State of the State
State Controller Betty T. Yee reported (2/11/2019) California’s total revenues of $18.79 billion in January were lower than estimates in the governor’s 2019-20 fiscal year budget proposal by $1.81 billion, or 8.8 percent, but higher than projections in the FY 2018-19 Budget Act by $1.21 billion, or 6.9 percent.

Total revenues of $74.42 billion for the first seven months of FY 2018-19 were lower than expected in the proposed and enacted budgets by $2.87 billion and $1.32 billion, respectively. In the fiscal year to date, state revenues are just 0.2 percent lower than the same time last year.

Sales tax and corporation tax — two of the state’s “big three” revenue sources — came in higher than assumed in last month’s proposed budget.

For January, personal income tax (PIT) receipts of $16.36 billion were $2.53 billion, or 13.4 percent, less than the Department of Finance forecasted last month but $403.6 million, or 2.5 percent, higher than assumed in the budget enacted last June. PIT revenue was still 4.8 percent higher than in January 2018.

Sales tax receipts of $1.59 billion for January were $602.8 million higher than anticipated in the proposed FY 2019-20 budget and $647.4 million higher than in the FY 2018-19 Budget Act.

Last month’s $579.2 million in corporation taxes were 9.0 percent higher than estimates in the FY 2019-20 budget proposal and 12.0 percent higher than in the enacted FY 2018-19 budget.

2018-19 First Principal Apportionment
The 2018–19 First Principal Apportionment (P-1) has been certified, which includes updated calculations for 2017–18 (Annual) and 2016–17 (Annual R-2). The P-1 information is available on the California Department of Education’s (CDE) website at https://www.cde.ca.gov/fg/aa/pa/pa1819.asp. Special Education AB 602 ADA, Statewide Rates and Factors, and Out of Home Care information is also available on the Special Education web page at https://www.cde.ca.gov/fg/aa/se/index.asp. The CDE has also certified the 2018–19 Third Quarter Apportionment for the Education Protection Account (EPA). The EPA apportionment letter and payment schedule are available on the CDE website at https://www.cde.ca.gov/fg/aa/pa/epa.asp.

Wildfire Relief – 2017-18 Property tax back fill for Basic Aid Districts
According to CDE, the funds are scheduled to be released between mid-January to early February, however, funds have not yet arrived. These funds are being backfilled from State revenue sources that are NOT property tax based. It has been determined that the most appropriate revenue code would be All Other State Revenue, object 8590, with Resource code 0000.
I’ll send out a notification as soon as the money is received and at that point in time we will know the exact dollar amounts for each Basic Aid District!
**Cafeteria State Disaster Claim reimbursements**

Cafeteria claims filed for reimbursement of lost revenues due to the October 2017 wildfires are being funded and LEA’s are receiving payments. Per correspondence with CDE, the funding source for the reimbursements is STATE revenue and should be recorded in that manner. If you applied using the CDE Application for Meal Reimbursement During Disaster form this is considered state funding and not federal funding.

**Frontline Renewal Notices for 2019-20**

We have had some inquiries about increased rates for Frontline's Absence Management for the 2019-20 school year. SCOE will not be negotiating with Frontline for these rates as we did last year. Their renewal letter states they will be implementing the increase over time. It was the intention of the County Office to allow the districts to have the last school year to plan for an increase for this service or research viable alternatives. Please direct inquiries about your specific renewal notice to Frontline's renewal department at renewals@frontlineed.com.

**Revised LCAP Template and Budget Overview for Parents – 2019-20**

On January 9, 2019 the State Board of Education approved revisions to the Plan Summary section of the LCAP template and finalized the template for the added Budget Overview for Parents. The revised template and new budget overview information can be found at https://www.cde.ca.gov/re/lc/ . The Budget Overview must be attached to your LCAP and approved at the same time. More detailed directions will be presented next month at DBUG.

**2019-20 Supplemental/Concentration Grant Calculation ($ to use in LCAP)**

The total S&C funds can be found in three locations in the calculator: the LCAP tab, the bottom of the Summary tab, or in the Calculation Tab. Your 2nd Interim calculation of the Supplemental/Concentration grant amount is your preliminary grant for LCAP development. The final amount used in the board approved LCAP must use the MAY REVISE data.

