

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

1430 N Street, Room 1801  
Sacramento, CA

January 9, 2012  
10:00 a.m.

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

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

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

Lynette Kerr	I	Humboldt
Adrian Barron	II	Butte
De’An Chambless	II	Shasta
Diane Lacombe	III	El Dorado
Deborah Messervey	III	Nevada
Kathy Garrison	III	Placer
Debbie Holden	III	Sacramento
Debbie Wilkins	III	Sacramento
Barbara Henderson	III	Sutter
Jeff Potter	IV	Alameda
Sarah Blackstone	IV	Napa
Liz LaBelle	IV	Contra Costa
Priscilla Aquino-Dichoso	IV	San Mateo
Karen Deller	V	Monterey
Nancy Kohlman	VI	Amador
Jeri Blote	VI	San Joaquin

Jamie Perry	VII	Fresno
Jamie Dial	VII	Kings
Ann Peters	VII	Merced
Paula Driscoll	VIII	Ventura
Erin Garcia	IX	Imperial
Ann Peters	VII	Merced
Paula Driscoll	VIII	Ventura
Erin Garcia	IX	Imperial
Nancy Sheets	X	Riverside
Teri Kelly	X	San Bernadino
Mel Iizuka	XI	Los Angeles
Peter Foggiato		CDE
Arlene Matsuura		CDE
Rebecca Lee		CDE
Myra Okasaki		CDE
Michelle Plumbtree		FCMAT

**1. CDE Report**

- a) **Reminder: SACS Forum Meeting tomorrow 1/10/12 @ CDE**
  - Meeting starts at 9:30.

**2. Revised K-3 CSR final apportionment**

- CDE has received more claims for the 09/10 final CSR apportionment. Because the overall claims are \$680K over the K-3 CSR funding allocated for 09/10, CDE will be recapturing the \$680K based on each district’s pro-rata share of the 09/10 K-3 CSR funding. A small amount will be taken from each LEA in the February 2012 K-3 CSR apportionment.
- Beginning in FY 10/11, K-3 CSR became part of the continuous apportionment so CDE does not expect this type of adjustment to occur in future years.
- Arlene will follow up in the notes of the breakdown by LEA.

**3. Feedback from the group to CDE on SACS Software Forms 51A & 53A**

- Mostly no objections from the field on eliminating both forms.
- Diane asked if anyone had checked with any auditors to see if they would have an objection. No one had. CDE said they could check.
- One county stated that half of their districts use the forms as a quick cheat sheet. It was stated that nothing would prevent the districts from completing a similar form in a spreadsheet if they felt the format was useful. But, that didn’t mean it needed to be included in the software.

- It was suggested that CDE should consider deleting Form Asset.
  - CDE uses that form to collect certain data.
  - Some districts do not complete the form and there is no check to make sure they do complete it. CDE said they are looking at this issue and looking at possible changes that would ensure completion of the form.
  - Some districts put in the prior year numbers as they rely on their auditors to complete the forms. CDE cannot do anything about that. However, COEs could help to make sure that the LEAs update the form and that it contains valid data.
- CDE encouraged suggestions for elimination of any other outdated forms.

#### 4. Court decision on Redevelopment Agency Lawsuit (ABX 1 26 & ABX1 27)

- Court upheld ABX1 26 but overturned ABX1 27.
- RDA assets are deposited into the Redevelopment Property Tax Trust Fund
- The local County Auditor now has the responsibility to calculate and apportion the pass-through payments. The rules about what are property taxes or RL remain unchanged.
- County auditor will calculate and apportion net tax increment (increment after pass through, obligations, and admin costs) in two installments. One Jan 16<sup>th</sup> and the other on June 1<sup>st</sup> of each fiscal year. (H&S Code 34183 (a)(4)) The intent is that these will be property taxes for purposes of RL. All dates are pushed four months per the court ruling.
  - Existing obligations will continue. These will continue the same as if the RDA exists but will now be administered through successor agencies, typically county and city governments.
- Districts should make sure to work with RDAs while they are wrapping up operations before assets go to the successor agencies. Make sure that they know what they are signing, etc.
- Initially, 11-12 \$1.7B additional tax going to schools in property tax, per ABX1 27. DOF now estimates this to be \$1.1B since it is based on ABX1 26. However, the net tax increment is really unknown at this time so this is an estimate.
- CDE will not count any ABX1 27 funds reported to them for the P1 certification. They are not requesting revised files.
- Payments will go up, same as last meeting. However, there is concern that the State will not have the cash to repay this amount.
- Some of this can flow into next year because of the 4 month extension.
- Will basic aids benefit from tax increases?
  - CDE thinks there needs to be some cleanup in the ABX1 26 bill. They might benefit depending on what clean up may occur.
  - Will also need to consider whether these funds now become subject to charter in-lieu.
- Will there be two object codes that breaks out the RDA funds from the revenue limit offset?
- CDE agreed to follow up on this. Preliminary response is that it will be necessary to keep the two existing codes, Object 8047 and Object 8625, because the pass throughs continue, but it will probably be necessary to change the definitions a bit. There is the possibility of needing another object code in the Revenue Limit range for the net tax increment that LEAs receive, or perhaps expanding the definition of Object 8047. It is too soon to say with certainty because no doubt the laws surrounding these issues are going to change.

#### 5. Transportation trigger cut: Does anyone have information as to whether or not there is legislative action taking place to move these cuts to the Revenue Limit.

