

**California Department of Education / County Office of Education
External Services Subcommittee (ESSCO)
January 5, 2015 Minutes**

California Department of Education
1430 N Street Room 1101

January 5th
10:00 a.m.

Co-Chair: Priscilla Quinn, Region VIII – Kern COE
Co-Chair: Peggy O’Guin, California Department of Education
Vice Chair: Jamie Perry, Region VII – Fresno COE

Lynette Kerr	I	Humboldt
Judy Thomson	I	Sonoma
Adrian Barron	II	Butte
Debbie Towne	II	Tehama
Jessica Tegerstrand	II	Shasta
Sandra Fowles	III	Yolo
Kathy Garrison	III	Placer
Jennifer Stahlheber	III	Sutter
Lori Carroll	III	Yuba
Diane Lacombe	III	El Dorado
Rhonda Marquette	III	Yuba
Deborah Messervey	III	Nevada
Laura Flores	III	Nevada
Debbie Wilkins	III	Sacramento
Priscilla Aquino-Dichoso	IV	San Mateo
Sarah Blackstone	IV	Napa
Kate Lane	IV	Marin
Sherry Beatty	IV	Solano
Karen Deller Hennessy	V	Monterey

Kolvira Chheng	V	Santa Clara
Jeri Blote	VI	San Joaquin
Shirley Buell	VI	Stanislaus
Cecilia Belmontes	VII	Madera
Jamie Dial	VII	Kings
Jamie Perry	VII	Fresno
Ann Peters	VII	Merced
John Wilborn	VII	Tulare
Chris Lombardo	IX	Orange
Brent Watson	IX	San Diego
Cynna Hinkle	X	San Bernardino
Nancy Sheets	X	Riverside
Christine Davis		CDE
Elizabeth Dearstyne		CDE
Peter Foggiato		CDE
Christina Kersey		CDE
Caryn Moore		CDE
Peggy O’Guin		CDE
Michelle Plumbtree		FCMAT

1. Announcements

- Save the Date ~ CCESA CBO conference, Sacramento: February 18-20th
- The 2015 Bid Threshold and Parental Liability Limit Annual Adjustment letters went out last week and are also posted on CDE’s website.
- CDE is progressing with Unaudited Actuals reviews for all LEAs, expressed appreciation to the COEs for prompt responses to inquiries, and hopes to complete the review of UAs for the remaining LEAs by the end of this week so that the data can be posted and disseminated. If contacted by CDE with questions regarding the remaining LEAs, prompt responses from COEs are appreciated to facilitate this process.
- On January 8, 2015, from 2:00 PM to 3:30 PM, CDE will conduct an LCAP webinar for COEs entitled, **“Transitioning to Permanent Regulations.”** COE staff involved in LCAP development and updates are encouraged to participate in the webinar.
- Several changes are occurring in CDE leadership. Some of those include two deputy superintendent openings in Branch offices, as well as changes with several Division directors. Richard Zeiger, Chief Deputy Superintendent of Public Instruction, is also retiring.

2. COE's role and responsibilities related to retirement systems and payroll taxes~

- **Multi-District Report**
- **Accumulation process across districts**

The discussion of COE procedures, role, and responsibilities related to retirement systems and payroll taxes included the following key points:

