

SCOE BIZ

Business Services

Bulletin No. 22-07

October 21, 2021

To: District and Charter Business Services
From: Sarah Lampenfeld, Director, External Fiscal Services
Subject: 2021-22 Interim Reports

The purpose of this letter is to review the process for the Interim Reports. The financial reporting periods and requested forms are due as listed below. Please plan your work around these deadlines:

<u>Interim Report period</u>	<u>Reporting Dates covered</u>	<u>Due to SCOE</u>
1 st Interim	July 1 through October 31	December 15
2 nd Interim	July 1 through January 31	March 15
3 rd Interim*	July 1 through April 30 (Year End Projection)	June 1

*Only applicable to districts that had either a Qualified or Negative certification at 2nd Interim.

Guidelines ~ It is anticipated that the Common Message for the 2021-22 First Interim Report will be issued on or near October 31, 2021 and will be e-mailed to you as soon as it becomes available. Please read the Common Message carefully as it is a wealth of information and should be used in conjunction with the information contained in this bulletin. The following are SCOE guidelines:

Dartboard

- Use the School Services of California (SSC) *School District and Charter School Financial Projection Dartboard 2021-22 Enacted State Budget* for economic planning factors.

Cost of Living Adjustment

- The 2021-22 cost-of-living adjustment (COLA) is 5.07%, otherwise known as the "Mega" COLA. The Mega COLA represents 2021-22's statutory COLA of 1.70% plus an augmentation of 1.00%, compounded with the 2020-21 unfunded statutory COLA of 2.31%.
- Per the SSC Dartboard, recommended planning COLA is 2.48% and 3.11% in 2022-23 and 2023-24.

LCFF Revenue Estimates

- Please use the most recent version (v22.2a) of the LCFF Calculator that is available on the Fiscal Crisis and Management Assistance Team web page at www.FCMAT.org. It was updated on August 23, 2021:
 - Instructions to use the LCFF Calculator have been incorporated into the tool and can be found on the 'Instruction' tab.
 - Please remember your Fiscal Advisor is available to review your LCFF calculators.

✚ MYP advice:

- MYPs are built on assumptions, and those assumptions are expected to change. Anchor assumptions on reasonable estimates and communicate with stakeholders. Document thoroughly.
- Consider creating two MYPs: one reflective of current circumstances, and one with all the all the pandemic one-time funds removed. Is the LEA structural deficit spending? Plan ahead if expenditure reductions are necessary when the one-time funds are gone.

✚ One-Time Stimulus Funding

- Remember that stimulus funding is one-time in nature and should not be budgeted in the subsequent years of the MYP.
- Plan expenditures according to spending deadlines and incorporate into cash flow and MYP appropriately.
- Utilize the reporting cycle information to update and keep budget accurate.

✚ Declining enrollment or ADA

- Remember to pay close attention to enrollment and ADA numbers in the current year. Understand what is happening. Is the LEA experience an increase in absences due to the pandemic?

✚ LCAP One-Time Supplement

- LEAs are required to present an update on the 2021-22 LCAP Annual Update and Budget Overview for Parents at a regularly scheduled meeting of the LEA governing board on or before February 28, 2022. This one-time supplement must include all available mid-year outcome data related to the metrics in the 2021-22 LCAP and mid-year expenditure and implementation data on all actions in the 2021-22 LCAP. The one-time supplement template will be approved by November 30, 2021.

✚ Reserves

- Maintaining reserves during uncertain times is extremely important for long-term fiscal health and allows LEAs time to thoughtfully identify and implement budget adjustments over time. LEAs should maximize the use of all one-time federal funds and other restricted resources to preserve unrestricted fund balances. Remember that one-time funds will only come once.
- Reserve cap will be triggered resulting in a cap of 10% on local reserves (combined assigned and unassigned General Fund balances) for districts who are not Basic Aid or districts with fewer than 2,501 average daily attendance (ADA) beginning with the 2022-23 fiscal year's Adopted Budget.
 - Districts affected should begin planning now to ensure compliance with this new requirement.

✚ **Routine Restricted Maintenance Account:** All districts must comply with the minimum 3% contribution unless exempt due to district size. Per numerous Assembly bills, several resources' expenditures may be excluded from the 3% calculation.

- Exclude STRS on-behalf (Resource 7690) from expenditures
- Exclude Federal CARES/CRRS/ARP Act expenditures.