<table>
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<tr>
<th>LCAP Percentage to Increase or Improve Services</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
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<td>Current year estimated supplemental and concentration</td>
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**2019-20 LCAP:**

Demonstration of Increased or Improved Services for Unduplicated Pupils

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<th>LCAP Year: XXXX–XX</th>
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<table>
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<tr>
<th>Estimated Supplemental and Concentration Grant Funds</th>
<th>Percentage to Increase or Improve Services</th>
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**Charters – Meals in 2019-20**

Attached is a LEGAL update: Charter School Obligations. AB 1871 extends to charter schools the requirement to provide for each needy pupil one nutritionally-adequate free or reduced-price meal during each school day. This is required beginning the 2019-20 school year.
J13A waivers for 2018-19 closed days
Many of you have already submitted J13A Waivers for closures. THANK YOU! There are still a handful of LEAs that have not yet submitted waivers and will need to do so as soon as possible. Approved waivers allow LEAs to operate with instruction minutes and days less that required for emergency purposes.

Reminder: For waivers due to hazardous air quality, follow the normal J-13A process – i.e. substantiate closures or material decreases as you would normally. If you have emergency days of any kind built into your calendar, you will need to use those first. Days school was closed should be excluded from school district divisors because school was not taught on those days. The exception for a district would be community day school. Since community day school has a fixed divisor per statute, the district would need to wait for a J13-A approval letter from CDE to reduce the community day school divisor. Similarly, any county office program with a fixed divisor should keep their fixed divisor at the numbers listed in statute until receiving an approval letter from CDE authorizing the county office to reduce the divisor for that program.

There has been discussion at state level meetings with CDE regarding CDE’s stance waivers. CDE is STRONGLY urging all LEA’s to build in emergency closure days on an annual basis, now that filing waivers has become an annual norm. Concern is for the repeated loss of student instructional time over multiple years. In the future, waivers may not be approved and additional days required. There are lots of things to think about when adding days to calendars such as transportation, participation in consortiums, and bargaining unit concerns.

Dashboard 101
The California School Dashboard provides parents and educators with meaningful information on school and district progress so that can participate in decisions to improve student outcomes. You can access the reports and learn more at https://www.caschooldashboard.org/. SCOE Continuous Improvement Directors will do a short “Dashboard 101” introduction so you can be more familiar with its features and connect your budget conversations with student outcomes.

GASB 84 Implementation
Another GASB requirement is coming your way. GASB 84 is a new standard related to fiduciary funds and becomes effective 2019-20. CDE is currently reviewing draft guidance, but we should expect changes related to how fiduciary activities are identified and reported in the retiree benefit fund and warrant pass thru funds. Changes for fund forms 76, Warrant/Pass-Thru Fund, and 95, Student Body Fund will be in the 2019-20 budget version of the SACS software. More details will follow.

Title IV Part A – Student Support (Flexible Block Grant)
Attached is a Fact Sheet For ESSA Title IV Part A, which can be found at https://www.iste.org/docs/advocacy-resources/title-iv-fact-sheet-for-essa_final.pdf
This grant is funded based on the same formula at Title I, is for the term of one year, and in the amount of not less than $10,000. Guidance from CDE is posted at https://www.cde.ca.gov/fg/aa/co/ca17wguit4pastudsupp.asp and https://www.cde.ca.gov/fg/aa/ca/titleiv.asp which include the funding profile and funding results, guidance and a link to the Fact Sheet. Please remember that ALL Federal Funds have specific spending requirements.

Low-Performing Students Block Grant – Resource 7510
Grant recipients shall report to the State Superintendent on or before: March 1, 2019, Required Report Number One (select the hyperlink to access the online reporting tool).
Note: All eligible LEAs must complete Required Report #1. If an eligible LEA chooses not to receive LPSBG funds, the LEA still must complete Required Report #1 to formally document that choice.
Every Student Succeeds Act (ESSA) Per-pupil Expenditure (PPE) Reporting Update

The CDE issued a letter on August 1, 2018 to provide information and guidance that would assist LEAs with meeting the ESSA PPA reporting requirement. Attached is a copy of the letter. It may also be accessed at https://www.cde.ca.gov/fg/ac/co/

- Calculating Per-pupil Amounts – Included and excluded expenditures
  Included expenditures should represent the ongoing, day-to-day operations of schools and LEAs for public elementary and secondary education.
  - These include, but are not limited to, instruction, instructional support, student support services, pupil transportation services, plant maintenance and operations, and general administration.
  Excluded expenditures that are not associated with prekindergarten through grade twelve students, such as adult education; or are one-time, significant outlays that may distort the data, such as facilities acquisition.
  - The letter provides recommended categories that may be excluded from total expenditures used in the PPE calculation.

