

**California Department of Education / County Office of Education**  
**External Services Subcommittee (ESSCO)**  
**(formerly SFSS: School Financial Services Subcommittee)**  
**NOTES**

1430 N Street, Room 1801  
 Sacramento, CA

August 6, 2012  
 10:00 a.m.

**Co-Chair:** Darren Dang, Region IX – Orange COE - *Present*  
**Co-Chairs:** Peggy O’Guin, California Department of Education - *Present*  
**Co-Chairs:** Peter Foggato, California Department of Education  
**Vice Chair:** Tommy Welch, Region IV – Solano COE - *Present*

Lynette Kerr	I	Humboldt
Adrian Barron	II	Butte
Diane Cirolini	III	Yolo
Sandra Fowles	III	Yolo
Kathy Garrison	III	Placer
Barbara Henderson	III	Sutter
Debbie Holden	III	Sacramento
Diane Lacombe	III	El Dorado
Deborah Messervey	III	Nevada
Teresa Stelzer	III	Placer
Debbie Wilkins	III	Sacramento
Priscilla Aquino-Dichoso	IV	San Mateo
Sarah Blackstone	IV	Napa
Kate Lane	IV	Marin

Jeff Potter	IV	Alameda
Karen Deller Hennessy	V	Monterey
Shirley Buell	VI	Stanislaus
Jamie Dial	VII	Kings
Jamie Perry	VIII	Fresno
Ann Peters	VII	Merced
Paula Driscoll	VIII	Ventura
Steve Mattern	VIII	Kern
Priscilla Quinn	VIII	Kern
Erin Garcia	IX	Imperial
Brent Watson	IX	San Diego
Cynna Hinkel	X	San Bernardino
Marlene Dunn	XI	Los Angeles

**1. CDE Report**

Nothing to report

**2. Unexpended Ed Jobs balances**

Thi Huynh with CDE handed out a list of unexpended funds. CDE advised that districts received an increase in allocation and that districts may be unaware of the increase.

If districts do not file a report September then CDE will bill for the remaining amount.

Next report opening is in Mid-September.

The districts need to report the cumulative amount spent. Some districts were filing only current period expenses.

**3. 2012-13 Cash Flow Scenarios & CDE’s Principal Apportionment Payment Estimator:**

<http://www.cde.ca.gov/fg/aa/pa/documents/papaycalculator2012.xls>

Elizabeth Dearstyne with CDE spent a lot of time presenting this great tool to the group. The following are snippets of information from the presentation.

This updated tool was published to the web this last Thursday. It can be accessed via the web link above. This replaces the earlier estimator that went out at the end of May.

We are now down to just two scenarios. Taxes pass, or taxes fail. The sheet relies on the user inputting their data. The tool requires three data elements. The tool contains detailed information about where the district

can get the data elements. The three elements are the P-1 Summary of principal apportionment, P-2 Summary of principal apportionment and Total Advance payments. There is a link to where a district can find their advance payment.

The apportionment payment amounts are already known through January, so this estimates the payment schedule February through June and the deferrals in July and August.

The tool does not look up what payment schedule the district is on.

In both scenarios the districts need to make sure they are including the changes in cash flow due to the RDA payments.

#### Scenario: If taxes pass

The deferral factors assume the *Education Code* 14041(a)(9)(A) funding reduction of \$6.9 billion through May. The purpose of the reduction is to capture from LEAs in the Advance and P-1 an amount equivalent to what an LEA will receive from the Education Protection Account (EPA) in June 2013 should the taxes pass. Users should assume the same in their estimates of the total principal apportionment.

Note: If the EPA estimate is high, the amount due to districts will be captured in the P-2 payment, which is deferred to July.

March will see some deferral of non-Principal Apportionment categorical cash to April since it appears there is not enough cash in the Principal Apportionment to satisfy the \$1.3 March to August and \$900 million March to April deferrals .

Note: Intra-year deferrals can dip into categorical cash if there is insufficient cash in the Principal Apportionment Deferrals crossing years can only take from the Principal Apportionment.

