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September 22, 2022

To: District and Charter Business Services  
From: Sarah Lampenfeld, Director, External Fiscal Services  
Subject: September 2022 Edition

### **State of the State**

For the first two months of the 2022-23 fiscal year, California took in less revenue than estimated in the budget by -8.4% or \$2.007 billion, the Department of Finance (DOF) reported in September 2022's bulletin. Per the September 2022 bulletin, "Shortfalls in August continued to be largely driven by lower proceeds from personal income tax, however the month also saw lower proceeds from sales and corporation taxes."

- ✚ **Personal income tax (PIT) receipts** for August were \$615 million or -7.6% below what was expected. Of note, August is not a significant month for personal income tax cash receipts, except for withholding.
- ✚ **Corporation tax receipts** for August were \$81 million, or -19%, above 2022-23 Budget Act assumptions. Of note, August is also not a significant month for corporation tax cash receipts.
- ✚ **Retail sales and use tax receipts** for August were \$192 million, or -4.5%, less than anticipated in the FY 2022-23 Budget. This was the third consecutive month that sales and use tax receipts were down relative to the forecast.

### **AB 185 State Budget cleanup bill**

The Trailer Bill Clean-Up makes several technical as well as substantive changes to programs funded in the Principal Apportionment. As of September 20th, the bulk of the education bills were still waiting for the Governor's signature. The Governor has until September 30, 2022, to sign or veto legislation.

Key elements of AB 185 are:

- ✚ LCFF Base Rate increase (EC 42238.02)
- ✚ NSS Allowances (EC 42282 & 42284)
- ✚ Transitional Kindergarten Ratios and Penalty Changes (EC 48000 and 48000.1)
- ✚ 2021-22 ADA Loss mitigation (EC 422238.023c)

### **Fall 2022 Stimulus Funding Reporting Window Anticipated to Open September 26<sup>th</sup>**

The reporting window is anticipated to open September 26th and remain open through October 14th for LEAs to report their July 1, 2022 through September 30, 2022 expenditures on the following funds:

CARES Act:

- ✚ ESSER I, Resource 3210 (**Must be fully expensed by September 30, 2022\***)
- ✚ GEER I, Resource 3215 (**Must be fully expensed by September 30, 2022\***)

CRRSA Act:

- ✚ ESSER II, Resource 3212

ARP Act:

- ✚ ESSER III, Resource 3213 and 3214
- ✚ Homeless Children and Youth (HCY) Fund II, Resource 5634

ELO-G funds (State Reserve funds)

- ✚ ESSERII, Resource 3216
- ✚ GEER II, Resource 3217
- ✚ ESSER III, Resource 3218
- ✚ ESSER III, Resource 3219

\*Reminder - fund must be expensed or obligated by 9/30/2022 and all obligations must be liquidated within 120 days of 9/30/2022.

**New Resources for 2022-23**

Resource codes have been established and set up in Escape for new one-time funds approved with the State Budget Act of 2022. Please remember the new resources will be updated in the SACS web-based application in October with the First Interim updates.

- ✚ **Learning Recover Block Grant, Resource 7435**, provides LEAs funding to assist with long-term recovery from the COVID-19 pandemic. *Allocations will be posted mid-September and funds are scheduled for release in two equal payments. (November 2022 and April 2023).*
  - Note: Interim expenditure reporting will be required and a final report will be due by December 1, 2029. These funds may be used through 2027-28.
- ✚ **Arts, Music, and Instructional Materials Discretionary Block Grant, Resource 6762**, provides LEAs funding for instructional materials and professional development aligned to best practices for improving school climate, digital literacy, physical education, and learning through play. A plan will need to be discussed and approved for expenditures of these funds. *Allocations will be posted late September and funds are scheduled for release in two equal payments. (December 2022 and May 2023).*
- ✚ **Literacy Coaches and Reading Specialist Grant Program, Resource 6211**, provides funding for eligible LEAs with UPP of 97% or greater for kindergarten and grades 1 to 3 as of 2021-22 Fall 1 certification. LEAs must develop school literacy programs, employ and train literacy coaches and reading and literacy specialists, and develop and implement interventions for pupils in need of targeted literacy support. **LEAs must notify the CDE by September 30, 2022 if they want to opt-out. Form is available on the CDE website.** *Allocations will be posted September 12th and funds are scheduled for release in two payments (50/50). (January 2023 and May 2023).*
- ✚ **Kitchen Infrastructure and Training Funds- 2022, Resource 7032**, included funding for LEAs to make kitchen infrastructure upgrades, purchase equipment, and provide training/compensation related to school meals. This funding is approximately 5 times more than 2021-22's funding. Eligible LEAs will receive a \$100,000 base allocation.

