

**California Department of Education / County Office of Education**  
**School Financial Services Subcommittee**  
**NOTES**

1430 N Street, Executive Conference Room on 5<sup>th</sup> Floor  
 Sacramento, CA

June 4, 2012  
 10:00 a.m.

**Co-Chair:** Darren Dang, Region IX – Orange COE - *Present*

**Co-Chairs:** Peggy O’Guin / Peter Foggiano, California Department of Education - *Present*

**Vice Chair:** Tommy Welch, Region IV – Solano COE - *Present*

Lynette Kerr	I	Humboldt
Judy Thomson	I	Sonoma
Adrian Barron	II	Butte
Deborah Messervey	III	Nevada
Teresa Stelzer	III	Placer
Debbie Holden	III	Sacramento
Debbie Wilkins	III	Sacramento
Barbara Henderson	III	Sutter
Diane Cirolini	III	Yolo
Jeff Potter	IV	Alameda
Priscilla Aquino-Dichoso	IV	San Mateo
Jamie Perry	VIII	Fresno
Jamie Dial	VII	Kings

Ann Peters	VII	Merced
Steve Mattern	VIII	Kern
Priscilla Quinn	VIII	Kern
Ann Peters	VII	Merced
Paula Driscoll	VIII	Ventura
Erin Garcia	IX	Imperial
Brent Watson	IX	San Diego
Nancy Sheets	X	Riverside
Tom Cassidy	X	San Bernardino
Mel Iizuka	XI	Los Angeles
Elizabeth Dearstyne		CDE
Arlene Matsuura		CDE
Michelle Plumbtree		FCMAT

**1. CDE Report**

SACS Software and Windows 7 Issues: CDE advised that there are two proven workarounds for the known incompatibility issues with running the SACS Software on Windows 7, 64 bit machines. A few LEAs have developed their own work around solutions. Some of these solutions seem to work and some do not, and sometimes they seem to work for a while but cause problems with the software’s operation intermittently or at some later point. CDE advises that LEAs use one of the two proven work around solutions recommended by CDE:

One - Keep a Pre-Windows 7, 64 bit machine on which to run the SACS Software.

Two – Download and install the Windows XP Mode and Windows Virtual PC per the instructions on the CDE website (<http://www.cde.ca.gov/fg/sf/fr/sacs2012probfix.asp>). A member reminded the group of the importance that LEAs install printers and printer drivers within the Windows XP with Virtual PC window as directed on the web site. Otherwise, a printing problem may still exist.

**2. Legislative Update**

See attachment A. Keep in mind that this is a draft subject to change as things change in the legislative process.

**3. BASC report**

BASC is considering redesigning the website. When this occurs, SFSS should have a place to store our agendas and documents. Someone will need to be trained in the process of updating the webpage. Diane Lacombe has volunteered to be trained.

**4. Special Education & Mental Health: may switch to a per ADA allocation?**

This was mainly an FYI agenda item. Some districts will be big losers if the switch occurs.

## **5. Implementation of AB 103 as it relates to 2011-12 P-2**

In addition to setting in place several intra-year deferrals for 2012-13, AB103 requires county auditors to report Redevelopment Property Tax Trust Fund (RPTTF) remittances to CDE by June 10, 2012 (June 11) and extends the CDE's deadline to certify 2011-12 P2 out to July 15, 2012. Before AB103, CDE's effective deadline was before June 20, in order to pay LEAs exempt from the June deferrals. Exempt LEAs will now be paid based on DOF approval of need and is not dependent on P2 (in few cases the need was decreased to ensure the payment didn't result in overpayment of CDE's estimate of P2).

All counties had reported 2011-12 P2 taxes prior to AB103.

This information went out to the PASE ListServ.

If the RPTTF has changed since the last report, you must submit a new file to CDE by June 11 to reflect the change to RPTTF. Send a new file, do not use corrected mode.