- (Resources 3210, 3212, 3213, 3214, 3215, 3216, 3218, 3219, 3220, 5316, 7027, and 7420)

Other Recommendations

✚ **Expanded Transitional Kindergarten:** Legislation allows for LEAs to enroll students who turn 5 after December 2nd in a Transitional Kindergarten (TK) program at the start of the school year... sometimes called Expanded TK or ETK. These ETK students should:

- NOT be included in the Unduplicated Pupil Count Percentage.
- NOT be included in the ADA until these students turn 5 years old.
- LCFF Calculator ~ Enrollment and unduplicated pupils counts used in the LCFF Calculator should *exclude* ETK students.

✚ **Mandate Block Grant ~ Resource 0000, object 8550**

- For 2021-22, the mandate block grant (MBG) rates are estimated to be:
 - ~ School districts will receive approximately \$63.17 per ADA for grades 9-12; \$32.79 per ADA for grades K-8.
 - ~ Charter schools will receive approximately \$47.84 per ADA for grades 9-12; \$17.21 per ADA for grades K-8.

✚ **Basic Aid Supplemental Funding (BAS):**

For districts that sponsor charter schools and receive BAS funding, please be aware this funding has been capped at the sponsoring district's in-lieu of property tax transfer amount related to non-resident charter school students and that the fluctuation in funding from one year to the next can be significant due to: the funding status of the district of residence (LCFF vs. Basic Aid), the number of non-resident charter school students, and other factors. Each district is uniquely sensitive to possible changes to their BAS funding.

Due to volatility in property taxes to school districts and continued complicated formulas for qualification and funding amounts, the County recommends basic aid supplemental funding only be used for one-time purposes.

✚ **Basic Aid/ Excess Tax School Districts:**

- ✚ Final 2020-21 property tax information is the only available information at this time. Estimates for 2021-22 will be coming from the Sonoma County Auditor/Tax Collectors in early November and will be distributed as soon after receipt as possible.
- *Minimum State Aid* ~ Under LCFF, basic aid districts will receive minimum state aid (hold harmless funding) of no less than the amount received in 2012-13, which represents their categorical allocation net of 8.92% fair share reduction.
- *Education Protection Account (EPA)* ~ All districts are guaranteed a minimum of \$200 per ADA of EPA funding.
- *RDA Residual (8047 RDAX)* ~ Basic Aid/Excess Tax school districts should not budget more than 50% of their prior *full* year RDA Residual (8047 – RDAX) tax revenues.
- RDA residual (RDAX) tax revenues for 2020-21 are unknown and uncertain.

- *RDA asset liquidation (8047-LQID)* ~ Tax revenues should only be budgeted upon receipt. This form of revenue is rare.
- *District of Choice (DOC) funding* ~ The DOC program is authorized through July 01, 2023. However, there are significant changes to the program, such as: registration of the program with the State Superintendent of Public Instruction (SPI) and the County; required public disclosures; and reduced funding, to name a few. Annually, districts that elect to be in the program must register with the SPI. For a school district of choice that is a basic aid school district, the apportionment funding for applicable ADA shall be 25% (reduced from 70%) of the school district LCFF base grant that would have been apportioned to the school district of residence. This was effective beginning the 2017-18 fiscal year. See Ed Code 48301 through 48317.
- Basic aid districts are subject to the Local Control and Accountability Plan (LCAP) and Supplemental and Concentration Grant regulations under LCFF.

✚ **K-3 Grade Span Adjustment (GSA):**

School districts must maintain an average K-3 class size of 24 **by school site** unless a collectively bargained alternative to the statutory requirements have been agreed upon. If an annual audit of a school district finds the district out of compliance, the CDE will retroactively reduce the district's funding. There is no waiver process. Please consider actual 2021-22 enrollment **by school site** now that the school year has begun. Actual amounts may be different than what you anticipated in the preparation of your adopted budget.

✚ **Form AB 2756 Reporting Requirements:**

Please remember that Education Code Sections 42127 and 42127.6 require districts to submit to the County Office any studies, reports, evaluations, or audits done of the district that contain evidence that the district is showing fiscal distress. The AB2756 Reporting Requirement form is used to communicate such work and should be completed by all LEAs and then **returned to SCOE with all interim financial reporting**. The form is available at <http://www.scoe.org/pub/htdocs/fiscal-forms.html>

✚ **STRS (and PERS) On-Behalf Contribution ~ Resource 7690:**

Districts should adjust their fiscal year (FY) 2021-22 budget to reflect a STRS On-Behalf pension contribution. An estimate for FY 2021-22 was included in the 2020-21-year end close manual and is attached for your convenience. This will aid with account analysis and ensure the Special Ed MOE and other reporting requirements reflect this information consistently from year-to-year going forward. At the end of the year, a journal entry will be prepared to record actual STRS on-behalf costs when actual data is known.