- Calculating Per-pupil Amounts – School-level versus LEA-level
  - For school-level PPE reporting, the per-pupil expenditure calculation will include expenditures charged directly to a school plus the school’s share of expenditures that are charged centrally at the LEA level but benefit the schools.
  - LEAs are afforded the flexibility to determine which expenditures are charged directly to the school-level versus those expenditures that remain at the central level and are ultimately allocated to individual schools based on a reasonable consistent allocation methodology.
  - LEAs should ensure that, to the extent possible, school-level expenditures reflect cost that were actually incurred at the school site.

- Calculating Per-Pupil Amounts – Student counts and formulas
  - LEAs have the option to use either enrollment or average daily attendance (ADA) in the PPE calculation. The CDE recommends that LEAs use enrollment, which is consistent with the student count that is used in the federal current expenditures per pupil calculation.
    - LEA-level PPE
    - Total expenditures divided by the LEA’s student count
    - School-level PPE (for each of the LEA’s schools)
    - School-level expenditures, plus the school’s share of the LEA’s central expenditures, divided by the school’s student count

- CDE will ultimately collect the PPE data from LEAs for inclusion in the State Report Card.

Additional information about the criteria, collection, and presentation is forthcoming.

At this point, the CDE recommends that LEAs:
  - Use prior year financial data, e.g., 2017–18, to prepare test PPE data in order to make preliminary assessments of the outcomes and whether those outcomes meet expectations.
  - Test and evaluate approaches to allocate central expenditures to the schools, analyzing how various approaches affect school-level per-pupil expenditure amounts.
  - Anticipate questions that may be asked by the governing board, parents, and other stakeholders, and be prepared to answer them.

- Frequently asked question:
  Will the ESSA PPE information be reported in School Accountability Report Card (SARC)?
  - The ESSA report card requirements are separate from the School Accountability Report Card (SARC).
  - The SARC is a state required report card, which was passed with Proposition 98, and is not related to the ESSA reporting requirements, including the ESSA PPE requirement.
Upcoming Professional Development Opportunities:
SCOE is hosting some workshops in February and March for your Professional Development. Attached are the flyers and registration information for the upcoming workshops:

- CASBO - *Emotional Intelligence: The Art of Personnel Management*  March 4, 2019
- Ca Dept of Tax and Fee Administration (CDTFA) – *USE Tax Workshop* March 14, 2019
- CASBO - *Evaluation & Performance Management*  March 25, 2019
- School Services of California - *Advanced Collective Bargaining* March 28, 2019
- FCMAT – *ASB Workshop* May 3, 2019
- CASBO - *Pupil Attendance Accounting for School Personnel* May 8, 2019 NEW DATE!

As with previous workshops, SCOE will be covering the cost for district staff to attend. Some of these workshops may be listed as electives for specific certification courses through CASBO. If you have any questions about the registration process, please contact Bonnie Tanner in SCOE Business Services at btanner@scoe.org.

REMINDERS:

**SCOE Biz E-Blast Recap** – Please email Shelley Stiles  sstiles@scoe.org for duplicate
E-Blast#19-01 through 19-12 sent out via email in August through December.
SCOE Biz E-Blast#19-13: UPDATE: Fire Related ADA losses and 17-18 Property Tax backfill for Basic Aid Districts (January 8, 2019)
SCOE Biz E-Blast#19-14: Low-Performing Students Block Grant Reporting Requirements (Jan 14, 2019)
SCOE Biz E-Blast#19-15: GL Cleanup checklist and tips (January 28, 2019)
SCOE Biz E-Blast#19-16: 2018-19 Auditor Selection (January 16, 2019)
SCOE Biz E-Blast#19-17: 2nd Interim Guidance (February 4, 2019), Common message (Feb 20, 2019)
SCOE Biz E-Blast#19-18: J-13A waivers for Closure Days NEW info from CDE (February 5, 2019)
SCOE Biz E-Blast#19-19: ESSA School Improvement Funding for LEAs DEADLINE (February 6, 2019)

