

**California Department of Education / County Office of Education  
External Services Subcommittee (ESSCO)  
JUNE 1, 2015 FINAL NOTES**

**California Department of Education  
1430 N Street Room 1101**

**June 1, 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**

Meg Kailikole	I	Mendocino	Jamie Perry	VII	Fresno
Lynette Kerr	I	Humboldt	Ann Walsh	VII	Merced
Judy Thomson	I	Sonoma	John Wilborn	VII	Tulare
Adrian Barron	II	Butte	Paula Driscoll	VIII	Ventura
Debbie Towne	II	Tehama	Priscilla Quinn	VIII	Kern
Lori Carroll	III	Yuba	Elizabeth Goff	IX	Imperial
Laura Flores	III	Nevada	Chris Lombardo	IX	Orange
Sandra Fowles	III	Yolo	Brent Watson	IX	San Diego
Diane Lacombe	III	El Dorado	Cynna Hinkle	X	San Bernardino
Rhonda Marquette	III	Yuba	Charles Faulkner	XI	Los Angeles
Teresa Stelzer	III	Placer	Tracy Minor	XI	Los Angeles
Debbie Wilkins	III	Sacramento	Christine Davis		CDE
Priscilla Aquino-Dichoso	IV	San Mateo	Elizabeth Dearstyne		CDE
Diana Lopez	IV	Solano	Peter Foggiato		CDE
Jenny Goodspeed	IV	Contra Costa	Blanche Katayama		CDE
Kate Lane	IV	Marin	Caryn Moore		CDE
Christine Rea	IV	Contra Costa	Myra Okasaki		CDE
Kolvira Chheng	V	Santa Clara	Lupe Cruz-Tiscareno		CDE
Rosa Zamudio	V	Monterey	Steve Orcino		CDE
Jeri Blote	VI	San Joaquin	Justin Lane		CDE
Shirley Buell	VI	Stanislaus	Joel Ryan		CDE
Cecilia Belmontes	VII	Madera	Michelle Plumbtree		FCMAT
Jamie Dial	VII	Kings			

## 1. Announcements:

- BASC Update:
  - BASC discussed the May Revision in relation to LEA LCAPS and budgets, and also asked for input from ESSCO. Because the May ESSCO meeting was held before the May Revision was released, there was no discussion to report.
  - Suggest calendar change for May 2016 so that ESSCO meeting is after the release of the May Revision. The group agreed that this made sense. The draft calendar for 2016 is as follows:

### 2016 Meeting Dates – Draft

- |                      |                              |
|----------------------|------------------------------|
| • <b>January 11*</b> | • July ( <i>No Meeting</i> ) |
| • February 1         | • August 1                   |
| • March 7            | • September 12               |
| • April 4            | • October 3                  |
| • <b>May 16**</b>    | • November 7                 |
| • June 6             | • December 5                 |

*\* Meet after Governor's Proposed Budget becomes available and before the January 15<sup>th</sup> BASC Meeting*

*\*\*Meet after May Revision becomes available and before the May 20<sup>th</sup> BASC Meeting*

- BASC also discussed the Common Message, which was released on May 22, 2015.

## 2. Discussion on Feedback Survey sent out to Assessment, ESSCO, and COFS representatives on the ability to submit school site attendance for grades 1-8 to CDE for Adequate Yearly Progress.

- CDE sent an email last week to ESSCO and COFS, among others, asking for feedback regarding the methodology to be used for collecting 2014-15 attendance data for LEAs that will be used as the additional indicator for the Adequately Yearly Progress (AYP) determinations. (See attached letter.)
- Several COEs had shared the information with LEAs and had the following comments:
  - LEAs should be able to report using Option 1 or 2, and some may want to use different options for different school sites. For example, Option 2, which uses P-2 ADA by school site divided by the Fall Census day enrollment to determine the ADA ratio, might work best for most schools. However, Option 1, which calculates the ADA ratio using the total number of days attended per student by the total number of days enrolled, may work best for alternative program schools, such as Community Day School or Migrant which increase enrollment through the year.
  - Although CDE only needs the information for grades 2-8, it is probably easiest to ask LEAs to report grades TK-8. Doing so will avoid potential reporting challenges associated with grade spans or combination classes.
- CDE will need the data by mid-July, so the information request needs to go out as soon as possible, especially since district staff will be leaving on summer breaks soon.
- This data collection will hopefully only be needed this year.
- Questions from the group:
  - What ADA is needed? *Answer:* AYP applies to all public schools. Alternative program school attendance and special education should be included. Non-Public School attendance is excluded. CDE hopes to have FAQs posted to address the specific questions.
  - Will COEs be certifying this information prior to submission? *Answer:* No. The ADA information will be reported directly by the LEAs to the CDE.

