

**California Department of Education / County Office of Education
External Services Subcommittee (ESSCO)**

NOTES

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

**February 6, 2017
10:00 a.m.**

Co-Chair: Chris Lombardo, Region IX – Orange CDE

Co-Chair: Christine Davis, California Department of Education

Vice-Chair: Kate Lane, Region IV – Marin COE

Lynette Kerr	I	Humboldt	Cecilia Belmontes	VII	Merced
Meg Kailikole	I	Mendocino	John Wilborn	VII	Tulare
Shelley Stiles	I	Sonoma	Melissa Abbey	VIII	San Luis Obispo
Jessica Tegerstrand	II	Shasta	Cynthia Bridges	VIII	Ventura
Debbie Towne	II	Tehama	Norma Fajardo	IX	Imperial
Roslynn Manansala-Smith	III	El Dorado	Chris Lombardo	IX	Orange
Rebecca Schaefer	III	Nevada	Brent Watson	IX	San Diego
Kathy Garrison	III	Placer	James Whittington	X	Riverside
Teresa Stelzer	III	Placer	Reyna Philp	X	Riverside
Debbie Wilkins	III	Sacramento	Thomas Cassida	X	San Bernardino
Jennifer Stahlheber	III	Sutter	Keith Crafton	XI	Los Angeles
Sandra Fowles	III	Yolo	Peter Foggiato		CDE
Lori Carroll	III	Yuba	Elizabeth Dearstynne		CDE
Rhonda Marquette	III	Yuba	Christine Davis		CDE
Chris Raymundo	IV	Contra Costa	Caryn Moore		CDE
Kate Lane	IV	Marin	Carolyn Nealon		CDE
Sarah Blackstone	IV	Napa	Dee Salerno		CDE
Priscilla Aquino-Dichoso	IV	San Mateo	Derrick Moore		CDE
Sherry Beatty	IV	Solano	John Miles		CDE
Karen Deller Hennessy	V	Monterey	Shawna Shepley		CDE
Judy Kershaw	V	Santa Clara	Thi Huynh		CDE
Jeri Blote	VI	San Joaquin	Leslie Sharp		CDE
Julie Betschart	VI	Stanislaus	Janet Finley		CDE
Darlene Hodge	VI	Tuolumne	Victoria Plum		CDE
Jamie Perry	VII	Fresno	Michelle Giacomini		CDE

1. Announcements

a. Introductions

b. ESSCO Subcommittees

A handout listing ESSCO's subcommittees was provided. Tom Cassida, San Bernardino, volunteered to be the new chair of the Accounting subcommittee. The group also confirmed that the Apportionment and Accounting subcommittees should be combined. Members were encouraged to join a subcommittee. *An updated subcommittee listing is attached to these notes.*

c. The CCSESA CBO Conference will be held February 22nd through February 24th. Last day to register is February 8th. The agenda has been published. It was noted the CISC (CCSESA Curriculum and Instruction Subcommittee) conference is held at the same time and business staff are now going to the CISC conference to support LCAP work.

d. SACS Forum: February 7, 2017. The forum will be available by webinar for the first time. Agenda items include:

- Change to the GANN form in the SACS software to remove in-lieu property taxes
- Accounting updates
 - CalSTRS On-behalf rate information
 - Update on the Indirect Cost Rate Plan
 - Unaudited Actuals review observations
 - Requirements for Ongoing and Major Maintenance Account
 - Career Technical Incentive Grant pass-through accounting
 - Discussion of the ESSA school-level per-pupil expenditure reporting requirement
Final regulations were issued last fall, and in January, the U.S. Department of Education (ED) released non-regulatory guidance (<https://www2.ed.gov/policy/elsec/leg/essa/index.html>). CDE will be asking for feedback about what school-level reporting districts are currently doing. It has been noted that the bi-annual Civil Rights Data Collection already requires some school-level expenditure reporting. There are a few approaches that could be taken to calculate school-level per-pupil expenditures, for example allocating all districtwide costs to the site level, or solely direct instruction and instructional support costs.