✚ **Cashflow Report:**

Please notify SCOE immediately if you do not anticipate having sufficient cash for all funds to remain positive. Please note:

- Cash in all funds must be positive at June 30, 2022.
- Education Code Section 42603 allows LEAs to borrow between funds temporarily. There are limitations which are noted below:
 - No more than 85% of the money held in any fund during the current fiscal year may be transferred.

- The funds must be repaid by June 30th of the current fiscal year if the transfer was completed prior to the last 120 days of the fiscal year.
- If the funds were transferred within the last 120 days of the fiscal year, repayment of the funds must be made prior to June 30th in the subsequent fiscal year.
- If borrowing from Fund 21, does your bond agreement allow it?
- Changes in property valuations can affect the cashflow of property taxes.
- Cashflow related to funding can be found at:
 - *Principal Apportionment:*
 - Go to: <http://www.cde.ca.gov/fg/aa/pa/index.asp>
 - To get monthly payment schedule, click on Payment Schedule Summary - LEA detail on the following website:
 - <https://www.cde.ca.gov/fg/aa/pa/pa2122.asp>
 - *Categorical funding:*
 - Estimated cash flow schedules (prepared monthly), reporting deadlines and a list program funding by name is available from this site. Go to: <https://www.cde.ca.gov/fg/aa/ca/estcashflow.asp>
 - *Education Protection Account (EPA) Apportionment:*
 - EPA funding uses Resource 1400, Object 8012 and will be received quarterly.
 - Go to: <https://www.cde.ca.gov/fg/aa/pa/epa2122.asp>
- A Cash Flow report template may be found on the SCOE website at <http://www.scoe.org/pub/htdocs/fiscal-forms.html> along with the multi-year projection worksheet. Also accepted are either the SACS software version or the LEA's own version.

Forms to Submit with your Interim Report

The full Interim Report software package, including the cashflow and MYP, should be submitted to your SCOE Advisor by e-mail (dat file). The following information/forms are requested.

LCFF Calculator – FCMAT Calculator

Use the FCMAT Calculator 22.2a version or newer, if available. It can be found at www.fcmat.org. Please provide an electronic copy *and* the tabs of the calculator in hard copy of the pages that were presented to the board.

 **Balancing Spreadsheet** ~ Due to the change to the LCFF funding model, there is presently no mechanism or technical review check (TRC) in the SACS2021ALL software which assesses State revenue. SCOE created a Balancing Spreadsheet that will assist in determining if your SACS2021ALL LCFF revenue sources tie with your LCFF Calculator, Escape, and Multi-year projection. The document can be found at <http://www.scoe.org/pub/htdocs/fiscal-forms.html>

Combined District and Charter School Enrollment and ADA Data

For districts with conversion charter schools included in the General Fund, please consider completing a spreadsheet which combines District and conversion charter school enrollment and ADA data to provide a complete picture of the students affecting the general fund. Unduplicated count information can also be chronicled to offer a comprehensive look at the District. A sample worksheet template can be found at: <http://www.scoe.org/pub/htdocs/fiscal-forms.html> and is called LCFF Enrollment ADA.

 **Cashflow** Statement (SACS form, SCOE's template, or LEA's own form), include assumptions!

 **Multi-Year Projection** Worksheet with narrative/justifications/assumptions (SACS software form, SCOE's template, or LEA's own form). The MYP must report unrestricted, restricted and combined totals.

 **Narrative and budget assumptions**, as submitted to your Board

 **Narrative of Special Funds**, if not included in the items above (DISTRICT only)

 **AB2756 Reporting Requirements form**, found at <http://www.scoe.org/pub/htdocs/fiscal-forms.html>

Interim SACS forms:

- Certification Page, original signature or a scanned copy
- General Fund Summary - Combined Unrestricted/Restricted Report
- General Fund Unrestricted Report
- General Fund Restricted Report
- Other Funds – Two-page Summary
- Form A – ADA worksheet
- Form CS – Criteria and Standards Summary Review – completed in full, with explanations
- Technical Review Check (Exceptions only)