- o Will this information be used for Williams compliance? *Answer:* No.
- o What if a district does not participate? *Answer:* As stated in the letter, the district will fail AYP and may be identified or advance in Program Improvement (PI). However, if a district does submit the information, it may help the district exit from PI.
- o Will COEs get letter? *Answer:* Yes. It will go to all superintendents. The group suggested that it also go out to ESSCO.
- o What is going to drive the next Williams ranking (Deciles 1, 2, 3...)? *Answer:* This has not been determined yet. CDE will also be working on the open enrollment list.

### 3. FCMAT Manual

- The FCMAT County Office Procedure Manual update process starts in March and continues through October, so that it is completed in time for the CBO Symposium in November. More specifically, the ESSCO work needs to be completed by the end of August so that it can go to FCMAT who prepares it for BASC review.
- We are updating 13 sections/procedures this year. The update process for many of them is simple – primarily reading through and double-checking code references and reasonableness. There is no need to review for grammar – FCMAT will be handling that aspect when it is submitted to them in the next stage.
- We have leads for all sections, but could use additional reviewers (up to 4 reviewers per procedure is preferred). A sign-up sheet was circulated and will be posted at <http://kern.org/finance/essco/>. This will help us track progress. ESSCO members are encouraged to sign-up, as this is a good way to be involved and also to learn or refresh your knowledge of key technical areas.
- Let Kate Lane know when sections are finished.

### 4. Principal Apportionment Updates

- Announcements: Lupe Cruz Tiscareno is new Manager, Office of Principal Apportionment and Special Education.
- P-2 Deferral: Although the Principal Apportionment website still shows the \$897.2 million June P-2 Deferral, based on conversations with the Department of Finance, CDE anticipates paying the full P-2 apportionment in June 2015. The website will be updated when CDE receives the official letter from the Department of Finance. **UPDATE: The deferral has been cancelled and the CDE website is updated at <http://www.cde.ca.gov/fg/aa/pa/papayschedule.asp>.**
- P-2 should be certified June 25<sup>th</sup>.
- P-2 Data Submittals: CDE provided a handout describing common reporting concerns associated with Principal Apportionment data collection. See handout entitled, “Principal Apportionment Data Collection Software 2014-15 P-2 Data Observations.”

CDE will be updating sections of the manual to help clarify reporting requirements, and also encourages COEs to help watch for these types of errors when reviewing the LEA data prior to submission.

- Charter Schools
  - o Funding Determinations:
    - ❖ The procedures for getting Funding Determinations in 2014-15 are described in this letter: <http://www.cde.ca.gov/sp/cs/as/201415ncbfdletter.asp>. As discussed in the letter, there are funding consequences for charter schools that do not have an SBE-approved Funding Determination for nonclassroom-based instruction.
    - ❖ In 2014-15, there was a change in the process by which a Funding Determination is heard by SBE if a charter school did not meet the Funding Determination deadlines. A continuing charter school must request a funding determination that is prospective, and a charter school that misses the deadline must

obtain a waiver from the SBE before the Funding Determination will be approved by the SBE.

Although CDE funded nonclassroom-based ADA at the 2014-15 P-1 apportionment for charter schools whose Funding Determinations were expiring and who had not submitted the application or a waiver, this will not be the case for 2014-15 P-2. The CDE will not fund nonclassroom-based ADA for a handful of charter schools that will not have a 2014-15 Funding Determination approved by the July 2015 SBE meeting.

