

# SCOE BIZ

## Business Services

### Bulletin No. 23-14



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February 23, 2023

To: District and Charter Business Services  
From: Sarah Lampenfeld, Director of External Fiscal Services  
Subject: February 2023 Edition

#### **State of the State**

For the first seven months of the 2022-23 fiscal year, California took in less revenue than estimated in the budget by \$3.322 billion, the Department of Finance (DOF) reported in February 2023's bulletin. Per the February 2023 bulletin, "This is due to a \$2.002-billion shortfall in January cash receipts, a \$1.327-billion shortfall December cash receipts, and a minor revision to receipts in prior months." Additionally, per the bulletin, "U.S. headline inflation slow for the seventh consecutive month to 6.4% year-over-year in January 2023, down .01% point from December and from the peak of 9.1% in June 2022."

- ✚ **Personal income tax (PIT) receipts**, for the first seven months, were \$3.437 billion below the forecast of \$65.265 billion. December and January withholding receipts were \$1.311 billion below forecast, cumulatively.
- ✚ **Corporation tax receipts**, for the first seven months, were \$203 million above 2022-23 Budget Act assumptions, due entirely to higher Pass-Through Entity (PTE) Elective Tax Payments.
- ✚ **Retail sales and use tax receipts**, for the first seven months, were \$128 billion less than anticipated in the FY 2022-23 Budget of \$18.934 billion and were \$270 million above January's forecast.

#### **2022-23 First Principal (P-1) Apportionment**

The 2022-23 First Principal (P-1) Apportionment has been certified, which includes updated calculations for 2021-22 Annual and 2020-21 Second Annual Recertification. The following information is available on the California Department of Education's (CDE) website at <http://www.cde.ca.gov/fg/aa/pa/pa2223.asp> to assist local educational agencies (LEA) in understanding the components of the 2022-23 P-1:

- Apportionment letter and accompanying attachment that describe the funding calculations and available resources.
- LEA Funding Detail:
  - Funding Exhibits: Detailed entitlement calculations by LEA for each Principal Apportionment component including new Funding Exhibits for 2021-22 average daily attendance adjustments.
  - Excel files:
    - Principal Apportionment Summary, Adjustments and Prior Year Recomputations, Payment Schedules, etc.

- Excel files to accompany two new funding exhibits: (1) *2021-22 ADA Loss Mitigation- Attendance District Funded County Programs* and (2) *2021-22 ADA Loss Mitigation-Basic Aid Choice/BA Court-Ordered Voluntary Pupil Transfer/Supplement School District*; these files should be used in lieu of the exhibits for LEAs with large number of records.
  - The [LCFF Fingertip Facts](#) has been updated with 2022–23 P-1 data, as well as 2021–22 Annual data.
  - [Statewide LCFF Summary Data](#): Statewide summary data of the main components of the Local Control Funding Formula (LCFF), including base, supplemental, and concentration grants.
- Special Education details, including the Special Education Local Plan Area (SELPA) Assembly Bill 602 Average Daily Attendance and SELPA’s LEA Memberships are available on the Special Education web page at <https://www.cde.ca.gov/fg/aa/se/index.asp>.

### **2022–23 EPA Third Quarter Apportionment**

The 2022–23 Third Quarter Apportionment for the Education Protection Account (EPA) has also been certified. The EPA entitlement schedule and apportionment letter are now available on the CDE’s website at <https://www.cde.ca.gov/fg/aa/pa/epa2223.asp>.

County treasurers are estimated to receive warrants for the EPA apportionment on March 24, 2023, and should advise school districts and charter schools immediately of this apportionment.

### **ESSA PPE Update**

The web application for LEAs to submit school and LEA-level per-pupil expenditure data has been open since mid-November. **All LEAs (both District and Charters) are expected to submit data to the CDE no later than March 1, 2023.** Login information for the application was sent to each LEA Superintendent and Administrator of direct-funded charter schools listed in the California School Directory. Please contact your SCOE Fiscal Advisor with any last-minute questions.