Do not submit a new file if the RPTTF has not changed. However, CDE would appreciate if someone would email Judy Gonzalez @ [jgonzalez@cde.ca.gov](mailto:jgonzalez@cde.ca.gov) to let her know that nothing has changed. Otherwise, she will call you.

## **6. 2012-13 Cash Flow Scenarios & CDE's Principal Apportionment Payment Estimator:**

<http://www.cde.ca.gov/fg/aa/pa/papayest.asp>

See the attachment of cash flow scenarios provided by CDE. Please note this is a draft and subject to change. Peter presented this to the group for discussion.

Key variables: whether taxes pass or fail, timing of when the Education Protection Account (EPA) is implemented, timing of deferral buy-back, and how liquidation of RDA cash assets are scored.

There were 5 scenarios presented:

- Taxes pass, EPA implementation at P-2

- Taxes pass, EPA implementation at P-1 in February

- Taxes pass, EPA implementation at July Advance

- Taxes fail, no EPA implementation, \$441/ADA mid-year trigger at P-1

- Taxes Fail EPA implementation at July Advance, \$441/ADA mid-year trigger at P-1

Darren handed out a draft of an updated money bags chart. Once the document is reviewed and finalized Darren will send it out to the group. The money bag chart uses CDE's percentages.

On the money bags chart there are two scenarios. The "Taxes are Approved" scenario agrees with the common message except for the green money bags that were added. The "Taxes Fail" scenario is scenario E in the attached cash flow scenarios. It is important that you pay attention to note in the yellow box.

There was a discussion of which cash flow scenario COEs were recommending to their districts. It sounded like several were suggesting districts go with scenario E. The thinking is that by using the worst case scenario a district will be in a better position to obtain cash flow borrowing instead of using a rosier scenario and then finding out that they need more cash if the worst case scenario occurs.

## **7. Transitional Kindergarten**

See attachment A.

## **8. When will July 2012 payments be made?**

According to the State Controller's Office, these payments will be made July 26, 2012, when the February, April, and May deferrals are paid.

On July 30, 2012, the June P-2 payment will be made.

On August 23, 2012, the March deferral will be paid.

On August 24, 2012, the April and May deferrals will be paid.

If cash runs short, the categorical cash will be reduced in the intra year deferrals. Any categorical deferrals will follow the Revenue Limit deferral payment schedules.

## **9. Weighted Student Funding Formula**

### **a) DOF estimates**

There remains a lot of uncertainty about what the final WSF formula will look like.

### **b) Implications on Tier 3 Public Hearing**

This is just a reminder about the hearing requirements for these funds. It was noted that the trailer bill eliminates the public hearing requirement. It was also noted that it also removes CDE's ability to make the payments.

## **10. K-3 CSR flexibility**

No real discussion regarding this item. It was pointed out that this is in the common message.

## **11. Where are COEs advising districts to put the \$441 on form RL (line 40 other adj?)**

Coordinated that everyone is planning on using line 40 of the Revenue Limit form for this reduction.

## **12. STRS Penalties & Interest & accounting**

Follow up to previous discussion. Everyone will use Object 5800 and Function 7100.

## **13. Roundtable Discussions**

### **a) SFSS name change consideration: ESSCO – External Services Sub-Committee**

No objections to ESSCO.

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

- Darren solicited feedback from the group on what they would like to see for the Fall Conference.
- The group really liked last year's format of having technical sessions in the morning with presentations by SFSS/staff and afternoon sessions by COE leadership and State-wide experts.
- Two potential topics for the morning session:
  - Cash Flow: cover how to prepare cash flows but focus on how to review cash flows, culmination of cash flow work led by San Diego COE with collaboration from other COEs (red-sheet & matrix review tool)
  - MYP: cover quartile analysis and risk assessment. It might also cover how we put those into the dashboards or profiles and the tools that we use in our oversight work. We are also thinking of show-casing the use of Microsoft One-Note for documentation and communication. One-Note is like an electronic document filing system; it was first used by Solano and refined by San Diego.