### **✚ Home-to-School Transportation Coming soon...**

At ESSCO, we discussed the pending resource and recommended unrestricted 0000. Remember these funds commence with the 2022-23 fiscal year and thereafter. The transportation allowance will equal to 60% of the home-to-school transportation expenditures reported by the school district as determined by its Function 3600, excluding capital outlay and nonagency expenditures. The allowance shall be reduced by the amount of the transportation add-on. More to follow on the reporting and plan requirements.

### **SACS Web-based webinars coming soon**

CDE and FMCAT will be hosting webinars in October on the SACS web-based reporting system. The webinar will provide local educational agency users of the SACS Web System tools, tips and answers to frequently asked questions on the system's unique features such as user management, dashboard, importing files, form locking, and workflow.

### **Registration is required. Following are the webinar dates/times and registration links:**

✚ October 4, 2022, 1:00 p.m. to 3:00 p.m.

[https://uso2web.zoom.us/webinar/register/WN\\_sSYjrjNoS5GGxSoewRvu3Q](https://uso2web.zoom.us/webinar/register/WN_sSYjrjNoS5GGxSoewRvu3Q)

✚ October 5, 2022, 9:00 a.m. to 11:00 a.m.

[https://uso2web.zoom.us/webinar/register/WN\\_jK92VKRAQ\\_mTQ8LcJTYznw](https://uso2web.zoom.us/webinar/register/WN_jK92VKRAQ_mTQ8LcJTYznw)

✚ October 12, 2022, 1:00 p.m. to 3:00 p.m.

[https://uso2web.zoom.us/webinar/register/WN\\_z3B8vdh6T3iMiJpW2DmVrA](https://uso2web.zoom.us/webinar/register/WN_z3B8vdh6T3iMiJpW2DmVrA)

✚ October 13, 2022, 9:00 a.m. to 11:00 a.m.

[https://uso2web.zoom.us/webinar/register/WN\\_LJFrmkaTSaKIHGNgmqCU7O](https://uso2web.zoom.us/webinar/register/WN_LJFrmkaTSaKIHGNgmqCU7O)

### **2021-22 Charter School 20 Day Report is now available**

The California Department of Education (CDE) 2022–23 Charter School 20 Day Attendance Report (Charter 20 Day) is available on the CDE's [website](#). While charter schools are on the same funding cycle as other local educational agencies, per Education Code Section 47652, newly operational and expanding charter schools are eligible to receive funding through the Charter School Special Advance apportionment. Newly operational charter schools are defined as those in their first year of operation that commenced instruction by September 30, 2022, and expanding charter schools are those that are expanding to add one or more grade levels in 2022–23.

To be eligible for funding, new charter schools must have submitted a Pupil Estimates for New and Significantly Expanding Charter Schools (PENSEC) report, as well as the Charter 20 Day. Expanding charter schools can submit a Charter 20 Day even if they did not submit a PENSEC report.

### **2021-22 Books are Closed, What's Next?**

Each LEA's Unaudited Actuals should have been board approved on or before September 15th and submitted to SCOE. It's now time to begin reviewing your budget and assumptions for 2022-23. It's never too early to start reviewing, updating and compiling changes for First Interim.

- Revenue updates – one-time revenue review and adjustments
  - Title preliminary estimates are now available [here](#)

- LCFF calculations – with updated enrollment from start of school, unduplicated student count updates and average daily attendance calculations
  - Census Day for Calpads is October 5, 2022
    - Certification period for Fall 1 collection closed December 16, 2022
- Basic aid calculations – recalculating projected property taxes using prior-year actuals as a starting point (P-1 2022-23 property tax estimates will be sent out in early November)
- Personnel costs - now that school has started, and first payrolls have run and positions are now filled, estimated costs will be more concrete, and step and column can be re-calculated
- Negotiations – cost of 1% can be calculated with more accuracy
- Health and welfare costs – project base in Unaudited Actuals as a starting point with actual premium increase/change and open enrollment information
- Review Fiscal Advisor’s technical comments on your Adopted Budget