2. BASC Report

There have been two BASC meetings since our last ESSCO meeting in January. Governor Brown released his 2017-18 budget proposal on January 10th. DOF presented on the budget proposal and how Prop 98 funds are being counted across the three years in play. LCFF will be held at same funded level (approximately 96% of Target) in 2017-18. With respect to Special Education there is no specific proposal in the budget proposal, however, the Administration will be holding stakeholder engagement sessions in the Spring. The Administration wants to make changes to the construction program before releasing any funds from Prop 51 by adding compliance steps to the audit guide.

FCMAT shared that there were 28 qualified districts at 2016-17 First Interim, which is up from 14 at Second Interim 2015-16 and 4 negative districts up from 2. We are in a period of cost-containment moving forward.

CalPERS lowered the discount rate to 7% which will increase contribution rates beginning in the 2018-19 school year. CalSTRS also took action last week to lower the discount rate. CALPERS has another opportunity to revise the discount rate as they weren't required to review the rate until February 2018. CalSTRS is also on a four year review cycle and having revised the rate a year late also have another opportunity to review the rate again in the next three years. When the systems were created decades ago there were three workers for each annuitant – today it is closer to one worker for each annuitant.

The State Board of Education has re-named the evaluation rubrics as the California School Dashboard. Private preview data of the dashboard is available to the Accountability Coordinators at each district and County Office. The data is embargoed in the same manner as the CALPADs private preview.

US Department of Education has withdrawn the proposed supplement not supplant regulations. Although it is uncertain how the new Administration will move ESSA forward, CDE is proceeding as if the ESSA regulations will go through as are and that we'll need to develop means of school level accounting in time for the 2018-19 school year.

Phishing scams are increasingly targeting school districts. The IRS released numerous warnings about this year's scams and School Services published an article in the Fiscal Report providing links to the IRS warnings and reporting mechanisms.

The Common message is scheduled to be finalized February 15th and will discuss continued volatility and risk. The Common Message will include a sample resolution committing to budget cuts; a spreadsheet for PERS/STRS analysis and a recommendation for 5 year multi-year projections rather than the 3 year projections we currently perform.

DHCS – Local Education Consortiums will be playing a larger role in the MediCal Billing option program.

3. 2017-18 January Budget

There is some confusion about the gap funding rate: the new gap rate funds the COLA but doesn't close the overall gap – keeps LCFF at 96% funded state-wide.

Finance has released the Trailer bill for the Governor's Budget. The bill includes a number of items CDE has proposed including clean-up of language about negotiating Charter In-lieu property taxes at County charters.

4. Principal Apportionment Updates

P-1 will be certified February 17th. CDE may not have all supplemental data published until the following week. Unduplicated pupil percentage exhibit has been updated, the Infant exhibit has been updated with clarifying instructions; and a new funding exhibit for the mental health cost pool has been added. The P-1 letter will include information on how to calculate the proposed P-2 deferral.

5. ESSCO Accounting Subcommittee Update

There have been ongoing discussions regarding Form CEA and proposing changes to conform to the new funding environment. The subcommittee is researching the codes to better understand codes, regulations or other calculations that rely on or are driven by the CEA.

6. ESSA: Title 1, Part A Mandatory Set-aside for School Improvement for 2017-18

Leslie Sharp from CDE provided information about the changes forthcoming in federal funding for the Titles. Title I allocations will be reduced by a new 7% state-level set-aside for school improvement to the districts. Based on a memo from the US Census Bureau recommending caution to take back either 5%, 10% or 15% PLUS assume state will also do set-aside of 7% so could take up to a 22% cut in funding in 2017-18. The census spreadsheets were sent out to the CARS list-serve. You can email the CARS group directly to get the email that was sent out with the census data.

Title II has a hold harmless that will be taken away. The funds will then be redistributed. Districts should be cautioned there could be large swings in funding for 2017-18.