### **ESSER and GEER Annual Reporting**

Every local education agency (LEA) who received Elementary and Secondary School Emergency Relief (ESSER) I, ESSER II, ESSER III, and/or Governor’s Emergency Education Relief (GEER) I funding will be required to report to the CDE for the Annual Report. **The reporting time period that will be covered will be from July 1, 2021 through June 30, 2022 (ELO-G’s ESSER III ARP cover March 13, 2020 through June 30, 2022).** The Annual Reporting will open March 1, 2023. It’s recommended LEAs start gathering data now to ensure the reporting requirement is met. On March 2, 2023 from 10 to 11 the CDE will host a webinar on the report. Register [here](#).

### **CARS – Consolidated Application and Reporting System Update**

The CARS Winter Release of data collections is pending. Per the CDE on 2/22/2023, “We do not have open and close dates for the next CARS reporting period to share yet, but we are anticipating we will open around April 2023. Once we do have firmer open and close dates to share, we will send out an email to users.”

### **GASB 31: Fair Market Value Update**

Governmental Accounting Standards Board (GASB) Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, establishes accounting and

reporting standards for certain investments held by governmental entities, including school districts and county offices of education.

As required by Education Code 41001 school districts and county offices' cash is held in the County Treasurer's external investment pool. As such, external investment pool commingles (pools) the monies of more than one entity and invests on the participants' behalf, in an investment portfolio. While the external investment pools primary purpose is not for income profit, which is a provision of GASB 31, it does not exempt school districts and county offices from the GASB 31 statement.

As you know, fiscal year 2021-22 was the first year since GASB 31 was issued that a material difference has occurred. On June 30, 2022, the market value of the County Treasurer's portfolio was 96.56% of cost. Since then, the next two quarters have closed at 95.88% on September 30<sup>th</sup> and 94.77% on December 31<sup>st</sup>. Speaking with the Investment Manager for the County of Sonoma, Auditor-Controller, Treasurer, Tax Collector Department, the expectation is the percentage will remain about the same for the next two quarters. This means LEAs will likely reverse the prior year amount booked at year-end and book an adjusting entry at year-end closing for fiscal year 2022-23. The Quarterly Reports can be found [here](#). The Quarterly Report and Certification for June 30<sup>th</sup> is normally available late-July/early August.

### **Second Round of California Prekindergarten Planning and Implementation Grant Program**

AB 185 included \$300 million allocation to LEA for a second round of California Prekindergarten Planning and Implement Grant Program. The allocations for round two posted this month and can be found [here](#).

### **SACS Forum**

On February 14<sup>th</sup>, the CDE hosted the SACS Forum. **Attached** is the presentation for the webinar. The meeting agenda included: 1) Accounting Updates, Accounting Discussion, and SACS Web System Updates.

### **Reminders:**

Please submit [SCOE Biz 23-13: Audit Selection](#) as soon as possible and no later than April 1, 2023. Please submit [SCOE Biz 23-09: Audit Certification and Corrective Actions](#) to your Fiscal Advisor by March 15<sup>th</sup>.

### **Account code restrictions for object 9110**

LEAs should be following CSAM's Procure 560, *Receipt Allowable as Abatement of Expenditures*, when depositing revenues to an expenditure account. Common issues currently being noticed during deposits is abating salaries. Procedure 560-4 "Special Considerations Regarding Abatement of Salaries" should be reviewed if an abatement of salaries is occurring.

Additionally, please remember School-Based Medi-Cal Administrative Activities (SMAA) and LEA Medi-Cal Billing Option Programs (LEA BOP) account codes changed two years ago. Based on the change, SMAA must be reported in Resource 0000 object 8699 (NOT 8290) and LEA BOP is reported in Resource 9010 object 8699 (NOT Resource 5640 object 8290).