## Attachment A

### DRAFT

#### **Preliminary Review of Governor's May Revision (Subject to Change) May 15, 2012**

On May 14, 2012, the Governor released his revised budget plan for 2011–12 and 2012–13. The Governor now projects a deficit of \$15.7 billion over the two-year period, an increase of \$6.5 billion from the deficit projected in January.

For 2011–12, the May Revision (MR) reflects a decrease in General Fund (GF) revenue of \$3.1 billion, resulting in the Proposition 98 (P98) guarantee being over-appropriated by \$785.3 million. The over-appropriation will be re-designated as settle-up payments.

For 2012–13, the MR continues to assume the passage of the Governor's proposed tax initiative at the November election. The tax measure would temporarily increase the personal income tax on higher-income taxpayers for seven years and increases the sales tax by 0.25 percent for four years.

P98 funding is proposed to be \$53.7 billion, or an increase of \$1.2 billion from the January budget.

In the event that the Governor's proposed tax initiative does not pass, the MR includes trigger cuts of \$6.1 billion that would go into effect January 1, 2013. The trigger cuts include P98 funding cuts of \$5.5 billion. The \$5.5 billion reduction would be achieved by not repaying \$2.8 billion of deferrals in 2012–13 and by reducing \$2.7 billion in revenue limit funding for schools. Schools will be provided flexibility to reduce the school year by a combined 15 days in 2012–13 and 2013–14.

#### Proposition 98 Adjustments

- Increases the Governor's January proposal to reduce inter-year deferrals by \$392.9 million.

#### Redevelopment Agencies (RDAs)

- Proposes a GF savings of \$1.4 billion (\$1.2 billion K–12) over two years due to the distribution of redevelopment agencies cash assets.

#### Weighted Student Funding Formula (WSF)

- Increases the base grant to \$5,421 from the \$4,920 level proposed in the Governor's January budget. This increases the base grant to about the current average revenue limit level for school districts.
- Requires the existing deficit factor reduction to revenue limits be restored before the WSF is fully implemented, with the phase-in increasing from five to seven years.
- Adds grade span adjustments.
- Changes the supplemental and concentration grant weights for English learners and low-income students from 37% to 20%. These funds would be required to be spent on those students.
- Restores Home-To-School Transportation funding (\$496 million). This program, along with Targeted Instructional Improvement Grant funds, would be add-ons to the formula, with the funds to be flexible.
- Provides that the continued phase-in of the formula in 2013–14 is contingent on enactment of changes to the accountability system.

#### Mandates Block Grant

- Distributes funding based on ADA for K–12 schools and funded full-time equivalent students for community colleges. The MR provides a uniform rate of approximately \$28 per student.

## Attachment A

### DRAFT

- Eliminates the existing mandates claiming process for mandates affected by the proposal.
- Repeals six high-cost mandates (Graduation Requirements; Behavioral Intervention Plans; Habitual Truants; Notification of Truancy; Notification to Teachers and Pupil Discipline Records; and Pupil Suspensions, Expulsions, and Expulsion Appeals) and suspends the remaining mandates slated for elimination in 2012–13 until legislation to permanently repeal those activities is enacted.

#### Charter Schools

- Revises the charter deferral exemption proposal to require the charter school to provide a copy of the deferral exemption request to its authorizer.
- Revises the conveyance of surplus property proposal to limit the conveyance to facilities with an educational purpose that were purchased with state funds.
- Revises the funding determination proposal to grandfather existing funding levels for all non-classroom-based charter schools that are receiving a lower rate of funding. These charter schools will be able to receive full funding upon renewal of their charter.

#### Transitional Kindergarten (TK)/Part-Day Preschool:

- Decreases the savings associated with the Governor's TK proposal to \$91.5 million.
- Uses TK savings to restore the standard reimbursement rate cut to part-day state preschool programs (\$34.1 million) and to increase the number of available slots to provide part-day preschool services to an additional 15,500 children (\$57.5 million).