**GASB 31: ACCOUNTING AND FINANCIAL REPORTING FOR CERTAIN INVESTMENTS AND FOR EXTERNAL INVESTMENT POOLS**

This Statement establishes accounting and financial reporting standards for *all* investments held by governmental external investment pools. For most other governmental entities, it establishes fair value standards for investments in (a) participating interest-earning investment contracts, (b) external investment pools, (c) open-end mutual funds, (d) debt securities, and (e) equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values.

Impacts to FY 2021-22: It’s very unusual; however, the difference as of June 30, 2022 between the fair value and the book value of cash in county treasury is significantly different. The market value of the portfolio to the County Treasury Pool was at 96.56% of cost. Normally, the difference is immaterial and noted in the LEA’s annual Audit report. As such, auditors are asking for recommendation from the SCOE if the difference noted should be booked as audit adjustments for Sonoma County LEAs in FY 2021-22. At this point, SCOE is considering a recommendation of not booking the adjustment rather noting the differences in the audit. What are CBOs thoughts?

**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:

- 📄 Old Independent Study Program Rules Obsolete – September 7, 2022
- 📄 Economic Drag Affects State Revenues – September 19, 2022

**2022-23 Instructional Time and Attendance Accounting Webinar presentation**

On September 8, 2022 the CDE held a webinar on 2022-23 Instructional Time and Attendance Accounting. If case you missed it, the presentation can be found [here](#).

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|------------------|
| <b>Reminders</b> |
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| <b><u>2<sup>nd</sup> Reminder: Instructional Materials Public Hearing Requirements for Fiscal Year 2022-23</u></b> |
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*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 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. **The resolution sample can be found at the CDE web page by clicking on the link embedded in FAQ #43.**

### **California Title I Webinar Workshop Series**

*The CDE is hosting Title I webinar workshop series on September 29<sup>th</sup>.*

- ✚ *Morning session:* Title I, Part A Local Educational Agency (LEA) Allocations and Reservations, School Student Counts, and School Allocations. Register [here](#)
- ✚ *Afternoon session:* Title I, Part A Parent and Family Engagement. Register [here](#)

### **Educator Effectiveness Funds (EEF) Block Grant Updates and Reporting**

**LEAs are required to report annual data and an expenditure report each year on or before September 30<sup>th</sup>.** A final data and expenditure report will be due on or before September 30, 2026. The annual report template is available [here](#) and a PIN was emailed out late August to LEAs.

### **Expiration of ESSA Funds**

FY 2019-20 and 2020-21 ESSA balances are set to expire on September 30<sup>th</sup>. A list of expiring funds was sent to applicable Sonoma County LEAs on September 19<sup>th</sup>. **These funds expire September 30, 2022 and must be spent or obligated by September 30, 2022. Any remaining obligations need to be liquidated by January 28, 2023. Any LEAs with obligated funds and unpaid balances need to report to CMDC in October or they won't be paid.** Please plan accordingly.

### **Dates to Remember:**

|            |   |
|------------|---|
| 09/29/2022 | Escape - Payroll Management for CBOs <a href="#">Click here to register</a> |
| 10/02/2022 | Scheduled Network Maintenance 7:30 am – 12:00 pm                            |
| 10/05/2022 | 2022-23 Census Day (used for CalPads Fall 1)                                |
| 10/20/2022 | 2022-23 Interim Reporting Workshop  |
| 10/20/2022 | DBUG  |
| 10/31/2022 | Budget Review/Cleanup working session (in-person only)                      |

### **NOTE:**

- Want to add something to a DBUG Agenda? Want a topic added to SCOE Biz? Contact DBUG Chair Christina Menicucci
- Documents presented at [DBUG](#) are 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.

# FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

## Old Independent Study Program Rules Obsolete

 [BY WENDI MCCASKILL](#)

 [BY PATTI F. HERRERA, EDD](#)

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posted September 7, 2022

Ask SSC. . . May my school district offer independent study under the old requirements in place prior to 2021-22 for the 2022-23 school year and future years?

