

SCOE BIZ

Business Services Bulletin No. 20-06



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September 27, 2019

To: District and Charter Business Services
From: Shelley Stiles, Director External Fiscal Services
Subject: September 2019 Edition

State of the State

The Department of Finance's (DOF) September 2019 Finance Bulletin shared that California revenues are off to a good start for 2019-20 and all three main sources exceeded projections for the month of August:

- ✚ *Personal income tax (PIT) receipts* for August came in below the forecast by \$189 million.
- ✚ *Corporation tax receipts* for August beat the forecast by \$62 million.
- ✚ *Retail sales and use tax receipts* for August showed a shortfall of \$154 million.

ESSA PPE Update

CDE is currently working on the data collection web application and is expecting a November 2019 release. LEAs will be allowed several months (at least 3 months) to submit the data. CDE will publish the data once it has been collected, but no later than 6/30/2020. Per CDE's August 2018 guidance letter (found at <https://www.cde.ca.gov/fg/ac/co/essappeltr.asp>) expenditures will be broken out between federal and state/local resources. The expenditure data sources are the 2018-19 Unaudited Actuals. On September 13, 2019 at an ESSA Stakeholder Session webinar an overview of the per pupil expenditure reporting requirement was presented. Attached are the slides included in that webinar. Now is the time to review the information and start planning your methodology for gathering the data needed.

Indirect cost rate exclusion

CDE renegotiated its latest indirect cost plan with the U.S. Department of Education in 2017, and the federal agency requested that CDE exclude food costs from the indirect cost rate (ICR) calculation. CDE is planning to exclude food costs (Object 4700) from the base of the ICR calculation beginning with the 2019-20 calculation. This may result in an increase in the ICR, but LEAs will no longer be able to charge indirect costs to food expenses. Indirect costs can continue to be charged to food service activities (Function 3700, Fund 13) with the exception of food expenditures. Due the two year lag, this will impact the 2021-22 indirect cost rate.

Fringe benefits for government agencies

Issue: Reimbursement to an employee at a per meal per diem rate and/or at actual verified cost incurred while traveling out of town for business, but without overnight stay.

Ruling: Internal Revenue Code provides that when an employer pays an employee's meals while on business travel that does not meet the "overnight rule", the payment is deemed to be a payment of an employee's personal living expenses and thus a taxable fringe benefit. Payment of a taxable fringe benefit is required to be included in the employee's wages for Federal employment tax purposes. Exceptions do exist. For more information please see Erin's External Finance and Payroll Update for this month.

Mini-workshops

Last year your SCOE Advisor team provided mini-workshops on specific topics that were well attended and provided a quick bite sized portion of time to learn or refresh knowledge around important concepts. We will be offering many of these topics as a repeat this year, along with a few additions.

1. Principal Apportionment – September (earlier today)
2. Updating your Budget Tips and Tricks – October – date to be announced next week
3. Negotiations Round Table – October – date to be announced next week
4. Reading your Audit reports - November
5. Charter Oversight – March
6. LCAP Budget Overview for Parents – Spring date to be determined

Fiscal Reports by School Services of California

School Services does an excellent job of providing explanations to current topics. If you are a member of School Services of California you can also see these reports by logging in to view on their web page or subscribe to their email services. Attached for your convenience are:

- Trailer Bill Addresses Preschoolers with Disabilities Funding
- ASK SSC...Preschoolers with Disabilities FAQs
- By the Way... CDE Releases Guidance on ESSA's Per-Pupil Expenditure Reporting
- ASK SSC...Is There Still an Automatic LCFF COLA

REMINDERS:

2018-19 Books Closed, What's Next:

Each LEA's Unaudited Actuals should have been board approved on or before September 15 and submitted to SCOE. It's now time to begin reviewing your budget and assumptions for 2019-20. It's never too early to start reviewing, updating and compiling changes for First Interim.

- Revenue updates – one-time revenue review and adjustments
- LCFF calculations – with updated enrollment from start of school, unduplicated student count updates and average daily attendance calculations
- Basic aid calculations – recalculating projected property taxes using prior-year actuals as a starting point (P-1 2019-20 property tax estimates will be sent out in early November)
- Personnel costs - now that school has started and first payrolls have run, estimated costs will be more concrete, positions are now filled, step and column can be re-calculated
- Negotiations – cost of 1% can be calculated with more accuracy
- Health and welfare costs – project based in unaudited actuals as a starting point with actual premium increase/change and open enrollment information

Professional Development Opportunities at SCOE

- SCOE hosted workshops presented by CASBO – Flyer attached with registration details.
- School Services of California: Fiscal Aspects of negotiations – Tuesday, October 1, 2019 LAST CHANCE to register!
- FCMAT Projection Pro