This is an extraordinary period where we don't have a national appropriation for Title I. The continuing resolution ends April 28th. The funding reductions as well as other items of importance to the federal Every Student Succeeds Act (ESSA) are discussed in ESSA Update #6

<http://www.cde.ca.gov/re/es/letter18jan17.asp>

7. College Readiness Block Grant Update

An update on districts still needing to submit reports. The program office indicated that the ESSCO message helped and in response had a lot of calls/e-mails. However, as of the end of January,

approximately 180 reports were still missing/invalid. We suspect the majority of missing reports are due to incorrect CDS codes inputted. The College Preparation and Postsecondary Program Office is still taking late submissions, they can be contacted at 916-323-6398, or crbg@cde.ca.gov. A list of LEAs with outstanding reports was e-mailed to the ESSCO group on February 7.

8. Proposition 39 Final Applications

August 1, 2017 - Last date by which a district can submit an Energy Expenditure Plan.

June 30, 2018 – LEA’s final encumbrance date.

June 30, 2020 – final date by which all projects must be completed

June 30, 2021 – Final date by which final reports must be submitted

Fund must be encumbered by June 30, 2018, and the last date to submit energy expenditure plans (EEP) to the Energy Commission is August 1, 2017. LEAs are encouraged to build EEPs around estimates to include 2017-18 awards in order to meet the deadline. There will be opportunities to amend the EEPs to adjust for actual awards when known. 2017-18 awards will not be available until fall of 2017.

As of Jan 9, 2017, out of 2000 plus eligible LEAs only half have applied for and received funds.

In February there will be a new certification in the EEP application – see sole source and energy guide information on Energy website.

<http://www.energy.ca.gov/efficiency/proposition39/index.html>

9. LCFF Pupil Count Audit Findings

Audit adjustments to the pupil enrollment and/or unduplicated pupil enrollment counts should be submitted through the Principal Apportionment and Data Collection software. The certified file is due to CDE with prior year corrections on or before March 1, 2017.

10. Indirect Cost Rates:

A question was raised regarding the status of CDE’s indirect cost plan negotiations with ED and the issue of ‘heads of components’ costs that should not be included in the indirect cost pool. Specifically, what level of general administrative staff should be included in the pool? CDE has not yet started negotiations with ED, but will in the coming weeks. Note that the definition of Function 7150, Superintendent, in the *California School Accounting Manual* includes activities performed by the superintendent and assistant superintendents, and are already excluded from the indirect cost pool. However, it is possible that other leadership positions currently coded to Function 7200, and included in the indirect cost pool, may fall under the definition of ‘heads of components,’ and may need to be excluded from the indirect cost pool in the future.

11. Interdistrict Transfers:

Now that districts have to identify district of resident in CALPADS we have had districts realize they did not complete the interdistrict transfer process for all students. Is this, or will this be, part of audit? What happens if a district did not get a formal interdistrict transfer for a non-resident student? What steps should they take and what apportionment is at risk, if any?

Auditing for inter-district transfers could be included in the independent audit of attendance but is not specifically required. Technically, a district cannot claim attendance for an inter-district student if no approved inter-district transfer is in place.

12. Charter Schools:

How should we be handling Charters that have sites within the County, but outside of their district now that the Supreme Court has refused to hear the case? Will there be a waiver? Is there any

risk to their ADA or apportionment this year for sites outside of the allowable boundaries? What else should we consider if anything?

First thing will likely be a waiver policy on the SBE March agenda. There are no plans to take any apportionments back this year. Hopefully, the waiver policy will establish a timeframe for charters to comply with the new understanding.

In a related matter, independent study charter schools can only serve students from contiguous counties. It is up to authorizing districts to monitor their charters and where the students come from.

13. Educator Effectiveness:

If a district has an audit finding for 2015-16 due to not approving the Teacher Effectiveness plan at a subsequent board meeting, can they correct it by going through the appropriate board approval process this year as long as the expenditures for 2015-16 are in the approved plan? Or should they restate their beginning balance for Teacher Effectiveness, effectively using unrestricted funds for last year's expenditures and find current year expenditures that qualify?