### **Classified School Employee Summer Assistance Program (2023-24)**

The Classified School Employee Summer Assistance Program (CESAP) provides up to a dollar for dollar match on amounts withheld from a participating local educational agency's (LEA's) classified school employees' monthly paychecks during the 2023-24 school year. The classified employees' pay

withheld and the state match funds will be paid by LEAs to the LEA's eligible employees in the summer months following the 2023-24 school year.

School districts and county offices of education that elect to participate must notify their classified school employees by January 1, 2023, and **the California Department of Education (CDE) by April 3, 2023.** More information can be found on the CDE webpage at <https://www.cde.ca.gov/fg/aa/ca/csesap.asp>. A summary of key dates and requirements that LEAs need to be aware of in implementing the program if the LEA decides to participate in FY24 can be found [here](#).

### **Transportation Funding**

**Each school district offering transportation and receiving the funds must adopt a Transportation Plan on or before April 1, 2023.** The first year's plan due in April 2023 is intended to address both the current transportation program in 2022-23 and the plan describing the prioritized transportation services it will offer to its identified pupils in fiscal year 2023-24. Only the first year's plan would address two years.

### **Attachments:**

- 2022-23 First Principal Apportionment Summary
- 2022-23 First Principal Apportionment Monthly Payments

### **Dates to Remember:**

02/26/2023	Schedule System Downtime 8:00 am – 12:00 pm
03/01/2023	ESSA PPE Reporting Due
03/01/2023	Calpads User Training 10:00 am – 12:00 pm
03/15/2023	Audit Corrective Actions due to SCOE
03/16/2023	Escape Position Control for Budget Development <a href="#">Click here to register</a>
03/17/2023	2 <sup>nd</sup> Interim Reports due to SCOE (3/15/2023 for Charter Schools)
03/23/2023	DBUG and LCAP mini-training

### **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](#) 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.



# SACS Forum

February 14, 2023

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

# General Housekeeping

- Please be sure that your microphone is muted.
- If you have a questions, please use the Q/A function located at the bottom of the screen.
- You may also send questions to [SACSINFO@cde.ca.gov](mailto:SACSINFO@cde.ca.gov)



# Announcements & Information

**CALIFORNIA DEPARTMENT OF EDUCATION**

Tony Thurmond, State Superintendent of Public Instruction

# 2021-22 Unaudited Actuals (U/A) Data Review – Observations

Coding/Reporting issues observed in the 2021-2022 Unaudited Actuals data review (see accompanying handout).



# Bid Threshold Adjustment

The Bid Threshold Letter was sent on December 20, 2022. Below is a summary of the changes to the bid threshold over the past 3 years:

Calendar Year	Bid Threshold	Percentage Change in Implicit Price Deflator
2021	\$96,700	1.57%
2022	\$96,700	2.48%
2023	\$96,700	10.32%

# Every Student Succeeds Act (ESSA) Per-Pupil Expenditure (PPE) Reporting Update

- LEAs are in the process of submitting their ESSA PPE reports
  - We held three webinars outlining the ESSA PPE reporting requirements in January and February, one of which will be posted on our website.
  - Approximately  $\frac{1}{4}$  of LEAs have submitted their reports.
  - LEAs should review the FAQs on our website or reach out to [essappe@cde.ca.gov](mailto:essappe@cde.ca.gov) with questions.
  - Deadline is March 1, 2023



# Accounting Updates

**CALIFORNIA DEPARTMENT OF EDUCATION**

Tony Thurmond, State Superintendent of Public Instruction

# Accounting Reminders (1)

- School-Based Medi-Cal Administrative Activities (SMAA) and LEA Medi-Cal Billing Option Programs (LEA BOP)

Program	Prior	Currant
SMAA	Resource 0000, Object 8290	Resource 0000, Object 8669
LEA BOP	Resource 5640, Object 8290	Resource 9010, Object 8699