Federal Disaster Relief Funding still available

CDE is telling COE's that funds are still available for Project SERV and have asked me to share the following information with you:

- The School Emergency Response to Violence (Project SERV) grant is dedicated federal funding used

to provide education-related services to LEAs in which the learning environment was disrupted due to a traumatic crisis

- CDE has approximately \$1.7M remaining
- Grant ends 3/31/2020

Information on Project SERV can be found at: <https://www.cde.ca.gov/ls/fa/sf/projectserve2018.asp>

Jeffrey Reyes is available to discuss details with interested districts. His contact information is: Jeffrey Reyes, Education Administrator, Emergency Coordination and Grant Management, CDE
916-319-0327 JeReyes@CDE.CA.Gov

2nd Reminder: Instructional Materials Public Hearing Requirements for Fiscal Year 2019-20

Education Code Section 60119 requires that local governing boards hold an annual public hearing **on or before the end of the eighth week from the first day pupils attend classes** and adopt a resolution (example at <http://www.cde.ca.gov/ci/cr/cf/doucments/reso60119lang.doc>) stating whether each pupil in the LEA has sufficient textbooks or instructional materials. This public hearing and resolution are required annually. LEAs should keep the resolution on file for the LEA's annual audit.

For more detailed information go to <http://www.cde.ca.gov/ci/cr/cf/> and click on "Instructional Materials Frequently Asked Questions" for direct responses to realistic/practical questions.

Dates to Remember:

10/02/2019	Fall 1 Census Day (Enrollment)
10/08/2019	LCAP 101 – Foundational overview for new teams (register at scoe.org/classes)
10/11/2019	ESCAPE Finance User Group
10/14/2019	CASBO Payroll Compliance and Calendar Year-End Reporting Workshop (register with CASBO)
10/15/2019	CalSaas Kickoff
10/15/2019	CASBO Accounts Payable Workshop (register with CASBO)
10/21/2019	Leveraging the LCAP #1 (register at scoe.org/classes)
10/25/2019	HOLD for Negotiations Round Table
10/28/2019	CalSaas Phase 1
10/29/2019	Interim Workshop
10/29/2019	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 found posted 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. **We will be migrating all forms and materials to a shared Google based folder soon. A link will be provided when this occurs.**



Overview of ESSA's Per Pupil Expenditure Reporting Requirement

ESSA Stakeholder Session
September 13, 2019

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction



TONY THURMOND
State Superintendent
of Public Instruction

Per Pupil Expenditure Reporting Requirement Agenda

- Background: the law and what it requires
- Overview of the California Department of Education's (CDE) August 1, 2018 guidance letter
- How will the data be collected?
- When will the data be collected?
- Where will the data be reported?
- What type of elements will be reported?



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of Public Instruction

Background: Every Student Succeeds Act (1)

What the Every Student Succeeds Act (ESSA) requires specific to per pupil expenditures (PPE):

Section 1111(h)(1)(C)(x)

(1) ANNUAL STATE REPORT CARD

(C) MINIMUM REQUIREMENTS...

(x) The per-pupil expenditures of Federal, State, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency and each school in the State for the preceding fiscal year.

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Background: Every Student Succeeds Act (2)

The law specific to per-pupil expenditures (continued):

Section 1111(h)(2)(C)

(2) ANNUAL LOCAL EDUCATIONAL AGENCY REPORT CARD

(C) MINIMUM REQUIREMENTS—The State educational agency shall ensure that each local educational agency collects appropriate data and includes in the local educational agency's annual report the information described in paragraph (1)(C), disaggregated in the same manner as required under such paragraph, except for clause (xii) of such paragraph, as applied to the local educational agency and each school served by the local educational agency...

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Background: Every Student Succeeds Act (3)

- The draft non-regulatory guidance clarifies the PPE reporting requirements under ESSA:
 - There is no required methodology for calculating PPE, i.e., LEAs have flexibility in determining the methodology.
 - States are not required to prescribe a methodology.
 - There is no requirement to alter local financial systems or for states to collect a greater detailed level of data (e.g., school-level).

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CDE Guidance

- CDE issued a letter on August 1, 2018.
- Intended to provide information and guidance to assist LEAs with meeting the PPE reporting requirement.
 - Calculation guidelines: included and excluded expenditures, expenditures tracked at the school-level versus LEA-level, student counts
 - Reporting and presenting the data
 - Preparation considerations

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How will the data be collected? (1)

- CDE will not collect school level financial data.
 - i.e., the school code in the standardized account code structure will not be implemented by CDE.
 - ESSA does not require LEAs to start reporting school-level financial data to the State.
- LEAs will use data from their local financial systems to calculate the per-pupil expenditure amounts.
- CDE will collect final per-pupil expenditure data from all LEAs, for each LEA and each school of the LEA, including charter schools.