The simple answer to your question is “no—not without risking a loss of funding.” There were many changes to both types of independent study programs (traditional and course-based independent study) that became effective beginning with the 2021-22 school year. A few of these requirements applied temporarily to the 2021-22 school year only. Most of the changes were permanent program quality requirements, however, and, if unmet, would render a local educational agency (LEA) unable to claim attendance for funding purposes for students participating in independent study.

The permanent modifications to programmatic requirements and conditions of apportionment are comprehensive. They include enhanced offerings such as synchronous instruction and live interaction and record keeping for student participation in synchronous instruction and live interaction. Also included are additional provisions for connecting with students who are not actively participating in the program through tiered reengagement strategies, and parent-pupil-educator conferences at the request of a parent.

The ongoing changes to statute—including, but not limited to, synchronous instruction, live interaction, tiered reengagement, and conference requirements—necessitate updating independent study board policies and written agreements. Care should be taken to ensure that board policies and written agreements for 2022-23 reflect both the statutory changes pursuant to legislation enacted for 2021-22 as well as more recent legislation enacted for 2022-23 (see “[Update Independent Study Board Policy, Agreement](#)” in the July 2022 *Fiscal Report*).

In addition to reviewing statute for changes to independent study laws for each of the past two school years, we would encourage a conversation with your external auditor to make sure that your LEA’s independent study program meets all the independent study conditions of apportionment.

# FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

## Economic Drag Affects State Revenues

 [BY PATTI F. HERRERA, EDD](#)

 [BY JOHN GRAY](#)

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posted September 19, 2022

California's coffers are beginning to feel the effects of national and state economies that continue to struggle with staggering inflationary pressures, as reported by the Department of Finance (DOF) in its September 2022 [Finance Bulletin](#).

While state and national labor markets remain tight, they are showing signs of weakening with modest upticks in unemployment in August 2022. National unemployment increased to 3.7% in August (from 3.5% in July) while California's unemployment rate reached 4.1%, up 0.2 percentage points from July despite adding 19,900 new jobs, according to the Employment Development Department. Employment has been the macroeconomy's "bright spot" amidst growing fears of economic recession.

Conversely, the housing market has been showing troubling signs since the Federal Reserve (Fed) began aggressively raising interest rates to combat inflation. Rising borrowing costs are suppressing homebuying across the nation as fewer Americans can afford the higher mortgage rates. The DOF reports that the number of building permits issued in July was down 3.1% from June and 0.9% from a year ago. Single-family dwelling unit permits were down on both monthly and annual bases by 2.7% and 2.1%, respectively. Multi-family dwelling permits were down from June to July but up by a modest 0.6% from a year ago.

Earlier this week, the Bureau of Labor Statistics reported an uptick in national headline and core inflation, which sent stock markets spiraling downward. The three major U.S. market indices absorbed significant losses by the end of the day. The Dow Jones Industrial Average, the S&P 500, and the Nasdaq were down by 3.94%, 4.32%, and 5.16%, respectively, in reaction to the troubling news and in anticipation of another Fed rate hike. Wall Street's performance is particularly salient for California's General Fund condition as it relies so heavily on the economic well-being of its highest-earning residents.

We are beginning to see the effect of macroeconomic trends on state coffers in the DOF's latest report. Revenues for the 2022-23 fiscal year are below Budget Act estimates for the second consecutive month by just under \$2.01 billion. August receipts missed projections by \$816 million. Fiscal year 2021-22 revenues missed revised Budget Act estimates by \$2.19 billion. Prior-year and current-year state revenues are below projections by a combined \$4.19 billion. Since the Proposition 98 minimum guarantee is computed as a percent of total state General Fund revenues, the Budget Act estimates of the minimum guarantee for 2021-22 and 2022-23 would be affected.

### Big Three Taxes Year-to-Date (in millions)

|                     | Forecast | Actual   | Difference        |
|---------------------|----------|----------|-------------------|
| Personal Income Tax | \$15,912 | \$14,240 | -\$1,672 (-10.5%) |
| Sales and Use Tax   | \$5,736  | \$5,458  | -\$278 (-4.9%)    |

|                        |         |         |               |
|------------------------|---------|---------|---------------|
| <b>Corporation Tax</b> | \$1,233 | \$1,165 | -\$68 (-5.5%) |
|------------------------|---------|---------|---------------|