

**California Department of Education / County Office of Education  
External Services Subcommittee (ESSCO)  
April 6, 2015 FINAL Notes**

California Department of Education  
1430 N Street Room 1101

April 6, 2015  
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		Ann Walsh	VII	Merced
Judy Thomson	I	Sonoma		John Wilborn	VII	Tulare
Adrian Barron	II	Butte		Norma Dwyer	VII	Mariposa
Debbie Towne	II	Tehama		Jamie Perry	VII	Fresno
Lori Carroll	III	Yuba		Melissa Abbey	VIII	San Luis Obispo
Laura Flores	III	Nevada		Paula Driscoll	VIII	Ventura
Sandra Fowles	III	Yolo		Priscilla Quinn	VIII	Kern
Kathy Garrison	III	Placer		Elizabeth Goff	IX	Imperial
Diane Lacombe	III	El Dorado		Chris Lombardo	IX	Orange
Rhonda Marquette	III	Yuba		Cynna Hinkle	X	San Bernardino
Deborah Messervey	III	Nevada		Nancy Sheets	X	Riverside
Jennifer Stahlheber	III	Sutter		Charles Faulkner	XI	Los Angeles
Teresa Stelzer	III	Placer		Tracy Minor	XI	LACOE
Debbie Wilkins	III	Sacramento		Julie Brucklacher		CDE
Sherry Beatty	IV	Solano		Christine Davis		CDE
Sarah Blackstone	IV	Napa		Elizabeth Dearstyne		CDE
Jenny Goodspeed	IV	Contra Costa		Peter Foggiato		CDE
Kate Lane	IV	Marin		Christina Kersey		CDE
Christine Rea	IV	Contra Costa		Caryn Moore		CDE
Karen Deller Hennessy	V	Monterey		Peggy O’Guin		CDE
Kolvira Chheng	V	Santa Clara		Masha Lutsuk		CDE
Diane Baumhover	VI	Tuolumne		Jodi Padilla		CDE
Jeri Blote	VI	San Joaquin		Blanche Katayama		CDE
Shirley Buell	VI	Stanislaus		Andrea Alvarado		FCMAT
Jamie Dial	VII	Kings		Michele Plumbtree		FCMAT

**1. BASC Update**

- Meal reimbursements for same day (non-overnight) travel. The IRS has determined that meal reimbursements for same-day travel are taxable. Some COEs are being audited; those that provide non-taxed reimbursements for same-day travel are getting findings.

## 2. Follow-Up to LCAP Discussion from March 2, 2015 ESSCO Meeting

- Local Control and Accountability Plans: The LCAP support/oversight process provided by COEs should function similar to AB 1200. It is not limited to LCAP reviews and approvals, but is ongoing effort to provide support throughout the year. This support may be demonstrated by staying in contact, providing training opportunities, providing technical assistance, etc.
- Use of Supplemental/Concentration Funding: Careful consideration should be given when reviewing LCAPs that include salary schedule increases funded with S/C dollars. Following are some considerations:
  - How the action or service is specifically supporting a goal for *unduplicated pupils*?
  - How the action or service is supplemental to what all other students are receiving?
  - Identifying the measurable outcome that will be used to gauge the effectiveness of that action or service for unduplicated pupils.
  - Having highly qualified staff should be a basic service for all students.

LCAPs must provide a plan whereby students who generate the S/C dollars will receive a corresponding proportionate share of increased or improved services. An LEA may be challenged by stakeholders and special interest groups if its LCAP does not meet this criterion; COEs may also be challenged for approving LCAPs that do not meet this criterion.

## 3. Field audit visits: What are districts are experiencing when Auditors are reviewing the LCAPs and asking for back up documentation?

- Per the Audit Guide, auditors should review the approved LCAP for actions or services the LEA described in Sections 3A and 3B of the plan and that the LEA identified as having actual expenditures. The auditors should then sample some of those expenditures and examine supporting documentation to see if the expenditures were made consistent to the action or services.
- One COE reported that, instead of identifying and sampling expenditures, a district's auditor began by asking the district where LCAP expenditures could be found in its General Ledger. This approach seems inconsistent with the Audit Guide requirements and with the unrestricted nature of the LCFF funding.
- The group provided the following suggestions:
  - Provide auditors with a copy of the LCFF/LCAP regulations.
  - Provide auditor training.
  - Ask auditors to contact CDE's Audit Resolution staff.