Yes, a district can resolve this compliance issue by going through the appropriate board approval process this year. CDE will ask for minutes from both board meetings to show it is done.

14. AB 2476 – New Parcel Tax Notification Requirement

Effective July, 1 2017, districts must notify parcel owners of any new parcel tax ballots. The bill encoded very specific instructions (including the font size to be used) on how to notice.

15. District of Choice

What does it mean when Education Code 48315 states “existing law makes those provisions inoperative on July 1, 2017 and repeals them on January 1, 2018?”

The District of Choice program has been around since the mid 1990's. Program is no longer operational effective July 1, 2017 and ceases January 1, 2018 unless re-authorized. Longstanding legal opinion that the (basic aid) program will be funded through 2017-18 because students have been accepted prior to the sunset date. SB52 has been introduced to extend the program for 5 more years. AB185 has also been introduced to extend the program but does NOT include the basic aid choice funding provision. Existing code indicates that High School Districts that have accepted students must continue to serve them through matriculation. Same conditions do not apply to Elementary School Districts. See Education Code sections 48300 through 48315.

16. Procedure Manual Update

The 2017 Manual will be released at the BASC Conference.

We have asked BASC for their input to the 8 procedures agreed upon by ESSCO at the January 2017 meeting to be updated for the 2018 Manual. Subcommittee members have all agreed to participate in the 2018 update. Anticipate a call for volunteers at the March ESSCO meeting.

Roundtable Discussions:

1. Local Control Accountability Plans

The budget summary section should be brief, however, some counties require narrative as well as financial information.

Add new supplemental and concentration grant estimates each year in the three year plan based upon the Governor's May Revise to the Budget each year.

2. Authorized signatures for COE orders

A question was raised regarding authorization to disburse payroll taxes, refunds etc. from the payroll revolving fund maintained at county offices of education. It was noted that the payroll certification form could include authority for also disbursing all withholdings. However, this does not provide documented COE approval of disbursements from the payroll revolving fund.

3. Affordable Care Act (Judy Kershaw)

- a. Who certifies the data? – Varies across counties.
- b. Who submits their SSN to apply for the TCC to transmit the report electronically? County Office staff if submitting directly. If using a third party vendor there is no need to register with the IRS.

Our next meeting is March 6, 2017

2017 ESSCO agendas, handouts, and meeting notes will be posted at

<http://www.ocde.us/Business/Pages/ESSCO.aspx>.

ESSCO Subcommittees

AB 1200

Sherry Beatty (Chair)
Jeri Blote
Tom Cassida
Judy Kershaw
John Wilborn
Debbie Wilkins

Accounting

Tom Cassida (Chair)
Sarah Blackstone
Christine Davis
Elizabeth Dearstyne
Paula Driscoll
Chris Lombardo
Sandi Madera
Sarah Smigiera
John Wilborn

Attendance, Enrollment, and CALPADS

Tom Cassida
Keith Crafton
Sandi Fowles
Karen Hennessy
Judy Kershaw
Chris Lombardo
Priscilla Quinn
Roslynn Manansala-
Smith

Professional Development

Kate Lane
Chris Lombardo
Jamie Perry
Michelle Giacomini
Priscilla Quinn

Property Taxes

Melissa Abbey
Priscilla Dichoso
Paula Driscoll
Sandi Madera

ESSCO Organization

Christine Davis
Chris Lombardo
Paula Driscoll
Lynette Kerr
Caryn Moore
Priscilla Quinn
Jamie Perry
Brent Watson

FCMAT Procedure Manual

Kate Lane (Chair)
Michelle Giacomini
Sherry Beatty
Judy Kershaw
Jamie Perry
Priscilla Quinn
Jennifer Stahlheber

LCAP Reviews

Priscilla Dichoso
Tom Cassida
Karen Hennessy
Judy Kershaw
Priscilla Quinn
Jennifer Stahlheber
Sarah Smigiera
Jessica Tegerstrand