encourages LEAs to expend carryover balances as soon as possible. Note that LEAs should not record new revenue in these resource codes beginning 2018-19, other than revenue associated with carryover balances that were reported as unearned revenue in the prior year.

SCOE's suggestion to Districts for 2018-19 Budgets: Recommend using RS 3310 for both RS3310 and RS3320 revenue and expenditures. A Goal 5730 can be used to denote preschool portion that would previously have been budgeted in RS 3320. A locally defined management code may also be used.

Charter Schools Annual Information Survey

The 2018-19 Charter Schools Annual Information Survey is now available online at <http://www.cde.ca.gov/sp/cs/ac/csinfosvy1617.asp>.

It must be completed and submitted to the CDE by 5:00 pm, Friday, June 8, 2018.

Debt Issuance: GO Bonds or COPS

The California Debt and Investment Advisory Commission issues a monthly Debt Line Newsletter and their web pages offers lots of great information regarding debt issuance and requirements. Please take a look at <http://www.treasurer.ca.gov/cdiac/debtpubs/2018/201805.pdf>

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.

Public Disclosure Reminders discussed in SCOE Biz Bulletin 18-16 at April's DBUG

You can find SCOE Biz Bulletins and DBUG handouts at the SCOE home page or dp.scoe.org under the DBUG/Workshops tab

- Education Protection Act (EPA) – Resource 1400
- Reserve Transparency disclosure
- Sports Equity

District of Choice ~ District of Choice funding is included in the audit guide. Don't forget to follow all the guidelines!

Dates to Remember:

05/25/2018	CalPADS in Aeries for Advanced Users
05/28/2018	Holiday – Memorial Day
06/22/2018	Prior year corrections to 2016-17 P-2 & Annual due to SCOE
06/22/2018	2016-17 Audit Adjustments to CALPADS data (auditor concurrence required)
06/22/2018	2017-18 Annual Attendance due to SCOE
06/30/2018	Consolidated Application and Reporting System (CARS) – deadline for data collection
06/30/2018	Educator Effectiveness Grant Final Reporting – deadline for submission to CDE
07/27/2018	Unaudited Actuals Workshop
07/27/2018	DBUG

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.

SCOE Biz Bulletins for 2018-2019 will be presented at the monthly District Business Users Group (DBUG) meetings. All meetings are scheduled at SCOE from 12:30 pm to 2:30 PM.
The 2018-19 schedule is:

Friday	July 27, 2018
Friday	August 24, 2018
Friday	September 21, 2018
Thursday	October 25, 2018
Friday	November 16, 2018
Friday	January 25, 2019
Friday	February 22, 2019
Friday	March 22, 2019
Thursday	April 18, 2019
Thursday	May 23, 2019