# Accounting Reminders (2)

Object 8625, Community Redevelopment Funds Not Subject to LCFF Deduction, and Object 8681, Mitigation/Developer Fees, with Restricted Resources only

- Object 8625 with Resource 0000 – no longer valid after June 30, 2018
- Object 8681 with Resource 0000 – no longer valid after June 30, 2019

# Accounting Reminders (3)

## Classified School Employee Summer Assistance Program (CSESAP) (Resource 7415) – No contributions from Unrestricted/Restricted Revenues

- The state match funds for actual salary expenditures only
- Other additional expenditures (e.g., statutory benefits associated with the state matched salaries) should be reported using other appropriate resources, for example, unrestricted resource

# Accounting Reminder (4)

## Classified School Employee Summer Assistance Program (CSESAP) – No Contributions from Unrestricted/Restricted Revenues

- A SACS technical review check(s) will be generated; and
- Contributions distort expenditure reporting

# Validation Tables

Latest valid codes and combinations released January 20, 2022

SACS Valid Code and Combinations web page:  
<https://www.cde.ca.gov/fg/ac/ac/validcodes.asp>

Resource	Title
6333	CA Community Schools Partnership Act - Coordination Grant
6383	Golden State Pathways Program
7033	Child Nutrition: School Food Best Practices Apportionment
7339	Dual Enrollment Opportunities



# Home to School Transportation – Indirect Costs (1)

- In the Home-to-School Transportation Reimbursement FAQ webpage, it indicates that indirect costs are an allowable expense for transportation. However, it seems that this amount would not be included in the reimbursement. For example, if CDE pulls costs based on Function 3600 and indirect costs use Function 7210, then these costs would never be included. Am I understanding this correctly? Is there a way to code the indirect costs so they would be included in the reimbursement?

# Home to School Transportation – Indirect Costs (2)

- Guidance: If an LEA would like to report indirect costs for reimbursement purposes, the LEA would need to transfer a proportionate share of indirect costs relating to the program from Function 7200 to Function 3600.

Dr/Cr	Fund	Resource	PY	Goal	Function	Object
Dr	01	0000	0	0000	3600	5710
Cr	01	0000	0	0000	7200	5710

- Considerations

# GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs) Reminder (1)

- Effective 2022-23
- Definition of “Subscription-Based Information Technology Arrangement (SBITA)”
  - “A contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction”

# GASB 96 – SBITAs Reminder (2)

Four key elements (similar to GASB 87 Leases) – all must be met:

- Control
- Underlying IT software
- Subscription term
- Exchange or exchange-like transaction

# GASB 96 – SBITAs Reminder (3)

## GASB 87 vs GASB 96:

- Tangible capital assets alone – GASB 87
- IT software alone – GASB 96
- IT software in combination with tangible capital assets:
  - Cost of the software component is insufficient when compared to cost of the underlying tangible capital asset – GASB 87
  - Otherwise – GASB 96

# GASB 96 – SBITAs Reminder (4)

Costs for activities associated with a SBITA should be grouped into the three stages:

## 1. Preliminary Project Stage

- Expensed as incurred
- Examples: conceptual formulation and evaluation of alternatives, determination of existence of needed technology, final selection of alternatives for the SBITA

## 2. Initial Implementation Stage

- Capitalized as part of the subscription asset
- For short-term SBITA, should be expensed as incurred because of no subscription asset

## 3. Operation and Additional Implementation Stage

- Expensed as incurred

# GASB 96 – SBITAs Reminder (5)

## Proposed Implementation Guide Update – 2023

- Scheduled to be released in June 2023
- 3 questions on SBITAs
- Question – Is a licensing agreement for a vendor’s computer software that automatically renews until cancelled a licensing agreement that provide a perpetual license?
  - Answer – No.

# GASB 96 – SBITAs Reminder (6)

- Question – A government enters into a six-year SBITA contract with no options to extend or terminate the contract and begins making semiannual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. What is the subscription term?
  - Answer – The subscription term is four years.