- Some COEs are filing taxes for all LEAs under one EIN, while others are using separate EINs for each LEA.
- Some COEs prepare the Employer's Quarterly Federal Tax Return forms (Form 941) for their LEAs; a few COEs require the LEAs to prepare the Form 941s.
 - If the COE is preparing the Form 941s, what steps are being taken to memorialize the level of responsibility for the COE and LEA? Are LEAs required to sign-off on Form 941s? Who is responsible for paying the cost of penalties and interest for late or inaccurate submissions?
 - One COE who prepares the Form 941s said that they prepare it early enough to send it for LEA review one week prior to submission.
 - Another COE indicated that they pay the taxes in aggregate on time, but require the LEAs to submit the Form 941s. In situations where the Form 941s were filed late, there has been no penalty because the payment was made on time. If an LEA asks the COE to prepare the Form 941, the COE will do it for an \$85 fee.
 - Other COEs indicated that the Form 941s are too complex for some LEAs (especially small LEAs) to complete. The COEs prepare and submit without LEA review.
- Some financial systems have multi-district reports that can show hours an employee works in multiple districts, which is useful for monitoring retirement system eligibility and reporting. This capability will also be useful for the new "sick leave for all" requirements of AB 1522.
 - Employers are responsible for costs, including penalties and interest, when employees make incorrect elections for retirement systems. COEs need to continue to increase the LEAs' awareness of this. One COE is attempting to do this by encouraging its LEAs in the hiring process to ask each new hire if the person has ever worked under PERS.
- The increased accessibility of data through technology is leading to increased identification of problems. General concern was voiced that COEs may need to have MOUs with LEAs to clearly delineate the respective responsibilities of the LEAs and the COE. For example, the payroll audits done by COEs are done as a "service" or a "second set of eyes;" the LEA is still ultimately responsible for the accuracy of the information. But in other situations, the COE does have responsibility.

The recent changes with CALSTRS, CALPERS, ACA, and the sick leave for substitutes provision further complicate the reporting and make defining the roles and responsibilities more critical than ever.

- COEs who have MOUs, forms, or other templates for delineating responsibilities are encouraged to share them with the ESSCO group. This will also be discussed again at the next meeting.

3. SRAF – January 15th Deadline~

- **County Auditor asking what COE is going to do about the January 15th SRAF deadline.**
- **Education Code 2575**
- If a COE has excess taxes, the amount of the excess becomes restricted and the County Auditor Controller must transfer it into a Supplemental Revenue Augmentation Fund (ECS 2575(e)). This transfer must happen in two equal installments, with the first occurring on or before January 15th and the second occurring on or before May 1st of each year. The funds will be used to offset the cost of trial courts.
- As of 2013-14 P-2, CDE believes this only applies to Placer, San Luis Obispo, San Mateo, and Santa Clara COEs. That might change at annual

4. Cash-in-lieu of Benefits – Paying a cash differential between the premium and the cap ~

- **Object codes to use**
- **Understanding the taxable event**
- The accounting for paying cash-in-lieu of benefits does not change based on whether the payment is taxable income or not: Object 34XX for H/W benefits for current employees; Object 39XX for cash-in-lieu of benefits for current employees; Object 37XX for benefits and/or cash-in-lieu of benefits for retirees.
- Triggers for “Taxable Events:” If retirees are offered “either” benefits or cash, the IRS will likely consider it constructive receipt and may deem the entire program as taxable. It was also noted that if employees are offered cash-in-lieu of benefits, it must be done through a valid Section 125 Plan that includes a provision for the cash-in-lieu option. If the appropriate language is not in the Plan, then benefits for all employees may be deemed taxable by the IRS. With new low cost plan options resulting from the Affordable Care Act, we will likely see bargaining units seeking differential payments. If such options are negotiated with bargaining units, the Section 125 Plans may need to be updated.
- Additional consideration was given to the following:
 - Is the payment of cash-in-lieu to retirees subject to statutory benefits, Work Comp in particular?
 - Should COEs be reviewing Section 125 Plans for each LEA?

5. CCESA February Conference ~ February 18-20, 2015

- Kate Lane will present “Excel Tips & Tricks” and Diane Lacombe and Jennifer Stahlheber will present “Minimum Proportionality and LCAP” at the Preconference. Josh Shultz, BASC Chair will present the “FCMAT COE Procedure Manual Updates” on Day 3.