## 4. "Excess Reserves" (SB 858 - Justification for Reserves Above the Recommended Minimum)

Education Code section 42127(a)(2)(B) states that:

*Commencing with budgets adopted for the 2015–16 fiscal year, the governing board of a school district that proposes to adopt a budget, or revise a budget pursuant to subdivision (e), that includes a combined assigned and unassigned ending fund balance in excess of the minimum recommended reserve for economic uncertainties adopted by the state board pursuant to subdivision (a) of Section 33128, shall, at the public hearing held pursuant to paragraph (1), provide all of the following for public review and discussion:*

(i) *The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

(ii) *The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.*

(iii) *A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties for each fiscal year that the school district identifies an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties, as identified pursuant to clause (ii).*

The following questions relate to EC 42127(a)(2)(B):

- Are COEs providing a template form for districts to use for determining and disclosing reserves above the recommended minimum?  
*Answer:* Yes. It was noted that templates need to be flexible to meet each district's unique needs.
- Do COEs agree that the provision of EC 42127(a)(2)(B) applies only to Funds 01 and 17 because of its basis in the Criteria & Standards? *Answer:* Yes, based on our current understanding.
- Do we agree that the excess reserve provision only applies to the Adopted budget -- not the MYPs, interims, or estimated actuals? *Answer:* Yes, based on our current understanding.
- Can a template be included in the SACS2015 software? This would be helpful, since determining and disclosing excess reserves is a condition of COE budget approval. Including the form in the software would help ensure that districts complete it and do the necessary disclosure at the public hearing. If districts do not do the disclosure, the budget cannot be approved by the COE; the district will need to have another public hearing and re-adopt the budget.

*Answer:* CDE recognizes the need and has given serious consideration to including a form, but has decided not to include it in the SACS2015 software at this time due to the uncertainty associated with interpretation of this statute, for example, the ambiguity surrounding which funds to include. CDE notes that there are efforts underway to repeal or modify the excess reserves requirement. If those fail, perhaps the statute will at least be clarified enough to enable CDE to include a form into the software in the future.

In response to a suggestion at the meeting, CDE will consider adding to the Budget Certification page in the SACS2015 software a checkbox certifying that a district has complied with the excess reserve disclosure requirements.

The group noted that while the reserve cap requirement may be eliminated, the transparency requirement will probably remain. The additional checkbox on the Certification form would be very helpful for 2015-16 budgets, as would the disclosure form in the future.

- Would Fund 14 be included in the excess reserves calculation? *Answer:* Probably not, because any revenue in Fund 14 should be committed and therefore any fund balance should be excluded from the calculation.
- Are COEs seeing districts commit funds for expenses like STRS? *Answer:* No, but it is worth considering.

The following suggestions were also offered:

- Instead of referring to "excess reserves," consider using the term, "reserves above the minimum." Reserves above the minimum are not "excess"; that term is antithetical to the discussion.

- Encourage districts to revisit their Board policies regarding reserves.

**5. If an LEA has created its own unrestricted resource (0xxx) to track supplemental and concentration grant expenditures, what object should the LEA use to post the revenue moving from resource 0000 to resource 0xxx? Would it be object 898x or 8091?**

- Object 8980 should be used, as noted in CSAM:

*Contributions from Unrestricted Revenues. Record the amount of money that must be contributed from unrestricted resources in the general fund when the expenditures incurred for a given restricted resource exceed the amount available for expenditure. This account may also apply to contributions of unrestricted resources to other unrestricted resources. Also record in this account the LEA's contribution of matching funds (the cash match) if required by a special project. A contribution is recorded by debiting Object 8980 in Resource 0000, Unrestricted, and by crediting Object 8980 in the resource receiving the contribution. This account must net to zero at the fund level.*

- Question from group: How many LEAs are using resource codes?
  - Some are using resource codes; others using goal/function, cost centers, etc.
  - It was noted that while there are benefits for tracking expenditures and mapping to LCAP goals, careful consideration should be given before creating new Subsidiary Ledgers.