# GASB 96 – SBITAs Reminder (7)

- Question – Does a cloud computing arrangement meet the definition of a SBITA?
  - Answer – A cloud computing arrangement may or may not meet the definition of a SBITA. As part of its determination of whether cloud computing arrangement meets the definition of a SBITA, a government should evaluate whether the contract conveys **control** of the right to use the underlying IT assets in accordance with GASB 96 paragraph 7.

# GASB 96 – SBITAs Reminder (8)

## Accounting for short-term SBITAs

- Recognize payments for short-term SBITAs as outflows of resources
- Examples:
  - Object 4100, Approved Textbooks and Core Curricula Materials, should be used for internet-based or computer-based state adopted core curriculum
  - Object 5800, Professional/Consulting Services and Operating Expenditures, should be used for internet-based publications and materials.

# GASB 96 – SBITAs Reminder (9)

## Accounting for SBITAs in Governmental Funds

### Example

- Subscription start date = July 1, 2022
- Subscription end date = June 30, 2027
- First payment date = July 1, 2022
- Payments = \$15,000 annually, paid in advance (July 1<sup>st</sup>)
- Discount rate = 5%

# GASB 96 – SBITAs Reminder (10)

The SBITA contains the following amortization schedule:

<b>Date</b>	<b>Subscription Payment</b>	<b>Interest Expenditure @ 5%</b>	<b>Principal Expenditure</b>	<b>Balance of Subscription Liability</b>
7/1/2022				\$ 68,189
7/1/2022	\$ 15,000	\$ -	\$ 15,000	\$ 53,189
7/1/2023	\$ 15,000	\$ 2,659	\$ 12,341	\$ 40,848
7/1/2024	\$ 15,000	\$ 2,042	\$ 12,958	\$ 27,890
7/1/2025	\$ 15,000	\$ 1,395	\$ 13,605	\$ 14,285
7/1/2026	\$ 15,000	\$ 715	\$ 14,285	\$ 0
<b>Total</b>	<b>\$ 75,000</b>	<b>\$ 6,811</b>	<b>\$ 68,189</b>	

# GASB 96 – SBITAs Reminder (11)

At the SBITA commencement date (07/01/2022 is the date when the SBITA vendor makes the underlying asset available for use by the government)

Dr. Subscription Assets (Object 6700)	\$68,189	
Cr. Proceeds from SBITAs (Object 8974)		\$68,189

Make the first subscription payment on 07/01/2022

Dr. Other Debt Service-Principal (Object 7439)	\$15,000	
Cr. Cash (Object 9110)		\$15,000

# GASB 96 – SBITAs Reminder (12)

Subsequent recognition and measurement – make the second subscription payment on 07/01/2023

Dr. Debt Service-Interest (Object 7438)	\$ 2,659	
Dr. Other Debt Service-Principal (Object 7439)	\$12,341	
Cr. Cash (Object 9110)		\$15,000



# Accounting Discussion

**CALIFORNIA DEPARTMENT OF EDUCATION**

Tony Thurmond, State Superintendent of Public Instruction

# Proposal to Close LCFF Transfers (Objects 8091 and 8099) - Funds 11 and 14 for JPAs

- JPAs do not receive LCFF apportionments
  - LCFF revenue objects (objects 8011 and 8019) not valid for JPAs
- Object 8091, LCFF Transfers-Current Year, and Object 8099, LCFF/Revenue Limit Transfers-Prior Years, opened to Funds 11 (Adult Education Fund) and 14 (Deferred Maintenance Fund) in error in 2013-14
- Propose to close the combinations effective 2023-24



# Proposal to Open Special Education Goals to Child Development Fund (Fund 12) (1)

Beginning in 2022-23, CA State Preschool Contract Changes

- Pursuant to *Education Code* 8208(c)(1), CSPP contractors require to set aside 5% of funded enrollment for children with exceptional needs
- Increase to 7.5% in 2023-24 and 10% in 2024-25