**Dates to Remember:**
02/25 & 26/2019 Two Day ESCAPE AP Certification Workshop
03/04/2019 CASBO Emotional Intelligence Workshop
03/14/2019 CDTFA Use Tax Workshop
03/15/2019 2017-18 Audit Findings; Certification of Corrective Action due to your SCOE Advisor
03/15/2019 2nd Interim Reports due to SCOE
03/20/2019 School Wise User Group Meeting
03/21/2019 ESCAPE Position Control Workshop & Budget Development Workshop
03/22/2019 District/Charter Authorizer Workshop
03/22/2019 DBUG
03/25/2019 CASBO Evaluation and Performance Management Workshop
03/28/2019 SSC Advanced Collective Bargaining Workshop

**NOTE:**
- Want to add something to a DBUG Agenda? Want a topic added to SCOE Biz? Contract DBUG Chair Christina Menicucci
- Workshop manuals and Fiscal Services/IT forms may be found at [http://www.scoe.org/escape](http://www.scoe.org/escape) under the heading of Resources on the left side of the page.
Calendar of Typical Tasks for CBOs/Business Managers

Months: January/February/March

1. **Attendance**  
   P-1 reporting is due to SCOE (and CDE) in early January  
   Prior year corrections to ADA or CalPads are due to SCOE February 19

2. **CALPADS**  
   ~ CALPADS Fall 2 trainings begin  
   Know when the current year Fall 2 certification deadline is!

3. **GL Cleanup**  
   January is the month to get the GL Clean for 2nd interim and solve mid year clearing account issues.

4. **2nd Interim Preparation** - Review 1st Interim Manual & the section on Preparation. Complete the check list!  
   ** Your final Board Approved 2nd Interim is due to SCOE no later than March 15  
   Recalculate ADA projections based on current year’s Fall 1 Census day counts and P-1 attendance reporting  
   Recalculate LCFF revenue using revised ADA projections  
   Update unduplicated pupil count percentage based on current year Fall 1 Census day counts  
   Adjust the current year budgeted LCFF revenue budget accordingly as well as the out years  
   Adjust the current year budgeted revenues and expenditures with new programs and known modifications  
   These adjustments should be happening as they arise. A budget is NOT a static document  
   2nd Interim LCFF Calculator provides an estimate of 2019-20 Supplemental & Concentration Grant funding  
   Share that estimate with your Superintendent and Educational Services Staff

5. **Recompute Cash Flow Statement for 2018-19 and decide if you need:** (Good to do monthly!)  
   a. Line of Credit (LOC) with the County, or  
   b. TRAN

6. **W-2**  
   Apply the information you received in November and December workshops to complete both  
   1099s  
   For 2018-19 these are both due to SCOE on January 9, 2019

7. **Audit**  
   Audits were received from Auditors in December.  
   By January 31, your audit must be presented to your Board. Certification is due to SCOE by February 15.  
   In February, all findings and corrective actions must be presented and reviewed by the Board.  
   Certification of corrective actions is due to SCOE by March 15.

8. **LCAP**  
   Think about: What can be done to integrate business and instruction more effectively?  
   Are your student achievement goals being met?  
   Are you spending your supplemental and concentration grant money according to your goals?  
   Are you coding your LCAP expenditures in a way that is easy to complete the annual update?  
   Attend LCAP trainings and meetings (provided by SCOE beginning in January)  
   Share estimated 2018-19 Supplemental/Concentration Grant funding with  
   your Superintendent and Educational Services team  
   Begin process of resource allocation for 2019-20

9. **CARS**  
   Consolidated Application and Reporting System - Federal Title I,II,III, IV funding  
   Winter data collections open in January and must be certified by February 28, 2019

10. **Charters**  
    Attend the annual SCOE District/Charter Workshop on March 22, 2019  
    Learn more about the responsibilities of Charter authorizers  
    Hear about Charter specific changes in law

11. **Budget Development begins in March!**  
    Attend Position Control Workshop - March 21, 2019 9-Noon  
    Attend Budget Development Workshop - March 21, 2019 1-4 pm
Legal Update

September 28, 2018

To: Superintendents, Member School Districts (K-12)

From: Jennifer E. Nix
Associate General Counsel

Subject: Charter School Obligations – Healthy Schools Act, Free and Reduced Lunch Program
Memo No. 21-2018

Governor Brown recently signed two bills into law affecting charter schools. The first, Assembly Bill 2601, extends to charter schools the requirements of the California Healthy Youth Act, located in Sections 51930 to 51939 of the Education Code, which requires school districts to ensure that all pupils in grades 7 to 12, inclusive, receive comprehensive sexual health education and HIV prevention education as specified. The second, Assembly Bill 1871, extends to charter schools the requirement to provide for each needy pupil one nutritionally-adequate free or reduced-price meal during each school day, unless the charter school is offering nonclassroom-based instruction. Both requirements commence in the 2019-2020 school year.1

School and College Legal Services will be offering a workshop for charter school authorizers on October 10, 2018, at the Sonoma County Office of Education, and on October 17, 2018, at the Humboldt County Office of Education. Please visit our website for more information and to register.