**6. When will CSAM be updated with the LCFF changes? Will 8011 and 8019 remain but with different labeling, for example, 8011 "LCFF State Aid-Current year?"**

- Updating CSAM is a top priority and CDE hopes to have a new version out later this year or in 2016. The account titles are correct on the fund forms in the SACS software; those titles will be used in the updated version.
- There are many changes needed in addition to account titles, such as content related to LCFF vs. Revenue Limits and obsolete categorical programs such as the former Deferred Maintenance Program.

**7. Follow up on the calculation for Advance Apportionment – Anything new?**

- The usual factors will be updated, such as COLA, LCFF Gap, ERT, EPA.
- CDE will not be adjusting the Advance Apportionment for the "Triple Flip."

**8. 2015-16 CalPADS Timelines**

- For 2014-15, CALPADS Fall 1 data was certified on December 19, 2014, the First (P-1) Apportionment was certified on February 20, 2015, and the CALPADS Fall 1 Amendment window closed on February 27, 2015.

A "private preview" of the CALPADS data (enrollment, unduplicated count, etc.) was provided to LEAs who certified by December 19<sup>th</sup>. Between February 20<sup>th</sup> and February 27<sup>th</sup>, LEAs with access to the private preview were able to compare their CALPADS data to the certified P-1 Apportionment, which could have helped identify problems with CALPADS reporting in time for corrections to be made during the Amendment window. Corrections made during the Amendment window would be included in the P-2 Apportionment. Any corrections identified after the Amendment window closed would need to be done through the audit process.

For 2015-16, CALPADS staff is interested in closing the Amendment window before February 20, 2016.

- Questions for group: Did COEs/LEAs use the private preview or rely on the re-certified data after the Amendment window closed? Is there a problem with closing the Amendment window earlier?
  - *Answers:* Some used the private preview, others did not. The consensus was that COEs would like to continue to have the opportunity to see the P-1 data in private preview before the Fall 1 Amendment window closes.
- The CALPADS Flash #100 (February 4, 2015) informed LEAs that access instructions for the private preview were sent to Superintendents and Charter School Administrators. LEAs are encouraged to monitor the CALPADS Flash reports for this type of information and follow-up within their organizations to make sure that the access information gets to the individuals who should do the data review.

## 9. Reminders:

- Class Size Penalties

Some LEAs are still surprised that there are class size penalties are still in effect. Can CDE do something to help with getting the word out?

- A suggestion was made that CDE provide a calculator to help determine the class size penalties. CDE is working on development of a calculator.
  - One COE requires districts to include class size information in the budget assumptions, which helps maintain awareness.
  - The SBE is still approving waivers, but there are new guidelines that have to be addressed.
- Necessary Small School Certification
    - CDE will be sending a letter out within the next month regarding an earlier certification date for NSS, due to the need for more time to validate the data.
    - Schools eligible for NSS must be recertified each year.
    - NSS can be funded on current or prior year eligibility, but the software does not allow for that. Enter the information into the system as current year, but note it.
    - Question from the group: Can mileage be rounded up? *Answer:* CDE is going to have to look at rounding.
    - Question from the group: If a NSS operated in one year and closed the next, can the district still receive the funding for the school in the second year, since the prior year was greater? *Answer:* No, the school must be operating for the district to receive funding.
    - If reopening a NSS that is not on the list, contact Shawna Shepley (916-322-4664) or Masha Lutsuk (916-323-3282) to ensure that funds will be apportioned.

## 10. FCMAT Calculator

- The Minimum Proportionality Percentage (MPP) section contains a new maximum potential MPP for the given calculated year (noted “1” on the attached “LCFF Calculator New Graphs, Alt MPP” attachment). This helps agencies recognize that the MPP calculation is not a maintenance of effort (MOE). ESSCO feedback indicated an additional hypothetical MPP calculation, the MPP given full LCFF implementation for the given calculated year, would also be useful for oversight purposes. This addition will be included in a minor update to correct the “Floor less add-ons” line of the “Ratio Allocation of Phase-in Funding” chart on the “Graphs” tab. It will be included on the Graphs tab and the maximum potential MPP for a given calculated year will

also be moved off of the MPP tab.