#### Scenario: If taxes fail

The deferral factors assume a restoration of EPA and application of the triggers beginning with the February payment. Users should assume the same in their estimates of the total principal apportionment.

In CDE's tool, the deficit is higher than SSC. This is because CDE rounded up the increase in deficit factor to 6.6% to be conservative in their estimations.

This scenario reflects the worst case scenario. CDE will recertify in December if taxes fail. CDE is not sure if the catch-up payment will occur in December.

#### **4. Mid-year trigger if taxes fail:**

Would like to confirm with CDE that the 28.814% deficit factor adjustment will be the way the state will implement the trigger/cut of \$2.7 billion if the initiative fails

CDE will implement the midyear trigger as a deficit factor. CDE estimated deficit factor is 28.872.

#### **5. Basic Aid districts – if trigger cuts are implemented how would this work for existing and potentially new basic aid districts?**

A document was handed out reflecting the impact of the Education Protection Account (EPA) on state aid and the impact of triggers on basic aid districts.

The first three columns reflect three different districts if taxes pass, deficit factor of 22.272% with EPA. The EPA estimate is equal to the Total Revenue Limit (before offsets) multiplied by 22%. As a new offset to revenue limits, the amount received for EPA will result in a reduction to revenue limit state aid. If a district is almost a basic aid district and their calculated EPA amount exceeds their calculated state aid the district receives no state aid. In other words, they will become a basic aid district for cash flow only.

Note: A district is guaranteed to receive a minimum EPA of \$200/ADA. This means that basic aid districts will receive an EPA distribution. As of yet, a final decision has not been made regarding which ADA will be used in the EPA minimum calculation.

The next three columns illustrate the impact of trigger cuts (\$2.7 billion) if taxes fail through an increase in the deficit factor to 28.872%. Under this scenario there is no longer an EPA reduction to state aid because it has been replaced by the trigger cut.

If the trigger reduction cannot be captured through a reduction in state aid because the district is already basic aid or becomes basic aid as a result of the trigger, CDE is required to capture the amount from 2012-13 categorical programs. The amount of the reduction will be based on 2012-13 P-2. The handout shows how CDE will determine the amount of funds that need to be captured from 2012-13 categorical programs for a district that becomes basic aid due to the trigger. Unlike the Basic Aid Fair Share reduction the legislation does not protect any categorical program from the trigger reduction.

Note: The trigger reduction is in addition to any other categorical reduction that is based on the district's basic aid status in the prior fiscal year (e.g. 9.57% "fair share reduction" captured against 2012-13 categorical programs). A question was asked about the 2011-12 categorical program reductions and if special education funding has been needed to satisfy the "fair share reduction". Special Education funding is a last resort but was needed from two SELPA's to satisfy the Basic Aid fair share reduction for their member district's last fiscal year.

## **6. BASC Report**

There was a lot of time spent talking about cash flow. They liked the line graph of taxes pass/fail and money bag chart. They thought this clearly reflected the cash flow situation that districts face in the current year.

New working groups were created:

- RDA Sub-committee
- Retirement Sub-committee

BASC approved the name change to ESSCO. It will become official once the BASC by-laws are approved.

## **7. Mandated block grant – what is the process for electing whether to take the \$28 block grant or continuing to file claims to the SPI by September 30<sup>th</sup>?**

CDE will send out an email to all eligible LEAs sometime in August. The email will include a document attachment that the LEA will check if they plan on taking the block grant option. CDE will post the responses to their website through September so that everyone can view the responses.

## **8. Mandated block grant**

A couple of the mandated claims mgmt. companies are saying that districts that opt to receive the \$28 mandated block grant could also continue to file claims for mandates NOT part of the block grants such as: Academic Performance Index, Child Abuse and Neglect Reporting, Graduation Requirement, Interdistrict Attendance Permits, Student Records, Mandate Reimbursement Process

CDE will follow up with State Controller's office as they feel this is a question for the State Controller.