Please contact our office with questions regarding this Legal Update or any other legal matter.

The information in this Legal Update is provided as a summary of law and is not intended as legal advice. Application of the law may vary depending on the particular facts and circumstances at issue. We, therefore, recommend that you consult legal counsel to advise you on how the law applies to your specific situation.

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1 An exception exists for charter schools that become operational on or after July 1, 2019, who have until July 1, 2020, to implement a free and reduced lunch program.
Fact Sheet: ESSA Title IV Part A
Understanding the Flexible Block Grant

Description of Grants
The newly enacted bipartisan Every Student Succeeds Act (ESSA) includes a flexible block grant program known as Student Support and Academic Enrichment Grants (SSAEG) under Title IV Part A, which is authorized at $1.65 billion in fiscal year 2017. Title IV, Part A authorizes activities in three broad areas:

1. Providing students with a well-rounded education including programs such as college and career counseling, STEM, arts, civics and International Baccalaureate/Advanced Placement.
2. Supporting safe and healthy students with comprehensive school mental health, drug and violence prevention, training on trauma-informed practices, and health and physical education.
3. Supporting the effective use of technology that is backed by professional development, blended learning and ed tech devices.

Distribution of Funds
Each state will receive an allocation from the flexible block grant based on the Title I funding formula. Using the same Title I formula, states will then allocate funds to school districts.

Any school district that receives a formula allocation above $30,000 must conduct a needs assessment and must then spend 20 percent of its grant on safe and healthy school activities and 20 percent on activities to provide a well-rounded education programs. The remaining 60 percent of the money can be spent on all three priorities, including technology. However, there is a 15 percent cap on spending for devices, equipment, software and digital content.

If a district receives an allocation below $30,000, the law does not require a needs assessment or setting aside percentages for well-rounded and safe and healthy students programs. However, the district must spend money on activities in at least one of the three categories. The 15 percent technology purchase cap would continue to apply.

House and Senate Fiscal year 2017 Allocations
The Senate’s fiscal year 2017 Labor, Health and Human Services, Education and Related Agencies appropriations bill would provide $300 million for the Title IV, A block grant, while the House’s allocation would provide $1 billion, both falling far short of the authorized level. If Congress decides to fund SSAEG below the authorized level, our nation’s school districts will face tough choices in deciding which important SSAEG program areas merit investment—safe and healthy school programs, well-rounded curriculum development or the effective use of technology. No matter how schools make this decision, critical program areas will face limited investments – or none at all – significantly shortchanging students, educators and communities.

Program Funding Need
Evidence shows students need access to health and safety programs, a diversity of academic programs and modern technology.

- Evidence supports a direct correlation between physical and mental health and learning that is essential to academic success, school completion, and the development of healthy, resilient and productive citizens. Schools are uniquely positioned to help students acquire lifelong knowledge and skills through comprehensive health education, physical education, nutrition, comprehensive school mental and behavioral health services, counseling, and integration among all education and health programs.
- In order to succeed, students need access to a well-rounded curriculum. Block grant funds will help schools expand music, art, STEM, computer science, accelerated learning, history and civics courses, as well as expand access to college and career guidance and counseling.
- Federal investments in education technology ensure schools have technology-proficient educators, well-equipped classrooms, sufficiently supported administrative structures and a curriculum optimized to take advantage of the benefits technology offers to all students. These benefits include closing the opportunity and learning gaps and providing students with essential modern workforce skills.

Given the elimination of numerous programs under ESSA that support the overall health and safety of students, the investments in education technology, as well as helping districts ensure access to a well-rounded education, a robust federal investment in support of these programs is absolutely essential through Title IV Part A. Without a significant investment in Title IV Part A, districts will be forced to choose which of the priorities to invest in—even though an ample investment in all three is necessary to provide students with a comprehensive education.
State Revenues Fall Short $2.3 Billion for December and January Combined

State General Fund revenues for the months of December 2018 and January 2019 combined fell short of the revised forecast by $2.3 billion, or 3%. Because the current-year revenue forecast is revised with the release of the Governor’s January State Budget, a shortfall of this magnitude is unexpected.