- ❖ For 2015-16, a charter school that does not have an approved Funding Determination must have an approved waiver and a Funding Determination scheduled to be heard at the next Advisory Commission on Charter Schools and SBE meetings in order for CDE to fund nonclassroom-based ADA for the 2015-16 P-1 or P-2 apportionments.
- ❖ CDE's School Fiscal Services and Charter Schools Divisions are considering additional ways to share this information in the field, as the fiscal impacts are significant.
- ❖ One COE noted that it is trying to support its charters by tracking the Funding Determination schedules and providing reminders as needed.
- Freezing In-Lieu Taxes at Annual: Starting with the 2013-14 Annual R-1 apportionment (certified at 2014-15 P-2), CDE will no longer freeze in-lieu taxes at "annual." In the past, this amount had been frozen for all LEAs, except basic aid districts. However, with LCFF, there are too many dependencies to continue this practice. These amounts will now be adjusted through all of the recertifications.
- Additional questions from the group:
  - Is "rounding-up" allowed when considering the mileage criteria for NSS? *Answer:* This answer will be incorporated into a letter that CDE is preparing.
  - Will there be another SACS Forum? *Answer:* Hopefully in the fall.

##### **5. GASB 68 and STRS On-Behalf Payments: Continued discussion**

- This is a follow-up from the May 4, 2015 ESSCO meeting. As noted, GAAP has long required employers to book the state's on-behalf contribution to STRS for an LEA's teachers, but longstanding practice is that most LEAs in California have not done that. In some cases, the districts' auditors do it for them. Aside from the departure from GAAP, this hasn't had serious implications before now, but conversion entries relating to the new pension reporting requirements of GASB 68 rely on the LEA having booked the on-behalf contribution.
- LEA should recognize the state's on-behalf payment as a credit to state revenue and as debits to the STRS pension contribution by fund, goal and function.
- CDE has discussed helping LEAs with this reporting via the SACSALL software or a separate spreadsheet application. Due to time constraints, it will not be in the Unaudited Actuals software for 2014-15. CDE still may be able to provide a spreadsheet application. In the meantime, there are two additional things that need to happen:
  - CDE will be providing a defined, state restricted resource for this in SACS. The resource number has not been determined yet.
  - There is a CDE memo from 1996 that says LEAs do not have to recognize the STRS on-behalf payments. This memorandum needs to go away.
- For now, LEAs may want to continue with past practice and let the auditors propose adjusting entries if they choose. CDE does plan to send out guidance about this.
- Question from the group: How will this affect the "minimum classroom compensation" requirement of EC 41372, as calculated on SACS Form CEA? *Answer:* CDE anticipates that it will help districts meet the minimum classroom compensation percentages. But, it will also increase a district's minimum reserve amount by increasing the district's expenditures, transfers out, and other uses.

## 6. SACS Software updates

- ADA used in criteria 1, 2, and 3 includes ADA relating to any financial data reported in the district's General Fund, plus any charter school ADA corresponding to financial data reported in the district's Charter Schools Special Revenue Fund (Fund 09) and Charter Schools Enterprise Fund (Fund 62). Some LEAs prefer not to use ADA corresponding to financial data reported in Fund 09 or Fund 62.

CDE issued an optional fix to allow districts to overwrite the preloaded ADA data. There is now flexibility. However, COEs may now have less confidence in the accuracy of the data, since districts can overwrite it.

The fix is optional. But if even one district in a county wants to use this flexibility and installs the optional .vts file, the COE that processes the district's data will also have to install the .vts file.

- CDE also noted that if you think you see something wrong in the software, please let CDE know immediately. They have staff to support the software and appreciate early notification of concerns.