6. CalPADS~

- **What happens if a district doesn’t meet the December 12th deadline**
- **How many districts had problems meeting the deadlines**
- See attached December 5, 2014 letter regarding “Reporting Change for Local Control Funding Formula; New Optional Funding Transfer,” as well as the CALPADS Update Flash #98
- The Fall 1 certification period was extended to December 19, 2014. The amendment window closes on February 27, 2015, after which no more changes may be made to the data, except through an audit or auditor’s letter of concurrence.
- If an LEA missed the December 19th certification date, the 2013-14 data will be used until P2. This is because the unduplicated pupil percentage (UPP) calculation is done by taking the combined unduplicated pupil counts for 2013-14 and 2014-15 and dividing that by the combined enrollment for the same years. If data for 2014-15 is 0, the calculation will simply be done with the 2013-14 data. It is noted that if 2014-15 data is available and if using it results in a higher percentage of unduplicated pupils, then CDE will substitute the 2014-15 numbers for the 2013-14 numbers, per *EC* section 42238.02(b)(5)(D)(i). If a school district did not certify 2014-15 Fall 1, but its county office transferred enrollment/unduplicated counts to the district for 2014-15, CDE is planning to pick up those transfers.
- P1 will be certified on or before February 20, 2015.
- The new Report 1.19 will provide information that may be used in negotiating the transfer of funds between LEAs and the COEs for students served in County-Operated Programs. It has been suggested that this information be presented by COE school, not by geographic location. CALPADS staff welcomes additional suggestions.
- Comments were made that CALPADS is doing a good job of disseminating information, and that COEs are reinforcing that effort by sending the “Update Flashes” with additional messages, providing listservs, etc. Even with support, some districts have struggled to meet the deadlines.
- CDE has received audit adjustments/corrections related to the unduplicated pupil percentages based on 2013-14

audit findings. Those that are submitted with an auditor's letter of concurrence and that seem reasonable will be processed as a prior year correction at P2. Some auditor errors have been noted related to auditors using a wrong starting point for their calculations; the certified enrollment and unduplicated pupil counts should be used. After P-1, CDE will reach out to those LEAs who need revised auditor letters. For future submissions, COEs can help with this process before submitting the files by checking the corrections against the P2 (or latest certified, e.g. Annual) exhibits, plugging in the adjustments, and determining whether the resulting unduplicated pupil percentages exceed 100% or are less than zero. Clarification language is being submitted for inclusion in the 2014-15 Audit Guide.

7. Update from CDE on GASB 68 from CalSTRS and CalPERS

- PERS is asking COEs to verify contribution data in 2013-14. Adjustments for service period data for cross-year reporting does **not** appear to be the reconciliation issue as it was with STRS.
- STRS is conducting on-site audits as a requirement from their own auditors.
- GASB 68 is effective in 2014-15. In October, the SACS Forum discussed assigning Object 9663 for long term pension liability in accrual-basis financial statements (statements for non-governmental funds, plus the government-wide statements). CDE is working on adding conversion entries to the government-wide reporting functionality in the SACS software to convert pension expenditures in governmental funds to pension expense. See the SACS Forum notes for additional information.
- The question was raised whether further consideration has been given to teleconferencing the SACS Forum meetings. Since those meeting primarily involve the dissemination of information, they may be well-suited to the teleconference format. It is working well for COFS.

8. Use of CALPADS UPP data for 2014-15

- Covered in #6.

9. Release of the Principal Apportionment Data Collection software, changes, and reporting timelines.

- See attached "Principal Apportionment Data Collection Handout" for a summary of updates, changes, and reporting timelines for 2014-15.

10. FCMAT Procedure Manual

- The review of all sections will require an earlier start.
- ERAF: Chris Lombardo will take lead; Diane Lacombe will assist.
- Several sections OK, but samples should be updated. FCMAT needs to be consulted regarding the format for submission of samples.
- Lynette may ask specific individuals to review certain sections; a general request for reviewers may also be requested for other sections.
- The calendars are reviewed annually.
- Michele Plumbtree has already replaced the RL references with LCFF.
- This item should continue to next agenda.

Our Next Meeting is February 2, 2015

2015 ESSCO agendas, handouts and meeting notes are at: <http://kern.org/finance/essco/>