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How will the data be collected? (2)

- Data will be collected through a web application.
- Access codes will be provided to the Superintendent listed within the California School Directory for each LEA.
- Amounts can be hand-keyed or prepared in Excel and imported in a CSV (comma delimited) format.

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When will the data be collected?

- As stated earlier, PPE will be reported beginning with 2018-19 report cards, using 2018-19 financial data.
- CDE anticipates to collect the data between November 2019 and February 2020.
 - Expect that LEAs will need time to prepare data once unaudited actuals data is completed.

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Where will the data be reported? (1)

First, some history...

- Federal law already required State and LEA report cards.
- ESSA greatly expands the data elements required to be reported in the State and LEA report cards.
 - Most of these elements are already collected by the CDE, but not school-level per-pupil expenditures.

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Where will the data be reported? (2)

- The data is anticipated to be reported as part of the Local Accountability Report Card (LARC).
 - <https://www.cde.ca.gov/ta/ac/le/>
- Per pupil expenditure data will be published no later than June 30, 2020

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What type of elements will be reported? (1)

- Elements are based on discussions held during workgroup sessions.
- Consistent with the format that is being used by other states.
- Format is fully compliant with the ESSA guidance.

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What type of elements will be reported? (2)

School Level Expenditures	School A	School B
A. Federal	\$456	\$209
B. State and Local	\$6,111	\$4,756
C. School-level Total	\$6,567	\$4,965
School Share of Central Expenditures	School A	School B
D. Federal	\$161	\$161
E. State and Local	\$5,378	\$5,378
F. School Share of Central Total	\$5,539	\$5,539
G. Total School Expenditures (C + F)	\$12,106	\$10,504
H. Student Count	250	450



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Resources (1)

- CDE letter “The Every Student Succeeds Act Per-Pupil Expenditure Reporting Requirement”
<https://www.cde.ca.gov/fg/ac/co/essappeltr.asp>
- School Superintendents Association article “Coming Soon: Transparent School-by-School Reporting”
<http://my.aasa.org/AASA/Resources/SAMag/2017/Dec17/RozaStewart.aspx>
- Edunomics – Interstate Financial Reporting
https://edunomicslab.org/wp-content/uploads/2018/03/Interstate-Financial-Reporting_FINAL-V2.pdf



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Resources (2)

- U.S. Department of Education (ED) “Dear Colleague” letter
<https://www2.ed.gov/policy/elsec/leg/essa/perpupilreqltr.pdf>
- ED Draft Non-Regulatory Informational Document
<https://www2.ed.gov/policy/elsec/leg/essa/rptcardpubliccomment3282019.pdf>

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Contact Us!

Questions about the PPE reporting requirement may be directed to our office:

California Department of Education
Office of Financial Accountability and Information
Services

Phone 916-322-1770

Email ESSAPPE@cde.ca.gov

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No. 20

Ask SSC . . . Is There Still an Automatic LCFF COLA?

Q. I heard recently that the cost-of-living adjustment (COLA) may be reduced in future years, perhaps even into negative territory. Can you please help explain?

A. Before 2018-19, school districts and charter schools automatically received the prior year's Local Control Funding Formula (LCFF) allocation adjusted for changes in attendance, but any other LCFF increases, including COLA, required annual budget authorization. As part of the 2018-19 May Revision, then-Governor Jerry Brown proposed to begin continuously appropriating the LCFF COLA, meaning it was not subject to the annual budget process, a change that was adopted in the 2018-19 State Budget.

However, there was concern that under certain circumstances Proposition 98 would not be able to afford the LCFF COLA and that growth in the guarantee may be insufficient to meet this legal requirement. Governor Gavin Newsom's Administration proposed a change as part of the 2019-20 State Budget, keeping the LCFF COLA continuous appropriation, but providing a mechanism to fund less than the statutory COLA if Proposition 98 growth was insufficient to support it.

Senate Bill 76 (Chapter 52/2019) includes a cap on the COLA for the LCFF continuous appropriation if the calculated COLA exceeds the growth rate in the Proposition 98 guarantee. COLA for programs outside the LCFF would be adjusted too:

- Child care standard reimbursement rate
- State meal rate
- Special education
- Mandate block grant

Ultimately, the COLA given to these programs and the LCFF must be equal to or greater than the percentage growth of Proposition 98 and can never go below 0%. We could imagine a scenario where the statutory COLA is calculated at 3% and Proposition 98 growth is 2%. In this case, the COLA given could be no less than 2%.