#### Child Development

- Revises the January proposal to eliminate 29,600 slots instead of 54,800 slots.
- Increases \$180.1 million to allow families to receive child development services while enrolled in education and training for up to two years.
- Decreases \$184.2 million to reduce licensed provider rates to the 40th percentile of the 2005 regional market rate (RMR).

#### Child Care Realignment

- Establishes a child care block grant, separate from the single allocation, for counties to provide child care services. These services are currently managed by the CDE.
- Requires counties to contract with Title 5 centers, based upon the number of slots provided in 2012–13. Counties will be able to deviate from this allocation by up to 10 percent. After some period of time, counties will be able to allocate Title 5 center funding to voucher-based programs.
- Shifts up to 30% of state operations funding from the CDE to the Department of Social Services (DSS) associated with the transition of services to county welfare offices.
- Provides that the 2013–14 Quality Plan will be developed by the DSS in consultation with the CDE. The DSS will conduct health and safety activities and the CDE will conduct activities to promote early learning and school readiness.

**Exhibit A Pass EPA P2**

**2012-13 Estimated Cash Flow: Assumptions: June budget, No Education Protection Account. Include MR RDA offsetting rev in June, TK savings. Include May proposed deferral buy Back**

	23,970.0														
<b>BASILINE CHART</b>	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	
2012-13 Money (ESTIMATES!)	1,331.7	1,333.3	2,295.0	2,294.2	2,163.9	2,163.9	2,216.0	2,222.6	2,222.6	2,222.6	2,222.6	1,281.6	-	-	
Existing Deferrals (February)								-2,000.0					2,000.0		
Existing Deferrals (February) reduction								1,468.3					-1,468.3		
Existing Deferrals (March) was 1.4m															
Existing Deferrals (March)									-1,300.0					1,300.0	
Existing Deferrals (March) reduction									270.5					-270.5	
Existing Deferrals (April)										-1,441.8				1,441.8	
Existing Deferrals (April) reduction										502.9				-502.9	
Existing Deferrals (April)										-419.0			419.0		
Existing Deferrals (May)											-800.0		800.0		
Existing Deferrals (May)											-1,000.0			1,000.0	
Existing Deferrals (June)												-1,281.6	1,281.6		
Allowance for deferral exemption												300.0	-300.0		
New Cross-Year Deferrals															
Intra-year deferral July	-1,200.0		700.0				500.0		-900.0	900.0					
Intra-year deferral August		-600.0					600.0								
Intra-year deferral October				-800.0			800.0								
Intra-year deferral March															
EPA allocation												0			
<b>Total Cash</b>	<b>131.7</b>	<b>733.3</b>	<b>2,995.0</b>	<b>1,494.2</b>	<b>2,163.9</b>	<b>2,163.9</b>	<b>4,116.0</b>	<b>1,690.9</b>	<b>293.1</b>	<b>1,764.7</b>	<b>422.6</b>	<b>300.0</b>	<b>2,732.3</b>	<b>2,968.4</b>	

**Exhibit B- Pass EPA P1**

**2012-13 Estimated Cash Flow: Assumptions: Include Education Protection Account (\$6.9) at P1. Include MR RDA offsetting rev in June, Include Deferral Buy Back, include TK savings**