## 7. MAY Revision – LCAPS

- The following LCAP scenarios and questions relate to the increased gap funding percentage provided in the May Revision and were submitted for ESSCO discussion:
  - o A COE has no statutory authority to require an LCAP revision. Regulations do require districts to estimate their Supplemental and Concentration grant amounts and minimum proportionality percentage for the fiscal year for which the LCAP is adopted using "the most recent [gap closure] percentage calculated by the Department of Finance." (5 CCR 15496(a).) Does the COE approve, conditionally approve, or disapprove a district's budget if the district did not include the May Revise new GAP percentage?
  - o What is each COE advising for text in box 3a and 3b since the amount/percentage will be a lot different than what is in the district LCAPs?
  - o Statute does provide for revisions to a district's LCAP but there is no current statute that requires a revision under specific circumstances or at a certain time. Depending upon the local needs, COEs could encourage districts to re-engage their stakeholders by re-opening discussions around the use of the increased supplemental and concentration dollars resulting from the increased gap percentage either before or after adoption of the LCAP, but again, post-adoption engagement tied to a revision is not required. Any revision to an LCAP requires the district to follow the same process it followed when adopting the LCAP. (Ed. Code Section 52062(c).)
- A lengthy discussion ensued regarding (1) the original intent of law as it relates to local control; (2) the timing challenges associated with coordinating a district's budget and LCAP development cycles (stakeholder input, public hearings, and adoption) with the State's budget development cycle (e.g., Governor's budget, May Revision, and Adopted Budget); and (3) possible approaches to assisting LEAs maintain transparency while meeting statutory requirements and ultimately receiving LCAP and budget approvals from the COE.

## 8. AB1522 Sick Leave

- Instead of trying to track the 30-hour and 90-day sick leave requirements for SB 1522 employees, at least two COEs have decided to give the employees sick time as it is accrued and let them use it immediately. The amounts of accrued time will be on their pay stubs. Based a fiscal analysis, the cost of handling it this way was substantially less than the administrative burden of trying to track it. (See handout to be provided by Kings COE, which provides some questions and discussion points.)

## 9. MYP Budgeting for upcoming reductions in EPA

- While this may be an issue for basic aid districts, for most districts the reduction in EPA will be backfilled with state aid. There is also an assumption that the DOF's fiscal projections are considering the potential budgetary effects from the future reduction in EPA. So, this is not likely to be a significant concern to consider separately when preparing or reviewing a district's multiyear projections.

**10. We are experiencing issues with DTS (Data Tracking System) giving our districts advice that DTS's LCAP program is sufficient to meet the state requirements & it has been going back & forth between the SBE & CDE on different things. Now they are indicating that the word "other" can be used for funding sources in the LCAP when the regulations require more specific description. They indicated to our districts that other county offices are accepting the "other" funding source as acceptable. We would like clarification on what other counties are doing & if CDE/SBE feel this is acceptable.**

- "Other" is on a drop down menu in the software. While some COEs do not accept "other" as a funding source on the LCAP, others COEs do. Among the reasons for accepting it are that 1) there is no requirement to specifically account in the LCAP for any source other than LCFF dollars; and 2) districts that want to include every dollar in their LCAP may want to use "other" to account for some miscellaneous local funding sources.

**11. How many districts are expecting more deficiencies relating to the EC 41372 minimum classroom compensation requirement calculated on Form CEA, and are concerned about the ramifications of granting waivers?**

- Some COEs report that LEAs with high percentages of unduplicated pupils and the corresponding increasing Supplemental and Concentration dollars are having difficulty meeting the required percentages. Many districts are also buying technology, which adversely affects the calculation. The RRMA is also included and will adversely affect the calculation.
- A legislative solution is needed. But if that does not happen, consideration needs to be given to allowing other exclusions, such as expenditures in Object 4400.

#### **ROUND TABLE DISCUSSIONS:**

- **Fall Conference – Friday October 16 –North – Yolo; Monday, October 19 – South – San Bernardino**
  - o AB 1200/LCAP tie-in? Maybe talk about contingency planning? Stakeholder meetings about contingencies?
  - o LCAP discussion regarding metrics, rubric, and other factors not normally part of the finance area?
  - o Basics of AB 1200? With all of the new staff, it is likely time to have a refresher, updated to include LCFF.

#### **Our Next Meeting is August 3, 2015**

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