# Proposal to Open Special Education Goals to Child Development Fund (Fund 12) (2)

- Discussion – Should Special Education 5XXX goal codes be open to Fund 12?
- Refer to Early Education’s Management Bulletin 23-02 for more information: <https://www.cde.ca.gov/sp/cd/ci/mb2302.asp>
- Please send your feedback to [SACSINFO@cde.ca.gov](mailto:SACSINFO@cde.ca.gov)



# SACS Web System Updates

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# SACS Web-Based Financial Reporting System (SACS Web System) Update (1)

## Reporting Period Release Dates

- 2022-23 2nd Interim reporting period released 01/20/23
- 2022-23 End of Year Projection reporting period expected by mid-April
- 2023-24 Budget reporting period anticipated mid- to late-April
- 2022-23 Unaudited Actuals reporting period anticipated late-June

# SACS Web-Based Financial Reporting System (SACS Web System) Update (2)

- The SACS UA reporting period as well as the 2022-23 UA Charter School Alternative Form will be available in the SACS Web System.
- All charter schools will report their 2022-23 UA financial data, whether SACS or ALT Form, in the SACS Web System. Planning should start for adding and training charter school users that haven't yet been added to the system.

# SACS Web-Based Financial Reporting System (SACS Web System) Update (3)

## Proposed Changes for 2023-24 Budget Reporting Period

- Criteria and Standards Form 01CS
  - COE only -- Criterion 2 LCFF Revenue
    - Modify Line I.b, COE Funded at Hold Harmless LCFF, to incorporate the COLA add-on for hold harmless COEs, pursuant to AB 181, Chapter 52 (Statutes of 2022). Add two lines to allow COE to enter the projected county operations grant and alternative education grant to calculate the COLA add-on amount.

# SACS Web-Based Financial Reporting System (SACS Web System) Update (4)

- Criteria and Standards Form 01CS
  - District only -- Criterion 7 Facilities Maintenance
    - Section 7.2, Ongoing and Major Maintenance/Restricted Maintenance Account
      - Line 2A, Budgeted Expenditures and Other Financing Uses
        - Add the following new resources to exclude from calculation: 3225, 3226, 3227, 3228, 5632, 5633, and 5634
        - Remove the following resources from the exclusion, effective 2023-24: 3210 and 3215

# SACS Web-Based Financial Reporting System (SACS Web System) Update (5)

- Changes due to GASB 96, Subscription-Based Information Technology Arrangements (SBITAs)
  - New object codes, effective 2022-23:
    - Funds 01, 08, 09, 11, 12, 13, 14, 15, 18, 21, 25, 30, 35, 40, 49
      - Object 6700, Subscription Assets
      - Object 8974, Proceeds from SBITAs



# SACS Web-Based Financial Reporting System (SACS Web System) Update (6)

- Funds 61, 62, 63, 66, 67, 73
  - Object 6920, Amortization Expense - Subscription Assets
  - Object 9660, Subscription Liability
  - Object 9470, Subscription Assets
  - Object 9475, Accumulated Amortization-Subscription Assets

# SACS Web-Based Financial Reporting System (SACS Web System) Update (7)

- Form ASSET
  - Add the following objects, effective 2022-23:
    - Object 9470, Subscription Assets
    - Object 9475, Accumulated Amortization-Subscription Assets
- TRC ASSET-ACCUM-DEPR-NEG
  - Add Object 9475, Accumulated Amortization-Subscription Assets, effective 2022-23

# SACS Web-Based Financial Reporting System (SACS Web System) Update (8)

- Form DEBT
- TRC DEBT-ACTIVITY
- TRC DEBT-POSITIVE
  - Add Object 9660, Subscription Liability, effective 2022-23

## General

- Publishing functionality
- Questions?



# Other Items

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# Next Meeting

Next meeting scheduled for May 16, 2023

# Any Questions?