This adjustment is not required or automatic, but it is an option when growth in Proposition 98 is lower than the statutory COLA. The Director of Finance has to let the Legislature know this is happening for the upcoming fiscal year.

—Michelle McKay Underwood

posted 09/26/2019

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No. 18

Trailer Bill Addresses Preschoolers with Disabilities Funding

As is often the case, the 2019–20 State Budget is in need of some clean up to address issues that weren't quite settled by the bills passed in June or new issues that have since arisen. Specifically needed are clarifications to the funding based on preschoolers with disabilities.

Yesterday, August 29, 2019, the State Budget clean-up trailer bills for education (Assembly Bill [AB] and Senate Bill [SB] 114) were released to make several clarifying amendments to the funding generated by preschoolers with disabilities. AB/SB 114 changes the data point upon which the allocation will be based: instead of using the current-year pupil count that has not yet occurred, the allocation will be based on the prior year (2018) December special education pupil count. The December pupil count will cease to exist after 2018, further indicating the intent that this is one-time funding.

AB/SB 114 also clarifies that this funding is unrestricted, which is consistent with the guidance provided by the California Department of Education last week and its Standardized Account Code Structure code (see [Ask SSC... What is the SACS Code for the Special Education Preschool Funds?](#) in the August 23, 2019, *Fiscal Report*). With these two changes, the trailer bill confirms that the funding generated based on preschoolers with Individual Education Programs (IEPs) is both one-time and unrestricted funding.

The trailer bill also seeks to clarify whether the district of residence or district of service would receive the funding when two different districts are involved in the education of a preschooler with disabilities. However, in its initial release, the trailer bill has the inadvertent effect of excluding from the funding calculation any preschooler with an IEP who is served outside of their home district. This would affect nearly 5,000 preschoolers with IEPs. Legislative staff have been made aware of this issue and are working on amendments to resolve it so that the district of residence will receive the funds regardless of where the preschooler is served (for estimates based on the 2018-19 district of residence pupil counts, [click here](#)).

This budget trailer bill and others will be heard by the Legislature next week. Once approved by the Legislature and signed by the Governor, they would take effect immediately.

—Michelle McKay Underwood

posted 08/30/2019

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posted 08/30/2019

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No. 16

By the Way . . . CDE Releases Guidance on ESSA's Per-Pupil Expenditure Reporting Requirement

On August 3, 2018, the California Department of Education (CDE) released guidance for reporting school-level per-pupil expenditures.

As part of the Every Student Succeeds Act (ESSA), which was signed into law in 2015, a new requirement was introduced mandating state educational agencies (SEAs) and local educational agencies (LEAs) to report school-level per-pupil expenditures. ESSA sections 1111(h)(1)(C)(x) and 1111(h)(2)(C) require an SEA and all of its LEAs to report per-pupil expenditures of federal, state, and local funds, including personnel and nonpersonnel expenditures, disaggregated by source of funds, for each LEA and each school in the state. As noted in the [memorandum](#), the law is silent regarding the methodology to be used to calculate per-pupil expenditures.

As part of the 2018-19 School Accountability Report Cards, LEAs will be required to include the per-pupil expenditures noted above. The CDE provides guidance that all current, day-to-day expenditures should be included in the calculation. This includes instruction, instructional support, student support services, pupil transportation, plant maintenance and operations, and general administration.

Items to be excluded from the calculation include the following:

- Adult Education (Fund 11; Goal 4XXX)
- Capital Outlay (Function 8500; Object 6XXX)
- Community Services (Goal 8100; Function 5000)
- Debt Service (Function 9100; Object 74XX)
- Nonagency (Goals 7110 and 7150)
- Tuition (Function 9200; Object 71XX)
- Transfers (Functions 9200 and 9300; Object 72XX, 76XX)
- County Services to Districts (Goal 8600)

The CDE's guidance also states that LEAs may determine other expenditures that cause the per-pupil expenditure to be misleading, and may elect to exclude them from the calculation. However, the CDE warns that over-exclusion of expenditures should be avoided. Additionally, the CDE counsels that the per-pupil expenditure calculation should include each school's share of services that are charged centrally.

The denominator of the calculation can be either enrollment or average daily attendance (ADA); however, the CDE recommends using enrollment as this methodology is consistent with the student count that is used in the federal expenditures calculation. Whether an LEA uses ADA or enrollment, it should be consistent across all of its schools.

The CDE anticipates additional correspondence, including the development and dissemination of frequently asked questions, as well as webinars and workshops to discuss the implementation of the new reporting requirement.