- Governor's proposal is to eliminate transportation completely. There is conversation to convert to a per-ADA cut since the current method creates winners and losers. It is anticipated that the effort to convert this to a per-ADA cut will continue.
- CDE received the 10-11 data. CDE has recalculated the apportionment with the trigger cuts in it. The intent is to get it out today in order to get a January payment.

- There are several districts that have been over apportioned. CDE's plan is to get that money back and then make a final apportionment that squares everyone up.
- In the past CDE used the TRANS apportionment to correct any errors in transportation funding. However, since this is going away, in the future CDE will not be able to go back and make corrections to prior years.
- Payments will be recertified at a lower level resulting in a noticeable drop in payments.
- Is it too late for districts to make changes for 10-11?
  - Yes, they are too late.

## 6. SACS – Form CASH

- It was mentioned that some financial systems would need to be changed because some of the systems print a report that mimics the current format. A request was made of CDE to inform the field of any planned changes as early as possible so financial system programmers can plan for coming changes.
- Some districts were concerned about the option of a second year cash flow schedule. They felt that if the form exists then CDE might require the completion of the form. CDE does not envision changing current practice, which is that LEAs are required to provide a cash flow projection but are not required to use Form CASH.

## 7. Cash Project Update/Discussion

- Brent is out. He did send out some preliminary information. With everyone being busy with interims, no one has had the opportunity to look at the material yet.
- It was suggested that everyone think about this issue as they look at interim cash flows because we want to see if there could be some common metrics, tests, etc.

## 8. FCMAT Procedure Manual

- It manual is complete. Normally the report is released during the CCSESA February conference. Michelle needs to know who will get up and talk a bit about the manual. Lynette said she would get up and talk.

## 9. CCSESA February 22-24 Conference Tentative Agenda\*

- Darren forwarded the draft agenda to everyone.
- The advanced pivot table session should be changed to “dynamic spreadsheets”.
- The cash flow session will cover internal and not just focus on external.

## 10. Roundtable Discussions

### a) How are COEs handling the temporary payroll tax cut continuation?

- The Temporary Payroll Tax Cut Continuation Act of 2011 includes a new “recapture” provision, which applies only to those employees who receive more than \$18,350 in wages during January and February 2012 (\$18,350 represents two months of the full-year social security wage base of \$110,100).
- This provision imposes an additional income tax on these higher-income employees of 2% of the amount of wages they receive during the two-month period that is in excess of \$18,350 but not more than \$110,100. It prevents high wage earners from gaining an extra benefit from the reduced employee social security tax rate.
- This additional recapture tax is an add-on to income tax liability that the employee would otherwise pay for 2012 and is not subject to reduction by credits or deductions.
- The recapture tax would be payable in 2013 when the employee files his or her income tax return for the 2012 tax year. It would not be paid through income tax withholding, although an employee in this situation may submit an amended Form W-4 to his or her employer to increase withholding to account for the anticipated additional income tax.

- Note: If Congress passes a full-year extension of the payroll tax cut, there is a good chance that the recapture provision would be repealed at the same time because it would no longer be necessary.
- Otherwise, quarterlies are going to be harder to manage since quarters are usually one single rate.

**b) Governor's 2012-13 Budget Proposal**

- There were questions about the detailed budget adjustments in the budget documents. Particularly the \$4.1 billion deferral adjustment. It was clarified that this includes adjusting last year's base for the new 11-12 \$2b deferral (always done the first year after a new deferral) and the buyback of one of the older deferrals.
- Is it the same concept as the compounding impact of cuts?
  - Not really. Part of the increase is the payback of the deferral. The other is adding back in that one year net savings.
- The LAO's analysis on page 19 shows the breakdown of the \$4.9B, broken down into two categories: technical and policy. Technical: \$2.44 billion is attributed to backfill of one-time actions. Policy: pay down existing \$2.2 billion K-12 and \$218 million community college deferrals.
- The prognostication is that it will be flat funding, without the trigger, and less transportation.
- The trigger (\$13/ADA) is not carried forward to the 12-13 budget.
- If the taxes do not pass, the trigger cut is estimated to be between \$320/ADA to \$450/ADA.
- The proposal includes eliminating the requirement to provide transitional K.
- We are still in the middle of reviewing the budget documents and waiting for additional details to be released / developed so this was mainly just a roundtable discussion to see what people were thinking.

**Additional Agenda Items:**

- a. Object 9210 (Accounts Receivable) vs. Object 9290 (Due From Grantor Governments).
- 9290 came around at the same time that SACS came up.
  - 9210 should be basic trade receivables.
  - As with all SACS codes, LEAs should use the SACS code if they have a transaction that fits that code.
  - The stated concern by some is whether the automated accrual features within local financial systems will allow using two different codes when setting up year-end A/R.
  - It was wondered if CDE still needs 9290 since it hasn't been used.
  - CDE will look into what happens if they don't use the 9290.
  - Caution was given to not go spend a lot of money right now to reprogram any of the local financial systems. It was noted that if an LEA's local system does not allow automatic accrual to more than one object code, the LEA could easily accrue all its A/R to one object code and then manually reclassify, lump-sum, the portion that should be reported in the other.
  - It was mused that unless the auditors care COEs generally are not going to push the districts to use the correct object code since they have a bunch of other stuff they are having to deal with right now.
  - All this musing is informal ruminating as of now. No direction is given to not follow CSAM. Everyone should maintain status quo in their financial system and not start costly projects to have the system use two objects as of yet.
- b. Question regarding hiring a retiree for a project. Do you automatically include SSN for them?
- Yes, because they are considered brand new and fall under the new rules.

**Next Meeting February 6, 2012**