According to the Department of Finance’s (DOF) Finance Bulletin for February 2019, December revenues outpaced the revised forecast by $445 million, while January revenues were off the mark by $2.8 billion, resulting in the year-to-date shortfall of $2.3 billion.

The Finance Bulletin notes that the vast majority of the January shortfall occurred in personal income tax, which saw withholding come up short $563 million and other receipts miss the mark by $2.2 billion. Other receipts include estimated payments, and the Finance Bulletin explains that changes in federal tax law enacted in December 2017 have likely lowered estimated payments for this past December. In turn, final payments for 2018 liabilities due in April will likely be higher, which would offset some or all of the current shortfall.

The sales and use tax for the two months combined fell short by $183 million, while the corporation tax outperformed the forecast by $434 million for the same period. Other General Fund revenue sources came in ahead of the forecast by a net $59 million.

The DOF report also notes that inflation ticked up slightly in 2018 compared to 2017. California consumer inflation rose to 3.7% in 2018 compared to 2.9% in 2017. The index for the U.S. rose to 2.4% in 2018 compared to 2.1% in the preceding year.

The state’s labor market continues to shine. In December 2018, 24,500 jobs were added, slightly outpacing the average monthly gain of 23,700 for all of 2018. California’s unemployment rate rose slightly to 4.2% in December 2018 from 4.1% in September through November. Despite this slight uptick, the state’s unemployment rate is still in historically low territory. The U.S. unemployment rate for December 2018 was 3.9% and 4.0% for January 2019.

In contrast to the state’s labor market, the housing market is showing signs of weakness. For December 2018, 96,000 residential building permits were issued, down almost 23% from the same period one year earlier. Similarly, sales of existing, single-family homes in December 2018 totaled 372,260, down 11.6% from December 2017. For the 2018 year as a whole, home sales were down 4.8% compared to sales in 2017, the first drop in home sales in four years.

Finally, the state’s median home price in December 2018 was $557,600, up 1.5% on a year-over-year basis, but off 7.5% from the peak of $602,760 recorded in June 2018.

—Robert Miyashiro

posted 02/20/2019
LAO Says Revenues Fall Short $2.2 Billion

State General Fund revenues fell short by $2.2 billion for December 2018 and January 2019, according to the Legislative Analyst's Office (LAO). In a February 7, 2019, blog post, the LAO reported that collections from the personal income tax fell short by $2.7 billion, which was partially offset by higher-than-expected revenues from the corporation tax of $434 million. The LAO did not report on collections from the sales and use tax or other minor General Fund revenue sources.

The LAO concludes that most of the shortfall can be attributed to two factors: (1) changes in taxpayer behavior brought about by federal tax law changes enacted in December 2017, and (2) the stock market sell-off in December 2018.

The LAO explains that prior to the enactment of the federal changes, all payments for state and local taxes (SALT) could be deducted on federal tax returns. However, the December 2017 changes limited SALT deductions to $10,000 annually, which in turn significantly weakened the incentive for taxpayers to prepay their estimated taxes. (Note: This behavioral effect does not apply to wage and salary income earners whose tax liability is captured through payroll withholdings.) As a result, December estimated payments were significantly below collections in prior years ($1.1 billion in 2018 vs. $7.7 billion in 2017).

The LAO believes that taxpayers affected by these changes will pay more of their total tax liability in April, as opposed to December, for 2018 and beyond. The LAO anticipates that over $1 billion of the $2.7 billion shortfall could be made up when final tax payments are made in April.

The LAO also noted the big stock market sell-off in December 2018, with prices falling 15% from the high recorded just three months earlier in September. This sell-off could explain some of the weakness in capital gains revenues in December and January. LAO estimates that the drop in financial markets could account for about $1 billion of the revenue shortfall.

The LAO points out that, despite this recent development, for much of 2018 stock prices experienced year-over-year growth, with December 2018 prices still 10% ahead of prices one year earlier and 30% higher than December 2013. Thus, given the overall strength of the stock market, there may be other unidentified factors that drove down state revenue collections for the two months in question.

The Department of Finance is expected to release its Finance Bulletin within the next several days. This report will give a full accounting of the performance of all General Fund revenues sources through January 2019.