Total Principal Apportionment	17,087.0	plus	6,885.0												
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	
2012-13 Money (ESTIMATES!)	1,331.7	1,333.3	2,295.0	2,294.2	2,163.9	2,163.9	2,216.0	846.0	846.0	846.0	846.0	-95.0	-	-	
Existing Deferrals (February)								-2,000.0					2,000.0		
Existing Deferrals (February) reduction								1,468.3					-1,468.3		
Existing Deferrals (March) was 1.4m									-1,300.0					1,300.0	
Existing Deferrals (March) reduction									270.5					-270.5	
Existing Deferrals (April)										-1,441.8				1,441.8	
Existing Deferrals (April) reduction										502.9				-502.9	
Existing Deferrals (April)										-419.0			419.0		
Existing Deferrals (May)											-800.0		800.0		
Existing Deferrals (May)											-1,000.0			1,000.0	
Existing Deferrals (June)												95.0	-95.0		
Allowance for deferral exemption												300.0	-300.0		
New Cross-Year Deferrals															
Intra-year deferral July	-1,200.0		700.0				500.0		-900.0	900.0					
Intra-year deferral August		-600.0					600.0								
Intra-year deferral October				-800.0			800.0								
Intra-year deferral March															
EPA allocation outside of Principal App.												6,885.0			
Total Cash	131.7	733.3	2,995.0	1,494.2	2,163.9	2,163.9	4,116.0	314.3	-1,083.5	388.1	-954.0	7,185.0	1,355.7	2,968.4	
Difference in Cash Exhibit B vs. Exhibit A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,376.6	-1,376.6	-1,376.6	-1,376.6	6,885.0	-1,376.6	0.0	
CUMMULATIVE DIFFERENCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,376.6	-2,753.2	-4,129.8	-5,506.4	1,378.6	2.0	2.0	

**Exhibit C Pass EPA Advance**

**2012-13 Estimated Cash Flow: Assumptions: Education Protection Account of 6.9 across all months. Include MR RDA offsetting rev in June only, Include Buy Back, include TK savings**

cash flow1b "MayReviseEPA" Total Principal Apportionment	17,085.9	plus	6922												
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	
2012-13 Money (ESTIMATES!)	963.7	964.8	1,660.8	1,660.2	1,565.9	1,565.9	1,603.6	1,608.4	1,608.4	1,608.4	1,608.4	667.4	-	-	
Existing Deferrals (February)								-2,000.0					2,000.0		
Existing Deferrals (February) reduction								1,468.3					-1,468.3		
Existing Deferrals (March) was 1.4m															
Existing Deferrals (March)									-1,300.0					1,300.0	
Existing Deferrals (March) reduction									270.5					-270.5	
Existing Deferrals (April)										-1,441.8				1,441.8	
Existing Deferrals (April) reduction										502.9				-502.9	
Existing Deferrals (April)										-419.0			419.0		
Existing Deferrals (May)											-800.0		800.0		
Existing Deferrals (May)											-1,000.0			1,000.0	
Existing Deferrals (June)												-667.4	667.4		
Allowance for deferral exemption												300.0	-300.0		
New Cross-Year Deferrals															
Intra-year deferral July	-1,200.0		700.0				500.0		-900.0	900.0					
Intra-year deferral August		-600.0					600.0								
Intra-year deferral October				-800.0			800.0								
Intra-year deferral March															
EPA allocation outside of Principal App.												6,885.0			
Total Cash	-236.3	364.8	2,360.8	860.2	1,565.9	1,565.9	3,503.6	1,076.7	-321.1	1,150.5	-191.6	7,185.0	2,118.1	2,968.4	
Difference in Cash Exhibit C vs. Exhibit A	-368.0	-368.5	-634.2	-634.0	-598.0	-598.0	-612.4	-614.2	-614.2	-614.2	-614.2	6,885.0	-614.2	0.0	
CUMMULATIVE DIFFERENCE	-368.0	-736.5	-1,370.7	-2,004.7	-2,602.7	-3,200.7	-3,813.1	-4,427.3	-5,041.5	-5,655.7	-6,269.9	615.1	0.9	0.9	



**Exhibit D-No Pass No EPA**

**2012-13 Estimated Cash Flow: Assumptions: Ignore Education Protection Account. Include MR RDA offsetting rev in June only, include triggers at P1, exclude Buy Back, include TK savings**