- The new “Supplemental and Concentration Phase-In” and “Change in Allocated Supplemental & Concentration Funding” graphs provide a quick comparison of new funding allocated to supplemental and concentration grant funding compared to a proportional allocation. The pink area showing in the Supplemental and Concentration Phase-In graph indicates that more new funding is allocated to supplemental and concentration grants, and less to the adjusted base funding, than the proportional increase in new funding. This situation may result from agencies under-recognizing services above the base program for unduplicated pupil count students and may cause an agency to struggle to fund other uncontrollable increasing costs outside of the LCAP.

#### **11. Analysis of new “county transfer” accounting per CDE’s June 26, 2014 guidance, as it relates to NCLB MOE**

- CDE is working on the official 2013-14 calculation of NCLB MOE comparing 2013-14 expenditures to 2012-13 expenditures. Because the preliminary MOE calculation contained in the 2013-14 SACS software (Form NCMOE) reflected the accounting changes relating to district-funded, county-served ADA under LCFF (as directed in CDE’s June 2014 guidance), but did not reflect the corresponding shift of ADA, CDE is ensuring that its official calculation does reflect the shift of ADA, to ensure that the calculation is “apples to apples” and does not harm any LEA by giving a “false pass” this year that might lead to a “false fail” next year.
- As part of this effort, CDE provided a spreadsheet comparing increases in COE Object 8710 (Tuition) to increases in districts’ Object 7142 (Other Tuition, Excess Costs, and/or Deficit Payments to County Offices), countywide. (See attached “COE-Operated Program Fund Transfer Accounting.”)

Hypothetically, the countywide increases in Object 7142 for districts should match the increases in Object 8710 for COEs. However, the analysis showed unexpected anomalies. CDE identified three possible reasons for the variances, but asked the group if there may be others. The three identified reasons were:

- Not all districts within a county implemented CDE’s June 26, 2014 guidance in 2013-14.
- Some districts’ students may be served by a COE in a different county, so some districts’ Object 7142 increases correlate to a neighboring COE’s Object 8710 increase.
- LEAs made corrections to accounting that was not right before.
- The group offered the following additional possible reasons:
  - Some districts incorrectly continue to want to use the Object 5000s.
  - Some districts may be using Object 7122 rather than Object 7142.
- CDE’s behind-the-scenes calculations will make sure that the expenditures and ADA are being considered together, so that the per-pupil expenditure for education amount is accurate.

#### **12. 2015 SACS software**

- The 2015 SACS software will be released around May 1, 2015.
- Beta testers are needed; the information should be sent out this week. Please encourage COE and district staff to volunteer to assist with this by contacting [sacsinfo@cde.ca.gov](mailto:sacsinfo@cde.ca.gov).

## ROUND TABLE DISCUSSIONS:

- How are COEs helping districts with AB 1522 sick leave for part timers, subs, variable employees effective 7-1-15?
  - One COE is preparing a document describing what is and isn't known. Some of the information includes: 1) describing the population to serve; (2) providing instructions about how to use financial system to generate the needed information; (3) informing them of bills that could amend the requirements, and more.
  - Another COE is gathering questions and having conversations in preparation for an upcoming joint HR/Finance/Legal meeting during which they will try to answer myriad of questions.
  - Another COE indicated that its districts may just give employees the time so they do not have to track it.
  - Districts need to be reminded that determining hours for people getting stipends will be problematic. What is a "day?" "Average Earnings" are not reportable to a retirement system because they are not on a publicly available salary schedule.
  - AB 304 introduces some new language that affects education.
- Have any districts received a finding on excess sick leave from CalSTRS audits?
  - If earning more than one day of sick leave per month, the excess has to be tracked separately and used last. As an employee goes from one agency to the other, the breakdown of transferred normal sick leave vs. transferred excess sick leave should be reported. One COE has had a district receive this type of finding.
  - If there is a form to transfer sick leave, including excess, from one agency to the other, it would be good to share.

### **Our Next Meeting is May 4, 2015**

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