—Robert Miyashiro
ED Releases Proposed Guidance for Supplement, Not Supplant

The United States Department of Education (ED) released proposed guidance on January 25, 2019, updating the compliance requirements for Supplement, Not Supplant, under the Every Student Succeeds Act (ESSA). ESSA was the reauthorization of the long-standing Elementary and Secondary Education Act (ESEA) and was introduced near the end of the Obama Administration.

Compliance requirements for Supplement, Not Supplant, under ESEA were administratively burdensome and overly complex. Local Educational Agencies (LEAs) were assumed to have supplan ted federal funds, and violated this provision if any of the following three instances occurred:

- LEA used Federal funds to provides services that the LEA was required to make available under other Federal, State, or local laws
- LEA used Federal funds to provide services that the LEA provided with non-Federal funds in the prior year
- LEA used Title I, Part A funds to provide services for participating children that the LEA provided with non-Federal funds for nonparticipating children

The proposed guidance under ESSA shifts the focus from how the funds are spent to the methodology for how the funds are allocated. LEAs must now show that the methodology to allocate State and local funds to school sites results in Title I schools receiving all of the State and local funds it would otherwise receive if it were not receiving Title I, Part A funds.

This methodology, while very similar to the Per Pupil Expenditure reporting as reported in the August 10, 2018, Fiscal Report article, "By the Way…, CDE Releases Guidance on ESSA’s Per-Pupil Expenditure Reporting Requirement," is different. The Per Pupil Expenditure reporting is based on actual expenditures and looks backwards. Conversely, the proposed guidance is based on the budget and looks forward. The proposed guidance goes so far as to provide illustrative examples where average costs are utilized in the methodology rather than budgeted numbers by site.

The public comment period is open for 30 days and will wrap up towards the end of February. Public comment can be sent to oese.feedback@ed.gov, and a full copy of the proposed guidance can be accessed by clicking here.

—Matt Phillips, CPA

posted 02/13/2019
Estimated “Special Education Concentration Grant” Per-Pupil Rate

As described in “2019-20 Trailer Bill Language—‘Special Education Concentration Grant’”, Governor Gavin Newsom proposes, in his 2019-20 State Budget, to provide funding to certain local educational agencies (LEAs) based on the number of students with disabilities (SWDs) above the statewide average. While the framework of the idea was detailed in the trailer bill language released on February 1, 2019, a per-pupil rate was not made available.

The grant is limited to LEAs (school districts, county offices of education, and charter schools) with an Unduplicated Pupil Percentage (UPP) exceeding 55% and where the percentage of SWDs exceeds the state average.

Based on the proposed formula outlined in the education omnibus trailer bill and data from the California Department of Education, it is estimated that the statewide average rate of SWDs in grades Kindergarten through Twelfth is approximately 10.93%.

With these limiters, the grant would only be for the number of pupils above the statewide average within an LEA. Of the $390 million in ongoing funding for this grant, we estimate the per-pupil rate would be $8,150. The one-time funding for these same students is estimated at $3,899 per pupil above the statewide average.

For an LEA to determine their estimated funding amount, the formula is as follows:

1. **LEA UPP Exceeds 55%?**
   - No
   - Yes

2. **LEA’s percentage of SWD above 10.93%?**
   - No
   - Yes

3. **No funding provided**
   - $8,150 ongoing and $3,899 one-time provided for each SWD above the statewide average

With these factors—the statewide average percentage of SWDs and the per-pupil funding rate in ongoing and one-time funds—LEAs can estimate how much, if any, funding will be received locally from the Governor’s
2019-20 Trailer Bill Language—“Special Education Concentration Grant”

On Friday, February 1, 2019, the Department of Finance released the proposed education budget trailer bill for the 2019-20 State Budget. Included in the details is the most interesting of the proposals outlined in the January 10 summary—funding for local educational agencies (LEAs) that have higher-than-average concentrations of students with disabilities (SWDs). The budget summary stated the funds are “intended to supplement services for students currently receiving special education services and for preventative services that may reduce the need for additional services in future years.”

Governor’s Proposal

Governor Gavin Newsom’s State Budget proposes $577 million in funding for supplemental services for SWDs, $390 million of which would be ongoing. The “Special Education Concentration Grant” would be allocated to school districts, county offices of education, and charter schools that have an unduplicated pupil percentage above 55% and an identified percentage of SWDs above the three-year statewide average. These funds would be allocated on a per-pupil basis for the number of SWDs in excess of the statewide average.