A question was asked of the group regarding what kind of guidance COEs are giving their districts about which to choose. The feedback from the group was pretty much that they were telling their districts that this is a decision their district needs to make and that they are not providing any guidance about which choice the districts should make.

## **9. AB 1484 True Up**

This topic was related to letters San Diego's districts have received regarding setting the true up funds as a trust. The question was whether anyone else had districts that had received such letters. No one else in attendance said they were aware of their districts receiving such letters.

## **10. Redevelopment Agency Residual Revenue – object code**

Is there any chance to have a separate object code for the redevelopment residual?

Reading info on AB1484: sounds like the auditors will be providing information to the DOF on estimates (Oct 1 and April 1) and actuals (Jan 12 and guessing in June). The monthly state apportionments will be adjusted from this information and the property tax reports - is this how this is going to work?

As CDE advised at the April meeting, Object 8047, Community Redevelopment Funds, will continue to be the revenue code for tax increment revenues that offset Revenue Limit state aid (as distinguished from Object 8625, Community Redevelopment Funds Not Subject to Revenue Limit Deduction). Object 8047 will now include, in addition to the ongoing share of tax increment revenues that LEAs have long received, the new "Excess Revenue" or "Residual Distributions" that used to remain with the RDAs, and the new (and presumably temporary) "Other Revenue" from RDA asset liquidation. Object 8047 will equal the sum of the three related items within the Principal Apportionment Tax Software. CDE notes that although these three revenue items are derived by different formulae, their character is otherwise the same.

### **11. Food Service Direct Certification**

Certification will now be required at least three times per year. CALPADS match data is generally updated monthly. If your county still works with a local county agency to obtain data, you may need to adjust your process to get data more frequently for districts that do not use CALPADS.

This was shared with the group in case others are unaware of this change. There is a process to certify students for free meals. Districts can certify data through CalPads. The districts can send the families a letter based on the data in CalPads and do not need to have students fill out an application. Districts need to go through this process three times a year to confirm that data is still accurate. CalPads is updated every month. Otherwise the district will receive three discs a year that they must use to confirm that data is still accurate.

This process is in the Federal handbook, but State Nutrition has not sent this out via email.

Note: Districts have stated that it is helpful to get this information via CalPads as they can get up-to-date addresses at the same time.

### **12. SACS 2012 eTransfer Access – what is the ETA on when the forms will be out?**

The forms went out in July with the SACS software letter via email. The software release letter is not yet on the CDE web site.

### **13. FCMAT County Office Procedures Manual**

We have added one new procedure and we have reviewed and updated four procedures. Lynette is moving forward with the process of getting the documents to FCMAT and then to BASC. The goal is to get the documents to BASC by the September meeting.

### **14. Meeting dates for 2013 & Vice Chair**

All dates were okay with the group.

### **15. Roundtable Discussions**

#### **a) Budget Reviews: conditional approvals & non-approvals**

- Very good discussion amongst the group regarding this issue.

#### **b) Fall Conference: AM: Technical, PM: Art meets Science.**

- **SFSS/ESSCO AM session 1: Cash Flow – nuts & bolts, what to look for (~ 75 minutes)**
- **SFSS/ESSCO AM session 2: quartile analysis, profiles, one-note system (~ 75 minutes)**

- There wasn't a PDC meeting at the July meeting. As such, no final direction was given regarding the conference agenda. Based on the last discussion the PDC was good with having SFSS participate in the morning session.
  - However, dates have been decided.
    1. San Bernardino; Oct 15.
    2. Yolo; Oct 19.
  - We have volunteers for a cash flow session. The session will focus on nuts and bolts of cash flow.
  - We are considering doing a session regarding quartile analysis. We are also considering showing some snap shots of example district profiles. And, we are considering including a brief One Note presentation. If there is interest in any of the topics we could cover them in more at the CCSESA Feb conference.
- c) **STRS AB 178:** There was some discussion regarding the complexities this has caused when trying to fill positions like Fiscal Advisors with retirees. The COE needs to create a job description for the position and advertised like any other position.