	Total Principal Apportionment 21,347.0							Assume Triggers begin in February							
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	
2012-13 Money (ESTIMATES!)	1,331.7	1,333.3	2,295.0	2,294.2	2,163.9	2,163.9	2,216.0	1,698.0	1,698.0	1,698.0	1,698.0	757.0	-	-	
Existing Deferrals (February)								-2,000.0					2,000.0		
Existing Deferrals (February) reduction								0.0					0.0		
Existing Deferrals (March) was 1.4m															
Existing Deferrals (March)									-1,300.0					1,300.0	
Existing Deferrals (March) reduction								0.0						0.0	
Existing Deferrals (April)										-1,441.8				1,441.8	
Existing Deferrals (April) reduction										0.0				0.0	
Existing Deferrals (April)										-419.0			419.0		
Existing Deferrals (May)											-800.0		800.0		
Existing Deferrals (May)											-1,000.0			1,000.0	
Existing Deferrals (June)												-757.0	757.0		
Allowance for deferral exemption												300.0	-300.0		
New Cross-Year Deferrals															
Intra-year deferral July	-1,200.0		700.0				500.0		-900.0	900.0					
Intra-year deferral August		-600.0					600.0								
Intra-year deferral October				-800.0			800.0								
Intra-year deferral March															
EPA allocation outside of Principal App.												0.0			
<b>Total Cash</b>	<b>131.7</b>	<b>733.3</b>	<b>2,995.0</b>	<b>1,494.2</b>	<b>2,163.9</b>	<b>2,163.9</b>	<b>4,116.0</b>	<b>(302.0)</b>	<b>(502.0)</b>	<b>737.2</b>	<b>(102.0)</b>	<b>300.0</b>	<b>3,676.0</b>	<b>3,741.8</b>	

**Exhibit E-No Pass EPA Advance**

**2012-13 Estimated Cash Flow: Assumptions: Education Protection Account of 6.9 across advance months. Include MR RDA offsetting rev in June only, Triggers at P1, Exclude Buy Back, include TK savings**

	Total Principal Apportionment 21,345.9							Assume Triggers begin in February							
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	
2012-13 Money (ESTIMATES!)	963.7	964.8	1,660.8	1,660.2	1,565.9	1,565.9	1,603.6	2,460.4	2,460.4	2,460.4	2,460.4	1,519.4	-	-	
Existing Deferrals (February)								-2,000.0					2,000.0		
Existing Deferrals (February) reduction								0.0					0.0		
Existing Deferrals (March) was 1.4m									-1,300.0					1,300.0	
Existing Deferrals (March) reduction								0.0						0.0	
Existing Deferrals (April)										-1,441.8				1,441.8	
Existing Deferrals (April) reduction										0.0				0.0	
Existing Deferrals (April)										-419.0			419.0		
Existing Deferrals (May)											-800.0		800.0		
Existing Deferrals (May)											-1,000.0			1,000.0	
Existing Deferrals (June)												-1,519.4	1,519.4		
Allowance for deferral exemption												300.0	-300.0		
New Cross-Year Deferrals															
Intra-year deferral July	-1,200.0		700.0				500.0		-900.0	900.0					
Intra-year deferral August		-600.0					600.0								
Intra-year deferral October				-800.0			800.0								
Intra-year deferral March															
EPA allocation outside of Principal App.												0.0			
<b>Total Cash</b>	<b>(236.3)</b>	<b>364.8</b>	<b>2,360.8</b>	<b>860.2</b>	<b>1,565.9</b>	<b>1,565.9</b>	<b>3,503.6</b>	<b>460.4</b>	<b>260.4</b>	<b>1,499.6</b>	<b>660.4</b>	<b>300.0</b>	<b>4,438.4</b>	<b>3,741.8</b>	
Difference in Cash Exhibit E vs. Exhibit D	(236.3)	364.8	2,360.8	860.2	1,565.9	1,565.9	3,503.6	460.4	260.4	1,499.6	660.4	300.0	4,438.4	3,741.8	
<b>CUMULATIVE DIFFERENCE</b>	<b>(236.3)</b>	<b>128.5</b>	<b>2,489.3</b>	<b>3,349.5</b>	<b>4,915.4</b>	<b>6,481.3</b>	<b>9,984.9</b>	<b>10,445.3</b>	<b>10,705.7</b>	<b>12,205.3</b>	<b>12,865.7</b>	<b>13,165.7</b>	<b>17,604.1</b>	<b>21,345.9</b>	