The ongoing grants will be provided cost-of-living adjustments in the outyears and the one-time money will be allocated in the same fashion as the ongoing funds for “one-time services, supports, and infrastructure investments developed to improve the long-term outcomes for individuals with exceptional needs or increase access to general education classes.”

The “intent of the Legislature” is for the funding to be used to supplement existing Special Education resources and “may be used” for services such as:

- Early intervention services, including preschool and supportive services for young children who are not meeting age-appropriate developmental milestones, or other supports or services not identified in an individualized education program (IEP) or individualized family support plan, but are determined to benefit the future educational outcomes of the child
- One-time programs or resources for students with exceptional needs that are not medically or educationally necessary as to be outlined in an IEP, but which an LEA believes will have a positive impact on a student with exceptional needs
- Strategies to improve student outcomes identified through the state system of support and other activities to build upon or expand local multitiered systems of support, including inclusive educational programming that ensures a student’s right to placement in the least restrictive educational environment
- Wraparound services for students with exceptional needs not required by federal or state law
- Professional development activities and the coordination of services with other educational agencies, programs, resources, and professional development providers in order to provide Special Education training and development to school employees

The trailer bill does not outline any specific accountability measures that would accompany the funds.

Legislative Response

Prior to the release of these details, the Legislative Analyst’s Office released its initial comments on the proposal, noting that if the Legislature wants to promote early intervention programs, which the Administration
noted can be cost prohibitive, “it likely would need to take a different approach—crafting a more targeted initiative with specific requirements and accountability measures.”

Last year’s bill to equalize and increase Special Education funding, provide funding for preschoolers with disabilities, and provide additional resources for students with high-cost disabilities will be re-introduced in this legislative session. These two proposals—and potentially others—will serve as contrasting approaches to investing additional state resources for SWDs.

—Michelle McKay Underwood

posted 02/04/2019
Standardized Account Code Structure: Basic Concepts

Full-day workshop
Includes materials, continental breakfast and lunch
Qualifies for 6.5 CEUs

Designed for
School business officials and staff at all levels who are learning to use Standardized Account Code Structure (SACS) or who wish to refine and expand their knowledge, school district auditors, and those who already are familiar with SACS but need a refresher.

Topics
SACS components and how they work together; coding real-world transactions using SACS; common errors and how to avoid them; changes in the 2016 California School Accounting Manual.

Description
This workshop will provide an introduction to school accounting using SACS and lay the groundwork for our companion workshop, SACS: Advanced Concepts. It will provide you with a solid understanding of the fundamentals of SACS and how to use it. Recent changes in the California School Accounting Manual also will be reviewed.

Presenter
Christine Davis, CPA, California Department of Education

SCOE will cover the cost of registration for one person per district in Sonoma County. Please use this link to register prior to April 29, 2019.

Thursday, May 30, 2019
9:00 a.m. - 4:30 p.m.
Registration begins at 8:30 a.m.

Sonoma County Office of Education
5340 Skylane Blvd.
Santa Rosa, CA 95403
Standardized Account Code Structure:
Advanced Concepts

Full-day workshop
Includes materials, continental breakfast and lunch
Qualifies for 6.5 CEUs

Designed for
School business officials and staff at all levels who prepare, analyze or use Standardized Account Code Structure (SACS) information and who need to understand how SACS data affects management and decision making. (Individuals who are not already expert in SACS or who have not recently attended a refresher course are encouraged to first attend our companion workshop, SACS: Basic Concepts.)

Topics
Indirect cost rates; maintenance of effort calculations; program cost accounting; conversion entries for government-wide reporting.

Description
This workshop will build on the fundamentals provided in our companion workshop, SACS: Basic Concepts, and address the big-picture implications of SACS data and how it gets used. It will provide an examination of how the everyday coding of SACS transactions plays into sophisticated reporting and compliance applications. Recent and upcoming changes to accounting standards and selected features of SACS financial reporting software also will be reviewed. You'll receive tools for presenting SACS budgetary and financial data in a meaningful way and leave with the knowledge and skills to make SACS work for you at a higher level.

Presenter
Christine Davis, CPA, California Department of Education

SCOE will cover the cost of registration for one person per district in Sonoma County. Please use this link to register prior to April 30, 2019.

Friday, May 31, 2019
9:00 a.m. - 4:30 p.m.
Registration begins at 8:30 a.m.

Sonoma County Office of Education
5340 Skylane Blvd.
Santa Rosa, CA 95403